

Company Registration No. SC333487 (Scotland)

AFIMILK UK LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017



AFIMILK UK LIMITED

COMPANY INFORMATION

Directors Yuval Sovinsky
Shmuel Hadad (Appointed on 04 September 2017)

Company number SC333487

Registered office Suite 435
Baltic Chambers
50 Wellington Street
GLASGOW
G2 6HJ

Accountants Johnston Carmichael LLP
227 West George Street
GLASGOW
G2 2ND

Auditor Armstrong Watson Audit Limited
Blythswood Square
Glasgow
G2 4BG

AFIMILK UK LIMITED

CONTENTS

	Page
Directors' report	2
Independent auditor's report	3 – 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the financial statements	10 – 20

AFIMILK UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company is the provision of animal monitoring devices to the farming industry.

Results and Dividends

The results for the year are set out on page 6. The Director's do not recommend a dividend (2016: £nil).

Directors

The following directors have held office since 1 January 2017:

Tsipi Kagan (Resigned 31 May 2017)

Yuval Sovinsky

Shmuel Hadad (Appointed 04 September 2017)

Statement of directors' responsibilities

The directors are responsible 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Statement of disclosure to auditors

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The company qualifies as a small company in accordance with Sections 381 - 382 of the Companies Act 2006 (the "Act") and the directors' report has therefore been prepared taking into account the provisions of paragraph 15 of the Act.

By order of the board


Shmuel Hadad 21.1.19
Director

AFIMILK UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFIMILK UK LIMITED

We have audited the financial statements of Afimilk UK Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 company 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 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 report¹, 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.

AFIMILK UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AFIMILK UK LIMITED

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.

Opinions on other matters 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the [strategic report and the]⁴ directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page ...], 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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

AFIMILK UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AFIMILK UK LIMITED

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

James Lockhart (Senior Statutory Auditor)

For and on behalf of
Armstrong Watson Audit Limited



24 Blythswood Square,
Glasgow,
G2 4BG

31 January 2019

AFIMILK UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	2	2,580,949	556,910
Cost of sales		(1,702,397)	(502,017)
Gross profit		878,552	54,893
Distribution costs		(93,871)	(48,013)
Administrative expenses		(852,775)	(1,345,932)
Other operating income	3	306,876	3,365
Profit/(Loss) on ordinary activities before taxation	3	238,782	(1,335,687)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(Loss) and Comprehensive Profit/(Loss) for the year	13	238,782	(1,335,687)

There are no gains or losses recognised in the statement of other comprehensive income.


AFIMILK UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	6		2,613		3,290
Current assets					
Stocks	7	504,854		655,438	
Debtors	8	1,469,137		343,072	
Cash at bank and in hand		224,340		135,865	
		2,198,331		1,134,375	
Creditors: amounts falling due within one year	9	(6,764,640)		(5,911,888)	
Net current assets/(liabilities)			(4,566,309)		(4,777,513)
Total assets less current liabilities			(4,583,696)		(4,774,223)
Warranty provision			-		(48,255)
Net Liabilities			(4,583,696)		(4,822,478)
Capital and reserves					
Called up share capital	11		1,800		1,800
Retained earnings	12		(4585,496)		(4,824,278)
Deficit of Shareholders' funds			(4,583,696)		(4,822,478)

The financial statements were approved by the Board of Directors and authorised for issue on

Signed on its behalf by:



 Shmuel Hadad 31.1.19
 Director

Company Registration No. SC333487

AFIMILK UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2016	1,800	(3,488,591)	(3,486,791)
Total comprehensive loss for the year	-	(1,335,687)	(1,335,687)
Balance at 31 December 2016	1,800	(4,824,278)	(4,822,478)
Total comprehensive profit for the year	-	238,782	238,782
Balance at 31 December 2017	1,800	(4,585,496)	(4,587,296)

AFIMILK UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	£	£
Cash flow from operating activities		
Profit/(Loss) for the year	238,782	(1,335,687)
Depreciation	1,861	16,329
Increase in debtors	(1,126,066)	(308,186)
Decrease/ (Increase) in stock	150,585	(632,720)
Increase in creditors	872,752	302,884
(Decrease) in warranty provision	(48,255)	(16,873)
Net cash flow used in operating activities	89,659	(1,974,253)
Investment activities		
Investment in fixed assets	(1,184)	-
Net cash flow used in investment activities	(1,184)	-
Financing activities		
Receipt of intercompany finance	-	2,036,656
Net cash inflow from financing activities	-	2,036,656
Net increase in cash and cash equivalents	88,475	62,403
Cash and cash equivalents at beginning of year	135,865	73,462
Cash and cash equivalents at end of year	224,340	135,865

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards, as adopted by the European Union. The functional and presentational currency of the company is Sterling.

Going concern

Afimilk Agricultural Cooperative Limited, an intermediate parent company, has confirmed that, for at least twelve months from the date of signing the accounts, it will make available such funds as are needed by Afimilk UK Limited to meet its liabilities as they fall due.

In addition, Afimilk Agricultural Cooperative Limited will not seek repayment of any amounts currently due to Afimilk Agricultural Cooperative Limited if this would prevent Afimilk UK Limited from meeting its third party obligations as they fall due.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised when the goods are delivered to the customer.

1.3 Research and development

Research and development expenditure is written off to the Statement of Comprehensive Income in the year in which it is incurred.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	- 3 years over the life of the lease
Plant and machinery	- 3 years straight line
Computer equipment	- 3 years straight line
Fixtures and fittings	- 3 years straight line

1.5 Stock

Stock is valued at the lower of cost and net realisable value. Stock cost includes expenditure for the acquisition of the stock and bringing it to its location and present condition.

1.6 Impairment of tangible assets

At each year end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1.7 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1.8 Warranty provision

Warranty provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably, and is based on management's best estimate of claims based on past experience and volume of claims against the warranty performance.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affect the principles that the company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.12 Financial assets

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

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit or loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Amortised cost is defined as the amount on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), 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 of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1.13 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. Payments to defined contribution pension schemes are charged as an expense as they fall due.

1.15 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.16 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Warranty provision

At each reporting end date, management reviews the level of provision held for products sold under warranty and makes an estimate of the expected cost based on past experience. There is estimated uncertainty over the potential volume of claims, value of those claims and whether past experience is a reliable indicator of future performance.

1.17 Government grants

Short term grants towards revenue expenditure are released to the statement of comprehensive income when the relevant cost has been incurred and the grant has been claimed and received against that cost.

For projects of a long term nature with multiple deliverables and subject to independent audit, all grant receipts are deferred until all the deliverables have been met and the audit completed.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1.18 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments – will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

Effective for accounting periods commencing on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers – is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services.

Effective for accounting periods commencing on or after 1 January 2018.

IFRS 16 IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to all leases and will require lessees to recognise a right-of-use asset and corresponding lease liability.

Effective for accounting periods commencing on or after 1 January 2019.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

2 Turnover

In the year ended 31 December 2017, 66% (2016 - 38%) of the company's turnover was to markets outside the United Kingdom and all related to sales of goods.

3	Operating loss	2017 £	2016 £
	Operating loss is stated after charging:		
	Depreciation of tangible assets	1,861	16,329
	Directors' remuneration	-	154,767
	Auditor's remuneration	6,000	8,000
	Cost of inventories recognised as an expense	1,702,397	466,900
	Foreign exchange loss	35,691	1,918
	and after crediting:		
	Government grants	<u>306,876</u>	<u>3,365</u>

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

4 Employees

The average monthly number of employees (including non-executive directors) were:

	2017 Number	2016 Number
Research and Development	6	5
Sales and marketing	2	2
Operations	-	4
	<u>8</u>	<u>11</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Employment costs		
Wages and salaries	478,762	774,493
Social security costs	59,471	112,833
Pension costs	3,322	14,844
Directors' remuneration	-	154,767
	<u>541,555</u>	<u>1,056,937</u>

5 Taxation

The company has estimated losses of £3,587,303 (2017 - £3,826,085) available for carry forward against future trading profits. The company has an unrecognised deferred tax asset of £690,556 (2016 - £764,242).

	2017 £	2016 £
Income tax expense		
Corporation tax		
Current year	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
	2017 £	2016 £
Deferred tax		
Origination and reversal of temporary differences		1
Effect of tax rate change on opening balances		(1)
	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>

Reductions in the UK corporation tax to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The rate will further reduce to 19% (effective 1 April 2017) and to 18% (effective from 1 April 2020), as enacted on 18 November 2015. This will reduce the company's future current tax charge accordingly.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Taxation (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2017 £	2016 £
Profit/(Loss) before taxation on continued operations	238,782	(1,335,687)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016 – 20%)	45,966	(267,137)
Taxation impact of factors affecting tax charge:		
Adjustments to deferred tax for tax rate change	-	1,715
Deferred tax not recognised	-	(670)
Utilisation of tax losses	(45,966)	-
Other permanent differences	-	(5,259)
Losses carried forward	-	(271,351)
Total adjustments	(45,966)	267,137
Tax charge for the year	-	-

6 Tangible fixed assets

	Land and Buildings £	Plant and Machinery £	Computer Equipment £	Fixtures and Fittings £	Total £
Cost					
At 1 January 2016	14,830	24,055	16,517	17,967	73,369
Additions	-	-	-	-	-
At 31 December 2016	14,830	24,055	16,517	17,967	73,369
Additions	-	-	1,184	-	1,184
At 31 December 2017	14,830	24,055	17,701	17,967	74,553
Depreciation					
At 1 January 2016	9,663	24,055	9,571	10,461	53,750
Charge for the year	5,167	-	5,171	5,991	16,329
At 31 December 2016	14,830	24,055	14,742	16,452	70,079
Charge for the year	-	-	861	1,000	1,861
At 31 December 2017	14,830	24,055	15,603	17,452	71,940
Net book value					
At 31 December 2017	-	-	2,098	515	2,613
At 31 December 2016	-	-	1,775	1,515	3,290

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

7	Stocks	2017	2016
		£	£
	Finished goods	504,854	655,438
8	Debtors	2017	2016
		£	£
	Trade debtors	912,894	162,681
	Amounts owed by group undertakings	546,468	163,379
	Prepayments and other debtors	9,775	17,012
		<u>1,469,137</u>	<u>343,072</u>
The directors consider that the carrying amount of trade and other debtors is approximately equal to their fair value. No significant debtor balances are impaired at the reporting date.			
9	Creditors: amounts falling due within one year	2017	2016
		£	£
	Trade creditors	82,420	84,526
	Taxation and social security	34,268	55,492
	Deferred revenue	9,333	267,787
	Other creditors	64,920	92,179
	Amounts owed to group undertakings	6,593,699	5,411,904
		<u>6,784,640</u>	<u>5,911,888</u>
10	Warranty provision		£
	Opening provision at 1 January 2016		65,128
	Utilised in the year		(16,873)
	Opening provision at 1 January 2017		48,255
	Released in the year		(48,255)
	Closing provision at 31 December 2017		-
The warranty provision represents management's best estimate of claims under warranty and is based on past performance and claim history.			
11	Share capital	2017	2016
		£	£
	Allotted, called up and fully paid		
	1,800 ordinary shares of £1 each	1,800	1,800

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Retained earnings

	£
Balance at 1 January 2016	(4,824,278)
Profit for the year	238,782
Balance at 31 December 2017	<u>(4,585,496)</u>

13 Control

On 12 February 2016, 100% of the share capital of Afimilk Holdings UK Limited was purchased by Afimilk Agricultural Cooperative Limited, a company registered in Israel, and they became the holding company. The ultimate holding company became Afimilk Assets Limited, a company also registered in Israel.

14 Financial instruments – accounting classifications and fair value

Financial assets

Trade and other debtors and cash and cash equivalents are classified as financial assets not measured at fair value. Their carrying value is derived from level 3 inputs, based on unobservable market data.

Excluded from financial assets are prepayments as these assets fall outwith the scope of financial instruments due to the cash element having already been settled.

Financial liabilities

Trade and other debtors are classified as financial liabilities not measured at fair value and, like the financial assets above, have a carrying value derived from level 3 inputs.

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

15 Financial risk management

The company has exposure to the following risks arising from financial statements:

- credit risk;
- liquidity risk;
- market risk; and
- capital management

Risk management framework

The company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

15 Financial risk management (continued)

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversee how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The company does not require collateral in respect of trade and other debtors.

At 31 December 2017, the maximum exposure to credit risk for trade debtors by geographic region was as follows:

Carrying amount

	31 December 2017 £	31 December 2016 £
UK	790,797	107,101
Non-UK	122,097	55,580
	<u>912,894</u>	<u>162,681</u>

Impairment

At 31 December 2017, the ageing of trade debtors that were not impaired was as follows:

	31 December 2017 £	31 December 2016 £
Neither past due nor impaired	62,724	52,829
Past due 1-30 days	238,888	40,722
Past due 31-90 days	312,832	48,002
Past due 91-120 days	298,448	21,128
	<u>912,894</u>	<u>162,681</u>

Management believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour, ongoing commercial relationships, and extensive analysis of customer credit risk.

Cash and cash equivalents

The company held cash and cash equivalents of £224,340 at 31 December 2017 (2016: £135,865). The cash and cash equivalents are held with Clydesdale Bank, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

15 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

31 December 2017	Carrying amount £	Contractual cash flows			
		Total £	2 months or less £	2-12 months £	>1 year
Trade creditors	82,420	82,420	82,420	-	-
Other creditors	98,419	98,419	98,419	-	-
Amounts owed to group undertakings	6,593,699	6,593,699	-	6,593,699	-
	<u>6,774,538</u>	<u>6,774,538</u>	<u>180,839</u>	<u>6,593,699</u>	<u>-</u>
31 December 2016					
Trade creditors	84,526	84,526	70,649	13,877	-
Other creditors	147,671	147,671	147,671	-	-
Amounts owed to group undertakings	5,411,904	5,411,904	5,411,904	-	-
	<u>5,644,101</u>	<u>5,644,101</u>	<u>5,630,224</u>	<u>13,877</u>	<u>-</u>

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the board of directors.

Currency risk and the company's exposure

The company is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currency of the company is sterling, but the company makes some purchases in Euros. As at 31 December 2017, 17% (2016: 0%) of the company's trade creditors balances were denominated in Euros.

The summary quantitative data about the company's exposure to currency risk as reported to the management of the company is as follows:

	Euro €
Trade debtors	437,002
Amounts owed by group undertakings	530,085
Net exposure	<u>967,087</u>

AFIMILK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

15 Financial risk management (continued)

The following significant exchange rates have been applied during the year:

	Average rate 2017	Year-end spot rate 2017
GBP/EUR	1/1.162	1/1.1224

16 Capital risk management

The company is not subject to any externally imposed capital requirements.

For the purpose of the company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the company may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The company's policy is to maintain sufficient capital to allow for future investment in growth of the business.

17 Related party relationships and transactions

Other transactions

At 31 December 2017, the company owed £3,188,832 (2016 - £2,007,038) to Afimilk Agricultural Cooperative Limited, its ultimate parent company, by way of inter-company loan. The loan is unsecured and has no fixed repayment date.

At 31 December 2017, the company owed £3,404,866 (2016 - £3,404,866) to Afimilk Holdings UK Limited, its immediate parent company, by way of inter-company loan. The loan is unsecured and has no fixed repayment date.

At 31 December 2017, the company was owed £546,468 (2016 - £163,378) by Afimilk Agricultural Cooperative Limited, its ultimate parent company, as a trade debtor for inter-company sales transactions.

At 31 December 2017, the company made sales of £Nil (2016 - £6,655) to Afimilk USA Inc, a fellow subsidiary of Afimilk Agricultural Cooperative Limited.

During the year, the company paid management charges of £Nil (2016 - £3,000) to Afimilk Holdings UK Limited.

18 Key management compensation

The remuneration of the directors who are key management personnel, is set out below in aggregate in each of the categories specific in IAS 24 Related Party Disclosures:

	2017 £	2016 £
Short term employee benefits	-	154,767
	<u>-</u>	<u>154,767</u>

The remuneration of the directors is borne by another group company. The amount of time spent by the directors is not significant and any charge would not be notional.