

**ABERDEEN & NORTHERN EGGS  
LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2017**

WEDNESDAY



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COMPANIES HOUSE

# ABERDEEN & NORTHERN EGGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Ethel Chapman Robert Chapman Iain Chapman
<b>Secretary</b>	Ethel Chapman
<b>Company number</b>	SC098093
<b>Registered office</b>	Anderson House 9/15 Frithside Street Fraserburgh Aberdeenshire AB43 5AR
<b>Auditor</b>	Johnston Carmichael LLP Bank House Seaforth Street Fraserburgh AB43 9BB

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# **ABERDEEN & NORTHERN EGGS LIMITED**

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# **ABERDEEN & NORTHERN EGGS LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 MAY 2017**

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The directors present the strategic report for the year ended 31 May 2017.

### **Fair review of the business**

The principal activities of the company are agriculture with the production and sale of eggs.

### **Capital investment and significant changes**

During this financial year, the planned extension to the existing Grading facility at West Cockmuir is complete, with new storage and packing facilities now under one roof. Due to the continued increase in egg consumption, planning permission was secured for a 32,000 bird Free Range unit, which will be complete by late January 2018. Other capital investment included transport, logistics, and replacement equipment for the arable farming operation.

### **Sales and Profit**

Turnover was up on last year by 8.5% to £16.6M, gross profit was down by 13.5% to £3.4M and profit before tax down 23% to £1.8M for the year ended 31st May 2017. The directors are however happy with the results for this year considering the current economic climate. The retail market is still very competitive. Consumption of eggs continues to rise, and eggs are now a 'Good News' story. This is positive for the industry and the company. It is hoped, that the strategy of keeping all aspects of rearing and production, along with distribution under the control of the company, will assist in keeping the business competitive, in the uncertainty that is Brexit.

### **Balance Sheet**

The balance sheet continues to strengthen with total equity of £14.7M compared to £13.2M in 2016. Most of the investments this year of £2.4M have been financed by using retained profits. Cash at bank reduced by £57K to £426k, borrowings reduced to £4.1M from £4.5M. Any future investments planned would be funded from a mix of the company's own resources, and bank loan/overdraft facility. Grant assistance was received from The Scottish Government at over £516K against the EU Food Processing and Marketing Support Scheme. During the year dividends of £13K were paid to the shareholders with 99% of the profit retained for reinvestment.

### **Principal risks and uncertainties**

One of the main risks to the business would be the loss of a major customer; to combat this we have continual two way dialogue with our customers. We also maintain the highest production standards on site, and provide first class customer service to all. We try not to become complacent and strive to get better at all times as is evidenced by the continuing investment upgrade in plant and operating procedures.

The ever present threat of an Avian Influenza outbreak, and subsequent restrictions would place the supply processes under severe pressure. This could pose a serious threat to our company and its day to day operations. In December 2016, a 'prevention zone' was introduced to the UK for the first time, requiring all avian species to be housed for their health and welfare following several positive reporting of wild birds with Avian Influenza. This highlights the need to continue with robust bio-security, and be ever vigilant for signs of the disease. Our supply chain of Scottish producers must also exercise a high level of bio-security so as not to put us and the supply chain at risk. The directors strictly follow all government guidance and advice to keep this risk to a minimum.

Sales volumes continue to increase and we as a company need to ensure that we have sufficient supply to meet these demands. However over supply within the UK market could be a serious threat to profit margins, and the directors need to monitor the supply and demand balance at all times, while still growing the number of birds to meet customer needs.

# ABERDEEN & NORTHERN EGGS LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

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### Environment

Aberdeen & Northern Eggs recognises the importance of their environmental responsibilities, and as a company have already invested heavily in renewable energy as a means of cutting our carbon footprint. Wind Turbines, Solar Panels and Bio-mass boilers have all been part of helping to reduce energy costs. All of these measures demonstrate the positive steps being made to see an improvement in the environment, and use of sustainable energy.

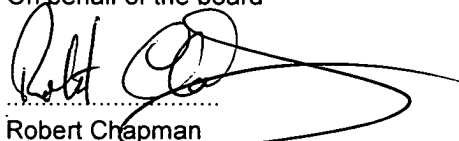
As responsible Farmers we are involved in several Land Management Schemes on several of our farms, with hedge row planting, development of ponds and wildlife support, we farm the land with the environment in mind at all times.

### Employees

Wage costs during this financial year have increased, mainly due to an above inflation wage increase to all employees. Staff numbers remain about the same, with the addition of 1 part-time maternity cover in office staff, the drivers and packing staff remaining the same. All members of staff are on or above the new minimum wage introduced in April 2017. The company continue to operate the Auto Enrolment pension scheme where the majority of staff have been enrolled.

Staff personnel remain very loyal, and there is very little turn-over of staff, with about 1/3 of the total from outside the UK, most of who have been employed with us for several years now.

On behalf of the board



Robert Chapman

Director

2/2/18

# **ABERDEEN & NORTHERN EGGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MAY 2017**

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The directors present their annual report and financial statements for the year ended 31 May 2017.

#### **Principal activities**

The principal activities of the company are agriculture and production and sale of eggs.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ethel Chapman  
Robert Chapman  
Iain Chapman

#### **Results and dividends**

The results for the year are set out on page 7.

The company paid dividends totalling £13,158 (2016 - £70,000) in the year.

#### **Auditor**

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent and;
- 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.

# ABERDEEN & NORTHERN EGGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

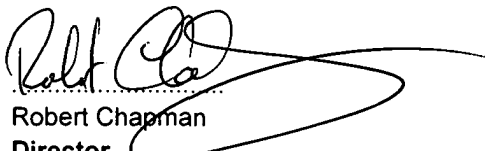
**FOR THE YEAR ENDED 31 MAY 2017**

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### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

  
.....  
Robert Chapman  
Director  
..... 2/2/18 .....

# **ABERDEEN & NORTHERN EGGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED**

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We have audited the financial statements of Aberdeen & Northern Eggs Limited for the year ended 31 May 2017 set out on pages 7 to 27. 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), including FRS 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 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.

#### **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 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 May 2017 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.

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

In our opinion 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.



# ABERDEEN & NORTHERN EGGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

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#### 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.



Brian Moran (Senior Statutory Auditor)  
for and on behalf of Johnston Carmichael LLP

Chartered Accountants  
Statutory Auditor

9<sup>th</sup> February 2018

Bank House  
Seaforth Street  
Fraserburgh  
AB43 9BB

# ABERDEEN & NORTHERN EGGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2017

		2017 £	2016 £
Turnover	3	16,611,665	15,351,038
Cost of sales		(13,210,746)	(11,492,393)
<b>Gross profit</b>		<b>3,400,919</b>	<b>3,858,645</b>
Administrative expenses		(1,893,321)	(1,688,719)
Other operating income		324,486	234,790
<b>Operating profit</b>	<b>4</b>	<b>1,832,084</b>	<b>2,404,716</b>
Income from participating interests	7	100,000	106,878
Other interest receivable and similar income	7	117	625
Interest payable and similar expenses	8	(107,078)	(131,900)
<b>Profit before taxation</b>		<b>1,825,123</b>	<b>2,380,319</b>
Taxation	9	(393,759)	(465,336)
<b>Profit for the financial year</b>		<b>1,431,364</b>	<b>1,914,983</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

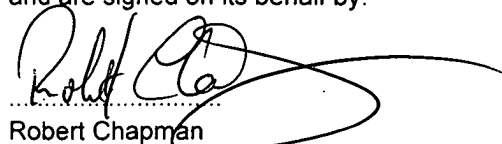
# ABERDEEN & NORTHERN EGGS LIMITED

## BALANCE SHEET

AS AT 31 MAY 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Tangible assets	10	17,044,432		15,512,833	
Investments	11	344,915		369,915	
		<u>17,389,347</u>		<u>15,882,748</u>	
<b>Current assets</b>					
Stocks	14	875,790		822,529	
Biological assets	15	451,541		410,732	
Debtors	16	4,175,981		3,944,895	
Cash at bank and in hand		426,527		483,568	
		<u>5,929,839</u>		<u>5,661,724</u>	
<b>Creditors: amounts falling due within one year</b>	17	(2,772,350)		(2,602,465)	
<b>Net current assets</b>		<u>3,157,489</u>		<u>3,059,259</u>	
<b>Total assets less current liabilities</b>		<u>20,546,836</u>		<u>18,942,007</u>	
<b>Creditors: amounts falling due after more than one year</b>	18	(4,044,849)		(4,296,520)	
<b>Provisions for liabilities</b>	21	(393,613)		(337,215)	
<b>Deferred income</b>	23	(1,440,680)		(1,058,784)	
<b>Net assets</b>		<u>14,667,694</u>		<u>13,249,488</u>	
<b>Capital and reserves</b>					
Called up share capital	25	50,000		50,000	
Profit and loss reserves		14,617,694		13,199,488	
<b>Total equity</b>		<u>14,667,694</u>		<u>13,249,488</u>	

The financial statements were approved by the board of directors and authorised for issue on ..... 2/6/18 .....  
and are signed on its behalf by:

  
Robert Chapman  
Director

Company Registration No. SC098093

# ABERDEEN & NORTHERN EGGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2017

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 June 2015	50,000	11,354,505	11,404,505
Year ended 31 May 2016:			
Profit and total comprehensive income for the year	-	1,914,983	1,914,983
Dividends	-	(70,000)	(70,000)
Balance at 31 May 2016	50,000	13,199,488	13,249,488
Year ended 31 May 2017:			
Profit and total comprehensive income for the year	-	1,431,364	1,431,364
Dividends	-	(13,158)	(13,158)
Balance at 31 May 2017	50,000	14,617,694	14,667,694

# ABERDEEN & NORTHERN EGGS LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	2,730,271		3,074,455	
Interest paid		(107,078)		(131,900)	
Income taxes paid		(486,984)		(426,049)	
<b>Net cash inflow from operating activities</b>		<u>2,136,209</u>		<u>2,516,506</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(2,443,400)		(2,868,552)	
Proceeds on disposal of tangible fixed assets		262,735		3,500	
Drawings from investments		25,000		95,000	
Interest received		117		625	
Other investment income received		100,000		-	
<b>Net cash used in investing activities</b>		<u>(2,055,548)</u>		<u>(2,769,427)</u>	
<b>Financing activities</b>					
Repayment of borrowings		(184,858)		(203,506)	
Proceeds of new bank loans		-		864,000	
Repayment of bank loans		(169,524)		(142,839)	
Payment of finance leases obligations		(286,915)		(282,198)	
Dividends paid		(13,158)		(70,000)	
Proceeds of grants		516,753		242,751	
<b>Net cash (used in)/generated from financing activities</b>		<u>(137,702)</u>		<u>408,208</u>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(57,041)</u>		<u>155,287</u>	
Cash and cash equivalents at beginning of year		483,568		328,281	
<b>Cash and cash equivalents at end of year</b>		<u><u>426,527</u></u>		<u><u>483,568</u></u>	

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

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### 1 Accounting policies

#### Company information

Aberdeen & Northern Eggs Limited is a private company limited by shares incorporated in Scotland. The registered office is Anderson House, 9/15 Frithside Street, Fraserburgh, Aberdeenshire, AB43 5AR and the business address is West Cockmuir, Strichen, Fraserburgh, AB43 6RQ.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts. Turnover is recognised at the point of dispatch.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	- nil and 4% straight line
Plant and machinery	- 5% straight line and 10% and 20% reducing balance
Fixtures, fittings and equipment	- 20% reducing balance and 25% straight line
Motor vehicles	- 20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The directors consider it inappropriate to depreciate land as the market value of the land exceeds the cost per the accounts.

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

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### 1 Accounting policies

(Continued)

#### 1.5 Fixed asset investments

Interests in associates are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Bird stock is valued at cost and depreciated over its expected useful life.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are measured at transaction price including transaction costs.

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

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### 1 Accounting policies

(Continued)

#### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### ***Basic financial liabilities***

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.



# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

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### 1 Accounting policies

(Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

#### **1.13 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.14 Leases**

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

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### 1 Accounting policies

(Continued)

#### 1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

#### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

#### 1.17 Biological assets

Biological assets represent laying poultry and are classified as current assets as their remaining useful economic life is less than 12 months from the date of the accounts.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Useful lives and depreciation of fixed assets (note 14)**

Depreciation rates are based on the estimated useful lives of assets, which is a judgement exercised by management taking into account actual experience.

#### **Bird stock valuation (note 15)**

The number of birds at the year end is calculated by looking at the age of the birds at the year end taking into account typical mortality rates. The value of bird stock is calculated by taking the purchase price of a bird and the cost of its feed.

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
<b>Turnover</b>		
Egg sales	16,005,233	14,837,882
Other sales	22,305	19,763
Electricity sales	321,404	361,178
Renewable heat incentive	95,781	50,373
Contract farming agreement	166,942	81,842
	<u>16,611,665</u>	<u>15,351,038</u>
<b>Other significant revenue</b>		
Interest income	117	625
Grants received	227,007	90,284
Rental income	36,684	27,830
Sundry income	60,983	116,676
	<u></u>	<u></u>

#### Turnover analysed by geographical market

	2017 £	2016 £
United Kingdom	<u>16,611,665</u>	<u>15,351,038</u>

### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(4,802)	5,038
Government grants	(227,007)	(90,284)
Fees payable to the company's auditor for the audit of the company's financial statements	13,850	13,700
Depreciation of owned tangible fixed assets	919,015	730,614
Depreciation of tangible fixed assets held under finance leases	107,671	114,227
Loss on disposal of tangible fixed assets	42,600	3,092
Cost of stocks recognised as an expense	10,171,472	8,961,831
Operating lease charges	<u>131,279</u>	<u>195,743</u>

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

### 5 Employees

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

	2017 Number	2016 Number
Directors and management	4	4
Office staff	6	5
Drivers	5	5
Labourers	26	26
	<u>41</u>	<u>40</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	940,417	811,930
Social security costs	63,163	60,418
Pension costs	8,314	13,631
	<u>1,011,894</u>	<u>885,979</u>

### 6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>18,000</u>	<u>18,000</u>

### 7 Interest receivable and similar income

	2017 £	2016 £
<b>Interest income</b>		
Interest on bank deposits	117	625
<b>Income from fixed asset investments</b>		
Income from participating interests - associates	100,000	106,878
<b>Total income</b>	<u>100,117</u>	<u>107,503</u>
Disclosed on the profit and loss account as follows:		
Income from participating interests	100,000	106,878
Other interest receivable and similar income	117	625

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

(Continued)

### 7 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	117	625
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### 8 Interest payable and similar expenses

	2017 £	2016 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	93,381	120,104
Interest on finance leases and hire purchase contracts	8,559	6,575
	101,940	126,679
<b>Other finance costs:</b>		
Other interest	5,138	5,221
	107,078	131,900

### 9 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	361,766	492,523
Adjustments in respect of prior periods	(24,405)	(5,408)
Total current tax	337,361	487,115
<b>Deferred tax</b>		
Origination and reversal of timing differences	37,617	(23,403)
Adjustment in respect of prior periods	18,781	1,624
Total deferred tax	56,398	(21,779)
Total tax charge	393,759	465,336

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

### 9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	1,825,123	2,380,319
Expected tax charge based on the standard rate of corporation tax in the UK of 19.83% (2016: 020%)	361,922	476,064
Tax effect of expenses that are not deductible in determining taxable profit	750	22,264
Tax effect of income not taxable in determining taxable profit	-	(21,376)
Depreciation on assets not qualifying for tax allowances	(906)	29,636
Under/(over) provided in prior years	(24,405)	(5,408)
Deferred tax adjustments in respect of prior years	18,781	1,624
Adjust closing deferred tax to average rate	37,617	(37,468)
Taxation charge for the year	393,759	465,336

### 10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 June 2016	12,199,449	8,035,441	35,629	728,770	20,999,289
Additions	970,667	1,892,953	-	-	2,863,620
Disposals	(250,000)	(117,730)	-	(55,149)	(422,879)
At 31 May 2017	12,920,116	9,810,664	35,629	673,621	23,440,030
<b>Depreciation and impairment</b>					
At 1 June 2016	842,409	4,280,977	30,787	332,283	5,486,456
Depreciation charged in the year	198,512	749,325	968	77,881	1,026,686
Eliminated in respect of disposals	(8,334)	(65,055)	-	(44,155)	(117,544)
At 31 May 2017	1,032,587	4,965,247	31,755	366,009	6,395,598
<b>Carrying amount</b>					
At 31 May 2017	11,887,529	4,845,417	3,874	307,612	17,044,432
At 31 May 2016	11,357,040	3,754,464	4,842	396,487	15,512,833

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2017 £	2016 £
Plant and machinery	523,021	384,689
Motor vehicles	132,553	236,079
	<u>655,574</u>	<u>620,768</u>
Depreciation charge for the year in respect of leased assets	<u>107,671</u>	<u>114,227</u>

Freehold land and buildings with a carrying amount of £5,075,521 (2016 - £5,075,521) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The net obligations under hire purchase contracts are secured over the related assets.

The book value of land not depreciated is £7,632,371 (2016 - £7,632,371).

### 11 Fixed asset investments

	Notes	2017 £	2016 £
Investments in associates	12	344,760	369,760
Unlisted investments		155	155
		<u>344,915</u>	<u>369,915</u>

#### Movements in fixed asset investments

	Shares in participating interests £	Other investments other than loans £	Total £
<b>Cost or valuation</b>			
At 1 June 2016	369,760	155	369,915
Share of profit	100,000	-	100,000
Drawings	(125,000)	-	(125,000)
At 31 May 2017	<u>344,760</u>	<u>155</u>	<u>344,915</u>
<b>Carrying amount</b>			
At 31 May 2017	<u>344,760</u>	<u>155</u>	<u>344,915</u>
At 31 May 2016	<u>369,760</u>	<u>155</u>	<u>369,915</u>

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 12 Associates

Details of the company's associates at 31 May 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
R & R Renewables LLP	Scotland	Renewable energy	Ordinary		50.00

### 13 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	4,518,241	4,149,897
Equity instruments measured at cost less impairment	244,915	369,915
	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	6,440,722	6,391,217
	<u>          </u>	<u>          </u>

### 14 Stocks

	2017 £	2016 £
Raw materials and consumables	1,179,826	1,066,591
Finished goods and goods for resale	147,505	166,670
	<u>          </u>	<u>          </u>
	1,327,331	1,233,261
	<u>          </u>	<u>          </u>

### 15 Biological assets

	Laying poultry £
<b>Carrying amount at 31 May 2017 classified as:</b>	
Fixed assets	-
Current assets	451,541
	<u>          </u>
	451,541
	<u>          </u>
<b>Carrying amount at 31 May 2016 classified as:</b>	
Fixed assets	-
Current assets	410,732
	<u>          </u>
	410,732
	<u>          </u>



# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

### 16 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	2,954,728	2,236,844
Corporation tax recoverable	19,053	187
Other debtors	1,180,187	1,698,055
Prepayments and accrued income	22,013	9,809
	<u>4,175,981</u>	<u>3,944,895</u>

### 17 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans	19	173,524	169,373
Obligations under finance leases	20	207,825	167,891
Other borrowings	19	167,000	180,491
Trade creditors		1,685,451	1,161,702
Corporation tax		361,766	492,523
Other taxation and social security		14,711	15,245
Other creditors		34,320	299,124
Accruals and deferred income		127,753	116,116
		<u>2,772,350</u>	<u>2,602,465</u>

### 18 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans	19	2,406,528	2,580,203
Obligations under finance leases	20	221,868	128,497
Other borrowings	19	1,416,453	1,587,820
		<u>4,044,849</u>	<u>4,296,520</u>

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 19 Loans and overdrafts

	2017 £	2016 £
Bank loans	2,580,052	2,749,576
Other loans	1,583,453	1,768,311
	<u>4,163,505</u>	<u>4,517,887</u>
Payable within one year	340,524	349,864
Payable after one year	<u>3,822,981</u>	<u>4,168,023</u>

The bank loans are secured by standard securities over the land and freehold properties and floating charges over the assets.

The other loan is secured over land and freehold properties belonging to the directors.

Four loans are repayable by monthly instalments of £18,995 and mature in the period from February 2017 to October 2030.

Three loans are repayable in quarterly instalments of £41,769 and mature in the period from October 2022 to November 2034.

Three loans mature in the period from September 2018 to January 2025 with the amounts repayable depending upon LIBOR.

All interest rates are charged between 1.78% and 3.05%.

### 20 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	207,825	167,891
In two to five years	221,868	128,497
	<u>429,693</u>	<u>296,388</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is one year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 21 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	22	393,613	337,215
		<u>393,613</u>	<u>337,215</u>

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	393,613	337,215

There were no deferred tax movements in the year.

### 23 Government grants

	2017 £	2016 £
Arising from government grants	1,440,680	1,058,784
	1,440,680	1,058,784

While there are certain conditions under which these grants would need to be repaid by the company, these conditions have not occurred.

### 24 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	8,314	13,631

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 25 Share capital

	2017 £	2016 £
Ordinary share capital Issued and fully paid 50,000 Ordinary shares of £1 each	50,000	50,000

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £	2016 £
Acquisition of tangible fixed assets	507,814	1,775,929

Included in capital commitments are costs totalling £507,814 of which a grant is reclaimable on a percentage of the cost.

### 27 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	18,000	18,000

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2017 £	2016 £	2017 £	2016 £
Entities in which the directors have joint control	1,040,651	733,535	910,455	945,054
Key management personnel	89,640	286,250	-	323
	<u>1,130,291</u>	<u>1,019,785</u>	<u>910,455</u>	<u>945,377</u>
	Other income received		Other expenses paid	
	2017 £	2016 £	2017 £	2016 £
Entities in which the directors have joint control	40,000	40,000	-	-
Key management personnel	13,560	13,560	2,122	6,028
	<u>53,560</u>	<u>53,560</u>	<u>2,122</u>	<u>6,028</u>

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

### 27 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017 £	2016 £
Key management personnel	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties 2017		Amounts owed by related parties 2016	
	Balance £	Net £	Balance £	Net £
Entities in which the directors have joint control	1,017,921	1,017,921	1,127,234	1,127,234
	<u>1,017,921</u>	<u>1,017,921</u>	<u>1,127,234</u>	<u>1,127,234</u>

The AMC loans totalling £1,583,454 (2016 - £1,768,311) are secured by land which belongs to the directors personally.

### 28 Directors' transactions

Dividends totalling £13,158 (2016 - £70,000) were paid in the year in respect of shares held by the company's directors.

### 29 Controlling party

The company is controlled by the directors who own 100% of the company's ordinary share capital.

### 30 Reserves

The profit and loss reserve represents the cumulative profit and losses, net of dividends and any other adjustments.

# ABERDEEN & NORTHERN EGGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

### 31 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	1,431,364	1,914,983
<b>Adjustments for:</b>		
Taxation charged	393,759	465,336
Finance costs	107,078	131,900
Investment income	(100,117)	(107,503)
Loss on disposal of tangible fixed assets	42,600	3,092
Depreciation and impairment of tangible fixed assets	1,026,686	844,841
Government grant receivable and released	(134,857)	(90,284)
<b>Movements in working capital:</b>		
(Increase) in stocks	(94,070)	(204,547)
(Increase) in debtors	(212,220)	(268,388)
Increase in creditors	270,048	385,025
<b>Cash generated from operations</b>	<b>2,730,271</b>	<b>3,074,455</b>