

## **WM. Nelstrop & Co. Ltd**

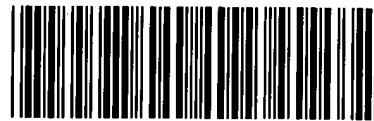
Annual Report and Financial Statements

Year Ended

31 March 2018

Company Number 00260082

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# **WM. Nelstrop & Co. Ltd**

## **Company Information**

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<b>Directors</b>	C J Nelstrop (Non-Executive Chairman) P A Roberts Dr G A Nelstrop C H Syers (Managing Director) S J M Roberts A P F Nelstrop M B Nelstrop
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<b>Registered number</b>	00260082
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<b>Registered office</b>	Albion Flour Mills Stockport SK4 1TZ
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<b>Independent auditor</b>	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
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# **WM. Nelstrop & Co. Ltd**

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# **WM. Nelstrop & Co. Ltd**

## **Strategic Report For the Year Ended 31 March 2018**

The directors present the strategic report together with the audited financial statements for the year ended 31 March 2018.

### **Business review**

The income statement is set out on page 8 and shows turnover for the year of £47,969,734 (2017 - £42,735,166) and profit before tax for the year of £697,084 (2017 - £969,236).

A global wheat harvest of 758 million tonnes and favourable growing conditions provided a good supply of quality wheat for the season. The UK referendum vote to leave the European Union led to a weakness in Sterling, which in turn increased English wheat prices (as English wheat became more competitive to export). The increase in wheat prices led to an increase in the company's cost of sales.

During the year a new state of the art mill was commissioned which produces flours of exceptional quality and has a lower carbon usage per tonne of production.

The company strategy taken by the family is to have a long term view on business performance and continue to invest in the quality of the flours, capacity and efficiency of the business.

There have been no significant events since the statement of financial position date.

### **Principal risks and uncertainties**

The company is exposed to commodity price as part of its operations. The company hedges its exposure through forward purchasing as appropriate.

The company monitors interest rate risks and, if considered appropriate, uses a mixture of fixed and floating interest rates.

The company's exposure to credit is primarily attributable to its trade debtors. Debtors levels are closely monitored.

The company's exposure to Health and Safety risks is managed by investments throughout the site, working closely with insurers and regular training.

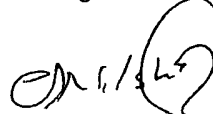
### **Financial key performance indicators**

The directors consider the key performance indicators for the business to be turnover, gross profit margin and operating costs. The statement of comprehensive income shows the figures related to these indicators. In addition, the directors focus on sale volumes which have increased in the year to 31 March 2018 to 195,796 tonnes (2017 - 189,780 tonnes).

The directors are satisfied with the performance in each of these areas given the prevailing trading conditions.

This report was approved by the board on

and signed on its behalf.



16-11-18

**C J Nelstrop**  
Director

# **WM. Nelstrop & Co. Ltd**

## **Directors' Report For the Year Ended 31 March 2018**

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The directors present their report together with the audited financial statements for the year ended 31 March 2018.

### **Principal activity**

The principal activity of the company continued to be that of flour milling.

### **Business review**

A review of the business and its principal risks and uncertainties are set out in the strategic report on page 1 of these financial statements.

### **Results and dividends**

The profit for the year, after taxation, amounted to £558,412 (2017 - £913,217).

The directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017 - £Nil).

### **Directors**

The directors who served during the year were:

C J Nelstrop (Chairman)  
P A Roberts  
Dr G A Nelstrop  
C H Syers (Managing Director)  
S J M Roberts  
A P F Nelstrop  
M B Nelstrop

### **Corporate responsibility**

The company provides support to local projects and charities which are considered to provide significant benefits to the community.

The company is committed to a policy which recognises environmental issues in all aspects of its business.

### **Political and charitable donations**

During the year the company made charitable donations of £320 (2017 - £200).

### **Disclosure of information to auditor**

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 auditor is 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 auditor is aware of that information.

# WM. Nelstrop & Co. Ltd

## Directors' Report (continued) For the Year Ended 31 March 2018

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### Post year end events

There have been no significant events affecting the company since the year end.

### Auditor

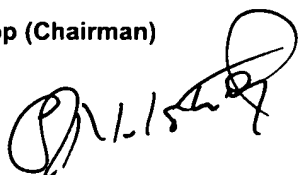
The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

16-11-18

C J Nelstrop (Chairman)  
Director

A handwritten signature in black ink, appearing to be 'C J Nelstrop', written over the printed name and title.

# **WM. Nelstrop & Co. Ltd**

## **Directors' Responsibilities Statement For the Year Ended 31 March 2018**

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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 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;
- 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 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.

# **WM. Nelstrop & Co. Ltd**

## **Independent Auditor's Report to the Members of WM. Nelstrop & Co. Ltd**

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### **Opinion**

We have audited the financial statements of WM. Nelstrop & Co Ltd ("the company") for the year ended 31 March 2018 which comprise the income statement, statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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



# **WM. Nelstrop & Co. Ltd**

## **Independent Auditor's Report to the Members of WM. Nelstrop & Co. Ltd (continued)**

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### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of 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 and 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.

# WM. Nelstrop & Co. Ltd

## Independent Auditor's Report to the Members of WM. Nelstrop & Co. Ltd (continued)

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### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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



**Julien Rye** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester  
United Kingdom

16 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# WM. Nelstrop & Co. Ltd

## Income Statement For the Year Ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	47,969,734	42,735,166
Cost of sales		(42,523,756)	(37,099,024)
<b>Gross profit</b>		<b>5,445,978</b>	<b>5,636,142</b>
Distribution costs		(3,273,604)	(3,240,044)
Administrative expenses		(1,631,252)	(1,555,156)
Other operating income	5	104,563	50,378
<b>Operating profit</b>	6	<b>645,685</b>	<b>891,320</b>
Interest receivable and similar income	9	51,562	78,117
Interest payable and similar expenses		(163)	(201)
<b>Profit before tax</b>		<b>697,084</b>	<b>969,236</b>
Tax on profit	11	(138,672)	(56,019)
<b>Profit for the financial year</b>		<b>558,412</b>	<b>913,217</b>

The notes on pages 13 to 27 form part of these financial statements.

# WM. Nelstrop & Co. Ltd

## Statement of Comprehensive Income For the Year Ended 31 March 2018

	Note	2018 £	2017 £
Profit for the financial year		558,412	913,217
<b>Other comprehensive income</b>			
Hedge effective portion of change in fair value of designated hedging instruments		153,395	444,291
Taxation in respect of the other comprehensive income		(26,077)	(93,251)
<b>Other comprehensive income for the year</b>		<b>127,318</b>	<b>351,040</b>
<b>Total comprehensive income for the year</b>		<b>685,730</b>	<b>1,264,257</b>

The notes on pages 13 to 27 form part of these financial statements.

**WM. Nelstrop & Co. Ltd**  
Registered number: 00260082

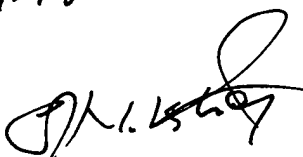
**Statement of Financial Position**  
**As at 31 March 2018**

	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible assets	12		13,647,307		11,231,756
<b>Current assets</b>					
Stocks	13	2,299,416		1,869,514	
Debtors: amounts falling due after more than one year	14	24,534		22,978	
Debtors: amounts falling due within one year	14	8,651,989		7,078,192	
Current asset investments	15	1,807,497		1,831,164	
Cash at bank and in hand	16	365,848		5,005,751	
		<u>13,149,284</u>		<u>15,807,599</u>	
Creditors: amounts falling due within one year	17	(4,450,511)		(5,533,957)	
<b>Net current assets</b>			<u>8,698,773</u>		<u>10,273,642</u>
<b>Total assets less current liabilities</b>			<u>22,346,080</u>		<u>21,505,398</u>
<b>Provisions for liabilities</b>					
Deferred tax	19		(528,051)		(373,099)
<b>Net assets</b>			<u><u>21,818,029</u></u>		<u><u>21,132,299</u></u>
<b>Capital and reserves</b>					
Called up share capital	20		28,553		28,553
Capital redemption reserve	21		23,389		23,389
Cash flow hedge reserve	21		96,303		(31,015)
Profit and loss account	21		21,669,784		21,111,372
<b>Total equity</b>			<u><u>21,818,029</u></u>		<u><u>21,132,299</u></u>

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

16-11-18

C J Nelstrop (Chairman)  
Director



The notes on pages 13 to 27 form part of these financial statements.

# WM. Nelstrop & Co. Ltd

## Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital	Capital redemption reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017	28,553	23,389	(31,015)	21,111,372	21,132,299
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	558,412	558,412
Hedge effective portion of change in fair value of designated hedging instruments	-	-	153,395	-	153,395
Taxation in respect of other comprehensive income	-	-	(26,077)	-	(26,077)
<b>Total comprehensive income for the year</b>	-	-	127,318	558,412	685,730
<b>At 31 March 2018</b>	<b>28,553</b>	<b>23,389</b>	<b>96,303</b>	<b>21,669,784</b>	<b>21,818,029</b>

## Statement of Changes in Equity For the Year Ended 31 March 2017

	Called up share capital	Capital redemption reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2016	28,674	23,268	(382,055)	20,198,155	19,868,042
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	913,217	913,217
Hedge effective portion of change in fair value of designated hedging instruments	-	-	444,291	-	444,291
Taxation in respect of other comprehensive income	-	-	(93,251)	-	(93,251)
<b>Total comprehensive income for the year</b>	-	-	351,040	913,217	1,264,257
Shares cancelled during the year	(121)	121	-	-	-
<b>At 31 March 2017</b>	<b>28,553</b>	<b>23,389</b>	<b>(31,015)</b>	<b>21,111,372</b>	<b>21,132,299</b>

The notes on pages 13 to 27 form part of these financial statements.

# WM. Nelstrop & Co. Ltd

## Statement of Cash Flows For the Year Ended 31 March 2018

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	558,412	913,217
<b>Adjustments for:</b>		
Depreciation of tangible assets	503,880	525,300
Loss on disposal of tangible assets	950	(1,806)
Interest paid	163	201
Interest received	(51,562)	(78,117)
Taxation expense	138,672	56,019
(Increase) in stocks	(429,903)	(269,408)
(Increase)/decrease in debtors	(1,575,353)	832,856
(Decrease)/increase in creditors	(1,080,852)	1,051,458
Fair value movements from short term investments and deposits	23,668	-
Net fair value losses recognised in other comprehensive income	153,395	444,291
Corporation tax (paid)	(12,391)	(42,959)
<b>Net cash (absorbed by) / generated from operating activities</b>	<b>(1,770,921)</b>	<b>3,431,052</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(2,920,381)	(5,058,445)
Sale of tangible fixed assets	-	5,549
Interest received	51,562	78,117
Investment in current asset investments	-	(14,746)
<b>Net cash from investing activities</b>	<b>(2,868,819)</b>	<b>(4,989,525)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(163)	(201)
<b>Net cash used in financing activities</b>	<b>(163)</b>	<b>(201)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(4,639,903)</b>	<b>(1,558,674)</b>
Cash and cash equivalents at beginning of year	5,005,751	6,564,425
<b>Cash and cash equivalents at the end of year</b>	<b>365,848</b>	<b>5,005,751</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	365,848	5,005,751
	<b>365,848</b>	<b>5,005,751</b>

The notes on pages 13 to 27 form part of these financial statements.

# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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### **1. General information**

WM. Nelstrop & Co. Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

### **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 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

##### **Sale of goods**

Turnover 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 turnover 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.

#### **2.3 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.



# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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### **2. Accounting policies (continued)**

#### **2.3 Tangible fixed assets (continued)**

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

Depreciation is provided on the following basis:

Freehold land and buildings	- 2% per annum straight line
Plant and machinery	- Written down over 10-20 years straight line
Motor vehicles	- 25% per annum on written down value

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 income statement.

#### **2.4 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 reporting 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.

#### **2.5 Investments**

Investments in listed company bonds, which have been classified as current asset investments, are remeasured to market value at each statement of financial position date. Gains or losses on remeasurement are recognised in the profit or loss for the period within interest receivable.

#### **2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **2.7 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.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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### **2. Accounting policies (continued)**

#### **2.8 Financial instruments**

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. 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. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 income statement.

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.

The company has entered into forward foreign exchange contracts to manage its exposure to exchange rate cash flow risk on its sales denominated in currency other than Sterling. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

#### **2.9 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.

# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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### **2. Accounting policies (continued)**

#### **2.9 Foreign currency translation (continued)**

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 income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income'.

#### **2.10 Finance costs**

Finance costs are charged to the income statement 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.

#### **2.11 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 income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

#### **2.12 Interest income**

Interest income is recognised in the income statement using the effective interest method.

#### **2.13 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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### **2. Accounting policies (continued)**

#### **2.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a change 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 reporting date in the country 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 statement of financial position 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 is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date.

# **WM. Nelstrop & Co. Ltd**

## **Notes to the Financial Statements For the Year Ended 31 March 2018**

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are as stated below:

#### **Useful lives of property, plant and equipment**

Estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. When management identifies that actual lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively.

#### **Provision for doubtful debts**

At each statement of financial position date the company evaluates the collectability of trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write off history.

#### **Allowance for inventories written down**

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### **Hedge accounting**

The directors monitor the anticipated effectiveness of any open cash flow hedging relationships for forecast sales at regular intervals. Where forecast future sales shown within the cash flow hedge reserve are deemed no longer highly probable the corresponding value of the hedging instrument is reclassified to profit and loss immediately. The fair value of open foreign forward exchange contracts throughout the year is calculated with reference to the underlying exchange rate movements against the agreed settlement rate on the instrument. External valuation are periodically obtained to ensure the accuracy of the directors' estimates.

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	37,518,684	33,748,213
Rest of Europe	10,451,050	8,986,953
	<u>47,969,734</u>	<u>42,735,166</u>

Turnover is wholly attributable to the principal activity of the company.

### 5. Other operating income

	2018 £	2017 £
Rents receivable	66,100	44,462
Weighbridge income	38,463	5,916
	<u>104,563</u>	<u>50,378</u>

### 6. Operating profit

The operating profit is stated after charging / (crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	503,880	525,300
<b>Fees payable to the company's auditors and its associates for other services:</b>		
- The audit of the company's subsidiaries pursuant to legislation	19,950	18,250
- tax services	10,815	10,500
Foreign exchange (gain)	(166,092)	(250,452)
Inventory recognised as an expense	<u>38,101,214</u>	<u>32,808,371</u>

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 7. Employees

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

	2018 £	2017 £
Wages and salaries	1,988,100	1,919,268
Social security costs	222,686	212,545
Cost of defined contribution scheme	42,537	78,334
	<u>2,253,323</u>	<u>2,210,147</u>

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

	2018 No.	2017 No.
Management	7	7
Office	2	2
Production	29	29
Sales	4	4
Part time	4	4
	<u>46</u>	<u>46</u>

### 8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	381,663	366,334
Company contributions to defined contribution pension schemes	35,000	40,000
	<u>416,663</u>	<u>406,334</u>

The highest paid director received remuneration of £124,013 (2017 - £132,489).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,000 (2017 - £16,600).

Directors who are in a defined contribution pension scheme for the year ended was 3 (2017 - 3).

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 9. Interest receivable and similar charges

	2018 £	2017 £
Interest and fair value movements from short term investments and deposits	51,562	78,117

### 10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	163	-
Other interest payable	-	201
	163	201

### 11. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	15,508	18,249
Adjustments in respect of previous periods	(5,711)	1,321
	9,797	19,570
<b>Deferred tax</b>		
Origination and reversal of timing differences	128,534	128,827
Adjustments in respect of prior periods	341	(78,855)
Effect of tax rate change on opening	-	(13,523)
<b>Total deferred tax</b>	128,875	36,449
<b>Taxation on profit on ordinary activities</b>	138,672	56,019



# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>697,084</u>	<u>969,236</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	132,446	193,847
<b>Effects of:</b>		
Fixed asset differences	25,397	17,383
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,321	899
Adjustments to tax charge in respect of prior periods	(5,370)	(78,855)
Deferred tax charged directly to equity	(26,077)	-
Adjust deferred tax to average rate of 19.00%	(15,122)	-
Deferred tax not recognised	26,077	(77,255)
<b>Total tax charge for the year</b>	<u><u>138,672</u></u>	<u><u>56,019</u></u>

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 12. Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Buildings and plant in course of construction £	Total £
<b>Cost or valuation</b>					
At 1 April 2017	2,115,785	6,520,100	87,377	7,544,754	16,268,016
Additions	-	9,900	-	2,910,481	2,920,381
Disposals	-	(701,041)	(950)	-	(701,991)
At 31 March 2018	<u>2,115,785</u>	<u>5,828,959</u>	<u>86,427</u>	<u>10,455,235</u>	<u>18,486,406</u>
<b>Depreciation</b>					
At 1 April 2017	771,279	4,226,406	38,575	-	5,036,260
Charge for the year	42,120	457,600	4,160	-	503,880
Disposals	-	(701,041)	-	-	(701,041)
At 31 March 2018	<u>813,399</u>	<u>3,982,965</u>	<u>42,735</u>	<u>-</u>	<u>4,839,099</u>
<b>Net book value</b>					
At 31 March 2018	<u>1,302,386</u>	<u>1,845,994</u>	<u>43,692</u>	<u>10,455,235</u>	<u>13,647,307</u>
At 31 March 2017	<u>1,344,506</u>	<u>2,293,694</u>	<u>48,802</u>	<u>7,544,754</u>	<u>11,231,756</u>

### 13. Stocks

	2018 £	2017 £
Raw materials and consumables	1,879,165	1,505,805
Finished goods and goods for resale	420,251	363,709
	<u>2,299,416</u>	<u>1,869,514</u>

In the opinion of the directors, the replacement cost of stock is not materially different from the above carrying value.

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 14. Debtors

	2018 £	2017 £
<b>Due after more than one year</b>		
Other debtors	24,534	22,978
	<u>24,534</u>	<u>22,978</u>
<b>Due within one year</b>		
Trade debtors	8,013,003	6,567,522
Other debtors	984	30,820
Prepayments and accrued income	426,542	306,866
Taxation and social security	118,709	172,984
Forward contracts	92,751	-
	<u>8,651,989</u>	<u>7,078,192</u>

The impairment loss recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was £8,855 (2017 - £10,248).

### 15. Current asset investments

	2018 £	2017 £
Listed investments	1,807,497	1,831,164
	<u>1,807,497</u>	<u>1,831,164</u>

### 16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	365,848	5,005,751
	<u>365,848</u>	<u>5,005,751</u>

Included in the cash balance is an amount of £281,674 (2017 - £778,418) held in a short term deposit account classified as a cash equivalent.

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	2,357,456	3,913,326
Corporation tax	16,976	19,570
Taxation and social security	4,774	47,698
Other creditors	42,321	13,195
Accruals and deferred income	2,028,984	1,467,712
Forward contracts	-	72,456
	<u>4,450,511</u>	<u>5,533,957</u>

### 18. Financial instruments

	2018 £	2017 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	1,900,248	1,831,164
Financial assets that are debt instruments measured at amortised cost	8,404,369	11,627,071
	<u>10,304,617</u>	<u>13,458,235</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(4,428,761)	(5,394,233)
Financial instruments measured at fair value through profit or loss	-	(72,456)
	<u>(4,428,761)</u>	<u>(5,466,689)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

Financial assets and liabilities measured at fair value through profit or loss comprise of short term investment balances and forward foreign exchange contracts used in the hedging of currency risk.

During the year the group has taken out forward foreign exchange contracts to hedge foreign exchange cash flow risk on overseas sales. These contracts are to sell euros on a specified date for a fixed rate. The total amount contracted to sell at the year end date was €7,710,000 (2017 - €8,465,000) which expires between 1 and 15 months from the year end.

These contracts have a fair value asset of £92,751 (2017 - £72,454 liability). The cumulative value of the change in fair value of the hedging instruments credited to other comprehensive income in the period was £153,395 (2017 - £444,291 charged). The total value reclassified from the cash flow hedge reserve to profit and loss for the period was £11,810 (2017 - £222,300).

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

### 19. Deferred taxation

	2018 £
At beginning of year	373,099
Charged to profit or loss	128,875
Charged to other comprehensive income	26,077
<b>At end of year</b>	<b>528,051</b>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	633,308	412,878
Short term timing differences	38,630	2,869
Losses and other deductions	(143,887)	(42,648)
	<b>528,051</b>	<b>373,099</b>

### 20. Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
28,553 (2017 - 28,553) ordinary shares of £1 each	<b>28,553</b>	<b>28,553</b>

# WM. Nelstrop & Co. Ltd

## Notes to the Financial Statements For the Year Ended 31 March 2018

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### 21. Reserves

The company's capital and reserves are as follows:

#### **Called up share capital**

Called up share capital represents the nominal value of the shares issued.

#### **The capital redemption reserve**

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

#### **Cash flow hedge reserve**

The cash flow hedge reserve includes the fair value movements on hedging instruments to the extent that they are considered to be effective.

#### **Profit and loss account**

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments

### 22. Capital commitments

There were contracted capital commitments at the statement of financial position date of £535,000 (2017 - £1,155,988) relating to capital expenditure.

At the year end the company was committed to purchasing stock of £8,750,700 (2017 - £3,318,635).

### 23. Pension commitments

The group operates a defined contribution pension scheme for executive directors and contributes to individual pension arrangements of other employees. The assets of these arrangements are held separately from those of the company and the pension cost charge (note 7) represents contributions payable by the company to the above arrangements. At 31 March 2018 £22,507 (2017 - £6,437) was payable under the arrangements.

### 24. Related party transactions

During the year the company sold goods to the value of £235,345 (2017 - £340,473) to Freshpack Limited, a company in which P.A. Roberts and S.J.M. Roberts are shareholders. The transactions were on normal commercial terms. The year end balance with Freshpack was £21,185 (2017 - £13,873).

Key management personnel are considered to be the statutory directors as listed on page 2. Details of their remuneration can be found in note 8.

### 25. Controlling party

The controlling party is considered to be the directors on account of their combined shareholding.