
Delamere Dairy Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016

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Delamere Dairy Limited

Company Information

Directors

E A Sutton
R C D Sutton
E J Salt
P D J Brunt

Company secretary

E A Sutton

Registered number

03761294

Registered office

Yew Tree Farm
Bexton Lane
Knutsford
Cheshire
WA16 9BH

Independent auditors

Hurst & Company Accountants LLP
Chartered Accountants & Statutory Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
Cheshire
SK1 1TD

Delamere Dairy Limited

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Delamere Dairy Limited

**Strategic Report
For the Year Ended 31 December 2016**

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016..

Business review

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

Turnover was maintained in 2016 at just under £20.75m. Close control over costs was achieved during the year with cost of sales showing a small 0.6% increase from 2015 but with administrative expenses reduced by some 8% due to a continuous implementation of efficiency savings. Operating profit nevertheless showed a 13.6% decrease to £979k due to adverse exchange differences during the year and to the impact of fair value movements on derivative financial instruments.

The strategic re-focus in 2015 on branded and speciality dairy products has delivered solid growth in the UK market and whilst Delamere Dairy's export business in China contracted by some 60% during 2016, consolidation and growth was achieved in other markets, notably the USA and Middle East. Investment in dedicated export resource has resulted in the development during 2016 of a broad portfolio of export markets creating a strong base for future growth. Delamere Dairy continues to invest in SE Asia but with the focus on speciality dairy products.

Investment in new product development was increased in 2016 and this is expected to deliver new turnover in the speciality dairy sector.

The company continued to make timely interest and capital repayments throughout 2016 on the £2m term loan taken from Santander in 2013.

Principal risks and uncertainties

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

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

It is too early to assess whether the uncertainty following the UK referendum will significantly impact our markets. We will continue to monitor the situation and react accordingly.

**Strategic Report
For the Year Ended 31 December 2016**

Principal risks and uncertainties (continued)

Financial risk management

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

Price risk

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Financial key performance indicators

We consider that our key financial performance indicators are the operating profit and control of cashflow.

Operating profit for the year was £979k (2015: £1,138k) and the company has closely monitored cashflow throughout the year.

Other key performance indicators

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

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



E J Salt
Director

Date: 05/09/2017

**Directors' Report
For the Year Ended 31 December 2016**

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

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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £763,154 (2015 - £893,728).

Dividends of £620,000 were declared and paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

E A Sutton
R C D Sutton
E J Salt
P D J Brunt

Delamere Dairy Limited

Directors' Report (continued)
For the Year Ended 31 December 2016

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

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

Auditors

Hurst & Company Accountants LLP were appointed as auditors during the year. A resolution to reappoint them will be proposed in accordance with section 485 of the Companies Act 2006.

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



E J Salt
Director

Date: 05/09/2017

Independent Auditors' Report to the Shareholders of Delamere Dairy Limited

We have audited the financial statements of Delamere Dairy Limited for the year ended 31 December 2016, set out on pages 7 to 25. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

Delamere Dairy Limited

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Hurst & Company Accountants LLP

Helen Besant Roberts (Senior Statutory Auditor)
for and on behalf of

Hurst & Company Accountants LLP

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

Date: *12 September 2017*

Delamere Dairy Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2016**

	Note	2016 £	2015 £
Turnover	4	20,739,062	20,751,509
Cost of sales		(17,911,152)	(17,797,787)
Gross profit		2,827,910	2,953,722
Administrative expenses		(1,827,899)	(1,991,483)
Fair value movements on derivative financial instruments		(21,081)	176,164
Operating profit	5	978,930	1,138,403
Interest payable and expenses	9	(47,906)	(35,650)
Profit before tax		931,024	1,102,753
Tax on profit	10	(167,870)	(209,025)
Profit for the year and total comprehensive income		763,154	893,728

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 10 to 25 form part of these financial statements.

Delamere Dairy Limited
Registered number: 03761294

Balance Sheet
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	12	294,731	27,169
Tangible assets	13	58,191	56,005
		<u>352,922</u>	<u>83,174</u>
Current assets			
Stocks	14	859,413	908,185
Debtors: amounts falling due within one year	15	6,368,526	6,876,380
Cash at bank and in hand	16	61,093	30,512
		<u>7,289,032</u>	<u>7,815,077</u>
Creditors: amounts falling due within one year	17	(2,803,975)	(2,803,852)
Net current assets		<u>4,485,057</u>	<u>5,011,225</u>
Total assets less current liabilities		<u>4,837,979</u>	<u>5,094,399</u>
Creditors: amounts falling due after more than one year	18	(400,000)	(800,000)
Provisions for liabilities			
Deferred tax	21	(8,892)	(8,466)
		<u>(8,892)</u>	<u>(8,466)</u>
Net assets		<u><u>4,429,087</u></u>	<u><u>4,285,933</u></u>
Capital and reserves			
Called up share capital	22	400	400
Share premium account	23	49,950	49,950
Profit and loss account	23	4,378,737	4,235,583
		<u>4,429,087</u>	<u>4,285,933</u>

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



E J Salt
Director

Date: 05/09/2017

The notes on pages 10 to 25 form part of these financial statements.

Delamere Dairy Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2016**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2015	400	49,950	3,341,855	3,392,205
Comprehensive income for the year				
Profit for the year	-	-	893,728	893,728
At 1 January 2016	400	49,950	4,235,583	4,285,933
Comprehensive income for the year				
Profit for the year	-	-	763,154	763,154
Dividends: Equity capital	-	-	(620,000)	(620,000)
At 31 December 2016	400	49,950	4,378,737	4,429,087

The notes on pages 10 to 25 form part of these financial statements.

Delamere Dairy Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Delamere Dairy Holdings Limited as at 31 December 2016 and these financial statements may be obtained from the Registrar of Companies.

2.3 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

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

Other intangible assets

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

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

2.5 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, the methods used are as below.

Depreciation is provided on the following basis:

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

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

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

2.6 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

2. Accounting policies (continued)

2.7 Debtors

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

2.8 Cash and cash equivalents

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

2.9 Financial instruments

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

Debt instruments (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 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 Statement of Comprehensive Income.

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

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

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.

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

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

2. Accounting policies (continued)

2.10 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.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.12 Finance costs

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

2.13 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

2. Accounting policies (continued)

2.15 Leased assets: the Company as lessee

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

2.16 Pensions

Defined contribution pension plan

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

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

2.17 Current and deferred taxation

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

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

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

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

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

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

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

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

Trade Debtors

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

Stock

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete. The impairment loss is recognised immediately in the income statement.

Rebate provision

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

Tangible fixed assets

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

Derivative financial instruments

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

When not directly observation in active markets, the fair value of derivative contracts must be computed based on internal assumptions as well as directly observable market information, including forward and yield curves for currencies. Changes in internal assumptions and forward curves could materially impact the fair value of foreign exchange derivative contract, particularly long-term contracts, resulting in a corresponding impact on amounts recognised in the income statement.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets acquired. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

4. Turnover

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

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	19,683,872	18,970,903
Europe	308,470	310,509
Rest of the world	746,720	1,470,097
	20,739,062	20,751,509

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	15,674	19,786
Amortisation of intangible assets, including goodwill	17,951	4,717
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	28,550	30,909
Exchange differences	(102,881)	(321,518)
Hire of plant and machinery - operating leases	64,055	33,549
Fair value movements on forward currency contracts	-	176,164
Defined contribution pension cost	5,856	960
	28,550	30,909

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	28,550	30,909
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	15,500	11,750
Taxation compliance services	4,500	3,500
	20,000	15,250

Prior year fees were paid to the previous auditor.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

7. Employees

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

	2016 £	2015 £
Wages and salaries	867,003	888,827
Social security costs	98,203	91,989
Cost of defined contribution scheme	5,856	960
	<u>971,062</u>	<u>981,776</u>

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

	2016 No.	2015 No.
Administration	<u>23</u>	<u>21</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	297,618	301,224
Company contributions to defined contribution pension schemes	484	-
	<u>298,102</u>	<u>301,224</u>

During the year retirement benefits were accruing to 4 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £113,307 (2015 - £89,528).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £217 (2015 - £NIL).

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	47,906	35,650
	<u>47,906</u>	<u>35,650</u>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

10. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	167,444	227,609
Adjustments in respect of previous periods	-	(21,656)
Total current tax	<u>167,444</u>	<u>205,953</u>
Deferred tax		
Origination and reversal of timing differences	426	2,082
Changes to tax rates	-	990
Total deferred tax	<u>426</u>	<u>3,072</u>
Taxation on profit on ordinary activities	<u>167,870</u>	<u>209,025</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>931,024</u>	<u>1,102,753</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	186,205	223,307
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	768	7,395
Capital allowances for year in excess of depreciation	2,718	-
Adjustments to tax charge in respect of prior periods	-	(20,666)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(17,170)	-
Other differences leading to an increase (decrease) in the tax charge	3,590	(1,011)
Group relief	(8,241)	-
Total tax charge for the year	<u>167,870</u>	<u>209,025</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

11. Dividends

	2016 £	2015 £
Dividends on ordinary shares	620,000	-
	<u>620,000</u>	<u>-</u>

12. Intangible assets

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2016	44,790	27,001	71,791
Additions	5,513	280,000	285,513
At 31 December 2016	<u>50,303</u>	<u>307,001</u>	<u>357,304</u>
Amortisation			
At 1 January 2016	17,621	27,001	44,622
Charge for the year	3,951	14,000	17,951
At 31 December 2016	<u>21,572</u>	<u>41,001</u>	<u>62,573</u>
Net book value			
At 31 December 2016	<u>28,731</u>	<u>266,000</u>	<u>294,731</u>
<i>At 31 December 2015</i>	<u>27,169</u>	<u>-</u>	<u>27,169</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

13. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Other fixed assets £	Total £
Cost or valuation				
At 1 January 2016	50,004	118,792	59,206	228,002
Additions	-	5,232	13,755	18,987
Disposals	(7,682)	-	-	(7,682)
At 31 December 2016	<u>42,322</u>	<u>124,024</u>	<u>72,961</u>	<u>239,307</u>
Depreciation				
At 1 January 2016	44,349	90,369	37,279	171,997
Charge for the period on owned assets	-	10,304	5,370	15,674
Disposals	(6,555)	-	-	(6,555)
At 31 December 2016	<u>37,794</u>	<u>100,673</u>	<u>42,649</u>	<u>181,116</u>
Net book value				
At 31 December 2016	<u>4,528</u>	<u>23,351</u>	<u>30,312</u>	<u>58,191</u>
At 31 December 2015	<u>5,655</u>	<u>28,423</u>	<u>21,927</u>	<u>56,005</u>

14. Stocks

	2016 £	2015 £
Raw materials and consumables	<u>859,413</u>	<u>908,185</u>

Stock recognised in cost of sales during the year as an expense was £16,233,595 (2015 - £14,322,104).

An impairment loss of £nil (2015 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

15. Debtors

	2016 £	2015 £
Trade debtors	2,280,582	2,269,159
Amounts owed by group undertakings	3,825,318	4,397,318
Other debtors	169,631	104,441
Prepayments and accrued income	85,170	76,556
Financial instruments	7,825	28,906
	<u>6,368,526</u>	<u>6,876,380</u>

There was no impairment loss recognised in the current or prior year in respect of bad and doubtful trade debtors.

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	61,093	30,512
	<u>61,093</u>	<u>30,512</u>

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans	400,000	400,000
Trade creditors	1,784,743	1,618,019
Corporation tax	179,254	197,789
Other creditors	167,180	267,883
Accruals and deferred income	272,798	320,161
	<u>2,803,975</u>	<u>2,803,852</u>

Other creditors includes invoice discounting creditors of £167,180 (2015: £267,883), which are secured by means of a fixed and floating charge over the company's assets.

Bank loans are secured by means of a fixed and floating charge over the company's assets.

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

18. Creditors: Amounts falling due after more than one year

	2016	<i>2015</i>
	£	<i>£</i>
Bank loans	400,000	<i>800,000</i>
	400,000	<i>800,000</i>

Secured loans

Bank loans are secured by means of a fixed and floating charge over the company's assets. The bank loans are repayable in quarterly instalments of £100,000 until December 2018. Interest is charged at 2.05% plus LIBOR per annum.

19. Loans

Analysis of the maturity of loans is given below:

	2016	<i>2015</i>
	£	<i>£</i>
Amounts falling due within one year		
Bank loans	400,000	<i>400,000</i>
	400,000	<i>400,000</i>
Amounts falling due 1-2 years		
Bank loans	400,000	<i>400,000</i>
	400,000	<i>400,000</i>
Amounts falling due 2-5 years		
Bank loans	-	<i>400,000</i>
	-	<i>400,000</i>
	800,000	<i>1,200,000</i>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

20. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	7,825	28,906
Financial assets that are debt instruments measured at amortised cost	6,275,532	6,770,918
	<u>6,283,357</u>	<u>6,799,824</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(3,024,721)	(3,406,063)
	<u>(3,024,721)</u>	<u>(3,406,063)</u>

Financial assets measured at fair value through profit or loss comprise forward currency contracts.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, group debtors and other debtors.

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

21. Deferred taxation

	2016 £
At beginning of year	(8,466)
Charged to profit or loss	(426)
At end of year	<u>(8,892)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	8,892	8,466
	<u>8,892</u>	<u>8,466</u>

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
400 Ordinary shares of £1 each	400	400

23. Reserves

Share premium account

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

Profit and loss account

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

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £5,856 (2015 - £960). Contributions totalling £nil (2015 - £nil) were payable to the fund at the balance sheet date

25. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	52,004	54,267
Later than 1 year and not later than 5 years	35,152	71,500
	87,156	125,767

Delamere Dairy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2016**

26. Directors' benefits: advances, credit and guarantees

During the year advances were made to the following directors:

E J Salt - £33,334 (2015: £nil).	Maximum outstanding in the year £33,335.
R C D Sutton - £16,666 (2015: £nil).	Maximum outstanding in the year £16,666.
E A Sutton - £16,666 (2015: £nil).	Maximum outstanding in the year £16,666.

No interest is charged on the above balances, and they are repayable on demand.

27. Related party transactions

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

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

28. Controlling party

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

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