
Delamere Dairy Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

Delamere Dairy Limited

Company Information

Directors	E A Sutton E J Salt P D J Brunt A Whiston J M D Cope (appointed 27 March 2019)
Company secretary	E A Sutton
Registered number	03761294
Registered office	Yew Tree Farm Bexton Lane Knutsford Cheshire WA16 9BH
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD

Delamere Dairy Limited

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**Strategic Report
For the Year Ended 31 December 2019**

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Business review

The principal activity of the company in the year under review was that of dairy product traders, specialising in goats', sheep and cows' milk products and a range of plant based dairy alternatives.

Turnover increased in 2019 by 14.6% to £28,769,529 due to increase sales in trending areas and strategic changes within the company's product mix. Operating profit decreased by 9.3% to £1,047,053 due to increased administrative expenses in 2019.

Increased sales were achieved in the UK market through an ongoing focus on new product development specifically within alternative dairy products and growth within the sterilised drinks market. Delamere Dairy's export sales to Europe grew 39.4% whereas sales to the rest of the world declined 43.6%, masking sales growth in other territories notably Australia and the Middle East. Delamere Dairy continues to invest in building relationships in these and new territories.

For this reason, Delamere Dairy's supply chain remains under continuous strategic review.

Continued investment in new product development will continue to deliver new turnover with a number of new multiple launches agreed for 2020, further strengthening UK sales.

Principal risks and uncertainties

At the time of writing this report, and due to the Covid-19 pandemic, the company finds itself in unusual circumstances, but management can confirm that at this time the business continues to perform well and that risks have been evaluated to ensure that staff, contractors and investments are protected and that the company remains a going concern and able to service its liabilities.

The company's revenues are principally derived from retail markets. These markets, and therefore company revenues, can be subject to variations in patterns of demand and are largely influenced by economic growth and consumer confidence. In response to this risk, the directors keep up to date with local and wider economic conditions and are able to adapt the pricing strategy and cost base of the company accordingly.

The company continues to seek new markets to facilitate growth. In addition to the close management of credit risk and contractual arrangements, this risk is managed by ensuring the core UK business remains profitable and vibrant.

The continued uncertainty surrounding the Withdrawal Agreement from the European Union brings new risks which are managed by close attention to the negotiation process and strategic positioning of Delamere Dairy's customer base and supply chain to facilitate any adaption which may be required.

Strategic Report (continued)
For the Year Ended 31 December 2019

Financial risk management

The company's operations expose it also to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the factors that affect each of these risks.

Price risk

The company is exposed to changes in the market prices of its products, both from an input and sales perspective. In order to protect against adverse price movements, the company is frequently reviewing its agreements with suppliers to ensure these are on commercially favourable terms.

Credit risk

Credit risk is managed by running credit checks on new customers and by monitoring payments against the contractual arrangements.

Liquidity and interest rate risk

The company's bank loan and invoice discounting facility bears interest at a rate which changes in respect to changes in LIBOR, thereby exposing the company to measured risk on adverse movements in that rate.

Foreign exchange risk.

Foreign exchange risk

The company maintains a natural hedge through the use of foreign currency bank accounts with sales and purchases made in foreign currencies. The Board monitors the net exposure and uses appropriate bank facilities, such as forward contracts, to limit the effects on the financial performance of the company to such exposure. The company buys a significant proportion of its products in Euros. FX exposure is managed both by implementing a minimum 3 month Euro forward contracts policy and a focus on increasing sales in Euros to export markets.

Financial key performance indicators

We monitor a number of KPI's within the business though consider our key financial performance indicators being the operating profit and control of cashflow.

Operating profit for the year was £1,047,053 (2018: £1,154,471) and the company has closely monitored cashflow throughout the year.

Other key performance indicators

Non-financial key performance indicators are numerous but centre on employee workforce management and health & safety.

This report was approved by the board and signed on its behalf.

E J Salt
Director

Date: 24 June 2020

Delamere Dairy Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £797,297 (2018 - £925,830).

Dividends of £575,000 (2018: £nil) were declared and paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

E A Sutton
E J Salt
P D J Brunt
A Whiston
J M D Cope (appointed 27 March 2019)

Delamere Dairy Limited

Directors' Report (continued)
For the Year Ended 31 December 2019

Future developments

The directors consider that the forthcoming financial year will be another year of solid performance building further security for all our stakeholders.

Going Concern

The directors have presented the financial statements on a going concern basis which assumes the group will have sufficient resources to meet its liabilities as they fall due.

Research and development activities

The company continues to invest in research and development with the purpose of developing new products.

Matters covered in the strategic report

Financial risk management objectives and policies have been included in the Strategic Report as these are considered to be of strategic importance to the Directors.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end other than the ongoing Covid 19 pandemic which has been discussed in the Strategic report.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

E J Salt

Director

Date: 24 June 2020

Independent Auditors' Report to the Members of Delamere Dairy Limited

Opinion

We have audited the financial statements of Delamere Dairy Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Independent Auditors' Report to the Members of Delamere Dairy Limited (continued)

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the 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 or the 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 on page 3, 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.

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

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

Independent Auditors' Report to the Members of Delamere Dairy Limited (continued)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Helen Besant-Roberts (Senior Statutory Auditor)

for and on behalf of

Hurst Accountants Limited

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

24 June 2020

Delamere Dairy Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	Note	2019 £	2018 £
Turnover	4	28,769,529	25,107,427
Cost of sales		(25,413,508)	(22,005,447)
Gross profit		3,356,021	3,101,980
Administrative expenses		(2,348,968)	(1,969,102)
Fair value movements on derivative financial instruments		-	21,593
Operating profit	5	1,007,053	1,154,471
Interest receivable and similar income	9	800	-
Interest payable and expenses	10	(39,034)	(26,798)
Profit before tax		968,819	1,127,673
Tax on profit	11	(171,522)	(201,843)
Profit for the financial year		797,297	925,830

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 11 to 26 form part of these financial statements.

Delamere Dairy Limited
Registered number: 03761294

Balance Sheet
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	216,138	248,799
Tangible assets	14	43,805	43,204
		<u>259,943</u>	<u>292,003</u>
Current assets			
Stocks	15	1,527,361	1,316,566
Debtors: amounts falling due after more than one year	16	50,000	25,000
Debtors: amounts falling due within one year	16	7,711,002	6,411,931
Cash at bank and in hand	17	323,404	1,492,802
		<u>9,611,767</u>	<u>9,246,299</u>
Creditors: amounts falling due within one year	18	(3,806,132)	(3,687,116)
Net current assets		<u>5,805,635</u>	<u>5,559,183</u>
Total assets less current liabilities		<u>6,065,578</u>	<u>5,851,186</u>
Provisions for liabilities			
Deferred tax	20	(5)	(7,910)
Net assets		<u><u>6,065,573</u></u>	<u><u>5,843,276</u></u>
Capital and reserves			
Called up share capital	21	400	400
Share premium account	22	49,950	49,950
Profit and loss account	22	6,015,223	5,792,926
		<u><u>6,065,573</u></u>	<u><u>5,843,276</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

E J Salt
Director

Date: 24 June 2020

The notes on pages 11 to 26 form part of these financial statements.

Delamere Dairy Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	400	49,950	5,792,926	5,843,276
Comprehensive income for the year				
Profit for the year	-	-	797,297	797,297
Total comprehensive income for the year	-	-	797,297	797,297
Dividends: Equity capital	-	-	(575,000)	(575,000)
Total transactions with owners	-	-	(575,000)	(575,000)
At 31 December 2019	400	49,950	6,015,223	6,065,573

The notes on pages 11 to 26 form part of these financial statements.

**Statement of Changes in Equity
For the Year Ended 31 December 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	400	49,950	4,867,096	4,917,446
Comprehensive income for the year				
Profit for the year	-	-	925,830	925,830
Total comprehensive income for the year	-	-	925,830	925,830
At 31 December 2018	400	49,950	5,792,926	5,843,276

The notes on pages 11 to 26 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. General information

Delamere Dairy Limited is a private company limited by share capital incorporated in England & Wales, company number 03761294. The address of its registered office and the principal place of business is Yew Tree Farm, Bexton Lane, Knutsford, Cheshire, WA16 9BH.

The nature of the company's operation and its principal activity is that of dairy product traders, specialising in goat's and cow's milk products and a range of plant based milk alternatives.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Delamere Dairy Holdings Limited as at 31 December 2019 and these financial statements may be obtained from the Registrar of Companies.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Invoices are raised and turnover recognised on the day that goods are delivered.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.6 Leased assets: the Company as lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, the methods used are as below.

Depreciation is provided on the following basis:

Plant and machinery	-	15%	reducing balance
Fixtures and fittings	-	25%	reducing balance
Improvements to property	-	10%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.17 Financial instruments

With the exception of forward currency contracts, the Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivative

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the Financial Statements
For the Year Ended 31 December 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances. The results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The significant judgements estimates and assumptions are:

Trade Debtors

The company has recognised trade debtors with a carrying value of £2,937,491 (2018: £2,280,331). At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

Stock

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete. The impairment loss is recognised immediately in the income statement. At the year end, stock held by the company totalled £1,527,361 (2018: £1,316,566). Stock provisions at the year end totalled £34,779 (2018: £16,750).

Rebate provision

The company has recognised provisions in respect of customer rebates. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

Derivative financial instruments

The company recognises foreign exchange derivatives in the statement of financial position at their fair value. Changes in fair value of derivatives are included in the statement of comprehensive income.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets acquired. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. The carrying amount of goodwill at the year end was £182,000 (2018: £210,000).

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

4. Turnover

The whole of the turnover is attributable to the principal activity, being dairy product traders, specialising in goat's and cow's milk products and a range of plant based milk alternatives.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	27,123,897	23,798,070
Europe	1,523,228	1,092,375
Rest of the world	122,404	216,982
	<u>28,769,529</u>	<u>25,107,427</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	11,160	11,031
Amortisation of intangible assets, including goodwill	34,751	33,837
Exchange differences	98,006	3,803
Other operating lease rentals	60,187	60,813
Fair value movements on forward currency contracts	-	21,593
Defined contribution pension cost	<u>280,587</u>	<u>21,097</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>15,500</u>	<u>15,500</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	968,527	954,239
Social security costs	104,585	104,396
Cost of defined contribution scheme	280,587	21,097
	<u>1,353,699</u>	<u>1,079,732</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No.	No.
Administration	<u>23</u>	<u>22</u>

8. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	498,964	417,900
Company contributions to defined contribution pension schemes	247,669	2,108
	<u>746,633</u>	<u>420,008</u>

During the year retirement benefits were accruing to 4 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £170,515 (2018 - £177,350).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £114,938 (2018 - £703).

9. Interest receivable

	2019	2018
	£	£
Other interest receivable	<u>800</u>	<u>-</u>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	<u>39,034</u>	<u>26,798</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	<u>179,427</u>	<u>201,843</u>
Total current tax	<u>179,427</u>	<u>201,843</u>
Deferred tax		
Origination and reversal of timing differences	<u>(7,905)</u>	<u>-</u>
Total deferred tax	<u>(7,905)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>171,522</u>	<u>201,843</u>

Notes to the Financial Statements
For the Year Ended 31 December 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>968,819</u>	<u>1,127,673</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	184,076	214,258
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,324	1,127
Capital allowances for year in excess of depreciation	34	580
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(20,779)	(11,128)
Changes in provisions leading to an increase (decrease) in the tax charge	5,320	5,320
Other differences leading to an increase (decrease) in the tax charge	(453)	-
Group relief	-	(8,314)
Total tax charge for the year	<u>171,522</u>	<u>201,843</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2019 £	2018 £
Dividends on ordinary shares	<u>575,000</u>	<u>-</u>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

13. Intangible assets

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2019	71,073	307,001	378,074
Additions	2,090	-	2,090
At 31 December 2019	<u>73,163</u>	<u>307,001</u>	<u>380,164</u>
Amortisation			
At 1 January 2019	32,274	97,001	129,275
Charge for the year	6,751	28,000	34,751
At 31 December 2019	<u>39,025</u>	<u>125,001</u>	<u>164,026</u>
Net book value			
At 31 December 2019	<u><u>34,138</u></u>	<u><u>182,000</u></u>	<u><u>216,138</u></u>
<i>At 31 December 2018</i>	<u><u>38,799</u></u>	<u><u>210,000</u></u>	<u><u>248,799</u></u>

Goodwill relates to contracts purchased in 2016, the carrying amount at 31 December 2019 is £182,000 and the remaining amortisation period is 6.5 years.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

14. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Improve-ments to property £	Total £
Cost or valuation				
At 1 January 2019	42,322	124,024	80,739	247,085
Additions	-	11,045	716	11,761
At 31 December 2019	42,322	135,069	81,455	258,846
Depreciation				
At 1 January 2019	39,050	110,968	53,863	203,881
Charge for the year on owned assets	491	4,509	6,160	11,160
At 31 December 2019	39,541	115,477	60,023	215,041
Net book value				
At 31 December 2019	2,781	19,592	21,432	43,805
<i>At 31 December 2018</i>	3,272	13,056	26,876	43,204

15. Stocks

	2019 £	2018 £
Raw materials and consumables	1,527,361	1,316,566

Stock recognised in cost of sales during the year as an expense was £23,223,988 (2018: £20,611,154).

An impairment loss of £18,029 (2018: £16,750) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

Delamere Dairy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

16. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	<u>50,000</u>	<u>25,000</u>
Due within one year		
Trade debtors	2,937,491	2,280,331
Amounts owed by group undertakings	4,652,450	3,969,318
Other debtors	60,283	112,689
Prepayments and accrued income	60,778	34,645
Derivatives	-	14,948
	<u>7,711,002</u>	<u>6,411,931</u>

There was an impairment charge of £10,306 in the year (2018: Loss - £10,306) in respect of bad and doubtful trade debtors.

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>323,404</u>	<u>1,492,802</u>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

18. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	2,446,541	2,148,842
Corporation tax	134,426	202,185
Other taxation and social security	28,300	26,006
Invoice discounting facility	802,040	962,315
Accruals and deferred income	394,825	347,768
	<u>3,806,132</u>	<u>3,687,116</u>

The invoice discounting facility is secured by means of a fixed and floating charge over the company's assets.

19. Financial instruments

	2019	2018
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	<u>-</u>	<u>14,948</u>

Derivative financial instruments measured at fair value through profit or loss comprise forward currency contracts.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

20. Deferred taxation

	2019	<i>2018</i>
	£	£
Liability at beginning of year	(7,910)	<i>(7,910)</i>
Credited to profit or loss	7,905	<i>-</i>
Liability at end of year	<u>(5)</u>	<i><u>(7,910)</u></i>

The provision for deferred taxation is made up as follows:

	2019	<i>2018</i>
	£	£
Accelerated capital allowances	(7,605)	<i>(7,910)</i>
Pension surplus	7,600	<i>-</i>
	<u>(5)</u>	<i><u>(7,910)</u></i>

21. Share capital

	2019	<i>2018</i>
	£	£
Allotted, called up and fully paid		
400 (2018 - 400) Ordinary shares of £1.00 each	<u>400</u>	<i><u>400</u></i>

22. Reserves

Share premium account

The share premium account includes premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss account represents cumulative gains and losses net of dividends paid and other adjustments.

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £280,587 (2018: £21,097). Contributions totalling £40,000 (2018 - £nil) were payable to the fund at the balance sheet date.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

24. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	52,833	51,564
Later than 1 year and not later than 5 years	78,324	97,720
	<u>131,157</u>	<u>149,284</u>

25. Related party transactions

The company's ultimate parent undertaking is Delamere Dairy Holdings Limited. The company has taken advantage of the exemption contained in FRS102 Section 33.1A "Related Party Transactions" not to disclose transaction with Delamere Dairy Holdings Limited.

Key management are considered to be the directors of the company. Therefore, there is no difference between key management compensation and directors' emoluments.

During the year, there were purchases totalling £697,873 (2018: £79,209) from, and sales totalling £1,250 (2018: £nil) to, companies with a common director. At 31 December 2019, a balance of £65,000 (2018: £nil) relating to a loan due from an associated company is held in other debtors (£50,000 in other debtors due in more than one year and £15,000 in other debtors due in less than one year). At 31 December 2019, Delamere Dairy Limited owes the associated company £44,879 (2018: £nil) which is held in trade creditors.

26. Controlling party

The company is a subsidiary of Delamere Dairy Holdings Limited, which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Delamere Dairy Holdings Limited. The consolidated accounts of this company are publicly available and may be obtained from the Registrar of Companies.

The company is considered to be under the control of E J Salt by virtue of his majority shareholding.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.