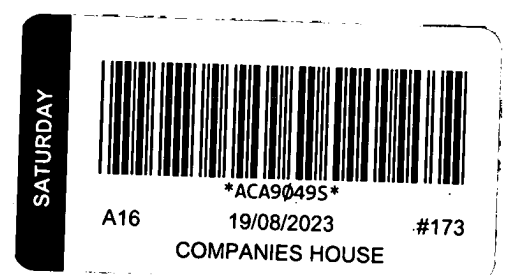


# **CREDITON DAIRY LIMITED**

## **FINANCIAL STATEMENTS**

**For the 52 weeks ended 31 December 2022**

**Company number 08490730**



# CREDITON DAIRY LIMITED

## FINANCIAL STATEMENTS

For the 52 weeks ended 31 December 2022

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# CREDITON DAIRY LIMITED

## DIRECTORS AND ADVISORS

For the 52 weeks ended 31 December 2022

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**Company Number:** 08490730

**Registered Office:** Church Lane  
Crediton  
Devon  
EX17 2AH

**Directors:** Tim Smiddy  
Neil Kennedy

**Company Secretary:** Christopher Hume

**Bankers:** Lloyds Banking Group

**Solicitors:** Michelmores LLP

**Auditor:** PKF Francis Clark  
Exeter

# CREDITON DAIRY LIMITED

## STRATEGIC REPORT

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### Principal activities and business review

The company's principal activity is the manufacture of dairy drinks for sale into the retail multiple, convenience and wholesale channels.

### Business Review and Key Performance Indicators

The reporting period was a challenging one for the dairy industry and for the company. Two significant global events namely the Covid-19 pandemic and the war in Ukraine combined to drive significant inflation throughout 2022. These inflationary pressures resulted in a significant increase in milk prices and in processing & distribution costs. The company had to pay higher prices to its farmers and other suppliers to cover their cost increases to allow them to maintain supply. The company worked with its retail customers to recover cost inflation in the form of higher selling prices whilst aiming to minimise the impact on consumers during the cost of living crisis.

Financially, against the backdrop of significant inflationary pressures, the business performed well. Turnover grew by £12.6 million (12.3%), driven primarily by significant growth in sales of lactose free and flavoured milk. Higher selling prices offset significantly higher raw milk and overheads costs.

The key highlights were as follows:

- Turnover was £114.1 million in 2022, which increased by 12.3% from £101.5 million in the prior year
- Profit before tax was £9.6 million which is in line with the prior year
- Capital Investment of £1.1 million
- Net cash surplus at year end of £11.0 million (which included a cash surplus of £12.8m offset by loan notes of £0.2 million and a finance lease of £1.6 million) was up from £3.6 million at the previous year end
- The book value of Net Assets grew by £6.5 million (20.2%) from £32.1 million in 2021 to £38.6 million in 2022

Crediton Dairy undertook capital investment of £1.1 million in 2022 which amongst other projects included scaling up site utility services and enhancing our case packing capabilities.

Having invested £33 million since the MBO in 2013, Crediton Dairy plans further investment of £4.5m over the next year to continue to increase both capacity and capability at the dairy, as well as upgrading of the waste water treatment plant. This ongoing capital investment will support the delivery of our strategy of being a highly efficient and flexible added value dairy drinks business.

### Looking forward

Cost inflation is beginning to recede in the early months of 2023 as energy prices fall from the record high prices experienced in 2022. Global Dairy markets weakened significantly in the second half of 2022 and have remained weak in early 2023 due to lower consumer demand for dairy products (as a consequence of higher prices) and higher global milk production. UK milk prices have fallen significantly in quarter one to reflect the lower wholesale dairy market prices. As a consequence we are likely to see some deflation in the dairy sector in the second half of 2023. Consumer demand is likely to remain weak for dairy products in 2023 as we navigate our way through the consumer spending crisis.

On the back of increasing demand for the product portfolio supplied to UK retailers, the company will continue to invest in new capacity and capability, site services and new product development. Despite the challenging inflationary environment, the business continues to be positive about the long-term prospects for the dairy sector and the role that a focussed, added value, West Country business can play within it.

# CREDITON DAIRY LIMITED

## STRATEGIC REPORT

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### Principal Risks and Uncertainties

Crediton Dairy recruited its own direct milk supply and reached self-sufficiency in 2016. Crediton Dairy has a close working relationship with its supplying farmers. The business aims to retain its suppliers over the long term via a combination of offering a simple and transparent milk supply contract, early payment facilities, paying a competitive milk price and ongoing farmer engagement.

Bulk cream returns have a significant impact on the financial performance of Crediton Dairy as it produces a significant quantity of bulk cream as a by-product of long life and extended shelf-life milk production. Crediton Dairy seeks to add value and smooth out the volatility of bulk cream returns by processing more of its bulk cream into packed cream for the foodservice market. Crediton Dairy supplies bulk cream to several other dairy processors and exports some to the EU to ensure it always has a route to market for surplus bulk cream over and above its own internal requirements.

Crediton Dairy supplies all major UK retailers with own label products. Loss of a significant own label contract would have a material impact on the financial performance of the business. The company tries to ensure it retains all of its own label contracts by supplying at competitive prices, making ongoing investment in its Crediton site to ensure we operate a modern efficient manufacturing facility which remains cost competitive, investment in new product development, delivering consistently good customer service levels and making continuous improvement in product quality.

### Aligning our long-term strategy with the needs and expectations of our stakeholders

In line with our duties under s172 of the Companies Act 2006, the Directors and the senior management team make decisions with a longer-term view in mind and the likely consequences on all stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed, often with key personnel within the business and are therefore fully understood and supported when taken. The key decisions taken during the year related to the needs of the business to manage the significant input cost inflation. The cost inflation was measured each month, reported to the Board and appropriate measures taken to ensure the business maintained profitability. Continuing our capital investment programme and launching new products remains important to the business. Details of how we engage with our key stakeholders can be found below and throughout the Strategic report. More detail on the capital investment programme can be found in the strategic report under the heading Capital investment programme.

### Colleagues

Our people are key to the success of the business individually and as a team. There are many ways we engage with them including staff surveys, employee forums, face-to-face briefings, newsletters and one-to-one meetings. One of the key focuses this year has been on their health and well-being, and career development opportunities in the longer term. At least once a year we engage an external partner to facilitate a detailed survey on the views and opinions of all colleagues. The feedback from this report is addressed over the following year. We produce regular business updates and newsletters which are provided to all staff. The feedback we receive via all our methods of colleague engagement is important to longer term success.

### Farmers

As suppliers of our key raw material for the business, our supplying farmers' opinions are important to us. We have ongoing open dialogue with them individually and twice-yearly meetings of the full supply group to update them on dairy markets, the financial performance of the business, our business strategy and the future outlook for milk prices. Their views are considered as part of our decision-making process on milk supply volumes and prices.

### Customers and suppliers

We build strong lasting relationships with customers and suppliers. We spend considerable time with our customers understanding their needs and views and listen to how we can improve our range and quality of products offered and the service we provide to them. We have made considerable investment in our operations at Crediton over the last four years to be able to offer new products, in exciting new packaging formats over the long term. We engage regularly with our suppliers both formally and informally to discuss supply, product development and sustainability. These relationships are important and their views are considered in the decision-making process.

### New Products

During the year, Crediton Dairy launched new ranges of customers own label flavoured milks and impulse drinks.

### Restructure

In the prior year Crediton Dairy Limited was part of a company restructure where it, and a newly created company Devon Dairy Brands Limited, became wholly owned subsidiaries of Church Lane Group Limited. As part of the restructure the property at Church Lane and all of Crediton Dairy's Intellectual Property was transferred to Church Lane Group Limited. Crediton Dairy has assigned its branded contracts for Moo and Arctic to Devon Dairy Brands Limited, Crediton Dairy now manufactures and distributes the Moo and Arctic brands on behalf of Devon Dairy Brands Limited.

# CREDITON DAIRY LIMITED

## STRATEGIC REPORT

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### **Financial risk management objectives and policies**

The principal financial risks faced by the company are liquidity, foreign exchange and credit risks.

Liquidity risk is managed by monitoring its cash flow on a weekly basis. The company has appropriate cash and banking facilities in place to meet its current and forecasted funding needs.

There is a material exposure to the euro currency as a significant proportion of the business' requirements for packaging, ingredients and capital equipment is purchased in euros. The company policy is to hedge this euro exposure as required with forward exchange contracts.

Credit risk is managed by carrying out credit checks on new customers before commencement of supply and closely monitoring the payment trends of existing customers. Credit terms are regularly reviewed and are agreed based upon the financial strength and payment record of current and prospective customers. Procedures are in place to limit the supply of dairy products to customers who are not paying in accordance with agreed credit terms.

Compliance with company policies is monitored by the board of directors.



**T Smiddy**  
Director

17 March 2023

# CREDITON DAIRY LIMITED

## DIRECTORS' REPORT

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The directors present their report and the audited financial statements for the 52 weeks ended 31 December 2022 (referred to as "2022" throughout these financial statements). As permitted, details of future developments, financial risk management and energy & carbon reporting are included in the strategic report.

### Directors' Indemnity

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Dividends

The directors have not proposed a final dividend in respect of 2022. (2021: 0.00333p per ordinary share amounting to £1,500,000).

### Directors

Directors who are currently serving or who have served during the year are as follows:

- Tim Smiddy
- Neil Kennedy

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint PKF Francis Clark will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**T Smiddy**  
Director

17 March 2022

# CREDITON DAIRY LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

**For the 52 weeks ended 31 December 2022**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

# CREDITON DAIRY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDITON DAIRY LIMITED For the 52 weeks ended 31 December 2022

### Opinion

We have audited the financial statements of Crediton Dairy Limited (the 'company') for the 52 weeks ended 31 December 2022, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 December 2022 and of its profit for the 52 weeks 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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.

### Opinion on other matter prescribed by the Companies Act 2006

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

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

# CREDITON DAIRY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDITON DAIRY LIMITED For the 52 weeks ended 31 December 2022

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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

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates. We identified the principal risks of non-compliance with laws and regulations as relating to breaches around health and safety and trading standards, specifically the British Retail Consortium Food Safety Standard (BRC). We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as The Companies Act 2006, and relevant tax legislation. We considered the extent to which any non-compliance with these laws and regulations may have on the company's ability to continue trading and the risk of a material misstatement in the financial statements. We also evaluated the risk of misstatement of profit, including management bias in accounting estimates.

# CREDITON DAIRY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDITON DAIRY LIMITED For the 52 weeks ended 31 December 2022

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Based on this understanding we designed our audit procedures to identify irregularities. Our procedures involved the following:

- We made enquiries of senior management as to their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud.
- We identified the individuals with responsibility for ensuring the company complies with laws and regulations and discussed with them the procedures and policies in place.
- We obtained the most recent audit reports and certificates issued in relation to Food Safety inspections by the BRC and the company's key customers and reviewed these for evidence of any non-compliance.
- We obtained and reviewed a sample of the company's risk assessments.
- We obtained and considered the company's risk register.
- We reviewed minutes of meetings of Senior Management and those charged with governance.
- We challenged the assumptions and judgements made by management in its significant accounting estimates.
- We audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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.



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Glenn Nicol (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Centenary House  
Peninsula Park  
Rydon Lane  
Exeter EX2 7XE

17 March 2023

# CREDITON DAIRY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the 52 weeks ended 31 December 2022

	Note	2 January 2022- 31 December 2022 £'000	3 January 2021- 1 January 2022 £'000
<b>Turnover</b>	<b>1</b>	<b>114,050</b>	<b>101,536</b>
Cost of sales		(71,640)	(64,681)
<b>Gross profit</b>		<b>42,410</b>	<b>36,855</b>
Administrative expenses		(32,807)	(27,157)
<b>Operating profit</b>		<b>9,603</b>	<b>9,698</b>
Interest receivable and similar income	5	79	7
Interest payable and similar charges	6	(48)	(71)
<b>Profit on ordinary activities before taxation</b>	<b>2</b>	<b>9,634</b>	<b>9,634</b>
Tax charge on profit on ordinary activities	7	(1,722)	(1,838)
<b>Profit for the financial period</b>		<b>7,912</b>	<b>7,796</b>
<b>Total comprehensive income for the period</b>		<b>7,912</b>	<b>7,796</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

# CREDITON DAIRY LIMITED

## BALANCE SHEET As at 31 December 2022

	Note	31 December 2022 £'000	1 January 2022 £'000
<b>Fixed assets</b>			
Intangible assets	9	(234)	(628)
Tangible assets	10	15,742	17,140
		<u>15,508</u>	<u>16,512</u>
<b>Current assets</b>			
Stocks	11	11,863	8,224
Debtors	12	22,187	16,839
Cash at bank and in hand		12,814	9,494
		<u>46,864</u>	<u>34,557</u>
<b>Creditors: amounts falling due within one year</b>	13	(22,109)	(17,064)
<b>Net current assets</b>		<u>24,755</u>	<u>17,493</u>
<b>Creditors: amounts falling due after one year</b>	14	-	(225)
<b>Provisions for liabilities</b>	16	(1,708)	(1,637)
		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>38,555</u>	<u>32,143</u>
<b>Capital and reserves</b>			
Share capital	20	450	450
Share premium		143	143
Profit and loss account		37,962	31,550
		<u>38,555</u>	<u>32,143</u>
<b>Shareholders' funds</b>		<u>38,555</u>	<u>32,143</u>

The financial statements of Crediton Dairy Limited, registered number 08490730, were approved by the Board of Directors and authorised for issue on 17 March 2023 and were signed on its behalf by:



**Tim Smiddy**  
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

## CREDITON DAIRY LIMITED

### STATEMENT OF CHANGES IN EQUITY For the 52 weeks ended 31 December 2022

Note	Ordinary share capital £'000	Share premium account £'000	Employee share scheme reserve £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
At 02 January 2022	450	143	-	-	31,550	32,143
Profit for the financial year					7,912	7,912
Dividends paid					(1,500)	(1,500)
<b>Balance at 31 December 2022</b>	<b>450</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>37,962</b>	<b>38,555</b>

Note	Ordinary share capital £'000	Share premium account £'000	Employee share scheme reserve £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
At 03 January 2021	450	147	6	22	30,044	30,669
Profit for the financial year	-	-	-	-	7,796	7,796
Dividend in Specie	-	-	-	-	(5,473)	(5,473)
Dividends paid	-	-	-	-	(817)	(817)
Shared based payment release	-	-	(6)	-	-	(6)
Share premium release on buy back	-	(4)	-	-	-	(4)
Movement in derivatives	-	-	-	(22)	-	(22)
<b>Balance at 1 January 2022</b>	<b>450</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>31,550</b>	<b>32,143</b>

# CREDITON DAIRY LIMITED

## PRINCIPAL ACCOUNTING POLICIES

For the 52 weeks ended 31 December 2022

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The principal accounting policies are summarised below, and have all been applied consistently throughout the current year and prior year.

### a. Basis of accounting

Crediton Dairy Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report and directors' reports on pages 2 to 4.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its individual financial statements. Exemptions have been taken in relation to the presentation of a cashflow statement and related notes.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

### b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The company meets its day to day working capital requirements through its cash resources and bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, demonstrate that it should be able to operate within the level of its current resources. The company has held discussions with its bankers about its future funding requirements and no matters have been drawn to its attention to suggest that should any facilities be required that may not be forthcoming on acceptable terms.

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

### c. Intangible fixed assets - goodwill

Negative goodwill is included in the balance sheet and is credited to the statement of comprehensive income in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of fair values of the non-monetary assets acquired is credited to the statement of comprehensive income in the periods expected to benefit.

All negative goodwill is released over a useful economic life of 10 years, being the expected useful life of the non-monetary assets acquired.

### d. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	40 years
Leasehold properties	over the term of the lease
Plant and machinery	3 to 15 years
Computer software, office and computer equipment	3 to 15 years
Fixtures, fittings and equipment	2 to 5 years

Residual value is calculated on prices prevailing at the date of acquisition.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

### e. Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is calculated using the standard costing method and includes raw materials, direct labour, and an attributable proportion of overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

# CREDITON DAIRY LIMITED

## PRINCIPAL ACCOUNTING POLICIES

For the 52 weeks ended 31 December 2022

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### **f. Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

#### **(i) Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

The finance costs of the financial liability are recognised over the term of the debt using the effective interest method.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **(ii) Equity instruments**

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

#### **(iii) Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

# CREDITON DAIRY LIMITED

## PRINCIPAL ACCOUNTING POLICIES

For the 52 weeks ended 31 December 2022

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### f. Financial instruments (continued)

#### *(iii) Derivative financial instruments (continued)*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as hedging instruments in cash flow hedges.

#### *(iv) Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### g. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

### h. Current tax

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

### i. Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### j. Turnover

Turnover represents the amount receivable, net of VAT and rebates, for sales of milk, cream and processed dairy products. It is recognised when the risks and rewards of ownership pass to the customer, which is considered to be the point of despatch.

# CREDITON DAIRY LIMITED

## PRINCIPAL ACCOUNTING POLICIES

For the 52 weeks ended 31 December 2022

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### **k. Defined contribution pension scheme**

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period.

### **l. Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

### **m. Leased assets**

Assets held under finance leases are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease. All other leases are regarded as operating leases and are charged to the statement of comprehensive income on a straight-line basis over the period of the lease term.

### **n. Critical accounting judgements and key sources of estimation uncertainty**

On consideration of the judgements and estimation uncertainties included in these financial statements and the accounting policies applied it is the view of management that these do not have a significant effect on the amounts recognised in the financial statements or lead to a risk of causing a material misstatement of the carrying amounts of assets and liabilities within the next financial year. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 1. Turnover

Turnover is wholly attributable to the supply of milk, cream and processed dairy products.

All turnover arose within the United Kingdom, except for £387,592 (2021: £159,874), which arose from sales to Europe.

### 2. Profit on ordinary activities before taxation

	2022 £'000	2021 £'000
Profit on ordinary activities arises after charging/(crediting):		
Auditor's remuneration		
- audit of the company's accounts	25	24
- taxation compliance services	4	4
- taxation advisory services	3	13
Negative goodwill amortisation	(394)	(394)
Depreciation - owned assets	2,238	2,215
Depreciation - finance lease and hire purchase	230	230
Operating lease rentals - plant and machinery	13	72
Operating lease rentals - property	500	67
Loss on foreign exchange translation	7	0
Stock impairment recognised as an expense	357	279

### 3. Directors' remuneration

	2022 £'000	2021 £'000
Emoluments paid and payable to directors	289	288
Pension contributions	25	24
	314	312

The highest paid director received emoluments in the year of £237,000 (2021: £238,000) and pension contributions of £25,000 (2021: £24,000).

In 2022 one director was a member of a defined contribution pension scheme (2021: one).

### 4. Staff costs

	2022 £'000	2021 £'000
Wages and salaries	8,226	7,455
Social security costs	832	676
Other pension costs	566	505
	9,624	8,636

### Average number of employees

		No.
Production	168	153
Administration	25	22
	193	175

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 5. Interest receivable and similar income

	2022 £'000	2021 £'000
Bank interest receivable	25	7
Loan interest receivable	54	-
	<u>79</u>	<u>7</u>

### 6. Interest payable and similar charges

	2022 £'000	2021 £'000
Bank interest payable	-	(1)
Loan notes interest payable	(20)	(22)
Finance lease charges	(28)	(48)
	<u>(48)</u>	<u>(71)</u>

### 7. Tax on profit on ordinary activities

The tax charge comprises:

	2022 £'000	2021 £'000
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	1,660	1,279
Adjustment in respect of prior periods	(9)	-
<b>Total current tax</b>	<u>1,651</u>	<u>1,279</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	50	217
Effect of changes in tax rates	16	341
Adjustment in respect of prior periods	5	1
<b>Total deferred tax (see note 16)</b>	<u>71</u>	<u>559</u>
<b>Total tax on profit on ordinary activities</b>	<u>1,722</u>	<u>1,838</u>

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%).

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2022 £'000	2021 £'000
<b>Profit on ordinary activities before tax</b>	<u>9,634</u>	<u>9,634</u>
Tax on company profit on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)	1,830	1,830
Effects of:		
- Fixed asset differences	(45)	(89)
- Expenses not deductible		11
- Income not taxable in determining taxable profit	(75)	(75)
- Adjustment from previous periods	(9)	-
- Adjustment from previous periods – deferred tax	5	1
- Land remediation relief		-
- Other tax adjustment, reliefs and transfers		(233)
- R&D relief		-
- Remeasurement of deferred tax for changes in tax rates	16	393
<b>Total tax charge for period</b>	<u>1,722</u>	<u>1,838</u>

An increase in the long-term UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to reflect this higher long-term rate, with differences recognised in the current year tax charge

### 8. Dividends paid

Amounts recognised as distributions to equity holders in the period:

	2022 £'000	2021 £'000
Final dividend for the year ended 31 December 2021 of 0.00033p (2021: 173.6p) per ordinary share	<u>1,500</u>	<u>817</u>

The directors have not proposed a final dividend for 2022.

### 9. Intangible fixed assets

	Negative goodwill £'000
<b>Cost</b>	
At 02 January 2022 and 31 December 2022	<u>(3,944)</u>
<b>Amortisation</b>	
At 02 January 2022	3,316
Credit for the year	394
At 31 December 2022	<u>3,710</u>
<b>Net book value</b>	
At 31 December 2022	<u>(234)</u>
At 01 January 2022	<u>(628)</u>

## CREDITON DAIRY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

#### 10. Tangible fixed assets

	Freehold property £'000	Plant and machinery £'000	Computer software, office and computer equipment £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 2 January 2022	234	28,126	1,005	434	1,136	30,935
Additions	61	867	59	4	140	1,131
Disposals	-	(147)	(36)	-	-	(183)
Transfers	3	582	5	-	(590)	-
At 31 December 2022	298	29,428	1,033	438	686	31,883
<b>Depreciation</b>						
At 2 January 2022	200	12,483	871	241	-	13,795
Charge for year	4	2,354	61	49	-	2,468
Disposals	-	(86)	(36)	-	-	(122)
Transfers	-	-	-	-	-	-
At 31 December 2022	204	14,751	896	290	-	16,141
<b>Net book value</b>						
<b>At 31 December 2022</b>	<b>94</b>	<b>14,677</b>	<b>137</b>	<b>148</b>	<b>686</b>	<b>15,742</b>
At 1 January 2022	34	15,643	134	193	1,136	17,140

Included in plant & machinery above are assets held under finance leases with a Net Book Value of £2,299,000 (2021: £2,069,000) and depreciation charged in the year of £230,000 (2021: £230,000).

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 11. Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	7,266	4,804
Finished goods	4,597	3,420
	<u>11,863</u>	<u>8,224</u>

### 12. Debtors

	2022 £'000	2021 £'000
<b>Due within one year</b>		
Trade debtors	16,544	14,185
Other debtors	1,568	1,790
Prepayments	956	864
Inter-company	3,119	-
	<u>22,187</u>	<u>16,839</u>

#### Details of non-current Other debtors

£600,000 (2021: £800,000) of Other debtors is classified as non-current.

### 13. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	(6,840)	(5,775)
Accruals	(8,543)	(5,720)
Amounts owed to group undertakings	(4,863)	(3,551)
Corporation tax	(37)	(164)
Finance lease	(1,601)	(1,854)
Loan Notes	(225)	-
	<u>(22,109)</u>	<u>(17,064)</u>

### 14. Creditors: Amounts falling due after one year

	2022 £'000	2021 £'000
Loan notes	-	(225)
	<u>-</u>	<u>(225)</u>

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 15. Borrowings

	2022 £'000	2021 £'000
<b>Loan notes</b>		
Within one year	225	-
Between two and five years	-	225
After five years	-	-
	<u>225</u>	<u>225</u>

### 16. Provisions for liabilities

	Deferred taxation £'000
At 2 January 2022	1,637
Charged to the statement of comprehensive income	71
<b>At 31 December 2022</b>	<u>1,708</u>

Deferred tax is provided as follows:

	2022 £'000	2021 £'000
Fixed asset timing differences on tangible fixed assets	1,776	1,703
Other timing differences	(68)	(66)
<b>Provision for deferred tax</b>	<u>1,708</u>	<u>1,637</u>

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 17. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2022 £'000	2021 £'000
<b>Financial liabilities</b>		
Measured at amortised cost:		
Loans payable	225	225
Obligations under finance leases	1,601	1,854
	<u>1,826</u>	<u>2,079</u>

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2022 £'000	2021 £'000
<b>Interest income and expense</b>		
Total interest expense for financial liabilities at amortised cost	<u>48</u>	<u>71</u>

### 18. Obligations under operating lease commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £'000	2021 £'000
Within one year	501	17
Over one year but less than five years	2,000	1
Over five years	6,933	
	<u>9,434</u>	<u>18</u>

Crediton Dairy Limited entered into an operating lease with its Holding Company to rent the property at Church Lane, Crediton for £500,000 per annum. The expense in the year was £500,000.

# CREDITON DAIRY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 weeks ended 31 December 2022

### 19. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid:		
450,376,539 ordinary shares of £0.001 each	450	450
	<u>450</u>	<u>450</u>

During the prior year 3,126 new C ordinary shares were issued, with the full amount unpaid. The Company also repurchased 5,721 D ordinary shares for consideration of £3,204.

After the above issues and purchases the A, B and D shares were subdivided to have the same nominal value of £0.001 each. Subsequently, A, B, C and D shares were redesignated to ordinary shares. All shares carry equal voting rights, dividend rights and distribution rights on winding up. All shares are non-redeemable.

### 20. Capital commitments

	2022 £'000	2021 £'000
Contracted for but not provided	368	679
	<u>368</u>	<u>679</u>

### 21. Contingent liabilities

The company is from time to time, party to legal proceedings and claims that are in the ordinary course of business. The directors do not anticipate that the outcome of the proceedings and claims, either individually or in aggregate, will have a material adverse effect on the company's financial position.

### 22. Related party transactions

Unsecured 5 per cent loan notes are owed to Tim Smiddy. The amount of the company's liability at the beginning of the period was £426,000 (2021: £405,000), the maximum during the period was £447,000 (2021: £426,000) and at the end of the year £448,000 was owed to Tim Smiddy including interest (2021: £426,000). Interest charged during the period amounted to £21,000 (2021: £21,000).

During the prior year Neil Kennedy was provided with a loan of £1,000,000. Interest is charged at 1 per cent over Bank of England base rate. The loan is repayable in five instalments commencing in April 2022. Interest of £25,000 was charged during the period (2021: £7,000). The highest amount owed to the company during the year was £1,011,000 (2021: £1,007,000).

The total remuneration for key management personnel for the period totalled £314,000 (2021: £312,000), being remuneration disclosed in note 3.

### 23. Controlling party

The company's immediate and ultimate parent company is Church Lane Group Limited, which is incorporated in England and Wales. The largest and smallest group, which includes the company and for which Group accounts will be prepared is Church Lane Group Limited. The registered office of Church Lane Group Limited is Church Lane, Crediton, Devon, EX17 2AH.

It is the directors' view that there is no ultimate controlling party.