

**ABERDEEN & NORTHERN EGGS
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MAY 2018

TUESDAY



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COMPANIES HOUSE

ABERDEEN & NORTHERN EGGS LIMITED

COMPANY INFORMATION

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

ABERDEEN & NORTHERN EGGS LIMITED

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ABERDEEN & NORTHERN EGGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present the strategic report for the year ended 31 May 2018.

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, turnover is up, this is due to increased egg volumes, so we therefore need to continue in our investment in packing and grading facilities. We have installed 2 further robots to facilitate this expansion. We are also planning to install a larger egg grading machine, which will increase the number of eggs we can pack. Other capital investment included transport, logistics, and replacement equipment for the arable farming operation.

Sales and Profit

Turnover was up on last year by 16.8% to £19.4M, gross profit was up to £4.6M from £3.3M and profit before tax to £2.2M from £1.8M for the year ended 31st May 2018. 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. 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.

Balance Sheet

The balance sheet continues to strengthen with total equity of £16.4M compared to £14.7M in 2017. Most of the investments this year of £2.5M have been financed by using retained profits. Cash at bank increased by £893K to £1.3M, borrowings reduced to £3.8M from £4.1M. Any future investments planned would be funded from a mix of the company's own resources, and bank loan/overdraft facility. During the year dividends of £24K were paid to the shareholders with 99% of the profit retained for reinvestment.

Principal risks and uncertainties

The company gives appropriate consideration to risk management, objectives and policies. The principal risks and uncertainties facing the company, and the directors' approach to mitigating them, are as follows:-

1. **Competitive pressure resulting in the potential loss of key customers to competitors**
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.
2. **Outbreak of disease**
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. During the winter of 2017-2018, there were no UK outbreaks of Avian Influenza found, but as a company we must remain ever vigilant. 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.
3. **Over supply to the market**
Sales volumes continue to increase and we as a company need to ensure that we have sufficient supply to meet these demands. However, bird numbers continue to rise faster than consumption. This will result in an oversupplied market and we expect profit margin to suffer because of this going forward. 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 2018

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.

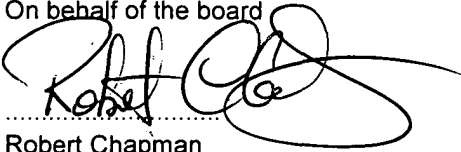
As responsible Farmers we are involved in several Land Management Schemes on several of our farms, with hedge row planting, development of ponds and wildlife support, we farm the land with the environment in mind at all times.

Employees

Wage costs during this financial year have increased, mainly due to an above inflation wage increase to all employees. Although the number of eggs packed has increased, staff numbers remain consistent, with the split of office staff, drivers and packing staff remaining the same. All members of staff are on or above the new minimum wage introduced in April 2018. The company continue to operate the Auto Enrolment pension scheme with the majority of staff enrolling in the scheme.

Staff personnel remain very loyal, and there is very little turn-over of staff, with about 1/4 of the total from outside the UK, most of who have been employed with us for several years now, and should have a secure future in the UK after Brexit.

On behalf of the board



Robert Chapman

Director

20/2/19

ABERDEEN & NORTHERN EGGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their annual report and financial statements for the year ended 31 May 2018.

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 8.

The company paid dividends totalling £24,166 (2017 - £13,158) in the year.

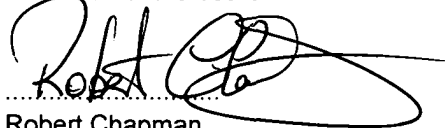
Auditor

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

Statement of 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

Date: 20/2/19

ABERDEEN & NORTHERN EGGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

Opinion

We have audited the financial statements of Aberdeen & Northern Eggs Limited (the 'company') for the year ended 31 May 2018 which comprise of a Statement of Comprehensive Income, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

ABERDEEN & NORTHERN EGGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

ABERDEEN & NORTHERN EGGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN & NORTHERN EGGS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)


As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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



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

21st February 2019

Chartered Accountants
Statutory Auditor

Bank House
Seaforth Street
Fraserburgh
AB43 9BB

ABERDEEN & NORTHERN EGGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2018

		2018 £	2017 £
Turnover	3	19,388,293	16,611,665
Cost of sales		(14,776,075)	(13,217,626)
Gross profit		4,612,218	3,394,039
Administrative expenses		(2,627,353)	(1,886,441)
Other operating income		261,374	324,486
Operating profit	4	2,246,239	1,832,084
Income from participating interests	7	105,090	100,000
Other interest receivable and similar income	7	302	117
Interest payable and similar expenses	8	(102,365)	(107,078)
Profit before taxation		2,249,266	1,825,123
Tax on profit	9	(430,020)	(393,759)
Profit for the financial year		1,819,246	1,431,364

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

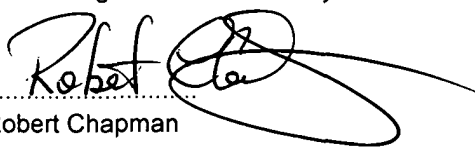
ABERDEEN & NORTHERN EGGS LIMITED

BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10	18,131,653		17,044,432	
Investments	11	295,005		344,915	
		<u>18,426,658</u>		<u>17,389,347</u>	
Current assets					
Stocks	14	851,294		875,790	
Biological assets	16	470,076		451,541	
Debtors	15	4,120,607		4,175,981	
Cash at bank and in hand		1,319,575		426,527	
		<u>6,761,552</u>		<u>5,929,839</u>	
Creditors: amounts falling due within one year	17	(3,029,707)		(2,772,350)	
Net current assets		<u>3,731,845</u>		<u>3,157,489</u>	
Total assets less current liabilities		<u>22,158,503</u>		<u>20,546,836</u>	
Creditors: amounts falling due after more than one year	18	(3,684,528)		(4,044,849)	
Provisions for liabilities	21	(405,553)		(393,613)	
Deferred income	23	(1,605,648)		(1,440,680)	
Net assets		<u>16,462,774</u>		<u>14,667,694</u>	
Capital and reserves					
Called up share capital	25	50,000		50,000	
Profit and loss reserves		16,412,774		14,617,694	
Total equity		<u>16,462,774</u>		<u>14,667,694</u>	

The financial statements were approved by the board of directors and authorised for issue on 20/2/19 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 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 June 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
Year ended 31 May 2018:			
Profit and total comprehensive income for the year	-	1,819,246	1,819,246
Dividends	-	(24,166)	(24,166)
Balance at 31 May 2018	50,000	16,412,774	16,462,774

ABERDEEN & NORTHERN EGGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	31	3,422,982		2,730,271	
Interest paid		(102,365)		(107,078)	
Income taxes paid		(362,000)		(486,984)	
Net cash inflow from operating activities		2,958,617		2,136,209	
Investing activities					
Purchase of tangible fixed assets		(2,021,000)		(2,443,400)	
Proceeds on disposal of tangible fixed assets		205,500		262,735	
Drawings from investments		49,910		25,000	
Interest received		302		117	
Other investment income received		105,090		100,000	
Net cash used in investing activities		(1,660,198)		(2,055,548)	
Financing activities					
Repayment of borrowings		(167,734)		(184,858)	
Repayment of bank loans		(173,335)		(169,524)	
Payment of finance leases obligations		(386,503)		(286,915)	
Dividends paid		(24,166)		(13,158)	
Proceeds of grants		346,367		516,753	
Net cash used in financing activities		(405,371)		(137,702)	
Net increase/(decrease) in cash and cash equivalents		893,048		(57,041)	
Cash and cash equivalents at beginning of year		426,527		483,568	
Cash and cash equivalents at end of year		1,319,575		426,527	

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

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 2018

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Interests in jointly controlled entities 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.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

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.

Other financial liabilities

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction 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.

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.

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

1 Accounting policies

(Continued)

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.

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 1.4)

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 1.7)

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 2018

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover		
Egg sales	18,361,290	16,005,233
Other sales	307,672	22,305
Electricity sales	393,771	321,404
Renewable heat incentive	195,731	95,781
Contract farming agreement	129,829	166,942
	<u>19,388,293</u>	<u>16,611,665</u>

Other significant revenue

Interest income	302	117
Grants received	184,172	227,007
Rental income	29,628	36,684
Sundry income	47,574	60,983
	<u></u>	<u></u>

Turnover analysed by geographical market

	2018 £	2017 £
United Kingdom	<u>19,388,293</u>	<u>16,611,665</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(83)	(4,802)
Government grants	(184,172)	(227,007)
Fees payable to the company's auditor for the audit of the company's financial statements	11,650	13,850
Depreciation of owned tangible fixed assets	1,104,223	919,015
Depreciation of tangible fixed assets held under finance leases	125,989	107,671
(Profit)/loss on disposal of tangible fixed assets	(41,934)	42,600
Cost of stocks recognised as an expense	11,549,998	10,171,472
Operating lease charges	81,328	131,279
	<u></u>	<u></u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £83 (2017 - £4,802).

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

5 Employees

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

	2018 Number	2017 Number
Directors and management	4	4
Office staff	6	6
Drivers	6	5
Labourers	27	26
	<u>43</u>	<u>41</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	971,610	940,417
Social security costs	75,278	63,163
Pension costs	5,648	8,314
	<u>1,052,536</u>	<u>1,011,894</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>16,500</u>	<u>18,000</u>

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	302	117
Income from fixed asset investments		
Income from participating interests - joint ventures	105,090	100,000
Total income	<u>105,392</u>	<u>100,117</u>
Disclosed on the profit and loss account as follows:		
Income from participating interests	105,090	100,000
Other interest receivable and similar income	302	117

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

(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	302	117
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8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	89,371	93,381
Interest on finance leases and hire purchase contracts	8,583	8,559
	97,954	101,940
Other finance costs:		
Other interest	4,411	5,138
	102,365	107,078

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	421,810	361,766
Adjustments in respect of prior periods	(3,730)	(24,405)
Total current tax	418,080	337,361
Deferred tax		
Origination and reversal of timing differences	32,405	37,617
Adjustment in respect of prior periods	(20,465)	18,781
Total deferred tax	11,940	56,398
Total tax charge	430,020	393,759

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

(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:

	2018 £	2017 £
Profit before taxation	2,249,266	1,825,123
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.83%)	427,361	361,922
Tax effect of expenses that are not deductible in determining taxable profit	48	750
Tax effect of income not taxable in determining taxable profit	(4,007)	-
Depreciation on assets not qualifying for tax allowances	1,879	(906)
Under/(over) provided in prior years	(3,730)	(24,405)
Deferred tax adjustments in respect of prior years	(20,465)	18,781
Adjust closing deferred tax to average rate	28,934	37,617
Taxation charge for the year	430,020	393,759

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2017	12,920,116	9,810,664	35,629	673,621	23,440,030
Additions	707,769	1,566,937	-	206,294	2,481,000
Disposals	-	(399,000)	-	(76,000)	(475,000)
At 31 May 2018	13,627,885	10,978,601	35,629	803,915	25,446,030
Depreciation and impairment					
At 1 June 2017	1,032,587	4,965,247	31,756	366,009	6,395,599
Depreciation charged in the year	229,406	928,842	775	71,189	1,230,212
Eliminated in respect of disposals	-	(262,754)	-	(48,680)	(311,434)
At 31 May 2018	1,261,993	5,631,335	32,531	388,518	7,314,377
Carrying amount					
At 31 May 2018	12,365,892	5,347,266	3,098	415,397	18,131,653
At 31 May 2017	11,887,529	4,845,417	3,874	307,612	17,044,432

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

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.

	2018 £	2017 £
Plant and machinery	875,538	523,021
Motor vehicles	106,043	132,553
	<u>981,581</u>	<u>655,574</u>
Depreciation charge for the year in respect of leased assets	<u>125,989</u>	<u>107,671</u>

Freehold land and buildings with a carrying amount of £5,075,521 (2017 - £5,075,521) have been pledged to secure borrowings of the company.

Standard security has been given in relation to an area of land and a related access right.

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

The book value of land not depreciated is £7,632,371 (2017 - £7,632,371).

11 Fixed asset investments

	Notes	2018 £	2017 £
Investments in joint ventures	12	294,850	344,760
Unlisted investments		155	155
		<u>295,005</u>	<u>344,915</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

11 Fixed asset investments

(Continued)

Movements in fixed asset investments

	Shares in participating interests	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 June 2017	344,760	155	344,915
Share of profit	105,090	-	105,090
Drawings	(155,000)	-	(155,000)
At 31 May 2018	294,850	155	295,005
Carrying amount			
At 31 May 2018	294,850	155	295,005
At 31 May 2017	344,760	155	344,915

12 Joint ventures

Details of the company's joint ventures at 31 May 2018 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

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,260,126	4,418,416
Equity instruments measured at cost less impairment	295,005	344,915
Carrying amount of financial liabilities		
Measured at amortised cost	6,275,230	6,440,722

14 Stocks

	2018 £	2017 £
Raw materials and consumables	712,519	728,285
Finished goods and goods for resale	138,775	147,505
	851,294	875,790

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

15 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,617,046	2,954,728
Corporation tax recoverable	-	19,053
Other debtors	1,479,356	1,180,187
Prepayments and accrued income	24,205	22,013
	<u>4,120,607</u>	<u>4,175,981</u>

16 Biological assets

	Laying poultry £
Carrying amount at 31 May 2018 classified as:	
Fixed assets	-
Current assets	470,076
	<u>470,076</u>
Carrying amount at 31 May 2017 classified as:	
Fixed assets	-
Current assets	451,541
	<u>451,541</u>

17 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans	19	176,646	173,524
Obligations under finance leases	20	294,938	207,825
Other borrowings	19	169,514	167,000
Trade creditors		1,303,682	1,685,451
Corporation tax		421,747	361,766
Other taxation and social security		17,258	14,711
Other creditors		30,000	34,320
Accruals and deferred income		615,922	127,753
		<u>3,029,707</u>	<u>2,772,350</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

18 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans	19	2,230,071	2,406,528
Obligations under finance leases	20	208,252	221,868
Other borrowings	19	1,246,205	1,416,453
		<u>3,684,528</u>	<u>4,044,849</u>

19 Loans and overdrafts

	2018 £	2017 £
Bank loans	2,406,717	2,580,052
Other loans	1,415,719	1,583,453
	<u>3,822,436</u>	<u>4,163,505</u>
Payable within one year	346,160	340,524
Payable after one year	<u>3,476,276</u>	<u>3,822,981</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 £15,814 and mature in the period from August 2023 to October 2030.

Three loans are repayable in quarterly instalments of £41,273 and mature in the period from October 2022 to November 2034.

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

All interest rates are charged between 1.55% and 2.80%.

20 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	294,938	207,825
In two to five years	208,252	221,868
	<u>503,190</u>	<u>429,693</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

20 Finance lease obligations

(Continued)

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	2018 £	2017 £
Deferred tax liabilities	22	405,553	393,613

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 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	405,553	393,613
Movements in the year:		2018 £
Liability at 1 June 2017		393,613
Charge to profit or loss		11,940
Liability at 31 May 2018		405,553

23 Government grants

	2018 £	2017 £
Arising from government grants	1,605,648	1,440,680
	1,605,648	1,440,680

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

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

24 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	5,648	8,314

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

	2018 £	2017 £
Ordinary share capital Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018 £	2017 £
Acquisition of tangible fixed assets	300,000	507,814

Included in capital commitments are costs totalling £300,000 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.

	2018 £	2017 £
Aggregate compensation	16,500	18,000

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2018

27 Related party transactions

(Continued)

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
	£	£	£	£
Entities in which the directors have joint control	1,047,310	1,040,651	1,120,845	910,455
Key management personnel	173,012	89,640	144,072	-
	<u>1,220,322</u>	<u>1,130,291</u>	<u>1,264,917</u>	<u>910,455</u>
	Other income received		Other expenses paid	
	2018	2017	2018	2017
	£	£	£	£
Entities in which the directors have joint control	40,000	40,000	-	-
Key management personnel	13,560	13,560	3,923	2,122
	<u>53,560</u>	<u>53,560</u>	<u>3,923</u>	<u>2,122</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2018	2017
	£	£
Key management personnel	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

ABERDEEN & NORTHERN EGGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

27 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties 2018		Amounts owed by related parties 2017	
	Balance £	Net £	Balance £	Net £
Entities in which the directors have joint control	1,182,071	1,182,071	1,017,921	1,017,921
	<u>1,182,071</u>	<u>1,182,071</u>	<u>1,017,921</u>	<u>1,017,921</u>

Loans totalling £1,415,720 (2017 - £1,583,454) are secured by land which belongs to the directors personally.

28 Directors' transactions

Dividends totalling £24,166 (2017 - £13,158) 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 2018

31 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	1,819,246	1,431,364
Adjustments for:		
Taxation charged	430,020	393,759
Finance costs	102,365	107,078
Investment income	(105,392)	(100,117)
(Gain)/loss on disposal of tangible fixed assets	(41,934)	42,600
Depreciation and impairment of tangible fixed assets	1,230,212	1,026,686
Government grant receivable and released	(181,399)	(134,857)
Movements in working capital:		
Decrease/(increase) in stocks	5,961	(94,070)
Decrease/(increase) in debtors	36,321	(212,220)
Increase in creditors	127,582	270,048
Cash generated from operations	3,422,982	2,730,271