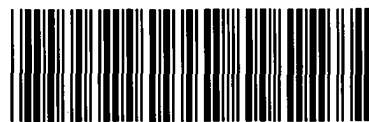


**North Downs Farm Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 31 March 2018**  
Registration number: 08330491

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# **North Downs Farm Limited**

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# **North Downs Farm Limited**

## **Company Information**

<b>Directors</b>	J W Pengelly
	P E Rodda
	A J Rodda
	R N Morriss
	N L Rodda
	N A Kennedy
<b>Registered office</b>	Lower Ground Floor 31 Lemon Street Truro Cornwall TR1 2LS
<b>Auditors</b>	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA

# **North Downs Farm Limited**

## **Strategic Report**

### **Year Ended 31 March 2018**

The directors present their strategic report for the year ended 31 March 2018.

#### **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**

In 2017/18 we moved our milk supply from an incumbent Coop to a direct milk supply. Based on anticipated volumes and customer demand we also moved from a 5 day to 7 day shift working. A combination of difficult trading conditions, both in terms of volumes and pricing, and volatile commodity prices (milk) saw the company bear higher costs and generate lower operating margins.

The company is now in the process of restructuring its business around a lower cost base, a revised supply profile to facilitate a return to improved margins and profitability.

The profit and loss account on page 9 reflects an increase in turnover to £36.6million (2017 £31.3million), growth of almost 17% compared to the prior year.

In a difficult market gross profit margins have declined to 14% from 22% and in absolute terms gross profit has reduced from £7million in 2017 to £5million in 2018; explaining the majority of the decrease in profit after tax which reports a loss for 2018 of £2.0million (2017 profit £0.5million). EBITDA (excluding exceptional item) for 2018 was a loss of £484,000 compared to a profit in 2017 of £2,229,000.

As part of our review of activities the Board took the decision during the year to focus on core cream products and move away from other products. The exceptional cost item reflected in the accounts in the year ended 31 March 2018 of £502,000 reflects previous investments now provided for as a result of this strategic decision.

The company operates in a market where its' core commodity price (milk) is volatile and consequently the majority of the reason for the reduced margins and profitability in the year arises from commodity price movements in terms of milk purchased and sold as part of the production process. Difficulties encountered in passing on commodity price rises to customers have further exacerbated this position together with a planned decision to increase stock holdings for strategic and financial reasons.

Whilst the company foresees no change in the level of volatility of the milk markets it continues to take proactive measures where possible to minimise its exposure to such fluctuations.

The balance sheet has weakened through the year, with net assets decreasing from £5.9million in 2017 to £3.9million in 2018. Total borrowings at 31 March 2018 amounted to £5.8million (2017 - £2.3million). Of this £900,000 (2017 £900,000) relates to debentures held by relatives of some directors. The remainder is balances outstanding in respect of finance leases, an invoice discounting facility and a bank overdraft and loan.

During the year ended 31 March 2018 and subsequently the shareholders, through a commonly owned business, have provided financial support by lending in total £900,000 to the group (£500,000 having been provided by 31 March 2018). This reflects the shareholders commitment to support the business during this restructuring period.

# **North Downs Farm Limited**

## **Strategic Report**

### **Year Ended 31 March 2018**

Looking forward; in the period since 31 March 2018 the company has embarked on a major review of its operations and this will result in the rationalisation of some of the activities in the business and includes plans for significant cost saving measures in order to improve the profitability. It is expected that this process will be substantially in progress by 31 March 2019 and the business is anticipating that some of the benefits of this process will be experienced financially by that date.

Since the year end the business has continued to benefit from financial facilities provided by its lenders and is in the process of looking to potentially restructure the borrowing facility for the future to best match the needs of the business.

#### **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 maximize 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 Supply group gives the business the opportunity to align both parties' requirements for mutual success.

The business views Brexit as a relatively low risk due its primary sourcing of 100% raw material, milk, from Cornwall. The remaining materials and services are substantially acquired within the UK

##### **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 company 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 company 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.

# **North Downs Farm Limited**

## **Strategic Report**

**Year Ended 31 March 2018**

### **Working capital**

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

The company 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 company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

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

The company is dealing with a number of major retailers and food service companies, this is reflected in our trade receivables balances. The credit risk associated with our trade receivables 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. Receivable balances are monitored on an on-going basis and provision is made for doubtful debts where necessary.

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

### **Summary**

2017/18 was a difficult transitional year for the business, however the Directors and the leadership team have identified and are in the process of implementing corrective actions to return the Creamery to profitable trading and business growth in the future.

Approved by the Board on 13 November 2018 and signed on its behalf by:



N L Rodda  
Director

## **North Downs Farm Limited**

### **Directors' Report**

**Year Ended 31 March 2018**

The directors present their report and the for the year ended 31 March 2018.

#### **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 (appointed 27 March 2018)

#### **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 13 November 2018 and signed on its behalf by:



N L Rodda  
Director

## **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.

# **North Downs Farm Limited**

## **Independent Auditor's Report**

### **Opinion**

We have audited the financial statements of North Downs Farm Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018, 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 2018 and of the group's loss 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.

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.

# **North Downs Farm Limited**

## **Independent Auditor's Report**

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.

# 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](http://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.



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

Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

13 November 2018

## North Downs Farm Limited

### Consolidated Profit and Loss Account

Year Ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	36,570	31,324
Cost of sales		<u>(31,548)</u>	<u>(24,296)</u>
Gross profit		5,022	7,028
Distribution costs		(4,318)	(4,146)
Administrative expenses		(2,763)	(2,376)
Other operating income	4	<u>135</u>	<u>214</u>
Operating (loss)/profit	5	(1,924)	720
Other exceptional item	6	(502)	-
Interest payable and similar charges	9	<u>(46)</u>	<u>(77)</u>
(Loss)/profit before tax		(2,472)	643
Taxation	10	<u>460</u>	<u>(136)</u>
(Loss)/profit for the financial year		<u>(2,012)</u>	<u>507</u>
<b>(Loss)/profit attributable to:</b>			
Owners of the company		<u>(2,012)</u>	<u>507</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.

## North Downs Farm Limited

### Consolidated Statement of Comprehensive Income

Year Ended 31 March 2018

	2018 £ 000	2017 £ 000
(Loss)/profit for the year	<u>(2,012)</u>	<u>507</u>
Total comprehensive income for the year	<u>(2,012)</u>	<u>507</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>(2,012)</u>	<u>507</u>

# North Downs Farm Limited

## Consolidated Balance Sheet

31 March 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Intangible assets	11	84	102
Tangible assets	12	5,036	5,069
		<u>5,120</u>	<u>5,171</u>
<b>Current assets</b>			
Stocks	14	3,522	1,611
Debtors	15	4,792	4,835
Cash at bank and in hand	16	2	15
		<u>8,316</u>	<u>6,461</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(6,892)</u>	<u>(3,254)</u>
<b>Net current assets</b>		<u>1,424</u>	<u>3,207</u>
<b>Total assets less current liabilities</b>		<b>6,544</b>	<b>8,378</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>(2,444)</b>	<b>(1,909)</b>
<b>Provisions for liabilities</b>	10	<b>-</b>	<b>(222)</b>
<b>Deferred income</b>	4, 22	<u><b>(247)</b></u>	<u><b>(382)</b></u>
<b>Net assets</b>		<u><b>3,853</b></u>	<u><b>5,865</b></u>
<b>Capital and reserves</b>			
Called up share capital	23	9	9
Capital redemption reserve		1	1
Profit and loss account		<u>3,843</u>	<u>5,855</u>
<b>Equity attributable to owners of the company</b>		<u><b>3,853</b></u>	<u><b>5,865</b></u>
<b>Total equity</b>		<u><b>3,853</b></u>	<u><b>5,865</b></u>

Approved and authorised by the Board on 13 November 2018 and signed on its behalf by:



N L Rodda  
Director

Company Registration Number: 08330491

## North Downs Farm Limited

### Balance Sheet

31 March 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Investments	13	10	10
<b>Current assets</b>			
Debtors	15	2,317	2,446
<b>Creditors:</b> Amounts falling due within one year	17	<u>(145)</u>	<u>(161)</u>
<b>Net current assets</b>		<u>2,172</u>	<u>2,285</u>
<b>Total assets less current liabilities</b>		2,182	2,295
<b>Creditors:</b> Amounts falling due after more than one year	17	<u>(805)</u>	<u>(945)</u>
<b>Net assets</b>		<u>1,377</u>	<u>1,350</u>
<b>Capital and reserves</b>			
Called up share capital	23	9	9
Capital redemption reserve		1	1
Profit and loss account		<u>1,367</u>	<u>1,340</u>
<b>Total equity</b>		<u>1,377</u>	<u>1,350</u>

The company made a profit after tax for the financial year of £26,000 (2017 - profit of £52,000).

Approved and authorised by the Board on 13 November 2018 and signed on its behalf by:



N L Rodda  
Director

Company Registration Number: 08330491

## North Downs Farm Limited

### Consolidated Statement of Changes in Equity

Year Ended 31 March 2018

	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

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2016	9	1	5,348	5,358
Profit for the year	-	-	507	507
Total comprehensive income	-	-	507	507
At 31 March 2017	9	1	5,855	5,865

The notes on pages 17 to 35 form an integral part of these financial statements.

## North Downs Farm Limited

### Statement of Changes in Equity

Year Ended 31 March 2018

	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

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2016	9	1	1,288	1,298
Profit for the year	-	-	52	52
Total comprehensive income	-	-	52	52
At 31 March 2017	9	1	1,340	1,350

# North Downs Farm Limited

## Consolidated Statement of Cash Flows

Year Ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(2,012)	507
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,441	1,509
Finance costs	9	46	77
Taxation	10	(460)	136
		(985)	2,229
Working capital adjustments			
(Increase)/decrease in stocks	14	(1,911)	62
Decrease/(increase) in debtors	15	247	(1,002)
Increase in creditors	17	736	391
Decrease in deferred income, including government grants	22	(135)	(215)
Cash generated from operations		(2,048)	1,465
Corporation tax paid	10	(44)	(478)
Net cash flow from operating activities		(2,092)	987
<b>Cash flows from investing activities</b>			
Acquisitions of tangible assets	12	(1,365)	(1,037)
Acquisition of intangible assets	11	(26)	(17)
Finance lease advances in relation to tangible assets		1,061	-
Net cash flows from investing activities		(330)	(1,054)
<b>Cash flows from financing activities</b>			
Interest paid	9	(46)	(77)
Repayment of bank borrowing	18	(140)	(140)
Payments to finance lease creditors	18	(305)	(360)
Advances from invoice discounting facility		2,173	-
Net cash flows from financing activities		1,682	(577)
Net decrease in cash and cash equivalents		(740)	(644)
Cash and cash equivalents at 1 April	16	10	658
Cash and cash equivalents at 31 March	16	(730)	14

The notes on pages 17 to 35 form an integral part of these financial statements.

# **North Downs Farm Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2018**

### **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:

Lower Ground Floor

31 Lemon Street

Truro

Cornwall

TR1 2LS

The principal place of business 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.

# **North Downs Farm Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2018**

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2018.

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 £26,000 (2017 - £52,000).

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.

# **North Downs Farm Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2018**

### **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.

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 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
Goodwill	3 years straight line basis
Computer software	Over 3 or 5 years straight line basis

### Tangible assets

Tangible assets are stated in the statement of financial position 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 10 or 15 years straight line basis
Plant and machinery	Over 5, 10 or 15 years straight line basis
Motor vehicles	Over 5 years straight line basis
Assets under construction	Not depreciated

### 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.

### 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.

## **North Downs Farm Limited**

### **Notes to the Financial Statements**

**Year Ended 31 March 2018**

#### **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.

# **North Downs Farm Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2018**

#### **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.

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 3 Revenue

During the year 1.33% of the group's turnover related to exports (2017 - 2.79%).

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

	2018 £ 000	2017 £ 000
UK	36,082	30,451
Europe	373	579
Rest of world	115	294
	<u>36,570</u>	<u>31,324</u>

### 4 Other operating income

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

	2018 £ 000	2017 £ 000
Government grants	<u>135</u>	<u>214</u>

### 5 Operating loss

Arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Depreciation expense	1,398	1,312
Amortisation expense	43	197
Auditor's remuneration	<u>12</u>	<u>11</u>

### 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 a provision against amounts owed by a related company following a strategic restructuring decision.

	2018 £ 000	2017 £ 000
Provision against amounts owed by related company	<u>502</u>	<u>-</u>

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 7 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	4,406	3,563
Social security costs	392	319
Pension costs, defined contribution scheme	78	58
	<u>4,876</u>	<u>3,940</u>

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

	2018 No.	2017 No.
Production	117	95
Administration and support	25	26
Other departments	19	18
	<u>161</u>	<u>139</u>

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Remuneration	138	136
Contributions paid to money purchase schemes	25	16
	<u>163</u>	<u>152</u>

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

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

In respect of the highest paid director:

	2018 £ 000	2017 £ 000
Remuneration	65	64
Company contributions to money purchase pension schemes	<u>18</u>	<u>16</u>

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### Key management personnel

The directors have considered the definition of key management, and regard 3 (2017 - 3) individuals across the group as meeting this definition. Total remuneration paid to key management in the year was £134,000 (2017 - £119,000).

### 9 Interest payable and similar expenses

	2018 £ 000	2017 £ 000
Interest on bank overdrafts and borrowings	23	26
Finance charges	23	28
Other interest payable	-	23
	<u>46</u>	<u>77</u>

### 10 Taxation

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

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax	(237)	249
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(19)</u>
	(237)	230
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>(223)</u>	<u>(94)</u>
Tax (receipt)/expense in the income statement	<u>(460)</u>	<u>136</u>

## Year Ended 31 March 2018

The differences are reconciled below:

	2018 £ 000	2017 £ 000
(Loss)/profit before tax	(2,472)	643
Corporation tax at standard rate	(470)	129
Effect of revenues exempt from taxation	(26)	(43)
Effect of expense not deductible in determining taxable profit (tax loss)	99	68
Effect of changes in tax rates	(4)	-
Effect of adjustments made in the prior period	(59)	(18)
Total tax (credit)/charge	(460)	136

## Group

### Deferred tax assets and liabilities

<b>2018</b>	<b>Liability £ 000</b>
Difference between accumulated depreciation and amortisation and capital allowances	102
Tax losses carried forward	(102)
	<u>-</u>
	<u>-</u>
<b>2017</b>	<b>Liability £ 000</b>
Difference between accumulated depreciation and amortisation and capital allowances	222
Tax losses carried forward	-
	<u>222</u>

## North Downs Farm Limited

### Notes to the Financial Statements

Year Ended 31 March 2018

#### 11 Intangible assets

##### Group

	Goodwill £ 000	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 April 2017	230	837	1,067
Additions acquired separately	-	26	26
At 31 March 2018	230	863	1,093
<b>Amortisation</b>			
At 1 April 2017	230	735	965
Amortisation charge	-	44	44
At 31 March 2018	230	779	1,009
<b>Carrying amount</b>			
At 31 March 2018	-	84	84
At 31 March 2017	-	102	102

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 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
<b>Cost or valuation</b>					
At 1 April 2017	4,976	10,319	49	598	15,942
Additions	38	1,327	-	-	1,365
At 31 March 2018	5,014	11,646	49	598	17,307
<b>Depreciation</b>					
At 1 April 2017	3,568	7,270	35	-	10,873
Charge for the year	323	1,071	4	-	1,398
At 31 March 2018	3,891	8,341	39	-	12,271
<b>Carrying amount</b>					
At 31 March 2018	1,123	3,305	10	598	5,036
At 31 March 2017	1,408	3,049	14	598	5,069

Included within the net book value of land and buildings above is £1,123,000 (2017 - £1,408,000) 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:

	2018 £ 000	2017 £ 000
Plant and machinery	1,548	555

Depreciation for the year on these assets was £117,000 (2017 - £192,000).

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 13 Investments

#### Company

	2018 £ 000	2017 £ 000
Investment in subsidiary	10	10
<b>Subsidiary</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 1 April 2017 and 31 March 2018		10
<b>Carrying amount</b>		
At 31 March 2018		10
At 31 March 2017		10

#### 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	
			2018	2017
<b>Subsidiary undertakings</b>				
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.

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 14 Stocks

	Group		Company	
	2018	2017	2018	2017
	£ 000	£ 000	£ 000	£ 000
Raw materials	140	193	-	-
Packaging	380	414	-	-
Finished goods	2,974	994	-	-
Other inventories	28	10	-	-
	<u>3,522</u>	<u>1,611</u>	<u>-</u>	<u>-</u>

#### Group

The cost of stocks recognised as an expense in the year amounted to £25,841,000 (2017 - £19,779,000).

### 15 Debtors

		Group		Company	
	Note	2018	2017	2018	2017
		£ 000	£ 000	£ 000	£ 000
Trade debtors		4,023	4,057	-	-
Amounts owed by related parties	27	120	398	2,317	2,446
Other debtors		516	288	-	-
Prepayments		133	92	-	-
		<u>4,792</u>	<u>4,835</u>	<u>2,317</u>	<u>2,446</u>

Included in trade debtors is £3,720,000 (2017 - £nil) of debt which is secured under an invoice discounting arrangement.

The total impairment recognised on trade debtors in the year was £133,000 (2017 - £41,000).

### 16 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£ 000	£ 000	£ 000	£ 000
Cash on hand	1	4	-	-
Cash at bank	1	11	-	-
	2	15	-	-
Bank overdrafts	<u>(728)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>
	<u>(726)</u>	<u>10</u>	<u>(5)</u>	<u>(5)</u>

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 17 Creditors

		Group		Company	
	Note	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
<b>Due within one year</b>					
Loans and borrowings	18	3,371	393	145	145
Trade creditors		3,280	2,375	-	-
Amounts due to related parties	27	-	186	-	-
Social security and other taxes		120	93	-	-
Outstanding defined contribution pension costs		7	4	-	-
Other creditors		30	33	-	2
Accrued expenses		84	94	-	1
Corporation tax liability		-	76	-	13
		<u>6,892</u>	<u>3,254</u>	<u>145</u>	<u>161</u>
<b>Due after one year</b>					
Loans and borrowings	18	2,444	1,909	805	945

### 18 Loans and borrowings

	Group		Company	
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
<b>Current loans and borrowings</b>				
Bank borrowings	140	140	140	140
Bank overdrafts	728	5	5	5
Finance lease liabilities	329	248	-	-
Invoice discounting	<u>2,174</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,371</u>	<u>393</u>	<u>145</u>	<u>145</u>

	Group		Company	
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
<b>Non-current loans and borrowings</b>				
Bank borrowings	805	945	805	945
Finance lease liabilities	739	64	-	-
Unsecured debentures	<u>900</u>	<u>900</u>	<u>-</u>	<u>-</u>
	<u>2,444</u>	<u>1,909</u>	<u>805</u>	<u>945</u>

## North Downs Farm Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2018

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 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 North Downs Farm Limited.

The invoice discounting arrangement is secured against trade debtors and outlined within the note 16 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:

	2018 £ 000	2017 £ 000
Not later than one year	329	248
Later than one year and not later than five years	739	64
	<u>1,068</u>	<u>312</u>

#### 20 Deferred tax and other provisions

##### Group

	Deferred tax £ 000
At 1 April 2017	222
(Decrease)/increase in existing provisions	<u>(222)</u>
At 31 March 2018	<u>-</u>

# North Downs Farm Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 21 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 £78,000 (2017 - £58,000).

Contributions totalling £7,000 (2017 - £4,000) were payable to the scheme at the end of the year and are included in creditors.

### 22 Deferred income

	Group		Company	
	2018	2017	2018	2017
	£ 000	£ 000	£ 000	£ 000
Deferred income				
Government grants	<u>247</u>	<u>382</u>	<u>-</u>	<u>-</u>

### 23 Share capital

#### Allotted, called up and fully paid shares

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary shares of £1 each	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

## North Downs Farm Limited

### Notes to the Financial Statements

Year Ended 31 March 2018

#### 24 Commitments

##### Group

##### Capital commitments

At 31 March 2017 the group had paid a deposit towards plant and machinery that had not yet been delivered. The remainder was committed to by the group.

The total amount contracted for but not provided in the financial statements was £Nil (2017 - £259,000).

#### 25 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.

#### 26 Financial instruments

##### Group

	2018	2017
	£ '000	£ '000
<b>Financial instruments that are debt instruments measured at amortised cost:</b>		
Cash and cash equivalents	2	15
Trade debtors	4,023	4,057
Amounts owed by related parties	120	398
<b>Financial liabilities measured at amortised cost:</b>		
Loans and borrowings	5,816	2,302
Trade creditors	3,280	2,375
Amounts due to related parties	-	186

## **North Downs Farm Limited**

### **Notes to the Financial Statements**

**Year Ended 31 March 2018**

#### **27 Related party transactions**

##### **Related Partnership**

(Six 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 £748,000 (2017 - £1,457,000). During the 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 £120,000 (2017 - amount due to the partnership was £186,000).

##### **Relatives of some Directors**

Relatives of some directors hold debenture loans in the group. During the year interest of £nil (2017 - £23,000) was charged on these loans. At the balance sheet date the amount due to relatives of some directors was £900,000 (2017 - £900,000).

##### **Related Company**

(A company under common control)

During the year the group incurred costs on behalf of a related company of £309,000 (2017 - £301,000). The related company made sales to the group of £205,000.

As per the exceptional items note, the group have put a provision in place of £502,000 against amounts due from the related company following a strategic restructuring decision.

At the balance sheet date the amount due from the related company was £nil (2017 - £398,000).

The group guaranteed certain contractual liabilities of the related company amounting in total to £75,000 payable over the next 3 years.