Company Number 05893846

THE FIRST MILK CHEESE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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Contents

DIRECTORS

K Allum
S Faulkner
P Rowe
G Sweeney

COMPANY SECRETARY

A Waugh

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Wrexham
LL13 0UE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

SOLICITORS

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227 Sauchiehall Street
Glasgow
G2 3EX

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

PRINCIPAL BANKERS

Barclays Commercial Bank
Churchill Plaza
Churchill Way
Basingstoke
RG21 7GP

Lloyds TSB Commercial Finance
Boston House
The Little Green
Richmond
Surrey
TW9 1QE

Bank of Scotland plc
The Cross
Paisley
PA1 1DB

The directors of The First Milk Cheese Company Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 March 2013 The Company's registered number is 05893846

PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture and sale of cheese and other dairy products

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is part of First Milk Limited (the "Group"), a member-owned co-operative of dairy farmers The strategic drivers of the Group are to drive shareholder cash, grow our brands, diversify our product base, achieve lower costs to serve and to seek value in partnerships

The Company's turnover increased during the year ended 31 March 2013 by £20m to £244m The result for the year before tax and non-recurring costs was a loss of £5 6m (2012 profit £0 4m) After non-recurring items a loss before tax of £12 2m was recorded compared to a break even position in the year ended 31 March 2012

The pressure on commodity values, particularly in relation to the returns from cheese was evident throughout the year This had an impact upon our financial performance with operating profits before non-recurring costs declining from £2 7m to a loss of £2 2m This reflected our decision to support members with a milk price which was not reflective of market returns particularly in the second half of the year We are pleased to report that returns from these markets have improved subsequent to the year end and support the higher milk prices now being returned to members

There were a number of non-recurring charges incurred during the year which impacted upon the reported results These include a decision to accelerate the amortisation of goodwill and depreciation of certain assets resulting in a combined charge of £4 9m There was no cash impact from this decision which reflected the consequences of curtailing certain customer relationships and product ranges In addition to this cost, the Company incurred non-recurring costs of £1 1m relating to the uninsured costs of a product recall during the year and £0 5m on restructuring costs The impact of these various charges is disappointing but it is important that the Company take the necessary steps to be prepared for its future development

As the Company is in a net liability position as at 31 March 2013, the directors confirm that the ultimate parent entity, First Milk Limited, will continue to support the Company for at least one year after these financial statements are signed

The directors consider that the outlook remains positive The Board continues to develop and pursue its plan to grow the Company's excellent cheese brands, to develop key customer relationships, to continue with a strong factory investment programme supported by the Group and to seek value in partnerships

POST BALANCE SHEET EVENTS

On 15 October 2013, First Milk Limited announced a proposal to close the Maelor packing facility by the end of May 2014 The proposal follows the loss of the ASDA own-label cheese contract and consequent strategic review, which concluded that it is no longer economically viable for the business to keep the site at Maelor operational

On 31 October 2013, First Milk Limited announced that they have entered into a long-term strategic partnership with Adams Foods Limited, one of the UK's leading suppliers of cheese, establishing a fully integrated supply chain for hard cheese in the UK retail, foodservice and wholesale sectors

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive Risk
The Company sells cheese to major retailers and food service companies In doing so, it faces competition from other companies in the United Kingdom and abroad It addresses these risks by ensuring that sales staff are fully aware of relevant markets, offering products at market competitive prices, providing excellent service levels and developing long-term strategic relationships with customers

Regulatory Risk
The Company is required to comply with various regulatory regimes in areas such as competition law, health and safety and environmental legislation This is achieved through the adoption of appropriate polices and structures, risk assessments, monitoring and reviewing performance, recruitment and training of suitably qualified staff and support from external consultants, including legal advisers, where appropriate Regulatory risks are also considered on a regular basis as part of the Group's risk management process

Input Cost Risk
The Company faces the prospect of paying higher prices for vital commodities, including electricity, gas, plastics and cardboard This risk is mitigated in relation to many input costs by maintaining awareness of markets and by forward buying where this is appropriate In addition, the use of such commodities is kept to a minimum and reduced where possible The business addresses electricity costs by buying electricity in the wholesale market, with expert assistance from energy consultants

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk The Company does not use derivative financial instruments for speculative purposes

Interest Rate Risk
The Company's activities expose it primarily to the financial risks of changes in interest rates The parent company, First Milk Limited, uses interest rate swap contracts to hedge the exposures for the Group

Credit Risk
The Company's principal financial assets are trade and other receivables

The Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables A provision is made where there is an identified triggering event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

Credit risk attributable to trade receivables is mitigated through the use of credit insurance

Liquidity Risk
In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company uses a mixture of long-term and short-term debt finance Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flow

Price Risk
The risk of the Company receiving low prices compared to market levels is mitigated against by the use of up to date market intelligence

DIVIDENDS

No dividends were paid during the year (2012 £nil) and no recommendation is made in respect of dividends to be paid (2012 £nil)

EMPLOYEES

The recruitment, development, retention and maintenance of a highly skilled workforce is key to the future of the business It is the policy of the Board of Directors to enlist the commitment of all employees in attaining the Company's objectives Implementation of this policy is by encouraging employee involvement through effective communications, which includes team briefings, newsletters and any other appropriate means of consultation The number of employees employed by the Company and their related costs are disclosed in note 6 of these financial statements

It is the Board's policy to ensure that continuous employment is offered to employees who become temporarily or permanently disabled where it is practicable to do so within the scope of the business activities of the Company Disabled persons are employed when they appear to be suited to a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with

DONATIONS

The Company made no political or charitable donations during the year (2012 £nil)

THE BOARD OF DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were

K Allum
S Faulkner
I Forgie (resigned 31 December 2012)
R Hollingdale (resigned 2 April 2013)
P Rowe
G Sweeney (appointed 29 January 2013)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 prepared 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

The directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have adopted the going concern basis for preparing the financial statements

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the Company at the date when this report was approved

- So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

- Each of the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

Approved by the Directors
and signed by order of the Board

Angus Waugh

Angus Waugh
Company Secretary
6 November 2013

Independent Auditors' Report to the Member of The First Milk Cheese Company Limited

We have audited the financial statements of The First Milk Cheese Company Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements 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 March 2013 and of its 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 the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
6 November 2013

	Note	2013 £	2012 (Restated note 3) £
Turnover - continuing operations	2	244,166,197	224,014,640
Cost of sales		(236,090,187)	(210,873,864)
Gross profit		8,076,010	13,140,776
Administrative expenses			
Recurring		(10,312,183)	(10,405,140)
Non-recurring	3	(6,577,386)	(446,549)
		(16,889,569)	(10,851,689)
Operating (loss)/profit - continuing operations	4	(8,813,559)	2,289,087
Interest receivable and similar income	7	1,356	2,485
Interest payable and similar charges	8	(3,343,713)	(2,293,588)
Loss on ordinary activities before taxation		(12,155,916)	(2,016)
Tax on loss on ordinary activities	9	1,140,439	(363,242)
Loss for the financial year	20	(11,015,477)	(365,258)

The accounting policies and notes on pages 9 to 19 are an integral part of these financial statements

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

There were no recognised gains or losses other than those shown in the profit and loss account for the current year and prior year Accordingly no statement of total recognised gains and losses is provided

THE FIRST MILK CHEESE COMPANY LIMITED
BALANCE SHEET
AT 31 MARCH 2013

	Note	2013	2012 (Restated note 11)
		£	£
Fixed assets			
Intangible assets	10	-	1,277,556
Tangible assets	11	33,434,746	33,005,573
		33,434,746	34,283,129
Current assets			
Stocks	12	80,422,691	78,235,534
Debtors	13	30,592,648	26,015,095
Cash at bank and in hand		258,750	395,409
		111,274,089	104,646,038
Creditors amounts falling due within one year	14	(145,540,988)	(128,540,813)
Net current liabilities		(34,266,899)	(23,894,775)
Total assets less current liabilities		(832,153)	10,388,354
Creditors amounts falling due after more than one year	15	(1,031,282)	(1,236,312)
Net assets		(1,863,435)	9,152,042
Capital and reserves			
Called up share capital	19	16,750,000	16,750,000
Profit and loss account	20	(18,613,435)	(7,597,958)
Total shareholder's funds	21	(1,863,435)	9,152,042

The financial statements on pages 7 to 19 were approved by the Board of Directors on 6 November 2013 and signed on its behalf by

Kate Allum
Director

1 ACCOUNTING POLICIES

Basis of preparation
These financial statements are prepared on the going concern basis, which assumes that the Company will have adequate resources to continue in operational existence for the foreseeable future, under the historical cost convention, in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom Bank borrowings are disclosed within current liabilities at 31 March 2013 for the reasons explained in note 16

The principal accounting policies adopted by the directors are described below and have been applied consistently

Intangible Assets
Positive purchased goodwill, being the difference between the cost of an acquired entity and the aggregate of the fair values of that entity's identifiable assets and liabilities is capitalised and classified as an asset on the balance sheet and amortised evenly over its expected useful economic life

Tangible Fixed Assets
All tangible fixed assets are stated at historical cost less accumulated depreciation and impairment Historical cost includes expenditure that is directly attributable to the acquisition of the items Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably All other repairs and maintenance expenditures are charged to the profit and loss account during the financial year in which they are incurred

Depreciation is calculated by writing off the cost of tangible fixed assets, less their residual value, by equal annual instalments over their estimated useful lives

The lives assumed for freehold land and buildings is twenty five years and for plant, equipment and vehicles assumed lives vary between five and fifteen years

Government Grants
Capital grants relating to fixed assets are recorded as a deferred liability and the relevant amount released to the profit and loss account over the remaining life of the asset, so as to match it against the depreciation expense

Stocks
Stocks are valued at the lower of cost and net realisable value Cost includes direct costs together with attributable overheads Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Operating Leases
Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Pensions
The parent company operates a defined contribution scheme The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

1 ACCOUNTING POLICIES (CONTINUED)

Cash Flow Statement and Related Party Disclosures
The Company is a wholly owned subsidiary of First Milk Limited and is included in the consolidated financial statements of First Milk Limited, which are available from the Company Secretary, First Milk Limited, Cirrus House, Glasgow Airport Business Park, Marchburn Drive, Paisley, PA3 2SJ Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the First Milk Limited Group

2. TURNOVER

Turnover, which is stated net of value added tax, represents the invoiced amount of goods sold and delivered during the year Turnover and operating (loss)/profit relate to the continuing operations of the Company and are all attributable to the principal business activity, being the manufacture and sale of cheese and other dairy products

The majority of turnover is to the UK with £7,573,675 (2012 £6,105,126) being to Continental Europe and £nil (2012 £99,241) invoiced to the rest of the World

3 ADMINISTRATIVE EXPENSES

Non-recurring administrative expenses in 2013 include a charge of £1,101,084 relating to the uninsured costs arising from a product recall during the year, an acceleration of the amortisation of goodwill and the depreciation of tangible fixed assets of £1,213,656 and £3,728,667, respectively and redundancy costs of £533,979 Non-recurring administrative expenses in 2012 are costs relating to the amortisation of debt issue costs (£312,560) and restructuring and redundancy costs (£133,989)

During the year ended 31 March 2013, the Company reviewed its policy for accounting for administrative expenses and concluded that a more appropriate treatment was to allocate some classes of expenditure to cost of sales rather than to administrative expenses As a result, the Company's profit and loss account for the year ended 31 March 2012 has been restated by increasing cost of sales and decreasing administrative expenses by £2,110,026

4 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting)

	2013	2012
	£	£
Amortisation of goodwill	1,277,556	28,000
Depreciation of tangible fixed assets		
- owned	9,030,247	4,901,475
Operating lease rentals		
- plant and equipment	327,778	339,299
Auditors' remuneration		
- audit services	66,788	66,788
- tax services	5,000	5,000
Government grants released	(205,030)	(195,237)
Loss on disposal of fixed assets	161,914	-

5 DIRECTORS' REMUNERATION

	2013	2012
	£	£
Amounts paid to directors in respect of their services		
to the Company		
Emoluments	-	120,215
Pension contributions	-	22,032
	-	142,247

The emoluments (excluding pension contributions in respect of a defined contributions scheme) of the highest paid director in 2012 was £120,215

All directors receive remuneration for services to the First Milk Limited Group, of which The First Milk Cheese Company Limited is a member, but the proportion attributable to The First Milk Cheese Company Limited is not separately identifiable Full disclosure is made in the financial statements of First Milk Limited

6 STAFF COSTS

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

	2013	2012
	£	£
Wages and salaries	16,783,105	14,085,927
Social security costs	1,535,267	1,343,816
Other pension costs	683,488	640,085
	19,001,860	16,069,828

Employee numbers	Number	Number
Administration	116	104
Production	470	410
	586	514

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£	£
Bank interest	1,356	2,485

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Bank loans and overdraft	2,195,096	1,493,821
Interest on intercompany loan	1,148,617	799,767
	3,343,713	2,293,588

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	2013	2012
	£	£
Current tax		
Current tax charge	-	-
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(1,165,382)	300,886
Ajustments to previous periods	(28,662)	7,262
Effects of changes in tax rates	53,605	55,094
Total deferred tax	(1,140,439)	363,242
Tax on loss on ordinary activites	(1,140,439)	363,242

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 24% (2012 26%) The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

9. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

	2013	2012
	£	£
Loss on ordinary activities before taxation	(12,155,916)	(2,016)
Tax on loss on ordinary activities at standard rate of 24% (2012 26%)	(2,917,420)	(524)
Factors affecting the (credit)/charge for the year		
Expenses not deductable for tax purposes	1,640,084	474,660
Accelerated capital allowances	517,914	(366,966)
Timing Differences	759,422	(86,675)
Non-taxable income	-	(20,495)
Current tax charge	-	-

During the year, a change in the UK corporation tax rate from 26% to 24%, effective from 1 April 2012 was substantively enacted in March 2012 A further reduction to 23%, effective from 1 April 2013 was substantively enacted in the Finance Act 2012 and the relevant deferred tax balances have been re-measured accordingly

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2013 UK Budget statement Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015, will be included in the Finance Act 2013 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

10 INTANGIBLE FIXED ASSETS

	2013	2012
	£	£
Cost·		
At 1 April 2012	1,305,556	-
Additions	-	1,305,556
At 31 March 2013	1,305,556	1,305,556
Accumulated amortisation		
At 1 April 2012	28,000	-
Amortised in year	1,277,556	28,000
At 31 March 2013	1,305,556	28,000
Net book value.		
At 31 March 2013	-	1,277,556
At 31 March 2012	1,277,556	-

11 TANGIBLE FIXED ASSETS

	Land and Buildings	Equipment and Vehicles	Total
	£	£	£
Cost·			
At 1 April 2012 (restated)	12,454,637	48,745,779	61,200,416
Additions	644,227	8,994,644	9,638,871
Disposals	(1,966,944)	(513,320)	(2,480,264)
At 31 March 2013	11,131,920	57,227,103	68,359,023
Accumulated depreciation·			
At 1 April 2012 (restated)	3,770,529	24,424,314	28,194,843
Charge for the year	1,970,341	7,059,906	9,030,247
Disposals	(1,903,461)	(397,352)	(2,300,813)
At 31 March 2013	3,837,409	31,086,868	34,924,277
Net book value			
At 31 March 2013	7,294,511	26,140,235	33,434,746
At 31 March 2012 (restated)	8,684,108	24,321,465	33,005,573

At 31 March 2012, government grants of £1,441,383 have been reclassified in the balance sheet as deferred income This has resulted in an increase in the cost of tangible fixed assets of £5,654,379, an increase in accumulated depreciation of £4,212,996 and a corresponding increase to deferred income included in creditors falling due within one year of £205,071 (note 14) and in creditors falling due in more than one year of £1,236,312 (note 15)

12 STOCKS

	2013	2012
	£	£
Raw materials and consumables	5,126,502	5,093,945
Finished goods and goods for sale	75,296,189	73,141,589
	80,422,691	78,235,534

13. DEBTORS

	2013	2012
	£	£
Trade debtors	27,033,414	23,576,388
Amounts owed by group undertakings	213,373	8,411
Value added tax	743,195	887,817
Deferred tax asset (note 17)	1,232,950	92,511
Other debtors	376,297	786,345
Prepayments and accrued income	993,419	663,623
	30,592,648	26,015,095

Amounts owed by group undertakings are unsecured, bear no interest and there is no fixed repayment date

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012 (restated)
	£	£
Bank loans and overdrafts (note 16)	51,187,601	27,044,649
Trade creditors	4,038,736	4,154,854
Amounts owed to group undertakings	78,576,666	90,073,122
Corporation Tax	-	199,414
Other taxation and social security	682,905	687,667
Other creditors	106,715	237,334
Accruals and deferred income	10,948,365	6,143,773
	145,540,988	128,540,813

Included in amounts owed to group undertakings is a loan of £44,514,512 (2012 £26,008,480) advanced from the ultimate parent company The loan bears interest at the London Inter-Bank offered rate (LIBOR) plus 2 8% (2012 2 4%), is unsecured and there is no fixed repayment date

Accruals and deferred income at 31 March 2012 has been restated to reflect the change in presentation of government grants (see note 11)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012 (restated)
	£	£
Deferred income	1,031,282	1,236,312

Deferred income at 31 March 2012 has been restated to reflect the change in presentation of government grants (see note 11)

16 BANK BORROWINGS

Bank loans and revolving credit facilities are repayable as follows

	2013	2012
	£	£
Within one year	52,240,534	27,044,649
Unamortised issue costs	(1,052,933)	-
	51,187,601	27,044,649

Bank borrowings at 31 March 2013 of £52,240,534 (2012 £27,044,649) are secured by fixed securities over certain Group assets, a floating charge over Scottish Milk Products Limited and a debenture over First Milk Limited and First Milk Cheese Company Limited

Under First Milk Limited's bank facility agreement, the continued provision of bank borrowings is subject to various financial covenants Given the loss incurred in the year, the net tangible assets of the Group were less than that required to comply with the tangible net worth covenant As a result, the lenders had the right to request repayment of the bank borrowings and accordingly, these have been classified as being repayable within one year as at 31 March 2013

Subsequent to this date, the lenders granted a waiver in respect of the failure to comply with the tangible net worth covenant As a result, they no longer have the right to request repayment of the bank borrowings

16 BANK BORROWINGS (continued)

Following the receipt of the waiver from the lenders, the bank borrowings have reverted to being repayable as follows

	2013	2012
	£	£
Within one year	1,512,813	27,044,649
Within one to two years	1,145,495	-
Within two to five years	49,582,226	-
	52,240,534	27,044,649
Unamortised issue costs	(1,052,933)	-
	51,187,601	27,044,649

On 21 August 2012, the Group refinanced its bank borrowings replacing the existing bank debt The refinanced bank debt is repayable on 31 August 2015 Included within bank borrowings are a number of term loans which are repayable in monthly instalments

17. DEFFERED TAX

Deferred tax asset

	2013	2012
	£	£
Opening balance	92,511	716,223
Profit and loss account (note 9)	1,140,439	(363,242)
Balance sheet movement on asset transfer	-	(260,470)
Balance at 31 March (note 13)	1,232,950	92,511

	Provided / (recognised)	
The provision for deferred tax asset consists of the following amounts	2013	2012
	£	£
Accelerated capital allowances	44,081	588,900
Short term timing differences	(154,745)	129,732
Losses	(1,122,286)	(811,143)
	(1,232,950)	(92,511)

18 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2013	2012
	£	£
In respect of plant, equipment and motor vehicles		
Within one year	32,895	63,584
Within two to five years	294,883	321,302
	327,778	384,886

19 CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Authorised		
16,750,000 (2012 16,750,000) ordinary shares of £1 each	16,750,000	16,750,000
Allotted and fully paid		
16,750,000 (2012 16,750,000) ordinary shares of £1 each	16,750,000	16,750,000

20 PROFIT AND LOSS ACCOUNT

	2013	2012
	£	£
Opening balance	(7,597,958)	(7,232,700)
Loss for the financial year	(11,015,477)	(365,258)
At 31 March	(18,613,435)	(7,597,958)

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013	2012
	£	£
Opening balance	9,152,042	9,517,300
Loss for the financial year	(11,015,477)	(365,258)
At 31 March	(1,863,435)	9,152,042

22 CAPITAL COMMITMENTS

	2013	2012
	£	£
Contracts placed for future captial expenditure not provided in the financial statements	500,000	850,000

23 POST BALANCE SHEET EVENTS

On 15 October 2013, First Milk Limited announced a proposal to close the Maelor packing facility by the end of May 2014 The proposal follows the loss of the ASDA own-label cheese contract and consequent strategic review, which concluded that it is no longer economically viable for the business to keep the site at Maelor operational

On 31 October 2013, First Milk Limited announced that they have entered into a long-term strategic partnership with Adams Foods Limited, one of the UK's leading suppliers of cheese, establishing a fully integrated supply chain for hard cheese in the UK retail, foodservice and wholesale sectors

24 IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent company and the smallest and largest company into which the results are consolidated is First Milk Limited which is registered under the Industrial & Provident Societies Act 1965, Registration number 29199R Copies of the financial statements of First Milk Limited are available from the Company Secretary, First Milk Limited, Cirrus House, Glasgow Airport Business Park, Marchburn Drive, Paisley, PA3 2SJ