

ABERDEEN & NORTHERN EGGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2016



ABERDEEN & NORTHERN EGGS LIMITED

COMPANY INFORMATION

Directors	Ethel Chapman Robert Chapman Iain Chapman
Secretary	Ethel Chapman
Company number	SC098093
Registered office	Anderson House 9/15 Frithside Street Fraserburgh Aberdeenshire AB43 5AR
Auditor	Johnston Carmichael LLP Bank House Seaforth Street FRASERBURGH AB43 9BB

ABERDEEN & NORTHERN EGGS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 28

ABERDEEN & NORTHERN EGGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2016

The directors present the strategic report for the year ended 31 May 2016.

Fair review of the business

The principal activities of the company are agriculture with the production and sale of eggs.

Capital investment and significant changes

During this financial year, more arable land was purchased adding to the portfolio held, and this now means the company owns just over 2000 acres. This will enable us to grow more grain to help control the supply and price of bought-in feed for the birds. The sale of one Farmhouse has been successful, and the new owners moved in at the end of August 2016. There are new tenants in one other farmhouse. They are on a rent to buy agreement, which should complete in April 2017.

The planned extension to the existing Grading facility at West Cockmuir started in April. Phase 1 of the project was all but complete at 31 May. Phase 2 of the project will also see the replacement of the last of the old farm buildings, making the whole site more efficient and fit for purpose. The company was pleased to be awarded grant funding from the Scottish Government to help with this project.

Due to the continued increase in egg consumption, we have secured planning permission for a 32,000 bird Free Range unit, which will be complete by late Spring 2017.

We continue to produce as many 'point of lay' pullets in house as we can, which will help to eliminate any possible spread of disease that may be transmitted via flocks bought in from south of the border. Bird welfare is also improved as the transport time is reduced, as most of our satellite producers are within 2 hours of our main facility at Strichen. The refurbishment of house 2 at the rearing farm was completed during the year, and the first birds were housed in August 2016.

Sales and Profit

Turnover was down on last year and gross profit margin was slightly down by £20K for the year ended 31st May 2016. The retail market is still very competitive. Consumption of eggs continues to rise, and eggs are now a 'Good News' story, with a UK increase of 4% yr on yr. This is positive for the industry and the company.

Looking to the future things are a bit more uncertain this year, due to the Brexit vote, and the Independence referendum being back on the table. It is hoped however, that the strategy of keeping all aspects of rearing and production, along with distribution under the control of the company, this will assist in keeping the business competitive.

Balance Sheet

The balance sheet continues to strengthen. This year it reflects the investment in land referred to above as well as new equipment. Most of the investments this year have been financed by using retained profits. We expect the future investments planned above to be funded from a mix of the company's own resources, grant assistance, and bank loan/overdraft facility. During the year dividends of £70,000 were paid to the shareholders with just over 96% of the profit retained for reinvestment.

ABERDEEN & NORTHERN EGGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

Principal risks and uncertainties

One of the main risks to the business would be the loss of one of our major customers, and the implications of having to sell the surplus on the wholesale market, at a reduced price, could have serious implications on the profit of the business. To combat this, we have continual two-way dialogue with our customers. We also maintain the highest production standards on site, as is evidenced by the numerous auditing bodies whom carry out inspections on behalf of suppliers and the poultry/egg industry. We try not to become complacent and strive to get better at all times as is evidenced by the continuing investment in plant and procedures each year.

If we were to lose any of our producers, because they were to stop and/or they were to move to another packer, this would have an effect on the volume of egg available to us. This threat is minimized by continuing to look after our producers with a high level of assisted service and fair prices we pay them for their product. We have also secured more producers with the addition of a new Organic supplier, and 2 new sheds erected by a couple of our existing producers.

There is also the ever-present threat of Avian Influenza, which was evidenced for the second year in a row, when an outbreak of AI at a highly secure site was detected and contained to Fife in January 2016. This highlights the need to continue with robust bio-security, and be ever vigilant for signs of the disease. We also need to ensure our producers keep a high level of bio-security so as not to put the group under risk.

Environment

Aberdeen & Northern Eggs recognises the importance of their environmental responsibilities, and as a company have already invested heavily in renewable energy as a means of cutting costs. The revenue from the 2 wind turbines continues to be significant, and the Bio-Mass boilers installed to heat the rearing units have also helped to reduce energy costs. The Solar Panels installed last year on two sites, one a rearing unit, and the other one of our larger Laying sites, continue to assist with energy supply to the business. The main site at West Cockmuir now has 2 bio-mass boilers installed, and provides heat for the packing centre and offices, and will now dry the grain at harvest time. All of these measures demonstrate the positive steps being made to see an improvement in the environment, and use of sustainable energy. As a company our carbon footprint is very low, and we continue to strive to improve this.

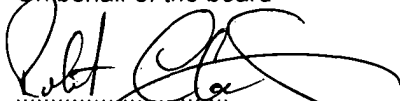
As responsible Farmers we are involved in several Land Management Schemes on several of our farms, with hedge row planting, development of ponds and wildlife support, we farm the land with the environment in mind at all times.

Employees

Wage costs remain on a par with last year, and staff numbers remain about the same, with the office staff and drivers, and similar packing staff. The robot installation has meant one less person on the loader, and this was facilitated by a leaver not being replaced. All members of staff are on or above the new minimum wage introduced in April 2017. The company continue to operate the Auto Enrolment pension scheme where the majority of staff have been enrolled.

Staff personnel remain very loyal, and there is very little turn-around of staff, with about 1/3 of the total from outside the UK, most of whom have been employed with us for several years now.

On behalf of the board



Robert Chapman

Director

6/2/17

ABERDEEN & NORTHERN EGGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2016

The directors present their annual report and financial statements for the year ended 31 May 2016.

Principal activities

The principal activities of the company are agriculture and production and sale of eggs.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ethel Chapman
Robert Chapman
Iain Chapman

Results and dividends

The results for the year are set out on page 7.

The company paid £70,000 of dividends in the year.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent 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.

ABERDEEN & NORTHERN EGGS LIMITED

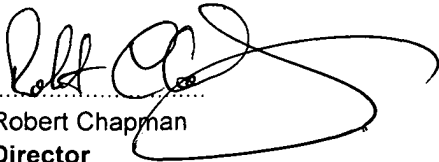
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Robert Chapman
Director
6/2/17

ABERDEEN & NORTHERN EGGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

We have audited the financial statements of Aberdeen & Northern Eggs Limited for the year ended 31 May 2016 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

ABERDEEN & NORTHERN EGGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

Matters on which we are required to report by exception

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

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

Graham Reid (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

7/2/17.....

Chartered Accountants
Statutory Auditor

Bank House
Seaforth Street
FRASERBURGH
AB43 9BB

ABERDEEN & NORTHERN EGGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016 £	2015 £
Turnover	3	15,351,038	16,120,614
Cost of sales		(11,492,393)	(12,241,367)
Gross profit		3,858,645	3,879,247
Administrative expenses		(1,688,719)	(1,621,650)
Other operating income		234,790	214,908
Operating profit	4	2,404,716	2,472,505
Income from participating interests	7	106,878	107,004
Other interest receivable and similar income	7	625	684
Interest payable and similar charges	8	(131,900)	(149,377)
Profit before taxation		2,380,319	2,430,816
Taxation	9	(465,336)	(497,851)
Profit for the financial year		1,914,983	1,932,965

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ABERDEEN & NORTHERN EGGS LIMITED

BALANCE SHEET

AS AT 31 MAY 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Intangible assets	11		-		-
Tangible assets	12	15,512,833		13,321,224	
Investments	13	369,915		358,037	
		<u>15,882,748</u>		<u>13,679,261</u>	
Current assets					
Stocks	16	1,233,261		1,028,714	
Debtors	17	3,944,895		3,676,320	
Cash at bank and in hand		483,568		328,281	
		<u>5,661,724</u>		<u>5,033,315</u>	
Creditors: amounts falling due within one year	18	(2,602,465)		(2,206,436)	
Net current assets		<u>3,059,259</u>		<u>2,826,879</u>	
Total assets less current liabilities		<u>18,942,007</u>		<u>16,506,140</u>	
Creditors: amounts falling due after more than one year	19	(4,296,520)		(3,836,324)	
Provisions for liabilities	23	(337,215)		(358,994)	
Deferred income	24	(1,058,784)		(906,317)	
Net assets		<u>13,249,488</u>		<u>11,404,505</u>	
Capital and reserves					
Called up share capital	26	50,000		50,000	
Profit and loss reserves		13,199,488		11,354,505	
Total equity		<u>13,249,488</u>		<u>11,404,505</u>	

The financial statements were approved by the board of directors and authorised for issue on 6/2/17 and are signed on its behalf by:


Robert Chapman
Director

Company Registration No. SC098093

ABERDEEN & NORTHERN EGGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 June 2014		50,000	9,443,540	9,493,540
Year ended 31 May 2015:				
Profit and total comprehensive income for the year		-	1,932,965	1,932,965
Dividends	10	-	(22,000)	(22,000)
Balance at 31 May 2015		50,000	11,354,505	11,404,505
Year ended 31 May 2016:				
Profit and total comprehensive income for the year		-	1,914,983	1,914,983
Dividends	10	-	(70,000)	(70,000)
Balance at 31 May 2016		50,000	13,199,488	13,249,488

ABERDEEN & NORTHERN EGGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	32	3,317,206		2,433,625	
Interest paid		(131,900)		(149,377)	
Income taxes paid		(426,049)		(374,996)	
Net cash inflow from operating activities		2,759,257		1,909,252	
Investing activities					
Purchase of intangible assets		-		(5,079)	
Purchase of tangible fixed assets		(2,868,552)		(1,322,822)	
Proceeds on disposal of tangible fixed assets		3,500		34,450	
Drawings from investments		95,000		105,000	
Interest received		625		684	
Net cash used in investing activities		(2,769,427)		(1,187,767)	
Financing activities					
Repayment of borrowings		(203,506)		(167,965)	
Proceeds of new bank loans		864,000		-	
Repayment of bank loans		(142,839)		(111,114)	
Payment of finance leases obligations		(282,198)		(416,436)	
Dividends paid		(70,000)		(22,000)	
Net cash generated from/(used in) financing activities		165,457		(717,515)	
Net increase in cash and cash equivalents		155,287		3,970	
Cash and cash equivalents at beginning of year		328,281		324,311	
Cash and cash equivalents at end of year		483,568		328,281	

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

Company information

Aberdeen & Northern Eggs Limited is a company limited by shares incorporated in Scotland. The registered office is Anderson House, 9/15 Frithside Street, Fraserburgh, Aberdeenshire, AB43 5AR.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 May 2016 are the first financial statements of Aberdeen & Northern Eggs Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 June 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised as the point of dispatch.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	- nil and 4% straight line
Plant and machinery	- 5% straight line and 10% and 20% reducing balance
Fixtures, fittings and equipment	- 20% reducing balance and 25% straight line
Motor vehicles	- 20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Interests in associates are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost 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.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

Bird stock is valued at cost and depreciated over its expected useful life.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

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.

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.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.14 Leases

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

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 where the revision affects both current and future periods.

The directors consider that there are no estimates and underlying assumptions which have a significant risk of causing material adjustment to the carrying amount of assets and liabilities.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Egg sales	14,837,882	15,491,723
Other sales	19,763	84,272
Electricity sales	361,178	354,789
Renewable heat incentive	50,373	70,950
Contract farming agreement	81,842	118,880
	<u>15,351,038</u>	<u>16,120,614</u>

Other significant revenue

Interest income	625	684
Grants received	<u>90,284</u>	<u>100,515</u>

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	<u>15,351,038</u>	<u>16,120,614</u>

4 Operating profit

Operating profit for the year is stated after charging/(crediting):

	2016 £	2015 £
Exchange losses/(gains)	5,038	(166)
Government grants	(90,284)	(100,515)
Fees payable to the company's auditor for the audit of the company's financial statements	13,700	14,500
Depreciation of owned tangible fixed assets	730,614	584,586
Depreciation of tangible fixed assets held under finance leases	114,227	217,626
Loss/(profit) on disposal of tangible assets	3,092	(1,507)
Amortisation of intangible assets	-	27,565
Cost of stocks recognised as an expense	8,961,831	9,649,824
Operating lease charges	<u>195,743</u>	<u>188,985</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Directors and management	4	4
Office staff	5	5
Drivers	5	6
Labourers	26	23
	<u>40</u>	<u>38</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	811,930	809,884
Social security costs	60,418	60,742
Pension costs	13,631	6,503
	<u>885,979</u>	<u>877,129</u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	<u>18,000</u>	<u>18,000</u>

7 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	625	684
Income from fixed asset investments		
Income from participating interests - associates	106,878	107,004
Total income	<u>107,503</u>	<u>107,688</u>
Disclosed on the profit and loss account as follows:		
Income from participating interests	106,878	107,004
Other interest receivable and similar income	625	684

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

(Continued)

7 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	625	684
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8 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	120,104	124,268
Interest on finance leases and hire purchase contracts	6,575	19,556
	126,679	143,824
Other finance costs:		
Other interest	5,221	5,553
	131,900	149,377

9 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	492,523	431,270
Adjustments in respect of prior periods	(5,408)	2,747
Total current tax	487,115	434,017
Deferred tax		
Origination and reversal of timing differences	(23,403)	84,292
Adjustment in respect of prior periods	1,624	(20,458)
Total deferred tax	(21,779)	63,834
Total tax charge	465,336	497,851

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	2,380,319	2,430,816
Expected tax charge based on the standard rate of corporation tax in the UK of 020% (2015: 20.83%)	476,064	506,339
Tax effect of expenses that are not deductible in determining taxable profit	22,264	15,911
Tax effect of income not taxable in determining taxable profit	(21,376)	(22,292)
Depreciation on assets not qualifying for tax allowances	29,636	15,328
Under/(over) provided in prior years	(5,408)	2,533
Deferred tax adjustments in respect of prior years	1,624	(20,458)
Adjust closing deferred tax to average rate	(37,468)	490
Tax expense for the year	465,336	497,851

10 Dividends

	2016 £	2015 £
Interim paid	70,000	22,000

11 Intangible fixed assets

	Single farm payment £
Cost	
At 1 June 2015 and 31 May 2016	85,778
Amortisation and impairment	
At 1 June 2015 and 31 May 2016	85,778
Carrying amount	
At 31 May 2016	-
At 31 May 2015	-

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

12 Tangible fixed assets

	Freehold buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2015	9,946,540	7,487,358	35,629	496,370	17,965,897
Additions	2,252,909	548,083	-	242,050	3,043,042
Disposals	-	-	-	(9,650)	(9,650)
At 31 May 2016	12,199,449	8,035,441	35,629	728,770	20,999,289
Depreciation and impairment					
At 1 June 2015	694,229	3,636,179	29,577	284,688	4,644,673
Depreciation charged in the year	148,180	644,798	1,210	50,653	844,841
Eliminated in respect of disposals	-	-	-	(3,058)	(3,058)
At 31 May 2016	842,409	4,280,977	30,787	332,283	5,486,456
Carrying amount					
At 31 May 2016	11,357,040	3,754,464	4,842	396,487	15,512,833
At 31 May 2015	9,252,311	3,851,179	6,052	211,682	13,321,224

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Plant and machinery	384,689	884,136
Motor vehicles	236,079	48,034
	<u>620,768</u>	<u>932,170</u>
Depreciation charge for the year in respect of leased assets	<u>114,227</u>	<u>217,626</u>

Freehold land and buildings with a carrying amount of £5,075,521 (2015 - £4,276,988) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The net obligations under hire purchase contracts are secured over the related assets.

The book value of land not depreciated is £7,632,371 (2015 - £6,833,838).

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

13 Fixed asset investments

	Notes	2016 £	2015 £
Investments in associates	14	369,760	357,882
Unlisted investments		155	155
		<u>369,915</u>	<u>358,037</u>

Movements in fixed asset investments

	Shares in participating interests £	Other investments other than loans £	Total £
Cost or valuation			
At 1 June 2015	357,882	155	358,037
Share of profit	106,878	-	106,878
Drawings	(95,000)	-	(95,000)
At 31 May 2016	<u>369,760</u>	<u>155</u>	<u>369,915</u>
Carrying amount			
At 31 May 2016	<u>369,760</u>	<u>155</u>	<u>369,915</u>
At 31 May 2015	<u>357,882</u>	<u>155</u>	<u>358,037</u>

14 Associates

Details of the company's associates at 31 May 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct Indirect
R & R Renewables LLP Scotland	Renewable energy	Ordinary	50.00

15 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,249,722	3,955,397
Equity instruments measured at cost less impairment	<u>369,915</u>	<u>358,037</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>6,391,217</u>	<u>5,597,166</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

16 Stocks

	2016 £	2015 £
Raw materials and consumables	1,066,591	896,510
Finished goods and goods for resale	166,670	132,204
	<u>1,233,261</u>	<u>1,028,714</u>

17 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,236,844	2,712,256
Corporation tax recoverable	187	-
Other debtors	1,698,055	958,319
Prepayments and accrued income	9,809	5,745
	<u>3,944,895</u>	<u>3,676,320</u>

18 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	169,373	113,541
Obligations under finance leases	21	167,891	265,839
Other borrowings	20	180,491	188,624
Trade creditors		1,161,702	1,068,507
Corporation tax		492,523	431,270
Other taxation and social security		15,245	14,324
Other creditors		299,124	30,000
Accruals and deferred income		116,116	94,331
		<u>2,602,465</u>	<u>2,206,436</u>

The bank loans and overdraft are secured by standard securities over the land and freehold properties and floating charges over the assets.

The net obligations under hire purchase contracts are secured over the related assets.

The other loan is secured over land and freehold properties that belong to the directors.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

19 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	2,580,203	1,914,874
Obligations under finance leases	21	128,497	138,257
Other borrowings	20	1,587,820	1,783,193
		<u>4,296,520</u>	<u>3,836,324</u>

The bank loans and overdraft are secured by standard securities over the land and freehold properties and floating charges over the assets.

The net obligations under hire purchase contracts are secured over the related assets.

The other loan is secured over land and freehold properties that belong to the directors.

20 Loans and overdrafts

	2016 £	2015 £
Bank loans	2,749,576	2,028,415
Other loans	1,768,311	1,971,817
	<u>4,517,887</u>	<u>4,000,232</u>
Payable within one year	349,864	302,165
Payable after one year	<u>4,168,023</u>	<u>3,698,067</u>

The bank loans and overdraft are secured by standard securities over the land and freehold properties and floating charges over the assets.

The other loan is secured over land and freehold properties belonging to the directors.

Four loans are repayable by monthly instalments of £18,995 and mature in the period from February 2017 to October 2030.

Three loans are repayable in quarterly instalments of £41,769 and mature in the period from October 2022 to November 2034.

Three loans mature in the period from September 2018 to January 2025 with the amounts repayable depending upon LIBOR.

All interest rates are charged between 1.78% and 3.05%.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

21 Finance lease obligations

	2016 £	2015 £
Future minimum lease payments due under finance leases:		
Within one year	167,891	265,839
In two to five years	128,497	138,257
	<u>296,388</u>	<u>404,096</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is one year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Provisions for liabilities

	2016 £	2015 £
Deferred tax liabilities	337,215	358,994
	<u>337,215</u>	<u>358,994</u>

23 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
ACAs	<u>337,215</u>	<u>358,994</u>
Movements in the year:		2016 £
Liability at 1 June 2015		358,994
Credit to profit or loss		(21,779)
Liability at 31 May 2016		<u>337,215</u>

The deferred tax liability set out above is expected to reverse within a short to medium term and relates to accelerated capital allowances that are expected to mature within the same period.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

24 Government grants

	2016 £	2015 £
Arising from government grants	1,058,784	906,317
	<u>1,058,784</u>	<u>906,317</u>

While there are certain conditions under which these grants would need to be repaid by the company, these conditions have not occurred.

25 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	13,631	6,503
	<u>13,631</u>	<u>6,503</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

26 Share capital

	2016 £	2015 £
Ordinary share capital		
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
Acquisition of property, plant and equipment	1,775,929	-
	<u>1,775,929</u>	<u>-</u>

Included in capital commitments are costs totalling £1,702,179 of which a 40% grant is reclaimable.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	18,000	18,000

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2016 £	2015 £	2016 £	2015 £
Entities in which the directors have joint control	733,535	440,328	945,054	730,155
Key management personnel	286,250	254,782	323	-
	<u>1,019,785</u>	<u>695,110</u>	<u>945,377</u>	<u>730,155</u>

	Other income received		Other expenses paid	
	2016 £	2015 £	2016 £	2015 £
Entities in which the directors have joint control	40,000	52,000	-	-
Key management personnel	13,560	13,560	6,028	5,520
	<u>53,560</u>	<u>65,560</u>	<u>6,028</u>	<u>5,520</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties 2016		Amounts owed by related parties 2015	
	Balance £	Net £	Balance £	Net £
Entities in which the directors have joint control	1,227,059	1,227,059	868,189	868,189
	<u>1,227,059</u>	<u>1,227,059</u>	<u>868,189</u>	<u>868,189</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

28 Related party transactions

(Continued)

The AMC loans totalling £1,768,311 (2015 - £1,971,817) are secured by land which belongs to the directors personally.

29 Directors' transactions

Dividends totalling £70,000 (2015 - £22,000) were paid in the year in respect of shares held by the company's directors.

The directors operate a current account with the company. At the year end there is a balance due to the directors, Robert and Ethel Chapman of £30,000 (2015 - £30,000).

30 Controlling party

The company is controlled by the directors who own 100% of the company's ordinary share capital.

31 Reserves

The profit and loss reserve represents the cumulative profit and losses, net of dividends and any other adjustments.

32 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	1,914,983	1,932,965
Adjustments for:		
Taxation charged	465,336	497,851
Finance costs	131,900	149,377
Investment income	(107,503)	(107,688)
Loss/(gain) on disposal of tangible fixed assets	3,092	(1,507)
Amortisation and impairment of intangible assets	-	27,565
Depreciation and impairment of tangible fixed assets	844,841	802,212
Increase/(decrease) in deferred income	152,467	(100,516)
Movements in working capital:		
(Increase)/decrease in stocks	(204,547)	315,279
(Increase) in debtors	(268,388)	(906,784)
Increase/(decrease) in creditors	385,025	(175,129)
Cash generated from operations	3,317,206	2,433,625