

Milk Link Processing Limited

Report and financial statements

Registered number 04341233

31 December 2014

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Contents

Directors and advisors	1
Directors' report and strategic report	2
Statement of directors' responsibilities in respect of the report and the financial statements	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Historical cost profit and losses	6
Balance sheet	7
Notes	8

Directors and advisors

Company number: 04341233

Registered office: Arla House
4 Savannah Way
Leeds Valley Park
Leeds
LS10 1AB

Directors: David Williams
Jan Pedersen
AT Haegg (appointed 13 January 2015)

Secretary: Tanjot Soar

Directors' report and strategic report

Strategic report

Principal activities and business model

The company's principal activities were the processing of milk into consumer products and the processing of surplus milk into bulk commodity products. The company also acted as the administrative centre for the Milk Link Group and bore the cost of most of the head office management team. However, the trade and assets of the company were transferred to Arla Foods Ltd and Crediton Dairy Ltd during 2013, and the company ceased to trade from this point. The results for the period are disclosed in the profit and loss account on page 5.

Business review and results

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.

On the 22 May 2013 the Company and Arla Foods Limited signed a binding agreement for the sale of the milk drinks 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 Limited on the merger of Arla Foods amba with Milk Link Limited. The sale completed on 1st August 2013, with the exception of the property, which was retained as an investment property by the Company, and revalued at that date.

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.

Key performance indicators

The business review and key performance indicators of the Group are disclosed in the consolidated financial statements of Arla Foods amba, a cooperative incorporated and registered in Denmark.

Future developments

Looking forward, the Board is confident that the Group of companies that the Company belongs to will continue to prosper and successfully grow market share.

Directors report

The Directors present their report and financial statements for the year ended 31 December 2014 (referred to as "December 2014" throughout these financial statements) The comparative period is year ended 31 December 2013 (referred to as "December 2013" throughout these financial statements).

Dividends

The directors do not propose a dividend for the year ended December 2014 (*December 2013: £nil*).

Directors' report *(continued)*

Directors

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

David Williams

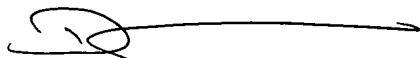
Jan Pedersen

AT Haegg (appointed 13 January 2015)

Charitable and political donations

Donations to charitable organisations for the period amounted to £nil (*December 2013: £nil*). There were no political donations in the current or prior year.

By order of the board



David Williams
Director

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

9th November 2015

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

The directors are responsible for preparing the Strategic Report, 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.

Profit and loss account
For the year ended 31 December 2014

	<i>Note</i>	2014 £'000	2013 £'000
Turnover	2	-	39,479
Cost of sales		-	(28,880)
		<hr/>	<hr/>
Gross profit		-	10,599
Other operating expenses		-	(9,091)
		<hr/>	<hr/>
Operating profit/(loss) on ordinary activities before interest		-	1,508
Loss on disposal of discontinued operation	16	-	(4,760)
Interest payable and similar charges	6	-	(3)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	-	(3,255)
Tax charge on loss on ordinary activities	7	-	(248)
		<hr/>	<hr/>
Loss for the financial period	12	-	(3,503)
		<hr/>	<hr/>

As explained in the directors report, between April 2013 and August 2013, the entire operations of the company were sold and therefore the company ceased trading from 1st August 2013. Therefore the results above all relate to discontinued operations.

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

Statement of total recognised gains and losses
for the year ended 31 December 2014

	<i>Note</i>	2014 £'000	2013 £'000
Loss for the financial year		-	(3,503)
Revaluation of investment property		-	931
Total recognised (losses)/gains for the year		-	(2,572)

Historical cost profit and losses
For the year ended 31 December 2014

	2014 £'000	2013 £'000
Reported loss on ordinary activities before taxation	-	(3,255)
Difference between historical cost depreciation charge and the actual depreciation charge for the period	-	4
Historical cost loss on ordinary activities before taxation	-	(3,251)
Historical cost loss on ordinary activities after taxation	-	(3,499)

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

Balance sheet
at 31 December 2014

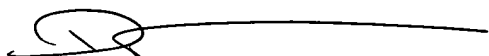
	<i>Note</i>	2014 £000	2013 £000
Fixed assets			
Investment properties	8	2,344	2,344
Creditors: amounts falling due within one year	10	(1,125)	(1,125)
Net assets		1,219	1,219
Capital and reserves			
Share capital	11	2	2
Share premium account	12	39,998	39,998
Revaluation reserve	12	1,390	1,390
Profit and loss account	12	(40,171)	(40,171)
Shareholder's funds	12	1,219	1,219

For the year ended 31 December 2014 the company was entitled to exemption under section 480 of the Companies Act 2006 relating to dormant companies.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The director's acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These financial statements were approved by the board of directors on 9th November 2015 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.

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.

Investment properties

In accordance with the Statement of Standard Accounting Practice No 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

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 £nil (2013: £184,000), which arose from sales to Europe.

3 Loss on ordinary activities before taxation

	2014 £'000	2013 £'000
<i>Loss on ordinary activities before taxation arises after charging:</i>		
Auditor's remuneration:		
- Audit of these financial statements	-	9
- Taxation services	-	1
Goodwill amortisation and impairment	-	35
Depreciation	-	574
Operating lease rentals:		
- Land and buildings	-	12
- Plant and machinery	-	53
Realised (gain)/loss on foreign exchange translation	-	(3)
Loss on disposal of discontinued operations (note 16)	-	4,760
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The 2014 Auditor's remuneration costs of £500 have been borne on behalf of the Company by another group company, Arla Foods Limited.

Notes (continued)

4 Directors' emoluments

The directors of the Company during the period were also directors or employees of other group companies. The directors' services to the Company during the period did not occupy a significant amount of their time and as such the directors do not consider that they have received any remuneration for their incidental services to the Company.

In the year ended 31 December 2014 no Director was a member of a defined benefit pension scheme (2013: none).

5 Staff costs

	2014 £'000	2013 £'000
Wages and salaries	-	2,424
Social security costs	-	242
Other pension costs	-	124
	<hr/>	<hr/>
	-	2,790
	<hr/>	<hr/>
	No	No
Average numbers of employees		
Production	-	36
Administrative	-	25
	<hr/>	<hr/>
	-	61
	<hr/>	<hr/>

6 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest recharged from other group companies	-	3
	<hr/>	<hr/>

7 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Total current tax	-	-
	<hr/>	<hr/>
Deferred tax adjustment in respect of prior year	-	-
Other deferred tax	-	248
	<hr/>	<hr/>
Total tax charge	-	248
	<hr/>	<hr/>

Notes (continued)

7 Tax on profit on ordinary activities (continued)

The standard rate of tax for the period, based on the United Kingdom weighted average rate of corporation tax over the year, was 21.5% (2013: 23.3%). The actual tax charge for the current and previous period differs from the standard rate for the reasons set out in the following reconciliation:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	-	(3,255)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%)	-	(758)
Group relief free of charge	-	758
	<hr/>	<hr/>
Current tax	-	-
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% 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.

The above tax rate therefore represents a blended rate due to the change in rates during the year.

8 Investment properties

	Investment property £'000
<i>Net book value</i>	
At 31 December 2013 and 31 December 2014	2,344
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The property was revalued to its fair value according to the sale agreement of the milk drinks business to Crediton Dairy Ltd. The property was retained and leased to Crediton Dairy Ltd with an option to purchase at the fair value at any point during the lease term (25 years). No rent is payable to the Company during the lease term.

Notes (continued)

9 Investments

At 31 December 2014 and 31 December 2013, the company held 20% or more of the equity and voting rights of the following companies:

Principal subsidiaries	Class of share held	Proportion held	Nature of business
Tanner Foods Limited	Ordinary	100%	Dormant
Milk Link (Crediton No. 2) Limited	Ordinary	100%	Property company
Milk Link (Crediton) 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 2014 and 31 December 2013 and are registered in England and Wales.

10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	1,125	1,125

The amounts owed to group undertakings carry no interest and are repayable on demand.

11 Share capital

	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i> 2,000 (2013: 2,000) ordinary shares of £1 each	2	2

Notes (continued)

12 Reconciliation of shareholder's funds 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 31 December 2012	2	39,998	463	(36,672)	3,791
Loss for the financial year	-	-	-	(3,503)	(3,503)
Realised revaluation reserve	-	-	(4)	4	-
Property revaluation in the year	-	-	931	-	931
Balance at 31 December 2013	2	39,998	1,390	(40,171)	1,219
Result for the financial year	-	-	-	-	-
Balance at 31 December 2014	2	39,998	1,390	(40,171)	1,219

13 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.

14 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 can be obtained from the secretary at Sonderhoj 14, DK-8260 Viby J, Denmark.

15 Trade and assets transfer

On 1 February and 6 April 2013 the Company transferred trade and certain assets to Arla Foods Ltd, which is a fellow group undertaking within the Arla Foods amba group. These assets were transferred at fair value which was equal to book value, and comprised:

	£000
Goodwill	4,035
Tangible fixed assets	1,381
Stocks	21
Debtors	4,261
Creditors: amounts falling due within one year	(22,918)
Net liabilities transferred	(13,220)

Notes (continued)

16 Disposal of operations

On 1 August 2013 the Company and Arla Foods completed the sale of the milk drinks 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. These assets comprised:

	£000
Tangible fixed assets	4,292
Stocks	3,917
Debtors	7,307
Creditors: amounts falling due within one year	(6,036)
Net assets transferred	9,480

Consideration of £4,720,000 was received by Arla Foods Ltd for the discontinued operation, and this was recognised as an intercompany balance by the Company. As a result, an exceptional loss on disposal of £4,760,000 was recognised on disposal of the discontinued operation (see note 3).