Milk Link Processing Limited

Directors' report and financial statements

Registered number 04341233

9 month period ended 31 December 2012

Contents

Directors and advisors

Company number:	04341233	
Registered office:	Arla House 4 Savannah Way Leeds Valley Park Leeds LS10 1AB	
Directors:	Tim Smiddy	(resigned 1 January 2013)
	David Williams	
	Neil Kennedy	(resigned 4 April 2013)
	Jan Pedersen	(appointed 4 April 2013)
Secretary:	Karen Young	(resigned 4 April 2013)
	Tanjot Soar	(appointed 4 April 2013)
Auditor:	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW	

Directors' report

The Directors present their report and the audited financial statements for the 9 month period ended 31 December 2012

During the period, the company changed its year end from 31 March to 31 December These financial statements therefore cover the nine month period to 31 December 2012

Merger with Arla Foods

On 1 October 2012 Milk Link Holdings Limited, of which Milk Link Processing Limited is a wholly owned subsidiary, was acquired by Arla Foods amba and subsequently sold to Arla Foods amba's subsidiary Arla Foods Limited

On 1 February 2013 the goodwill and contracts of the Company, excluding the milk drinks business based at Crediton were sold to Arla Foods Limited The Company entered into a Management Services Agreement on the same date to provide manufacturing and other services to Arla Foods Limited

On 6 April 2013 the remaining trade and assets of the Company, excluding the milk drinks business based at Crediton were sold to Arla Foods Limited Following this sale, the Company ceased trading other than in respect of the milk drinks business based at Crediton

Principal activities and business review

The company's principal activities are the processing of milk into consumer products and the processing of surplus milk into bulk commodity products The company also acts as the administrative centre for the Milk Link Group and bears the cost of most of the head office management team

2012 continued to provide challenging market conditions with consumers continuing to focus on price and discount stores continuing to increase market share Milk Link Processing Limited's milk drinks business has had another challenging year as the continued discounting of fresh liquid milk further eroded the market share of long life milk This was exacerbated by the dramatic drop in cream prices, a by-product of the operations, which had a significant impact on the profitability of the business In the latter half of the year farmer protests resulted in an increase in the costs of raw milk which took some time to recover from the market place resulting in a further reduction in profitability

Ingredients profits also showed a significant reduction as a result of both reduced commodity prices for dairy products coupled with the a significant reduction in the availability of raw milk for processing as GB milk volumes fell 3 4% compared to the same period in the previous year

The Arla Group continued to deliver against its environmental agenda and was awarded the title Recycling Business of the Year by Awards for Excellence in addition to taking the award for Best Environmental Sustainability initiative at the Food Bev Innovation awards The company was also a finalist in the Environmental Sustainability category at the IGD awards as well as in the Corporate Responsibility and Sustainability category at the UK National Business awards

Milk drinks business

On the 27 September 2012, Arla Foods amba entered into certain commitments with the European Commission to allow the Commission to give approval to the proposed acquisition of Milk Link Holdings Limited and its subsidiary companies (the 'Commitments') These Commitments required the sale of the trade and assets of the Company's milk drinks business based at Crediton in Devon

Since the entering into of the Commitments the milk drinks business has been 'held separate' from the rest of the Arla group to ensure its independence and competitive viability

On the 22 May 2013 the Company and Arla Foods signed a binding agreement for the sale of the milk drink's business to Crediton Dairy Limited, a company owned by two former Directors of the Company The sale completed on 1st August 2013

Directors' report *(continued)*

Financial Risks and Uncertainties

The Company is funded by way of intercompany funding from the Group and therefore has access to significant financial resources Following the sale of the trade and assets to Arla Foods Limited and Crediton Dairy Limited, the Directors consider that the Company has limited exposure to any financial risks but this is reviewed on a periodic basis alongside the regular Group forecasting process

Dividends

The directors do not propose a dividend for the 9 month period to December 2012 *(12 months to March 2012 £nil)*

Directors

Directors who are currently serving or who have served during the year are as follows

Tim Smiddy	(resigned 1 January 2013)
David Williams	
Neil Kennedy	(resigned 4 April 2013)
Jan Pedersen	(appointed 4 April 2013)

Charitable and political donations

Donations to charitable organisations for the period amounted to £4,*209 (March 2012 £4,493)* There were no political donations in the current or prior year

Employee consultation

The Company is committed to involving all employees in the development and prosperity of the business This requires that employees are kept as fully consulted as is practicable about the Company's progress The Management Association, the Trade Union, the Company newspaper and management meetings are the key methods of communication used for this purpose

Applications for employment from disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, is identical to that of a person who does not suffer from a disability

The Company promotes all aspects of safety throughout its operations in the interests of employees, sub-contractors and visitors to its sites and premises

Creditor's payment policy

The Company aims to pay all its suppliers within a reasonable period of their invoice being received and in any case within the supplier's own standard payment period It is the policy of the Company to make payments to all creditors in accordance with the Confederation of British Industry prompt payment code (copies of which are available from CBI at Centre Point, 103 New Oxford Street, London, WC1A 1DU) The number of days' purchases outstanding for the Company at 31 December 2012 was 30 days *(2012 30)*

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Deloitte LLP resigned as auditor during the year and KPMG LLP was appointed to fill the vacancy arising

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

David Williams
Director

Arla House
4 Savannah Way
Leeds Valley Park
Leeds
LS10 1AB

15 November 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditor's report to the members of Milk Link Processing Limited

We have audited the financial statements of Milk Link Processing Limited for the 9 month period ended 31 December as set out on pages 8 to 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the 9 month period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Milk Link Processing Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

J Pass

Johnathan Pass (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
LS1 4DW

15 November 2013

Profit and loss account
For the 9 month period ended 31 December 2012

	Note	**9 month period ended 31 December 2012 £'000**	Year ended 31 March 2012 £ 000
Turnover	*2*	**65,540**	109,867
Cost of sales		**(52,121)**	(86,093
Gross profit		**13,419**	23,774
Other operating expenses		**(26,874)**	(20,528)
Operating (loss)/profit on ordinary activities before interest		**(13,455)**	3,246
Interest payable and similar charges	*6*	**(565)**	(1,021)
(Loss)/profit on ordinary activities before taxation	*3*	**(14,020)**	2,225
Tax charge on (loss)/profit on ordinary activities	*7*	**(9)**	(721)
(Loss)/profit for the financial period	*17*	**(14,029)**	1,504

The results above derive from continuing operations However, as explained in note 21, in April 2013 and August 2013, the entire operations of the company were sold and therefore the company will cease to trade from 1st August 2013

The accompanying accounting policies and notes form an integral part of these financial statements

Statement of total recognised gains and losses

For the 9 month period ended 31 December 2012

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £ 000
(Loss)/profit for the financial period	(14,029)	1,504
Property revaluation in the period	-	(51)
Total recognised gains for the period	**(14,029)**	1,453

Historical cost profit and losses

For the 9 month period ended 31 Decdember 2012

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £'000
Reported (loss)/profit on ordinary activities before taxation	(14,020)	2,225
Difference between historical cost depreciation charge and the actual depreciation charge for the period	36	36
Historical cost (loss)/profit on ordinary activities before taxation	**(13,984)**	2,261
Historical cost (loss)/profit on ordinary activities after taxation	**(13,993)**	1,540

The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet
at 31 December 2012

	Note	31 December 2012 £000	31 March 2012 £000
Fixed assets			
Intangible assets	*8*	**4,069**	4,379
Tangible assets	*9*	**7,536**	8,288
		11,605	12,667
Current assets			
Stocks	*11*	**6,957**	7,445
Debtors	*12*	**13,720**	53,834
		20,677	61,279
Creditors: amounts falling due within one year	*13*	**(28,491)**	(56,126)
Net current (liabilities)/assets		**(7,814)**	5,153
Net assets		**3,791**	17,820
Capital and reserves			
Share capital	*16*	**2**	2
Share premium account	*17*	**39,998**	39,998
Revaluation reserve	*17*	**463**	499
Profit and loss account	*17*	**(36,672)**	(22,679)
Shareholder's funds	*17*	**3,791**	17,820

These financial statements were approved by the board of directors on 15 November 2013 and were signed on its behalf by

David Williams
Director

The accompanying accounting policies and notes form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable UK Generally Accepted Accounting Practice The accounting policies have been applied consistently from last year and remain the most appropriate

Going concern

The Directors consider the Company's continuing requirement for financing facilities and exposure to credit markets is immaterial following the sale of the trade and assets of the business to Arla Foods Limited and Crediton Dairy Limited, and that the Company has access to the considerable financial resources of the Arla Foods amba group The company has received an offer of financial support from Arla Foods Limited, a subsidiary of Arla Foods amba For these reasons the Company is considered a going concern and these accounts continue to be prepared on the going concern basis

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Arla Foods amba and its cash flows are included within the consolidated cash flow statement of that company

Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life The company undertakes impairment reviews to assess the recoverability of the carrying value of goodwill where there is an indication that an impairment review is required

All goodwill is amortised over a useful economic life of 20 years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all fixed assets, other than freehold land and assets under construction at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Freehold properties	15-40	years
Leasehold properties	Over the term of the lease	
Plant and machinery	3 - 15	years
Fixtures, fittings and equipment	2 - 5	years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable

Revaluation of properties

A full professional valuation of individual freehold properties is carried out every five years, an interim valuation every three years and a review each year The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Investments are included at cost subject to impairment reviews

Stocks

Stocks are stated at the lower of cost or net realisable value Cost includes materials, direct labour, capitalised interest and an attributable proportion of overheads based on normal levels of activity

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Turnover

Turnover represents the amount receivable, net of VAT and trade discounts, for sales of milk, processed dairy products and related support services It is recognised when the risks and rewards of ownership pass to the customer, which is considered to be the point of despatch

Defined contribution pension scheme

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date All exchange differences are dealt with through the profit and loss account

Leased assets

Assets held under finance leases are capitalised in the balance sheet and depreciated over their estimated useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease All other leases are regarded as operating leases and are charged to the profit and loss account on a straight-line basis over the period of the lease term

Liquid resources

Milk Link Processing Limited considers it's short-term (available within 24 hours) deposits on money markets, and supporting accounts, as liquid resources

Government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful lives of the assets to which they relate

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

2 Turnover

Turnover is wholly attributable to the supply of processed dairy products and related support services

All turnover arose within the United Kingdom, except for £1,216,000 *(12 months to March 2012 £4,047,000)*, which arose from sales to Europe and £nil *(12 months to March 2012 £nil)* which arose from sales to the Rest of World

3 Profit on ordinary activities before taxation

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £ 000
(Loss)/profit on ordinary activities before taxation arises after charging		
Auditor remuneration		
- Audit of these financial statements	**78**	19
- Taxation services	**13**	4
Goodwill amortisation and impairment	**310**	414
Depreciation - owned assets	**1,243**	1,775
Depreciation - assets held under finance leases	**-**	25
Loss on disposal of fixed assets	**-**	142
Operating lease rentals		
- Land and buildings	**112**	252
- Plant and machinery	**477**	770
Realised loss on foreign exchange translation	**44**	14
Re-organisation costs	**7,527**	-
Management charge to other group companies	**-**	(8,063)

The reorganisation costs include £4,423,000 of redundancy and employess retention costs in preparation of the merger with Arla Foods amba Also included is £3,104,000 representing a payment to certain staff as compensation for crystallising various employee incentive plans

4 Directors' emoluments

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £'000
Emoluments paid and due to directors	**2,282**	1,301
Pension contributions	**68**	94
	2,350	1,395

Notes *(continued)*

4 Directors' emoluments *(continued)*

Amounts set out above include remuneration in respect of the highest paid director as follows

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £ 000
Emoluments paid	1,293	749
Total pension contributions	37	46

Of the total emoluments disclosed above, £nil *(12 months to March 2012 £1,188,000)* has been recharged to other subsidiaries within the Group

Emoluments paid and due include amounts due under existing long term and short term executive incentive schemes that were crystallised and became due as a consequence of the merger of the Milk Link Group with Arla Foods

In the 9 months to December 2012 no Director was a member of a defined benefit pension scheme *(12 months to March 2012 none)*

5 Staff costs

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £ 000
Wages and salaries	6,580	10,089
Social security costs	654	850
Other pension costs	390	487
	7,624	11,426
	No	No
Average numbers of employees		
Production	107	117
Administrative	76	67
	183	184

6 Interest payable and similar charges

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £'000
Interest recharged from other group companies	565	1,021

Notes *(continued)*

7 Tax on profit on ordinary activities

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £ 000
Tax charge for current year	-	782
Total current tax	-	782
Deferred tax adjustment in respect of prior year	2	(9)
Other deferred tax	(11)	(52)
Total tax charge	(9)	721

The standard rate of tax for the period, based on the United Kingdom weighted average rate of corporation tax over the year, was 24% *(March 2012 26%)* The actual tax charge for the current and previous period differs from the standard rate for the reasons set out in the following reconciliation

	9 month period ended 31 December 2012 £'000	Year ended 31 March 2012 £'000
(Loss)/profit on ordinary activities before taxation	(14,020)	2,225
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% *(March 2012 26%)*	(3,365)	579
Expenses not deductible for tax purposes	90	23
Differences between depreciation and capital allowances	2	(74)
Movement in provisions	-	(11)
Group relief free of charge	3,284	-
Transfer pricing	-	(46)
Worldwide debt cap	-	311
Change in tax rate	(11)	-
Current tax	-	782

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset/liability at 31 December 2012 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date)

Notes *(continued)*

8 Intangible fixed assets

	Purchased goodwill £'000
Cost	
As at 1 April 2012 and 31 December 2012	10,597
Depreciation	
As at 1 April 2012	6,218
Charge for the period	310
As at 31 December 2012	6,528
Net book value	
At 31 December 2012	**4,069**
At 31 March 2012	4,379

Notes *(continued)*

9 Tangible fixed assets

	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation						
As at 1 April 2012	796	729	13 402	5,241	597	20,765
Additions	-	-	-	-	491	491
Transfers	-	-	218	54	(272)	-
As at 31 December 2012	796	729	13,620	5,295	816	21,256
Depreciation						
As at 1 April 2012	-	212	8,212	4,053	-	12,477
Charge for the period	128	27	566	522	-	1,243
As at 31 December 2012	128	239	8,778	4,575	-	13,720
Net book value						
At 31 December 2012	**668**	**490**	**4,842**	**720**	**816**	**7,536**
At 31 March 2012	796	517	5,190	1,188	597	8,288

At 4 April 2009 the company revalued freehold property A full independent valuation was undertaken by King Sturge Chartered Surveyors in accordance with the principles adopted by the Royal Institute of Chartered Surveyors (RICS) In line with FRS15 'Tangible Fixed Assets' at the year end the company carried out an interim valuation at 31 March 2012 on its freehold property, which resulted in a reduction in the book valuation of £51,000

Freehold property with a depreciated replacement cost of existing use value of £668,000 *(March 2012 £796,000)* as at 31 December 2012 had a depreciated historical cost of £205,000 *(March 2012 £297,000)* as at the same date

The figures stated above include assets held under finance leases as follows

	Plant and machinery £'000
Cost and depreciation	
As at 1 April 2012 and 31 December 2012	1,663
Net book value	
At 1 April and 31 December 2012	-

Notes *(continued)*

10 Investments

At 31 March 2012 and 31 December 2012, the company held 20% or more of the equity and voting rights of the following companies

Principal subsidiaries	Class of share held	Proportion held	Natutre of business
Tanner Foods Limited	Ordinary	100%	Dormant
Milk Link (Crediton No 2) Limited	Ordinary	100%	Property company
Milk Link (Staplemead No 2) Limited	Ordinary	100%	Dormant

A full list of subsidiaries, including all dormant companies, can be obtained from the registered office address

All subsidiary undertakings prepared accounts to 31 December 2012 and 31 March 2012 and are registered in England and Wales

11 Stocks

	31 December 2012 £'000	31 March 2012 £ 000
Raw materials and consumables	**2,184**	2,126
Finished goods	**4,773**	5,319
	6,957	7,445

The Directors consider that the difference between replacement value and historical cost of stocks is not significant

12 Debtors

	31 December 2012 £'000	31 March 2012 £ 000
Trade debtors	**7,816**	6,502
Other debtors	**187**	1,669
Amounts owed from group undertakings	**4,674**	45,302
Deferred tax asset	**248**	257
Prepayments and accrued income	**795**	104
	13,720	53,834

Notes *(continued)*

13 Crediors' amounts falling due within one year

	31 December 2012 £'000	31 March 2012 £ 000
Trade creditors	**3,121**	2 948
Amounts owed to group undertakings	**14,593**	48,386
Other creditors	**389**	428
Taxation and social security	**323**	307
Accruals and deferred income	**10,065**	4,057
	28,491	56,126

14 Obligations under operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	31 December 2012 £'000	31 March 2012 £ 000
Operating leases which expire		
In respect of land and buildings		
In over five years	**149**	149
In respect of other leases		
Within one year	**635**	506
In two to five years	**164**	129
	799	635

15 Deferred tax

	Provided	
	31 December 2012 £'000	31 March 2012 £ 000
Depreciation in excess of capital allowances	**248**	256
Other timing differences	**-**	1
	248	257

Notes *(continued)*

16 Share capital

	31 December 2012 £'000	31 March 2012 £ 000
Allotted, called up and fully paid		
2,000 *(March 2012 2,000)* ordinary shares of £1 each	2	2

17 Reconciliation of shareholder's funds/(deficit) and movements in shareholder funds

	Ordinary share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 3 April 2011	2	39,998	586	(24,219)	16,367
Profit for the financial year	-	-	-	1 504	1,504
Property revaluation in the year	-	-	(51)	-	(51)
Realised revaluation reserve	-	-	(36)	36	-
Balance at 31 March 2012	2	39,998	499	(22,679)	17,820
Loss for the financial period	-	-	-	(14,029)	(14,029)
Realised revaluation reserve	-	-	(36)	36	-
Balance at 31 December 2012	2	39,998	463	(36,672)	3,791

18 Capital committments

	31 December 2012 £'000	31 March 2012 £ 000
Contracted for but not provided	35	114
Other timing differences	-	1

19 Contingent liabilities

The company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business The Directors do not anticipate that the outcome of the proceedings and claims, either individually or in aggregate will have a material adverse effect on the company's financial position

20 Related party transactions

The company is a wholly owned subsidiary of Arla Foods amba and has accordingly taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with Group entities which are also wholly owned by the Group

Notes *(continued)*

21 Post balance sheet events

On 1 February 2013 the goodwill and contracts of the Company, excluding the milk drinks business based at Crediton were sold to Arla Foods Limited The Company entered into a Management Services Agreement on the same date to provide manufacturing and other services to Arla Foods Limited

On 6 April 2013 the remaining trade and assets of the Company, excluding the milk drinks business based at Crediton were sold to Arla Foods Limited Following this sale, the Company ceased trading other than in respect of the milk drinks business based at Crediton

On the 22 May 2013 the Company and Arla Foods signed a binding agreement for the sale of the milk drink's business based at Crediton to Crediton Dairy Limited a company owned by two former Directors of the Company in accordance with certain Commitments entered into by Arla Foods on the merger of Arla Foods amba with Milk Link Limited The sale completed on 1st August 2013

22 Ultimate parent company and controlling party

The Company's ultimate parent undertaking and controlling party is Arla Foods amba

The largest and smallest group in which the results of the company are consolidated is that headed by Arla Foods amba The consolidated financial statements are available from Arla House, 4 Savannah Way, Leeds Valley Park, Leeds, LS10 1AB