

DOVES FARM FOODS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

DOVES FARM FOODS LIMITED

COMPANY INFORMATION

Directors

M J Marriage
C E Marriage
J J Marriage (appointed 1 February 2020)
R N L Marriage (appointed 1 February 2020)

Company secretary

C E Marriage

Registered number

02301391

Registered office

Salisbury Road
Hungerford
Berkshire
RG17 0RF

Independent auditor

James Cowper Kreston
Chartered Accountants and Statutory Auditor
2 Communications Road
Greenham Business Park
Greenham
Newbury
Berkshire
RG19 6AB

DOVES FARM FOODS LIMITED

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DOVES FARM FOODS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2020

Introduction

Doves Farm Foods remains an independent, family run, food manufacturing company focusing on the processing of speciality grain and cereal products with a high level of product integrity, that are sold both as ingredients and as consumer foods. Doves Farm Foods holds accreditation from British Retail Consortium, Sedex, Soil Association Organic, Coeliac, and Kosher societies.

Financial security is based upon product profitability to generate surplus cash profits for financing machinery acquisition, structural alterations and additions.

Business review

Following the launch of the new brand for the company's gluten free products, packaging for all of the lines has now moved to the FREEE label. This has created a separate and distinctive identity for products that are suitable for those who wish to eat gluten free foods and be free of other allergens; as opposed to other products made by the company which do contain gluten. FREEE flours, cookies, cereals and oat bars are produced and packed in the companies dedicated purpose built facility using specialist milling, blending and baking equipment.

During the year the company has continued production of breakfast cereals on its new line.

Speciality, Organic, wheat and rye flours and associated products continue to be made and sold under the Doves Farm brand. A new high speed packing line was installed which was very busy during the Covid lockdown when there was a large upsurge in sales of homebaking flour. The design of our home baking flour range of packets has been updated and made much more distinctive, which should increase our market share.

During the Covid lockdown and subsequently, we have been well placed for internet sales, on some days over 1000 parcels were being dispatched.

The company sells products mainly in the UK, with 10% of its sales going for the export trade, it also has increasing trade through its a retail web-shop outlet.

The sourcing and supply chain of speciality grain raw materials for both of the company's brands continues to be fundamental to the business activity, together with specific processing knowledge and equipment. Fluctuating raw material pricing, exchange rates and uncertainty surrounding Brexit pose a threat to product supply and profitability. There is a constant risk of allergen challenges to raw material ingredient integrity both upstream and downstream.

The company maintains separate and dedicated production areas, machinery, staffing, documentation and procedures for FREEE gluten free products and for Doves Farm wheat type products.

Principal risks and uncertainties

The UK within the flour milling industry is a competitive environment and pricing pressure from multiple retail customers ensures that margins are under pressure. Some ingredients are sourced from the EU and some sales are to the EU; the uncertain impact of UK customs changes could affect this trade considerably.

Financial key performance indicators

The Company uses KPIs including revenue and volume sales growth, gross and net profit targets and debtor days to monitor its own activities.

Other key performance indicators

Production, technical, environmental, engineering, HR and Health and Safety are all monitored by KPIs.

DOVES FARM FOODS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

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

.....
C E Marriage
Director

Date: 21 May 2021

DOVES FARM FOODS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Directors

The directors who served during the year were:

M J Marriage

C E Marriage

J J Marriage (appointed 1 February 2020)

R N L Marriage (appointed 1 February 2020)

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 judgments and accounting estimates that are reasonable and prudent;
- 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 £2,599,696 (2019 - £1,140,072).

Dividends of £951,952 (2019: £893,552) were paid during the year.

Future developments

The company continues to invest in growing the sales of all products. The Covid lockdown period produced unprecedented demand for our flours which has enabled us to showcase our specialist products to a wider public. This has given the ongoing and future retail flour sales a considerable boost.

We are also putting a lot of effort into our web shop and overseas sales, both of which we expect to grow faster than general retail sales.

DOVES FARM FOODS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

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.

Post balance sheet events

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

Auditor

The auditor, James Cowper Kreston, 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.

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C E Marriage

Director

Date: 21 May 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOVES FARM FOODS LIMITED

Opinion

We have audited the financial statements of Doves Farm Foods Limited (the 'Company') for the year ended 30 June 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, 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 30 June 2020 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 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 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.

DOVES FARM FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOVES FARM FOODS 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.

Auditor's responsibilities for the audit of the financial statements

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

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

DOVES FARM FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOVES FARM FOODS 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 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 for our audit work, for this report, or for the opinions we have formed.

Robert Holland BSc FCA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

2 Communications Road
Greenham Business Park
Greenham
Newbury
Berkshire
RG19 6AB

Date: 24 May 2021

DOVES FARM FOODS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 £	2019 £
Turnover	4	22,940,952	18,759,794
Cost of sales		(16,045,288)	(13,984,793)
Gross profit		6,895,664	4,775,001
Distribution costs		(1,951,432)	(1,583,647)
Administrative expenses		(1,648,643)	(1,715,835)
Operating profit	5	3,295,589	1,475,519
Interest receivable and similar income		18,146	6,892
Profit before tax		3,313,735	1,482,411
Tax on profit	9	(714,039)	(342,339)
Profit for the financial year		<u>2,599,696</u>	<u>1,140,072</u>

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 12 to 25 form part of these financial statements.

DOVES FARM FOODS LIMITED
REGISTERED NUMBER: 02301391

BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	8,265,800	8,636,039
		<u>8,265,800</u>	<u>8,636,039</u>
Current assets			
Stocks	12	1,967,615	2,276,649
Debtors: amounts falling due within one year	13	4,167,078	3,283,560
Cash at bank and in hand	14	5,586,945	3,723,898
		<u>11,721,638</u>	<u>9,284,107</u>
Creditors: amounts falling due within one year	15	(1,862,600)	(1,550,256)
		<u>9,859,038</u>	<u>7,733,851</u>
Net current assets			
		<u>9,859,038</u>	<u>7,733,851</u>
Total assets less current liabilities		18,124,838	16,369,890
Provisions for liabilities			
Deferred tax	17	(542,181)	(434,977)
		<u>17,582,657</u>	<u>15,934,913</u>
Net assets			
		<u>17,582,657</u>	<u>15,934,913</u>
Capital and reserves			
Called up share capital	18	20,000	20,000
Profit and loss account	19	17,562,657	15,914,913
		<u>17,582,657</u>	<u>15,934,913</u>

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

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M J Marriage

Director

Date: 21 May 2021

The notes on pages 12 to 25 form part of these financial statements.

DOVES FARM FOODS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2019	20,000	15,914,913	15,934,913
Profit for the year	-	2,599,696	2,599,696
Dividends: Equity capital	-	(951,952)	(951,952)
At 30 June 2020	20,000	17,562,657	17,582,657

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2018	20,000	15,668,393	15,688,393
Profit for the year	-	1,140,072	1,140,072
Dividends: Equity capital	-	(893,552)	(893,552)
At 30 June 2019	20,000	15,914,913	15,934,913

The notes on pages 12 to 25 form part of these financial statements.

DOVES FARM FOODS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,599,696	1,140,072
Adjustments for:		
Depreciation of tangible assets	980,329	998,006
Loss on disposal of tangible assets	2,446	2,257
Interest received	(18,146)	(6,892)
Taxation charge	714,039	342,339
Decrease/(increase) in stocks	309,034	(252,751)
(Increase) in debtors	(883,518)	(122,815)
Increase in creditors	45,184	356,552
Corporation tax (paid)	(339,675)	(351,679)
Net cash generated from operating activities	3,409,389	2,105,089
Cash flows from investing activities		
Purchase of tangible fixed assets	(612,536)	(129,945)
Interest received	18,146	6,892
Net cash from investing activities	(594,390)	(123,053)
Cash flows from financing activities		
Dividends paid	(951,952)	(893,552)
Net cash used in financing activities	(951,952)	(893,552)
Net increase in cash and cash equivalents	1,863,047	1,088,484
Cash and cash equivalents at beginning of year	3,723,898	2,635,414
Cash and cash equivalents at the end of year	5,586,945	3,723,898
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,586,945	3,723,898
	5,586,945	3,723,898

The notes on pages 12 to 25 form part of these financial statements.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General information

Doves Farm Food Limited is a company limited by share capital and incorporated in England and Wales. The address of the registered office and principal place of business is Salisbury Road, Hungerford, Berkshire, RG17 0RF. The nature of the operations and principal activities are described in the business review.

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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance or straight line basis.

Depreciation is provided on the following basis:

Long term leasehold property	-4% straight line
Plant & machinery	- 10%-20% reducing balance
Motor vehicles	-25% reducing balance
Computer equipment	-20% 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 profit or loss.

2.4 Research and development costs

Research and development expenditure is written off to the profit and loss account.

2.5 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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 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 30 JUNE 2020

2. Accounting policies (continued)

2.10 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 profit or loss 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 Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.11 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.

2.12 Operating leases: the Company as lessee

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

2.13 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 profit or loss 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 30 JUNE 2020

2. Accounting policies (continued)

2.14 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Revenue

The key judgment made by management in respect of revenue is the point at which that revenue should be recognised. Management consider that revenue is to be recognised when delivery is made to customers as this is when the risk and rewards are transferred.

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 a number of factors.

Operating lease commitments

The company has entered into commercial lease contracts and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sales	<u>22,940,952</u>	<u>18,759,794</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	20,810,237	16,909,606
Rest of Europe	2,053,621	1,760,804
Rest of the world	77,094	89,384
	<u>22,940,952</u>	<u>18,759,794</u>

DOVES FARM FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	42,750	28,455
Depreciation of tangible fixed assets	980,329	998,006
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,500	11,200
Exchange differences	(2,265)	11,575
Other operating lease rentals	88,770	102,507
Defined contribution pension cost	92,016	81,475
	<u><u> </u></u>	<u><u> </u></u>

6. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	11,500	11,200
Other services relating to taxation	1,900	1,850
All other services	1,660	7,734
	<u><u>15,060</u></u>	<u><u>20,784</u></u>

DOVES FARM FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

7. Employees

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

	2020	2019
	£	£
Wages and salaries	2,574,056	2,264,621
Social security costs	240,181	208,307
Cost of defined contribution scheme	92,016	81,475
	<u>2,906,253</u>	<u>2,554,403</u>

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

	2020	2019
	No.	No.
Office and management	30	28
Production and sales	59	57
	<u>89</u>	<u>85</u>

8. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	138,300	78,207
Company contributions to defined contribution pension schemes	42,870	41,488
	<u>181,170</u>	<u>119,695</u>

During the year retirement benefits were accruing to 4 directors (2019 - 2) in respect of defined contribution pension schemes.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

9. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	606,835	337,742
Total current tax	<u>606,835</u>	<u>337,742</u>
Deferred tax		
Origination and reversal of timing differences	107,204	4,597
Total deferred tax	<u>107,204</u>	<u>4,597</u>
Taxation on profit on ordinary activities	<u>714,039</u>	<u>342,339</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,313,735</u>	<u>1,482,411</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	629,610	281,658
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	376	33
Short term timing difference leading to an increase (decrease) in taxation	32,879	61,189
Other timing differences leading to an increase (decrease) in taxation	-	(51,174)
Adjust opening deferred tax to average rate of 19%	-	50,633
Remeasurement of deferred tax for changes in tax rates	51,174	-
Total tax charge for the year	<u>714,039</u>	<u>342,339</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period and to increase the deferred tax liability. The impact of these changes is not expected to be material.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10. Dividends

	2020 £	2019 £
Dividends paid on equity capital	<u>951,952</u>	<u>893,552</u>

11. Tangible fixed assets

	L/Term Leasehold Property £	Plant & machinery £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2019	4,139,447	10,157,389	95,400	388,736	14,780,972
Additions	-	587,048	-	25,488	612,536
Disposals	-	(156,215)	-	-	(156,215)
At 30 June 2020	<u>4,139,447</u>	<u>10,588,222</u>	<u>95,400</u>	<u>414,224</u>	<u>15,237,293</u>
Depreciation					
At 1 July 2019	912,347	4,868,047	74,025	290,514	6,144,933
Charge for the year on owned assets	165,578	769,859	5,344	39,548	980,329
Disposals	-	(153,769)	-	-	(153,769)
At 30 June 2020	<u>1,077,925</u>	<u>5,484,137</u>	<u>79,369</u>	<u>330,062</u>	<u>6,971,493</u>
Net book value					
At 30 June 2020	<u>3,061,522</u>	<u>5,104,085</u>	<u>16,031</u>	<u>84,162</u>	<u>8,265,800</u>
At 30 June 2019	<u>3,227,100</u>	<u>5,289,342</u>	<u>21,375</u>	<u>98,222</u>	<u>8,636,039</u>

12. Stocks

	2020 £	2019 £
Raw materials and consumables	1,161,310	1,219,450
Finished goods and goods for resale	806,305	1,057,199
	<u>1,967,615</u>	<u>2,276,649</u>

Stocks recognised as an expense during the year were £10,941,047 (2019: £9,442,071).

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

13. Debtors

	2020 £	2019 £
Trade debtors	3,619,401	2,885,865
Other debtors	298,262	221,357
Prepayments and accrued income	249,415	176,338
	<u>4,167,078</u>	<u>3,283,560</u>

14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>5,586,945</u>	<u>3,723,898</u>

15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,327,725	1,335,041
Corporation tax	371,317	104,157
Other taxation and social security	63,826	56,425
Other creditors	41,796	32,051
Accruals and deferred income	57,936	22,582
	<u>1,862,600</u>	<u>1,550,256</u>

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	5,586,945	3,723,898
Financial assets that are debt instruments measured at amortised cost	4,153,181	3,107,222
	<u>9,740,126</u>	<u>6,831,120</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,369,521)</u>	<u>(1,367,092)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade and other debtors.

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

17. Deferred taxation

	2020 £
At beginning of year	(434,977)
Charged to profit or loss	(107,204)
At end of year	<u>(542,181)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(543,051)	(436,633)
Short term timing differences	870	1,656
	<u>(542,181)</u>	<u>(434,977)</u>

DOVES FARM FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
7,600 (2019 - 7,600) Ordinary A shares of £1.00 each	7,600	7,600
7,600 (2019 - 7,600) Ordinary B shares of £1.00 each	7,600	7,600
1,600 (2019 - 1,600) Ordinary C shares of £1.00 each	1,600	1,600
1,600 (2019 - 1,600) Ordinary D shares of £1.00 each	1,600	1,600
1,600 (2019 - 1,600) Ordinary E shares of £1.00 each	1,600	1,600
	<u>20,000</u>	<u>20,000</u>

19. Reserves

Profit & loss account

The profit and loss account represents the cumulative profit available for distribution to share holders.

20. Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £92,016 (2019: £81,475). Pension contributions amounting to £10,663 were outstanding at 30 June 2020 (2019: £9,741).

21. Commitments under operating leases

At 30 June 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	<u>55,000</u>	<u>55,000</u>

22. Other financial commitments

Forward contracts at the year end were in respect of grain contracts and totalled £3,019,211 (2019: £1,006,825). The fair value of the contracts were considered by directors to be the same as the forward contract value.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

23. Related party transactions

During the year the company entered into transactions with the directors M J Marriage and C E Marriage, trading as Doves Farm, for the purchase of organic grain to the value of £56,856 (2019: £29,547). Salaries were also recharged amounting to £60,940 (2019: £62,544) to the same party. At the year end the company was owed £4,712 (2019: £5,769) by Doves Farm. All transactions were on an arms length basis.

During the year, the company occupied land and buildings owned by the directors to whom £55,000 (2019: £55,000) rent was paid.

M J Marriage was paid a dividend in the year of £1,976 (2019: £1,976), C E Marriage was paid a dividend in the year of £1,976 (2019: £1,976), J J Marriage was paid a dividend in the year of £44,000 (2019: £44,800) and R N L Marriage was paid a dividend in the year of £44,000 (2019: £44,800). One other family shareholder received dividends of £860,000 in total (2019: £800,000), meaning that the total dividends paid to shareholders were £951,952 (2019: £893,552).

At the year end, a trust, controlled by the directors, was due royalty payments of £31,133 (2019: £22,965 due to the directors) from the company for the use of trademarks, included in other creditors.

Key management remuneration related to directors and the senior management team of £387,524 (2019: £482,725) was paid during the year.

24. Controlling party

The company is controlled by Mr and Mrs M J Marriage, the directors of the company, who are also the company's ultimate controlling parties.

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