

**A E Rodda & Son Group Limited (formerly known as North Downs
Farm Limited)**

**Annual Report and Consolidated Financial Statements
Year Ended 31 March 2019**

Registration number: 08330491

TUESDAY



A8D006RK

A12

10/09/2019

#145

COMPANIES HOUSE

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Consolidated Profit and Loss Account	10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 to 36

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Company Information

Directors	J W Pengelly
	P E Rodda
	A J Rodda
	R N Morriss
	N L Rodda
	N A Kennedy
Registered office	The Creamery Scorrier Redruth Cornwall TR16 5BU
Auditors	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Strategic Report

Year Ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activity

The principal activity of the company is manufacturing and wholesale of Cornish clotted cream, liquid cream, bottled milk and other dairy products.

Fair review of the business

The board is pleased to report a return to profitability for the group, the board is conscious that further progress is still to be made. The operating profit, before exceptional costs and other operating income, is a profit of £341k comparing favourably with a prior year loss of £2,059k.

The gross profit has improved from 13.7% to 19.9% in the last year (though still below the 2017 level of 22.4%) reflecting lower production costs, improved matching of supply and demand and better by-product pricing.

The year 2018/19 saw the business implement some structural changes to help reverse and mitigate the losses of the previous year. This operational plan was a complete business review but naturally the main focus was on creamery efficiency and workflows, supplier base, customers, stock keeping units (SKUs) range and overheads and concluded in March 2019.

As part of the operational plan we restructured our operations in the later part of the financial year reverting to an essentially 5-day operation from a 7-day cost base, reducing costs across the board. We also took this opportunity to simplify and rationalise the current product range with increased focus on the higher margin products. As a consequence of the SKU and customer rationalisation revenues have stayed fairly flat. The cost savings, which triggered an exceptional £250k of one-off costs to implement, benefited each cost area. Some savings were realised in the second half of 2018/19; however, the full value will be seen in 2019/20.

These cost savings were aided by a lower depreciation charge for the year of £901k when compared to the previous depreciation model. This change has arisen following a review of the useful economic lives being applied to both tangible and intangible fixed assets.

The group has been cash generative for the year with cash generated from operating activities of £626k (2018: cash utilised of £2,592k). Stock levels were reduced significantly following the stock build in the previous year, however the full benefit of this was offset by creditors now returning back to normal supplier terms.

Reliance on external finance has substantially reduced in the year from £4,915k down to £4,128k. This has been derived through the combination of cash generation and continued support of the family with directors introducing funds of £400k to effectively replace some external finance.

The group has also continued to benefit from its current external funding package which is flexed in the winter period when the stock build occurs.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Strategic Report

Year Ended 31 March 2019

The Direct Milk Supply Group; this is now established and working well, we are looking to further align the supply and demand profiles of milk and sales to maximise further commercial opportunities. With the support of our farmers in the Direct Milk Supply Group we are developing new revenue opportunities expecting to have a material impact in 2019/2020.

During the year the leadership team was strengthened with Neil Kennedy appointed as the non-executive chairman and Paddy O'Keeffe joining the team as operations director, both bringing a considerable wealth of industry experience. The Board is looking to make additional appointments to further strengthen the leadership team.

Principal risks and uncertainties

Commercial relationships

We have a broad customer base spanning retail, international, manufacturing and food service channels. We continue to develop close working relationships with our commercial team aligning customer goals and our plans to maximise opportunities for both. We are committed to continue with our investment plans of brand building activity to engage our consumers and drive increased sales through our customer base which will reduce our commercial exposure.

Raw material

The creamery is reliant on the supply of one key raw material, Cornish milk. All our milk is sourced from local farms within a 30-mile radius of the creamery. The directors believe that the commitment and close working relationship with the Direct Milk Supply Group gives the business the opportunity to align both parties' requirements for mutual success.

The plans and preparations for the previous Brexit date in March are still valid and current. Further contingencies are being implemented as information is disseminated from the public domain. However, the wider dairy industry concerns at a no deal Brexit are unknown and may well pose some exposure to the business and our farmers.

Product quality

The brand continues to strengthen with customers and consumers and is fundamentally based on the quality of its products and service levels meeting their expectations. The group has invested significant time, money and resource into ensuring that we have a robust quality process throughout the business. The creamery is accredited to BRC Global Standard for Food Safety Grade A standard and has many individual customer accreditations.

Information technology

The group places significant reliance on its information systems throughout the business. A major failure of these systems could cause operational and practical disruption for the business. However, the directors believe there are sufficient safeguards and backups in place to avoid any impactful disruption to order placement, production and dispatch which could compromise our customer service.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Strategic Report

Year Ended 31 March 2019

Working capital

The group has a relatively short working capital cycle due to the short shelf life of both the raw material and the finished goods produced.

The group finances its operations through a combination of retained profits, debenture loans from connected parties and has a policy of purchasing fixed assets on finance leases so as to match cash outflow with the utilisation of the assets. In addition, the group has various other financial assets and liabilities such as trade debtors and creditors arising directly from its operations.

Changes to its operations as a consequence of direct milk supply from the group's Direct Milk Supply Group have necessitated holding higher levels of stock. The group has arranged separate finance by way of invoice discounting to support this working capital requirement.

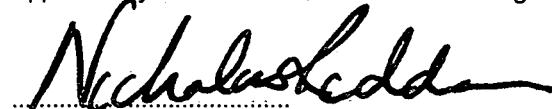
The group is dealing with a number of major retailers and food service companies which is reflected in our trade debtor balance. The credit risk associated with our trade debtor balance is limited because a large proportion of customers are large corporations with high credit ratings. All customers who wish to trade on credit terms are subject to credit verification procedures. Debtor balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The group manages its cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its business.

Summary

2018/19 has been a year of transition seeing the benefit of the corrective actions taken in the year. Looking forward, in the period since 31 March 2019, the group has continued to benefit from improved tracking margins and lower cost base and the business focus will remain to invest and drive branded sales growth across the retail, foodservice and manufacturing channels.

Approved by the Board on ^{6 April 19}~~2019~~ and signed on its behalf by:



N L Rodda
Director

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Directors' Report

Year Ended 31 March 2019

The directors present their report and the for the year ended 31 March 2019.

Directors of the group

The directors who held office during the year were as follows:

J W Pengelly

P E Rodda

A J Rodda

R N Morriss

K E Sigrist (resigned 5 October 2018)

N L Rodda

N A Kennedy

Disclosure of information to the auditor

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on ^{6 Sept 19}~~6 Sept 18~~ and signed on its behalf by:



N L Rodda
Director

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

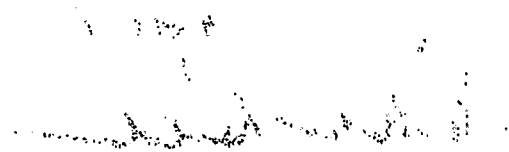
Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A handwritten signature in dark ink, appearing to be 'A. E. Rodda', is written over a faint, illegible printed name.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Independent Auditor's Report

Opinion

We have audited the financial statements of A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

PKF Francis Clark

Andrew Allen BSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

Date: *6 September 2019*

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Consolidated Profit and Loss Account

Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	36,848	36,570
Cost of sales		<u>(29,502)</u>	<u>(31,548)</u>
Gross profit		7,346	5,022
Distribution costs		(4,546)	(4,318)
Administrative expenses		<u>(2,459)</u>	<u>(2,763)</u>
		341	(2,059)
Exceptional costs associated with restructuring	6	(250)	-
Other operating income	4	<u>93</u>	<u>135</u>
Operating profit/(loss)	5	184	(1,924)
Other exceptional item	6	(75)	(502)
Other interest receivable and similar income		2	-
Interest payable and similar charges	9	<u>(49)</u>	<u>(46)</u>
Profit/(loss) before tax		62	(2,472)
Taxation	10	<u>-</u>	<u>460</u>
Profit/(loss) for the financial year		<u>62</u>	<u>(2,012)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>62</u>	<u>(2,012)</u>

The above results were derived from continuing operations.

The group has no recognised gains or losses for the year other than the results above.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Consolidated Statement of Comprehensive Income

Year Ended 31 March 2019

	2019 £ 000	2018 £ 000
Profit/(loss) for the year	<u>62</u>	<u>(2,012)</u>
Total comprehensive income for the year	<u>62</u>	<u>(2,012)</u>
Total comprehensive income attributable to:		
Owners of the company	<u>62</u>	<u>(2,012)</u>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Consolidated Balance Sheet

31 March 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	11	74	84
Tangible assets	12	<u>4,621</u>	<u>5,036</u>
		<u>4,695</u>	<u>5,120</u>
Current assets			
Stocks	14	2,535	3,522
Debtors	15	4,487	4,792
Cash at bank and in hand	16	<u>4</u>	<u>2</u>
		7,026	8,316
Creditors: Amounts falling due within one year	17	<u>(5,612)</u>	<u>(6,892)</u>
Net current assets		<u>1,414</u>	<u>1,424</u>
Total assets less current liabilities		6,109	6,544
Creditors: Amounts falling due after more than one year	17	(2,040)	(2,444)
Deferred income	4, 21	<u>(154)</u>	<u>(247)</u>
Net assets		<u>3,915</u>	<u>3,853</u>
Capital and reserves			
Called up share capital	22	9	9
Capital redemption reserve		1	1
Profit and loss account		<u>3,905</u>	<u>3,843</u>
Equity attributable to owners of the company		<u>3,915</u>	<u>3,853</u>
Total equity		<u>3,915</u>	<u>3,853</u>

Approved and authorised by the Board on 6 March 19 and signed on its behalf by:



N L Rodda
Director

Company Registration Number: 08330491

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

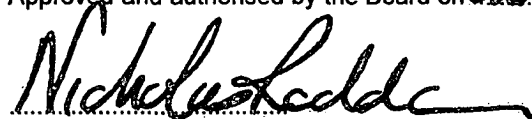
Balance Sheet

31 March 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	13	10	10
Current assets			
Debtors	15	2,209	2,317
Creditors: Amounts falling due within one year	17	(145)	(145)
Net current assets		<u>2,064</u>	<u>2,172</u>
Total assets less current liabilities		2,074	2,182
Creditors: Amounts falling due after more than one year	17	(665)	(805)
Net assets		<u>1,409</u>	<u>1,377</u>
Capital and reserves			
Called up share capital	22	9	9
Capital redemption reserve		1	1
Profit and loss account		<u>1,399</u>	<u>1,367</u>
Total equity		<u>1,409</u>	<u>1,377</u>

The company made a profit after tax for the financial year of £32,000 (2018 - profit of £26,000).

Approved and authorised by the Board on 6/07/19 and signed on its behalf by:



N L Rodda
Director

Company Registration Number: 08330491

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Consolidated Statement of Changes in Equity

Year Ended 31 March 2019

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2018	9	1	3,843	3,853
Profit for the year	-	-	62	62
Total comprehensive income	-	-	62	62
At 31 March 2019	9	1	3,905	3,915

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2017	9	1	5,855	5,865
Loss for the year	-	-	(2,012)	(2,012)
Total comprehensive income	-	-	(2,012)	(2,012)
At 31 March 2018	9	1	3,843	3,853

The notes on pages 17 to 36 form an integral part of these financial statements.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Statement of Changes in Equity

Year Ended 31 March 2019

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2018	9	1	1,367	1,377
Profit for the year	-	-	32	32
Total comprehensive income	-	-	32	32
At 31 March 2019	9	1	1,399	1,409

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2017	9	1	1,341	1,351
Profit for the year	-	-	26	26
Total comprehensive income	-	-	26	26
At 31 March 2018	9	1	1,367	1,377

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Consolidated Statement of Cash Flows

Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		62	(2,012)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	615	1,441
Finance income		(2)	-
Finance costs	9	49	46
Taxation	10	-	(460)
		<u>724</u>	<u>(985)</u>
Working capital adjustments			
Decrease/(increase) in stocks	14	987	(1,911)
Decrease in debtors	15	100	247
(Decrease)/increase in creditors	17	(1,297)	236
Decrease in deferred income, including government grants	21	<u>(93)</u>	<u>(135)</u>
Cash generated from operations		421	(2,548)
Corporation tax received/(paid)	10	<u>205</u>	<u>(44)</u>
Net cash flow from operating activities		<u>626</u>	<u>(2,592)</u>
Cash flows from investing activities			
Interest received		2	-
Acquisitions of tangible assets	12	(190)	(1,365)
Acquisition of intangible assets	11	-	(26)
Finance lease advances in relation to tangible assets		<u>-</u>	<u>1,061</u>
Net cash flows from investing activities		<u>(188)</u>	<u>(330)</u>
Cash flows from financing activities			
Interest paid	9	(49)	(46)
Repayment of bank borrowing	18	(140)	(140)
Payments to finance lease creditors	18	(329)	(302)
Advances from invoice discounting facility		394	2,174
Advances from related parties	25	-	500
Advances from director	17, 25	<u>400</u>	<u>-</u>
Net cash flows from financing activities		<u>276</u>	<u>2,186</u>
Net increase/(decrease) in cash and cash equivalents		714	(736)
Cash and cash equivalents at 1 April	16	<u>(726)</u>	<u>10</u>
Cash and cash equivalents at 31 March	16	<u><u>(12)</u></u>	<u><u>(726)</u></u>

The notes on pages 17 to 36 form an integral part of these financial statements.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Creamery

Scorrier

Redruth

Cornwall

TR16 5BU

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the group is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2019.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

No Profit and Loss Account is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £32,000 (2018 - £26,000).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Summary of disclosure exemptions

FRS102 allows a qualifying entity certain disclosure exemptions subject to certain conditions which the company has complied with. This includes the notification of, and no objection to, the use of such exemptions by the company's shareholders.

On this basis the company has taken advantage of the following exemptions:

- i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the company's cash flows;
- ii) From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statement disclosures.

The group and company have also taken advantage of the exemption under FRS102 paragraph 33.1A in respect of transactions between members of the group, on the basis that the group companies are 100% owned.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the group's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historic cost in a foreign currency are not translated.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the consolidated profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Other intangibles are stated in the financial statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Computer software	Over 10 years straight line basis

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Over 25 years straight line basis
Plant and machinery	Between 5 to 25 years straight line basis
Motor vehicles	Over 5 years straight line basis
Assets under construction	Not depreciated

During the year key management reviewed the useful economic lives of all intangible and tangible fixed assets classes and it became evident that assets were regularly exceeding the previous disclosed judgements on useful economic lives (depreciation rates). Key management have therefore extended the useful economic lives of assets to more accurately reflect the average usage and consumption of these asset classes.

The impact of the this change in the current year has resulted in the value of intangible and tangible fixed assets increasing by £901,000, whilst the depreciation charge for the year has reduced by £901,000.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

Financial instruments

Classification

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

All financial instruments are classified as basic.

Recognition and measurement

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments. Where the arrangement constitutes a financing transaction the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments. Where the item constitutes a financing transaction the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

3 Turnover

During the year 1.4% of the group's turnover related to exports (2018 - 1.3%).

The analysis of the group's turnover by geographical location is given below:

	2019	2018
	£ 000	£ 000
UK	36,317	36,082
Europe	341	373
Rest of world	190	115
	<u>36,848</u>	<u>36,570</u>

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2019	2018
	£ 000	£ 000
Government grants	<u>93</u>	<u>135</u>

5 Operating profit

Arrived at after charging

	2019	2018
	£ 000	£ 000
Depreciation expense	605	1,398
Amortisation expense	10	43
Auditor's remuneration	<u>12</u>	<u>12</u>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

6 Exceptional item

Items which are material either because of their size or their nature, or which are non-recurring, are presented within their relevant income statement category. The separate reporting of exceptional items helps provide a clear picture of the group's underlying performance.

An analysis of the amount presented as an exceptional item in these financial statements is given below and is in respect of:

- Non-recurring restructuring costs incurred during a transitional period for the group.
- Provisions against amounts owed by a related company following strategic restructuring decisions.

	2019	2018
	£ 000	£ 000
Exceptional items before operating profit		
Exceptional costs associated with restructuring	250	-
	<hr/>	<hr/>
	2019	2018
	£ 000	£ 000
Exceptional items after operating profit		
Provisions against amounts owed by related company	75	502
	<hr/>	<hr/>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	4,217	4,406
Social security costs	380	392
Pension costs, defined contribution scheme	98	78
	<u>4,695</u>	<u>4,876</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Production	118	117
Administration and support	20	25
Other departments	15	19
	<u>153</u>	<u>161</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£ 000	£ 000
Remuneration	85	138
Compensation for loss of office	74	-
Contributions paid to money purchase schemes	22	25
	<u>181</u>	<u>163</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019	2018
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

In respect of the highest paid director:

	2019	2018
	£ 000	£ 000
Remuneration	35	65
Compensation for loss of office	74	-
Company contributions to money purchase pension schemes	11	18
	<u>120</u>	<u>83</u>

Key management personnel

The directors have considered the definition of key management, and regard 4 (2018 - 3) individuals across the group as meeting this definition. Total remuneration paid to key management in the year was £123,000 (2018 - £134,000).

9 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Interest on bank overdrafts and borrowings	23	23
Finance charges	26	23
	<u>49</u>	<u>46</u>

10 Taxation

Tax charged/(credited) in the profit and loss account

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	-	(237)
Deferred taxation		
Arising from origination and reversal of timing differences	-	(223)
Tax receipt in the income statement	-	(460)

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019	2018
	£ 000	£ 000
Profit/(loss) before tax	<u>62</u>	<u>(2,472)</u>
Corporation tax at standard rate	12	(470)
Effect of revenues exempt from taxation	(10)	(26)
Effect of expense not deductible in determining taxable profit (tax loss)	28	99
Effect of changes in tax rates	(30)	(4)
Effect of adjustments made in the prior period	<u>-</u>	<u>(59)</u>
Total tax credit	<u>-</u>	<u>(460)</u>

Deferred tax

Group

Deferred tax assets and liabilities

	Liability
	£ 000
2019	
Difference between accumulated depreciation and amortisation and capital allowances	108
Tax losses carried forward	<u>(108)</u>
	<u>-</u>
2018	
Difference between accumulated depreciation and amortisation and capital allowances	102
Tax losses carried forward	<u>(102)</u>
	<u>-</u>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

11 Intangible assets

Group

	Goodwill £ 000	Computer software £ 000	Total £ 000
Cost or valuation			
At 1 April 2018	230	863	1,093
Disposals	(230)	-	(230)
At 31 March 2019	-	863	863
Amortisation			
At 1 April 2018	230	779	1,009
Amortisation charge	-	10	10
Amortisation eliminated on disposals	(230)	-	(230)
At 31 March 2019	-	789	789
Carrying amount			
At 31 March 2019	-	74	74
At 31 March 2018	-	84	84

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

12 Tangible assets

Group

	Short leasehold land and buildings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation					
At 1 April 2018	5,014	11,646	49	598	17,307
Additions	11	179	-	-	190
Disposals	-	(4)	-	-	(4)
At 31 March 2019	<u>5,025</u>	<u>11,821</u>	<u>49</u>	<u>598</u>	<u>17,493</u>
Depreciation					
At 1 April 2018	3,891	8,341	39	-	12,271
Charge for the year	67	537	1	-	605
Eliminated on disposal	-	(4)	-	-	(4)
At 31 March 2019	<u>3,958</u>	<u>8,874</u>	<u>40</u>	<u>-</u>	<u>12,872</u>
Carrying amount					
At 31 March 2019	<u>1,067</u>	<u>2,947</u>	<u>9</u>	<u>598</u>	<u>4,621</u>
At 31 March 2018	<u>1,123</u>	<u>3,305</u>	<u>10</u>	<u>598</u>	<u>5,036</u>

Included within the net book value of land and buildings above is £1,067,000 (2018 - £1,123,000) in respect of short leasehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £ 000	2018 £ 000
Plant and machinery	<u>1,427</u>	<u>1,548</u>

Depreciation for the year on these assets was £121,000 (2018 - £117,000).

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

13 Investments

Company

	2019	2018
	£ 000	£ 000
Investment in subsidiary	<u>10</u>	<u>10</u>

Subsidiary	£ 000
Cost or valuation	
At 1 April 2018	<u>10</u>
At 31 March 2019	<u>10</u>
Carrying amount	
At 31 March 2019	<u>10</u>
At 31 March 2018	<u>10</u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
A E Rodda & Son Limited	The Creamery Scorrier Redruth Cornwall TR16 5BU	Ordinary shares	100%	100%

The principal activity of A E Rodda & Son Limited is the manufacture and wholesale of Cornish clotted cream, liquid cream, bottled milk and other dairy products.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

14 Stocks

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Raw materials	164	140	-	-
Packaging	347	380	-	-
Finished goods	2,000	2,974	-	-
Other inventories	24	28	-	-
	<u>2,535</u>	<u>3,522</u>	<u>-</u>	<u>-</u>

Group

The cost of stocks recognised as an expense in the year amounted to £24,682,000 (2018 - £25,841,000).

Impairment of inventories

The amount of impairment loss included in profit or loss is £26,000 (2018 - £Nil).

15 Debtors

		Group		Company	
	Note	2019	2018	2019	2018
		£ 000	£ 000	£ 000	£ 000
Trade debtors		4,268	4,023	-	-
Amounts owed by related parties	25	30	120	2,209	2,317
Other debtors		130	516	-	-
Prepayments		59	133	-	-
		<u>4,487</u>	<u>4,792</u>	<u>2,209</u>	<u>2,317</u>

Included in trade debtors is £3,632,000 (2018 - £3,720,000) of debt which is secured under an invoice discounting arrangement.

The total impairment recognised on trade debtors (bad debts) in the year was £86,000 (2018 - £133,000).

Company

Amounts owed by related parties includes £2,043,000 (2018 - £nil) falling due after more than one year.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

16 Cash and cash equivalents

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Cash on hand	1	1	-	-
Cash at bank	3	1	-	-
	4	2	-	-
Bank overdrafts	(16)	(728)	(5)	(5)
	(12)	(726)	(5)	(5)

17 Creditors

		Group		Company	
	Note	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Due within one year					
Loans and borrowings	18	2,988	3,371	145	145
Trade creditors		1,907	3,280	-	-
Social security and other taxes		65	120	-	-
Outstanding defined contribution pension costs		5	7	-	-
Other creditors		400	30	-	-
Accrued expenses		247	84	-	-
		5,612	6,892	145	145
Due after one year					
Loans and borrowings	18	1,140	1,544	665	805
Debentures	25	900	900	-	-
		2,040	2,444	665	805

18 Loans and borrowings

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Current loans and borrowings				
Bank borrowings	140	140	140	140
Bank overdrafts	16	728	5	5
Finance lease liabilities	265	329	-	-
Invoice discounting	2,567	2,174	-	-
	2,988	3,371	145	145

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Non-current loans and borrowings				
Bank borrowings	665	805	665	805
Finance lease liabilities	475	739	-	-
	<u>1,140</u>	<u>1,544</u>	<u>665</u>	<u>805</u>

The debenture loans carry interest at a rate of 2% over the bank base rate per annum. They carry no fixed repayment terms and are secured by a mortgage over leasehold property and by floating charge over the group's other assets and undertakings.

The debentures were issued on 31 March 2001 to relatives of some Directors and the Directors consider the debentures to be part of the long term funding of the group.

The bank overdraft is secured by a charge over the company's assets.

Amounts due under hire purchase contracts are secured against the underlying assets.

A E Rodda & Son Limited has provided a limited guarantee of £1.4 million over the bank borrowings of A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited).

The partners of the related Partnership (who are also directors of the group) have provided a limited guarantee of £680,000 over the bank borrowings of A E Rodda & Son Limited.

The invoice discounting arrangement is secured against trade debtors and outlined within the note 15 to the financial statements.

19 Obligations under leases and hire purchase contracts

Group

Finance leases

The total of future minimum lease payments is as follows:

	2019	2018
	£ 000	£ 000
Not later than one year	265	329
Later than one year and not later than five years	475	739
	<u>740</u>	<u>1,068</u>

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

20 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £98,000 (2018 - £78,000).

Contributions totalling £5,000 (2018 - £7,000) were payable to the scheme at the end of the year and are included in creditors.

21 Deferred income

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Deferred income				
Government grants	<u>154</u>	<u>247</u>	<u>-</u>	<u>-</u>

22 Share capital

Allotted, called up and fully paid shares

	No. 000	2019	No. 000	2018
		£ 000		£ 000
Ordinary shares of £1 each	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

23 Off-balance sheet arrangements

The group has contracts with milk suppliers where a set notice period is required to terminate the supply arrangement. During the notice period the group is committed to procuring a certain volume of milk depending on forecasts. Due to the uncertainty regarding volumes required and future milk prices a financial commitment cannot be reliably quantified.

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

24 Financial instruments

Group	2019	2018
	£ 000	£ 000
Financial instruments that are debt instruments measured at amortised cost:		
Cash and cash equivalents	4	2
Trade debtors	4,268	4,023
Amounts owed by related parties	30	120
Financial liabilities measured at amortised cost:		
Loans and borrowings	5,028	5,815
Trade creditors	1,907	3,280

A E Rodda & Son Group Limited (formerly known as North Downs Farm Limited)

Notes to the Financial Statements

Year Ended 31 March 2019

25 Related party transactions

Related Partnership

(Certain directors of the group are partners in the partnership)

The partnership operates the distribution side of the business. During the year the group purchased services from the partnership amounting to £1,272,000 (2018 - £748,000). During the prior year advances of £500,000 were made by the partnership to the group. At the balance sheet date the amount due from the partnership was £30,000 (2018 - £120,000).

The partners have provided a limited guarantee of £680,000 over the bank borrowings of A E Rodda & Son Limited.

Relatives of some Directors

Relatives of some Directors hold debenture loans in the group. During the year interest of £nil (2018 - £nil) was charged on these loans where the interest payable was waived. At the balance sheet date the amount due to relatives of some Directors was £900,000 (2018 - £900,000).

The debentures were issued on 31 March 2001 and the Directors consider the debentures to be part of the long term funding of the group.

Related Company

(A company under common control)

During the year the group incurred costs on behalf of a related company of £314,000 (2018 - £309,000). The related company made sales to the group of £239,000 (2018 - £205,000).

As per the exceptional items note, the group has a provision in place of £75,000 (2018 - £502,000) against amounts due from the related company.

At the balance sheet date the amount due from the related company was £nil (2018 - £nil).

The group guaranteed certain contractual liabilities of the related company amounting in total to £50,000 payable over the next 2 years.

Directors

During the year certain Directors advanced a loan to the group of £400,000 (2018 - £nil) which is disclosed within other creditors.