

DALE FARM COOPERATIVE LTD

2018/19

ANNUAL REPORT
& ACCOUNTS





OUR GROUP

Dale Farm is a dairy processing cooperative owned by approximately 1,345 UK farmer members with a turnover in excess of £509 million per year and employing around 1,295 people. The Group's activities span the food chain, from providing farm inputs and services, to collecting and marketing its members' milk supplies, manufacturing an extensive range of dairy consumer and food ingredient products, and distributing these to both the domestic market and over 40 export markets worldwide.

OUR MISSION

Adding sustainable value to our members' milk through supply chain excellence, consumer led branded and own-label innovation, and building added value positions in the consumer and nutrition markets.

OUR BUSINESSES

Dale Farm: A major UK dairy processor serving domestic & export markets.

Dale Farm Ingredients: Supplier of dairy-based food ingredients to domestic & export markets.

Ash Manor Cheese: Grates, slices, dices and packs a range of convenience cheese products.

Dale Farm Lakeland: Manufactures consumer dairy products, including yogurts, desserts & cottage cheese.

Rowan Glen: Manufactures consumer dairy products, including yogurts, probiotic drinks and desserts.

Dale Farm Ice Cream: Distributes a wide range of ice cream products.

Mullins Ice Cream: Manufactures ice cream products.

Dale Farm Cooperative: Collects, tests, markets & delivers ex-farm milk.

Dairy Herd Management: Provides herd recording & health management information, to improve farm productivity.

United Feeds: Manufactures animal feeds & other farm inputs.

Tankcare: Supplies & maintains on-farm milk storage tanks.

OUR BRANDS



Dromona



Spelga



GOLD STAR

LOSELEY

ROWAN
GLEN

UnitedFeeds

FIVE
MILE
TOWN
Creamery

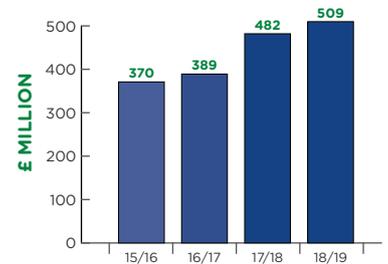
YEAR AT A GLANCE



GROUP TURNOVER
UP 5.6%
TO £509M
FROM LAST YEAR

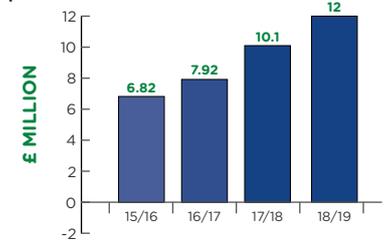
OVER PAST 4 YEARS

GROUP TURNOVER
IN LAST
4 YEARS



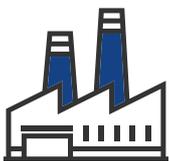
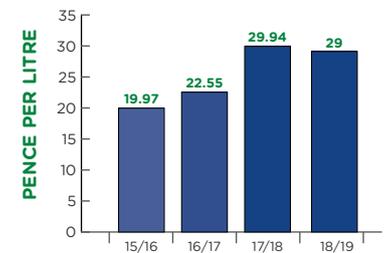
GROUP PROFIT
BEFORE TAX
UP 18.8%
TO £12M
FROM LAST YEAR

GROUP PROFIT
BEFORE TAX
IN LAST
4 YEARS



TOP OF NI
ROLLING MILK
PRICE LEAGUE
29P PER LITRE

AVERAGE NI
MILK PRICE
IN LAST
4 YEARS



CAPEX INVESTMENT
UP 13.5%
TO £10.9M
FROM LAST YEAR



£30.2M
CAPEX INVESTMENT
IN LAST 4 YEARS



GROUP EBITDA
OF £20.9M
UP 15.5%
FROM LAST YEAR



GROUP EBITDA
UP 11.5%
PER YEAR OVER
LAST 4 YEARS

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CHAIRMAN'S REPORT



JOHN DUNLOP
CHAIRMAN

I am pleased to report another excellent year, with strong growth and improved financial performance, while paying the leading milk price in Northern Ireland. The average milk price paid by Dale Farm was 29p per litre which, over the 12 month period, translated into 0.7p per litre ahead of the average Northern Ireland milk price of 28.3p as per DAERA milk price and production statistics.

In January 2019, Dale Farm launched the second Fixed Milk Price Scheme at a base of 28p per litre for three years, which was well received by the membership. This price was negotiated in a year when the average base milk price was 26.57p per litre in Northern Ireland. Dale Farm was the only milk processor in Northern Ireland to offer a three year fixed milk price scheme commencing in 2019.

Group turnover increased by 5.6% to £509 million, driven by our continued growth into retail, foodservice market sectors and dairy market movements. United Feeds had an excellent performance with turnover growing by 11% to £56 million. Group profit before tax was up 19% to £12 million.

Overall milk supplies in Northern Ireland increased by 2.6% to 2.36 billion litres in 2018/19, with GB milk supplies increasing by 0.8%. UK milk production was 1.08% higher than the previous year. This market growth was driven by well-conditioned cows from last winter and an early spring from a weather perspective.

During the year, Dale Farm milk supplies increased by 7% which reflects growth of our members' businesses, 21 new entrants and 50 new suppliers. The new entrants offset 25 retirees and our new suppliers have facilitated significant operational efficiencies by optimising our production capacities. As standard practice, all new entrants and suppliers have met strict selection criteria before being presented for Board approval.

Our capital investment programme over the past financial year was well executed, with all investments delivered within budget and on time. These investments supported our continued growth into retail cheddar as well as efficiencies and automation across the Group. Taking account of the ongoing capital investment programme, increased working capital requirements, our need to reduce debt and the year end 0.1p membership bonus on all milk volumes over the financial year, the Board has decided not to pay a share dividend in respect of 2018/19.

CHAIRMAN'S REPORT

DIRECTORS

I would like to thank my fellow Board members for their significant commitment and contribution over the past year, and the members of Dale Farm's Area Councils for their valued support, as we continue to evolve and grow our business. There were no changes to our Board over the past financial year. On behalf of the Board, I would like to thank our Group Chief Executive, Nick Whelan, the Executive Leadership Team, and all employees for their energy, focus and dedication to the development of Dale Farm Cooperative.

PROSPECTS

It has been a challenging start to the 2019/20 financial year with European dairy markets softening on surplus Brexit stocks from March, dampened consumer demand and the effect of African Swine Flu on global whey markets. The biggest concern for any Agri-food producer currently is the effect a no-deal Brexit will have on our key UK market and on our supply base here in Northern Ireland.

The one certainty we can draw upon looking forward is, volatility is constant, and our ongoing strategy is to minimise, where possible, the effects.

This backdrop has prompted Dale Farm to offer volatility solutions to our members and customers on an ongoing basis. Brexit will present our region with both significant challenges as well as opportunities. This is setting the tone for the next six months and we will be carefully monitoring developments.

Overall, our Dale Farm business strategy is on plan, with our dual focus on growing profitability and paying a leading milk price.

John Dunlop
Chairman



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Group turnover increased by 5.6% to £509 million, driven by our continued growth into retail, foodservice market sectors and dairy market movements.

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CHIEF EXECUTIVE'S REVIEW

Another year of strong performance from the Group, with Dale Farm paying a leading milk price in Northern Ireland and GB, together with excellent growth in profitability, driven by teamwork, innovation, our LEAN programme and continued customer collaboration.



NICK WHELAN
CHIEF EXECUTIVE

RESULTS

Group turnover increased by 5.6% to £509 million. This growth was achieved through our continued focus on the value-add retail and foodservice market sectors, as well as dairy commodity price increases. Consumer product sales ended the year at £273 million, which was very satisfactory. United Feeds delivered a strong trading performance in a year which saw record feed sales again from our mills. This growth firmly establishes Dale Farm as the largest UK farmer owned dairy cooperative, with nine operations located in Northern Ireland, Scotland, England and Wales.

Group profits were satisfactory with operating profit increasing by 18.5% to £14.3 million, giving an operating margin of 2.8%. Profit before tax increased by 18.8% to £12 million with an associated EBITDA of £20.9 million. At the end of the year net debt was £63.8 million, despite working capital increasing by £2.7 million and a capital expenditure of £10.9 million.

Year-end shareholder funds increased by £9.4 million to £73.6 million. Over the year, the Group repaid a net £0.001 million of share capital to member shareholders joining, leaving or retiring from the Society, compared to £0.235 million in the previous year. These results were delivered in the context of paying a strong milk price in both Northern Ireland and GB. The average milk price paid to our farmer members in Northern Ireland over the year was 29p per litre, which was 0.7p per litre ahead of the Northern Ireland average price. Our cooperative ethos is underpinned by a long-term mission to support our dairy farmers across Northern Ireland and GB with a leading milk price whenever possible.

MARKETS

2018/19 overall was a relatively good year from a global dairy market perspective, with exceptional fat prices driving the dairy portfolio, particularly in the first half of the year. Dale Farm consumer product sales have grown significantly, with a considerable focus on growth in the British retail market. This financial year delivered another year of double-digit growth. Dale Farm has an extensive portfolio of dairy products for the UK consumer. We are focused on delivering growth through our brands; Dale Farm, Dromona, Spelga, Mullins and Rowan Glen. These brands are a key strength of the Group and present us with a real platform for growth looking forward.

Our cheddar portfolio is now one of the largest in volume in the UK and Ireland. We had another year of significant strategic customer development with the announcement of our partnership with Greggs, building on our Lidl partnership last year.

Our ice cream business grew, driven by exceptional weather conditions across the summer of 2018. Our yogurt and dessert portfolio delivered budgeted profitability.

Our ingredients and nutrition business made considerable progress in developing our whey protein range, through market developments into Asia and value-add segments of the European Sports Nutrition market. United Feeds grew market share over the year while posting a very strong financial performance.

Our growth in our chosen markets is essential in driving our value-add strategy and combined with our cost reduction LEAN programme, Dale Farm Excellence, has enabled us to manage considerable cost inflation across the business.

CHIEF EXECUTIVE'S REVIEW

INVESTMENT

Capital expenditure for the year was £10.9 million, up 13.5% on the previous year. These investments are aligned with our Group strategy. Investment in new cheddar vats builds on the continuous investment in our cheddar facility over the past six years. We also invested considerably in automation across the Group, which is key to driving productivity and efficiencies. Our Group Return on Capital Employed is at 15.8% which is strong and demonstrates the Group's track record in backing profitable investments, with both the experience and project management expertise to successfully implement them. The success of LEAN across the Dale Farm Group over the year has again been on plan. Measurement and management of costs across all our processes and functions, while evolving the culture of LEAN, is a key objective of the Dale Farm strategy for the coming years.

OUTLOOK

At the time of writing, our outlook is overshadowed by the threat of a no-deal Brexit, which I believe will be extremely challenging for Agri-food right across the UK. Today 14% of all food and drink produced in the UK is exported to the EU. Under the current no-deal tariff proposal, a large proportion of this volume of food and drink will have to be redirected back onto our home UK market. Also, the effect a no-deal Brexit will have on consumer demand in food categories is still relatively unknown but would be seen as more of a threat than an opportunity. There will obviously be opportunities, which we will need to react to with agility and precision.

Overall, our strategy is very much on track, with four years of exceptional performance from the perspective of consistent profitable growth, while simultaneously improving our relative positioning as a leading milk price payer. Our focused approach to managing volatility across our dairy portfolio, coupled with partnering with growth customers in retail, foodservice and industrial market sectors, is paying dividend. There is a consistency in our strategy which is still centred around the themes of people, data, focus and growth opportunities.

PEOPLE

As a key strategic priority for the Dale Farm Group, our people strategy has evolved considerably over the past financial year. The successful implementation of our new HR system, Success Factors, is enabling the development, training and mentoring of our most important resource. The targeting of world-class talent across the globe is also driving our strategy forward and has been critical to our performance. I would like to take this opportunity to thank all Dale Farm employees for contributing to the success we have achieved together over the 2018/19 financial year.

Nick Whelan
Group Chief Executive



Profit before tax increased by 18.8% to £12 million with an associated EBITDA of £20.9 million. At the end of the year net debt was £63.8 million, despite working capital increasing by £2.7 million and a capital expenditure of £10.9 million.



EXECUTIVE LEADERSHIP TEAM



Nick Whelan
Group Chief Executive



Stephen Cameron
Group Commercial Director



Stephen J. Elliott
Group Finance Director



Mike Dawson
Group HR & Corporate Services Director



Keith Agnew
Managing Director of Agri Division



Chris McAlinden
Group Operations Director



Nasair Hussain
Managing Director GB & Group Supply Chain and Procurement Director



Philip O'Meara
Group Marketing Director

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Overall in the Group there were 21 new product launches and 56 variants introduced. The level of product development increased during this period with 29 product rejuvenations, which included 133 variants.

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BUSINESS REVIEW

NEW PRODUCT DEVELOPMENT

PRODUCT INNOVATION

Overall in the Group there were 21 new product launches and 56 variants introduced. The level of product development increased during this period with 29 product rejuvenations, which included 133 variants.

2018/19 was a thriving year with key innovation activity including new Dale Farm consumer branded products, high profile own-label products, continued development of ingredient products as well as major process innovation projects.

PROCESS INNOVATION

Last year we implemented new in-line cheese standardisation. This initiative, along with new process projects in vats and towers at Dunman, has served to further optimise yield and cheddar consistency. For operational and commercial reasons, we also changed the red colour used in all our red cheddar make. This was a significant challenge given the range of customers, number of variants and was further complicated by the maturation period required for mild, medium and mature cheddar.

INGREDIENTS

With the help of EU funding and Dairy Council Northern Ireland, our Dale Farm Ingredients team have engaged with outward trade missions to China to attend food trade fairs and develop customer relationships. Our products are being further refined to meet their specific requirements, especially the heat stability performance which differs by application. The work continues at Dunman to develop a robust manufacturing process to achieve routine repeatable heat stable performance in our products.



Alan Honeyman, Head of Procurement, Greggs and Stephen Cameron, Group Commercial Director, Dale Farm



YEAR IN REVIEW



BUSINESS REVIEW

COMMERCIAL & OPERATIONS

CHEESE

Our cheese business once again experienced a strong year in terms of output, performance and investment. Production output was at record levels, which helped drive efficiencies in cost as well as further operational efficiencies in yield performance. Our overall cheese volume increased by 14%, driven by growth across our ingredients and retail channels. These additional sales have had a positive effect on profits.

Our partnerships with the UK's two fastest growing grocery retailers continue to pay dividends, with both contributing to sales growth across our retail business of over 12%. The year also saw Dale Farm's supply of cheese in Lidl stretch to 29 countries.

Our focus on developing longer term contracts with customers also saw us secure a three year contract to supply leading food-on-the-go retailer Greggs. In addition to supplying cheeses for its freshly baked pizza range, our cheese is now being used in Greggs' range of freshly made sandwiches.

The investment in our cheese business and drive towards lean manufacturing to improve performance and increase efficiency also continued.

Significant investment was made across our Dunman facility into automatic bag loading systems and the upgrading of our cheese

vats. Operational efficiencies and costs have improved year on year, with our move to automated case packing positively impacting performance.

2018 saw the Cookstown site switch on its new 37-acre solar farm, the largest in Ireland, for the first time. Not only does this project guarantee 20 years of green energy for the company, but we estimate it will also lower the site's carbon footprint by 20%. This, in tandem with the current conversion of the main site's fuel supply from heavy fuel oil to natural gas, will deliver both operational and cost benefits for the site.



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BUSINESS REVIEW

BEVERAGES & CREAM

Dale Farm retail beverages business also experienced another year of impressive growth and consolidated its position as market leader in milk and cream across Northern Ireland. Sales were boosted through securing substantial new business across the convenience channel.

Sales volumes across the multiple channel were slightly ahead of forecast. Doorstep milk sales continued to decline, with distributor attrition running at approximately 6% per annum and foodservice volumes enjoying year on year growth of over 5%.

Dale Farm recently extended its added value milk range through the introduction of Dale Farm Milk Plus, a fresh semi-skimmed milk with added nutrients, of which our dietary intake in Northern Ireland may be lower than we need.

Dale Farm Milk Plus was awarded Highly Commended at the Northern Ireland Food & Drinks Association (NIFDA) Awards.

Branded and own-label consumer cream sales through both the retail and foodservice channels performed to forecast and were in line with the previous year.

A period of sustained good weather during the summer months, combined with strong promotional activity, had a positive impact on drinks sales in the year. Volumes of our Sukie juice product enjoyed significant double-digit growth which has led to several key new listings which will benefit the business moving forward.

Operationally, it was another consistent year for the site. Costs and yields were improved through an effective LEAN programme, taking significant costs out of the business. Investment in the site's standardising system was completed in the year, as was an upgrade to the site's chilling system, both of which are integral to the effective operation of the business.





A new marketing campaign for Dromona brand entitled, Great Food Moments, went live in early March 2019. The campaign showcases both cheese and butter products as the hero ingredients that elevate everyday meals.



BUTTERS & SPREADS

Dale Farm's butter and spreads business performed well in the year and had a positive impact on overall profitability for the Group. Branded butter sales benefited from resuming soft consumer butter promotions that drove year on year volumes up by over 7%, well ahead of the market, resulting in market share gains both in value and volume.

Our continuous drive towards the introduction of commercial models, to de-risk the impact of commodity pricing, was successfully deployed on a series of own-label contracts, and resulted in our strategic exit from several others. The combined effect had a positive impact on profit.

Branded spreads sales were in line with 2017/18. This was a strong performance given a reduction in the number of consumer promotional offers during the year. This drove sales value and profitability ahead of last year, and aligned our business with overall market performance for branded spreads. This also helped to consolidate our position as the number two branded spread in the Northern Ireland market.

A new marketing campaign for Dromona brand entitled, Great Food Moments, went live in early March 2019. The campaign showcases both cheese and butter products as the hero ingredients that elevate everyday meals.

FRESH PRODUCTS

Our Dale Farm fresh products business, which includes yogurts, yogurt drinks, cottage cheese, fermented creams and desserts, performed well with volume growth in the year, ahead of the market, at 3%.

Shopper and consumer behaviours continue to evolve in this dynamic category with continued demand for healthier products, plastic reduction and improved recyclability. In response over 35 products were developed during the year through recipe improvements and packaging changes.

We also launched our refreshed look for Rowan Glen and Spelga yogurts and introduced our Dale Farm Delightfully brand, which we continue to build upon. It is rewarding when hard work on quality improvement is recognised and Dale Farm were pleased to receive a record level of awards at the International Cheese and Dairy Show in 2018 for our yogurts and cottage cheese.

We continue to invest in this category. The purchase of a filling line in Kendal, with the capability to dose fruit layers, enabled us to secure a contract with a major retailer to supply multiple varieties of gourmet layered yogurt. Our products were introduced to over 700 retail stores to date in 2019, and we have some further exciting projects in the pipeline to grow this category further.

We have also been successful this year in securing additional volume in our cottage cheese making us a leader in this category. New launches, and a strong pipeline of opportunities, puts us in a strong position to grow the business further as we move towards the new financial year.



BUSINESS REVIEW

ICE CREAM

The Dale Farm ice cream business benefited from an excellent summer and a focus on growth through our core brands. Dale Farm branded products grew by 18% in Northern Ireland and 72% in ROI, with market share growing significantly against our competitors in both markets.

Our focus on growing distribution in the convenience channel has led us to become market leader in the impulse market in Northern Ireland and the fastest growing brand in ROI. The Mullins Ice Cream business has also continued to grow, with sales increasing by 11% year on year. This performance was driven by increased listings in the supermarket channel as well as a growth in outlets for the Mullins scoop ice cream brand in both Northern Ireland and ROI. Mullins also agreed new business through Lynas Foodservice in the Scottish market for scoop ice cream.

The business embarked on a comprehensive, all-Ireland marketing campaign, Take Your Tastebuds Back, which used integrated communications across outdoor, digital, social media, public relations and point of sale to help reinvigorate and maintain brand credentials in Northern Ireland and raise brand awareness in ROI. A consumer engagement campaign was launched, with a bespoke ice cream van hitting the road on a 'Big Summer Road Trip', visiting events and locations across Ireland, surprising and delighting consumers with ice cream.

A total of six new Dale Farm Ice Cream branded products were launched in 2018/19. These included a new apple flavoured water ice product, Applesaurus Rex, to join our popular range of Dale Farm Classics. There were also range extensions to both the Helter Skelter range, with a new fruit salad flavour, and the Rapture range, with a chocolate orange variant.

Three new take-home products were launched, a multi-pack Applesaurus Rex, a Chocolate Royale ice cream cake and a multi-pack mini frozen yogurt product, Mini-FroYos. These have been well received by retailers in both markets and will drive incremental business in the year ahead.

POWDERS

Our powder business had a challenging start to the 2018/19 trading year, with skimmed milk powder (SMP) prices collapsing below intervention levels as intervention purchasing came to an end. This resulted in SMP prices slumping to all-time lows in the first quarter of the 2018/19 trading year. During this difficult period, our stock and working capital position was well managed with sales continuing to key customers.

With SMP at all-time lows, the returns in the high-protein whey category were under downward pressure with over-supply of proteins in both Europe and the US causing WPC80 to hit relatively low prices in spring 2018.

Real progress was made over the year in developing our WPC80 business as we tripled our customer base and product approvals with food and nutrition companies across the UK and Europe. We have a much larger presence in the sports nutrition category and have now extended our products into adult nutrition, bakery and ice cream applications.

These alternative applications could only be realised through innovating the base commodities and this year our Gold Star Lactosyn product (Low Lactose WPC80) was highly commended in the 'Best International Product Launch' category at the Northern Ireland Food & Drink Association (NIFDA) awards.

With our Lactosyn product, we are now able to market ourselves with confidence into adult nutrition and ice cream applications, whilst achieving a premium. Our innovation work also delivered heat stable capability, which is a pre-requisite for large industrial volumes into China and opens opportunities for further application work in the beverage category.

As our milk and whey volumes continue to increase we are focused intently on further innovation and building cross-application relationships.

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Our focus on growing distribution in the convenience channel has led to us to become market leader in the impulse market in Northern Ireland and the fastest growing brand in ROI.

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BUSINESS REVIEW

AGRI BUSINESS

The year has seen significant growth in our milk pool, resulting from increased production from our members and additional suppliers and new entrants joining the cooperative. Whilst this growth was certainly helped by the good summer weather, it was also encouraged by paying the leading milk price over the last 12 months.

SUPPLY CHAIN

Milk supplies from members and suppliers increased by 7% during the year compared to a 2.6% increase recorded for Northern Ireland. During the year, 50 new suppliers and 21 new entrants to dairying commenced supplying milk to Dale Farm. This, alongside a strong milk price (particularly during the summer period) and the Dale Farm Milk Production Incentive, represented the main drivers for the increase in production.

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The base milk price paid to members began the year at an April price of 27.2p per litre, almost 2p per litre ahead of April 2017.
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This increased milk production by Dale Farm members and suppliers contributed to the overall increase in the amount of milk produced in Northern Ireland, which increased from 2.30 to 2.36 billion litres in 2018/19.

Once again, throughout the year, over 82% of Dale Farm milk supply was used in-house.

The base milk price paid to members began the year at an April price of 27.2p per litre, almost 2p per litre ahead of April 2017. The price rose gradually during the next six

months, peaking at 29.7p per litre in October 2018 before easing back to finish at 25.5p per litre in March. Over the 2018/19 year, the average milk price paid by the Society was 29p per litre.

PRODUCER SERVICES

Our Farm Liaison team had a busy year assisting members with milk quality issues, preparing for Red Tractor farm audits, attending member meetings and other general queries.

Encouragingly, the number of positive tanker rejections for antibiotic failure decreased by 30% this year following the introduction of a new testing and penalty regime in June.

Changes were also made to the Somatic Cell Count (SCC) bonus categories and members reacted positively by increasing their focus in this area and delivering a significant reduction in SCC across the year. Butterfat and protein content were extremely good again this year as Dale Farm members continue to produce high quality milk on a daily basis.



BUSINESS REVIEW



Andrew Cargill Dale Farm, Dave Davies Silage Solutions Ltd, Ivor Broomfield, John Blakely & Conor Cranny United Feeds and Neville Graham Dale Farm.

The Farm Liaison team was delighted to be able to assist 21 new members into dairy production during the 2018/19 year and this, along with new suppliers joining from other processors, helped provide additional milk into the Group.

Red Tractor accreditation continues to be an essential element of Dale Farm's strategy to grow our retail sales into GB and meet the requirements of liquid milk customers in Northern Ireland. The need for staff and our milk suppliers to work together

to maintain this accreditation is paramount, as customers increasingly look for traceability and compliance right back to the primary producer.

A Margin over Concentrate costings programme was launched in conjunction with Kingshay Consulting. This proved particularly popular, with 128 members joining the scheme, which is aimed at developing a better understanding of farm profitability and identifying options to improve financial sustainability.

Rising milk volumes and a steady stream of new entrants saw a strong trade in the sale of new and second-hand milk tanks. Tankcare, in conjunction with Flogas, continued their sales of new water heating systems using natural gas. These have proven to be a cost-effective solution for those looking to update their water heaters. There was also a promotion on the benefit of a Tankcare contract, which resulted in a number of new customers.

Dairy Herd Management appointed a new member of staff to work with customers who are keen to obtain more management information and improve efficiency. In conjunction with the increasing need to reduce antibiotic use on farms, this has helped to drive membership, as farmers aim to incorporate selective dry cow therapy into the routine management of the herd.

Focused advertising campaigns for PregCheck continue to drive the uptake of this service as members realise the benefits of making more use of the milk sample they have. Likewise, health testing is gaining in importance, with Johne's testing being an area many farmers are focusing on.

The use of new technology increases in importance, particularly to the younger generation of farmers. The last year has seen a notable increase in the number of users of the App, Mobile Herd, which provides information at a time and a place where it can be utilised effectively. Use of the online programme, Your Herd, was also boosted this winter following several well attended IT workshops, which helped users better understand how to utilise the vast array of information available to them.



Milk supplies from members and suppliers increased by 7% during the year compared to a 2.6% increase recorded for Northern Ireland.



BUSINESS REVIEW



UNITED FEEDS

United Feeds delivered a strong trading performance in a year which saw the mills working at full capacity. Feed demand was initially driven by forage shortages on many farms due to the wet summer in 2017. The situation was further heightened by a cold, wet spring, which delayed turnout and exhausted forage stocks on farm. This was followed by a hot, dry summer, which impacted grass growth in many areas, particularly in ROI. As a result, there was a huge demand for feed during the summer months, with southern mills unable to keep up with demand, leading to scarcity of raw materials and feed prices increasing by 10%.

The autumn turned out to be ideal for grazing and cows could be kept out until the end of October, which shortened the winter and reduced the pressure of forage supplies in many areas. A dry, mild winter left ground in ideal condition. Plenty of grass cover allowed an early turnout in all areas, which reduced feed demand in the post-Christmas period.

Following several years with the mills operating at full capacity, the Board approved a capital investment to expand the Dungannon mill. Work commenced in September with the aim to double the current production and storage capacity.

Over the course of the year, United Feeds paid out over £374,000 through their Milk Cheque rebate and the Member Trading Dividend, which pays a dividend of 1% on the purchases of feed and fertiliser by members. This is an increase of 25% compared to the previous year and illustrates the growth in members trading with the company.

Commodity markets started the year with a good harvest in South America, however, the very hot, dry summer in Europe, Russia and the Baltic States saw cereal crops wither in the intense heat which severely reduced yields. Moreover, the prolonged drought led to an increased demand for feed materials within Europe, which led to prices rising throughout the summer period.

This upward trend was finally broken by a bumper harvest of maize and soya in the US in October. Markets continued to decline

for the remainder of the winter, affected firstly by the trade dispute between the US and China, then the emergence of African Swine Flu in China.

Sales of fertiliser within Northern Ireland were severely impacted by the prolonged period of dry weather during summer. Despite this, United Feeds managed to increase sales over the year. Prices rose during late summer and autumn but had fallen close to their starting point by the end of the financial year.

At the 2018 Royal Ulster Agricultural Society Winter Fair, we launched the new name for our protected urea products. Sustain better reflects the sustainability benefits of the product range and it remains the market leading brand of protected urea locally, with sales continuing to increase.

The company continues to upgrade the production facilities in our two mills and implement the LEAN programme to drive improved efficiency and cost savings. Key to our success in these projects are the skills and knowledge of our people, in whom we continue to invest through training and development programmes.

BUSINESS REVIEW

PEOPLE AND PROCESSES

IT

We embarked on an ambitious plan to upgrade the many legacy telephone systems across the business. Through a unified communications project, we have implemented our new telephone system and initiated the rollout of Jabber. These new platforms will enable greater communications, collaboration, workplace flexibility and disaster recovery capability. The final phase will involve the full integration of video conferencing (VC), allowing a user to join any of the VC units or host a VC meeting.

We successfully delivered significant operational improvements through the introduction of new modules to our ERP system, the completion of the upgrade of our Citrix environment and through many LEAN project-driven improvement changes.

The roll-out of our Warehouse Management System at the Drogheda facility with our external cheese storage partners has been executed. The final phase of the programme is scheduled to be completed in 2019/20.

We have embarked upon a pilot programme to enhance shop floor data collection through the introduction of a Production Information Management System in our Pennybridge facility. The Harford system will improve the overall equipment efficiency on each line, through automated real-time line performance measurement, and will optimise changeovers to utilise capacity.

PEOPLE

The total numbers employed across the Group, inclusive of temporary and agency workers, increased from 1271.5 in March 2018 to 1294.5 in March 2019. Throughout the period, the Group has again maintained a focus on cost reduction, with several restructuring measures being undertaken across Dale Farm's processing plants and improved shift manning arrangements.

In 2018/19, we completed a further Dale Farm Accelerate Programme in partnership with the William J Clinton Leadership Institute at Queens' University Belfast. The programme is aimed at managerial employees who have shown significant potential through performance.

Another people-focused development was the launch of our Future Leaders Programme for both new and recent graduates.

This bespoke initiative is designed to provide our graduates with the necessary tools to fast track their careers within Dale Farm. Through the support of the Michael Smurfit Business School, we have provided over 40 front line leaders from across the Group with coaching and mentoring training. These leaders can now practically apply learnings in day to day interactions with their teams. 2018/19 saw further successful developments in the rollout of our LEAN strategy, with several employees successfully achieving formal LEAN accreditations.

During 2018/19, the Group's new employee health and wellbeing programme, Dale Farm Thrive (Live Well, Work Well), was launched. This programme was designed to communicate, engage and promote workplace wellbeing to support our employees' physical and mental health.



Our people are the keystone of our transformational strategy. Our investment in the recruitment, retention and development of our people ensures we are best placed to deliver our plans within a positive and progressive working culture.



Accelerate Programme graduates

BUSINESS REVIEW

The Group also continued the rollout of our new Human Resources Management Information System, Success Factors. This system is now fully implemented, with employee self-service and systems automation greatly reducing the time taken to complete transactional activities. From 2019/20, all employees will participate in continuous performance management discussions. These discussions will provide increased opportunities for coaching, mentoring and timely feedback.

HEALTH & SAFETY

As a Group, we are fully committed to the health, safety and wellbeing of our employees. All our leaders and employees are encouraged, supported and required to promote a safe working environment for all.

Throughout the year further initiatives and training to support our safety agenda were introduced. This included the completion of key safety training on the identification of key hazards, risk assessments and reviewing safety procedures. In addition, a safety programme for site specialists has been developed and is scheduled to roll out in 2019/20.

Our safety performance continues to improve and we compare very favourably with industry benchmarks on health and safety matrices.

RESPONSIBILITY

Energy Consumption

Across the Group's manufacturing facilities in the year, the Kwh of energy consumption per unit processed improved by 2%. The solar farm installation at Dunman has proved to be a great success, with 12% of the Cookstown site's total electricity consumption being generated from a sustainable source.



Rollout of Success Factors

BUSINESS REVIEW

In recognition of this and other energy programmes across the Group, Dale Farm was awarded two prizes at the annual Sustainable Ireland Awards. Dale Farm's Dunman facility was recognised for its commitment to the use of renewable energy sources, receiving the award for Best Renewable Energy Project.

In recognition of energy efficiency improvements across the Group, Gary McNeill was named 'Best Energy Manager.' Gary's support in deployment of the ongoing Energy Improvement Programme, coupled with co-ordinating Energy Focus through the Site Energy Champions, has encouraged continued positive progress across the business.

A major investment project is underway at Dunman that will see the site switch from fuel oil to natural gas as its main source of energy. This will have a number of important benefits for the Group, including:

- Reduction in carbon dioxide emissions
- Reduced cost
- Increased fuel efficiency
- Reduced noise pollution

COMPLIANCE SCHEMES

Dunman successfully complied with the European Union Emissions Trading Scheme, and all Dale Farm sites successfully met the target for the second reporting year of the climate change agreement.

ENVIRONMENTAL IMPROVEMENTS

At Dunman, the aeration systems for effluent treatment were upgraded and a new effluent treatment plant control system designed and installed.



Geoff Bates, Group Compliance Manager and Rodney Stewart, Group Project Engineering Manager



Solar Farm, Dunman

BUSINESS REVIEW

ISO ENVIRONMENTAL ACCREDITATION

During the year all of Dale Farm's Northern Ireland manufacturing sites were successful in maintaining the industry leading environmental ISO 14001 accreditation standard.

CORPORATE SOCIAL RESPONSIBILITY

At Dale Farm, we strive to create a positive environment for our employees, our members and the communities in which we operate.

Our employees have once again shown their commitment to local communities through their participation in a wide range

of activities supporting local charities over the year. Over 35 employees participated in the team relay in Belfast City Marathon in support of Marie Curie. At Christmas, employees kindly supplied a range of gifts and donations in support of Cash for Kids, which supports the needs of children in our communities. Our employees engaged with several fundraising activities in aid of the Simon Community, which helps people experiencing, or at risk of, homelessness.

We are an active member of Business in the Community and are working towards their CORE standard, which is Northern Ireland's only corporate responsibility accreditation.

We have created a new employer supported volunteering programme, which aims to provide teams of employees with practical opportunities to give back to our communities. This will be activated throughout the Group in the coming year.



BUSINESS REVIEW

We remain a keen member of Arts & Business NI, which connects the arts and business sectors for mutual benefit. Two of our newly appointed managers were successfully placed on the Boards of arts organisations as part of Arts & Business NI's Young Professionals on Arts Boards Programme, a valuable development opportunity for our people.

We also remain a committed Corporate Patron for the Prince's Trust. Group employees have participated in many of the Trust's training and support programmes targeting young people across Northern Ireland.

Our role in the Food and Drink Sector Skills Council's Tasty Careers campaign remains an important one. Our trained ambassadors have worked closely with local schools and teachers, providing practical examples and real-life insights into what career opportunities exist within the Agri-food sector.

We are extremely proud to work closely in partnership with schools, universities and colleges. As we seek to continually identify and nurture future talent, we have provided several one-year undergraduate work placements for students across a range of functions

including laboratory/development, finance and IT. We have also provided a range of short-term work experience opportunities for GCSE and A-level students.

Dale Farm continues to collaborate with our network of suppliers, ensuring that a high standard is maintained across all areas including health, safety, environment, ethics and labour. We are proud to be accredited with the internationally recognised Sedex Ethical Trading standard.



BOARD OF DIRECTORS

The Board of Directors of Dale Farm Cooperative consists of 12 non-executive Directors. The Board of Directors of Dale Farm Limited consists of four non-executive Directors, all of whom are also Directors of Dale Farm Cooperative.

The current Group Directors are:

1. John Dunlop, Chairman, is a dairy farmer from Portadown, Co. Armagh. He was elected as a Director of Dale Farm Cooperative in 1998, as Vice-Chairman in 2009, and as Chairman of the Society in 2010. John is also a Director of Dale Farm Limited and United Feeds Limited, and is a member of the Farmer Forum of Dairy UK. He is a past County Chairman of the Ulster Farmers' Union for Co. Armagh and was previously a Director of Craigavon and Armagh Rural Development.

2. Fred Allen is a dairy farmer from Randalstown, Co. Antrim. He was elected as a Director of Dale Farm Cooperative in 2009. He was appointed as Vice-Chairman in April 2015.

3. Robert Bryson is a dairy farmer from Banbridge, Co. Down. He was elected as a Director of Dale Farm Cooperative in 2013.

4. Robert Fyffe is a dairy farmer from Omagh, Co. Tyrone. He was elected as a Director of Dale Farm Cooperative in 2006 and was formerly a member of the Northern Ireland Local Board of the NFU Mutual Insurance Society.

5. Harold Johnston is a dairy farmer from Ahoghill, Co. Antrim. He was elected as a Director of Dale Farm Cooperative in 2011. He is a past County Chairman of the Ulster Farmers' Union for Co. Antrim.

6. Helen Kirkpatrick is an appointed independent Director of Dale Farm Cooperative and a Director of Dale Farm Limited. A Fellow of the Institute of Chartered Accountants in Ireland and a member of the Chartered Institute of Marketing, Helen joined both Boards in 2014. She is a non-executive Director of the Irish Football Association, Director of Displaynote Technologies Limited and QUBIS Limited, and Chairperson of Neueda. Helen was formerly a Board member of the International Fund for Ireland, a Director of the Enterprise Equity Venture Capital Group and a non-executive Director of a number of other Northern Ireland charities and companies, including Kingspan Group plc.

7. James Murphy is a dairy farmer from Tempo, Co. Fermanagh. He was elected as a Director of Dale Farm Cooperative in 2010 and is a former County Chairman of the Ulster Farmers' Union for Co. Fermanagh.

8. David Rea is a dairy farmer from Crossgar, Co. Down. He was elected as a Director of Dale Farm Cooperative in 2008.

9. David Rowe is a dairy farmer from Armoy, Co. Antrim. He was elected as a Director of Dale Farm Cooperative in 2014.

10. Norman Thompson is a dairy farmer from Banbridge, Co. Down. He was elected a Director of Dale Farm Cooperative in 2015 and is also a Director of the Dairy Council for Northern Ireland.

11. Steven Brown is a dairy farmer from Moneymore, Co. Londonderry. He was elected as a Director of Dale Farm Cooperative in 2016 and is also a Director of the Dairy Council for Northern Ireland.

12. Stephen Kingon CBE is an appointed Independent Director of Dale Farm Cooperative. A Fellow of the Institute of Chartered Accountants, he is principle of Stephen Kingon Associates. Currently he is the Chairman of the Action for Hearing Loss Advisory Board, Chairman of the Centre of Competitiveness and a distinguished fellow of the Global Federation of Competitiveness Councils, Chairman of Lagan Homes UK Limited, Lagan Investments Limited and Northern Ireland Electricity Limited. In addition he is a non-executive director of Balcas Limited, ASG Holdings Limited and a Pro-Chancellor of Queen's University Belfast. Since retiring as Managing Partner of PWC in Northern Ireland in 2007, he has held a number of chairmanships and non-executive Directorships across a range of sectors as well as the Chairmanship of Invest NI.

BOARD OF DIRECTORS

CHAIRMAN



John Dunlop

VICE-CHAIRMAN



Fred Allen

DIRECTORS



Robert Bryson



Robert Fyffe



Harold Johnston



Helen Kirkpatrick



James Murphy



David Rea



David Rowe



Norman Thompson



Steven Brown



Stephen Kingon CBE

Chief Executive

Nick Whelan

Financial Director

Stephen Elliott

Secretary

Mike Dawson

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers

Ulster Bank
11-16 Donegall Square East
Belfast BT1 5UB

Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

Company Status

Dale Farm Cooperative Limited is a members' voluntary cooperative registered under the Industrial and Provident

Societies Acts (Northern Ireland) 1969 and 1976

Registered Office

Dale Farm House
15 Dargan Road
Belfast BT3 9LS

CORPORATE GOVERNANCE

The Board is committed to adopting best practice in Corporate Governance as deemed practical and appropriate for a member-owned cooperative.

THE BOARD

The Board meet monthly (except for July) with a formal schedule of matters specifically reserved for its decision. Additional meetings are held as required. The Board reviews trading performance, ensures adequate funding, sets and monitors strategy, examines major acquisition opportunities and formulates policy on key issues. To enable the Board to discharge its duties, all members receive appropriate and timely briefing papers. The Group has appropriate insurance cover in place for Board Members.

The Board comprises 12 Directors, eight of whom are appointed by the farmer members through Area elections; two are elected by the members' Area Councils acting collectively; and two Directors are appointed by the elected Directors. The term of office of elected Directors is four years while appointed Directors are appointed for not more than three years and can only serve a maximum of two terms.

The attendance of Directors at the 11 routine Board meetings in 2018/19 was as follows:

John Dunlop	11	Stephen Brown	11
Fred Allen	11	Helen Kirkpatrick	11
Robert Bryson	11	James Murphy	11
Robert Fyffe	10	David Rea	11
Harold Johnston	11	David Rowe	11
Norman Thompson	11	Stephen Kingon CBE	9



CORPORATE GOVERNANCE

The Chairman and Vice-Chairman are both elected annually by the Board. The remuneration of the Directors of the Society is determined each year by the members at the AGM. All farmer Directors are also suppliers of milk to Dale Farm Cooperative, but they and the appointed Directors are regarded as independent. Induction training is provided for newly elected/appointed Directors and further training is provided as required.

THE BOARD COMMITTEES COMPRISE:

AUDIT

Helen Kirkpatrick
(Chairwoman)

Stephen Kingon CBE

James Murphy

Harold Johnston

Norman Thompson

NOMINATIONS

John Dunlop (Chairman)

Fred Allen

Nick Whelan

The Audit Committee

The Audit Committee meets at least twice a year, and has specific terms of reference, which include responsibility for reviewing the Annual Accounts prior to submission to the Board, monitoring the internal control systems and liaison with both external and internal auditors. The Committee satisfies itself on the independence of the auditors and monitors the level of non-audit fees. The internal auditors review key risk areas and relevant controls across the Group, and report their findings to the Audit Committee, together with any recommendations for improvement.

The Nominations Committee

The Nominations Committee makes recommendations to the Board on the appointment of “non elected” Directors to the Boards of the Group subsidiary and associate companies, as well as senior executive appointments.

The Management Team

The Group Chief Executive and management team, who are responsible for operating decisions and the effective functioning of the main activities in the Group, report to the Board.

Dialogue with Shareholders

Communication with members is given the highest priority by the Board and the Annual Report gives a comprehensive review of the financial and operating performance of the Group for the year. The Board uses the AGM to have an open dialogue with members. The Group has four Area Councils elected by the membership, which meet approximately four times a year with the elected Directors for their Area to discuss the affairs of the Society. In addition “Open” Area Council meetings are held to which all members in the relevant Area are invited. The Society also keeps in touch with members through the issue of the monthly magazine, Dale Farm View, and via the Group website www.dalefarm.co.uk.

Any member wishing to contact the Company can do so at the registered office of the Company.

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

Dale Farm Cooperative Limited is a members' voluntary cooperative registered under the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. The principal activities of the Group include manufacturing an extensive range of dairy products for the retail, foodservice and food ingredients sectors and marketing and distributing these products to both domestic and international markets. The Group also collects and markets members' milk, supplies animal feed to farmers, and provides a range of other farm inputs and services.

FINANCIAL PERFORMANCE

The key performance indicators ("KPI"s) for the Group are:

KPIs	2019 £000	2018 £000
Group turnover	509,363	482,375
Profit before taxation	12,007	10,101
Average milk price paid to members (pence per litre)	29.00	29.94

Group turnover increased by 5.6% due to higher volumes and market prices for milk and dairy products. The Group profit before tax increased by £1,906k to £12,007k. The average milk price paid to Northern Ireland members decreased by 0.94p per litre (3%) in 2018/19, reflecting the lower dairy market returns during the year.

OPERATIONAL PERFORMANCE

MILK SUPPLY	2019 Litres	2018 Litres
Average output per member	641,000	634,000

Sales development

The Group is committed to profitably growing its dairy processing business. Increases in sales volumes and dairy product returns resulted in the following growth in turnover:

TURNOVER GROWTH	2019 %	2018 %
Dale Farm Limited	4.8	24.8

STRATEGIC REPORT

RISK MANAGEMENT

The Board actively monitors and manages the risks it faces through an appropriate risk policy and risk register. The key risks which management face are detailed as follows:

Business performance risk

The Group faces a number of business performance risks due to internal and external factors including competitive pressures in markets in which it operates. These risks have been identified and are managed through a number of measures: ensuring the appropriate management team is in place; business planning and regular forecasting; financial controls; key performance indicators; monthly reporting and timely corrective action when variances occur.

Business continuity risk

While there is a reliance on physical infrastructure, the Group operates nine geographically autonomous production facilities which helps mitigate business continuity risks. The Group also ensures that there is adequate knowledge throughout the management team and sufficient IT support and back up capability available should an unforeseen event occur. Management maintain and regularly update business continuity and IT disaster recovery plans and participate in industry wide crisis management exercises.

Brexit

The current Brexit position remains uncertain. A planning exercise was carried out ahead of the 29 March 2019 deadline to identify areas which would impact the company. Where possible, we have taken steps to address any such areas by identifying and implementing solutions as applicable. Our plans are still active as the Brexit situation unfolds.

Health & safety risk

The Group is committed to ensuring a safe working environment. These risks are managed by the Group, through the strong promotion of a best practice health and safety culture, risk management, extensive safety training and well defined health and safety policies.

Management development

The long-term success of the business depends on the Group's ability to attract, retain and develop talent. This risk is managed through succession planning and the pursuit of best practice in HR and Group wide development plans, which are regularly reviewed and updated. These are accompanied by specific policies in areas such as recruitment, training, management development and performance management.

Financial & business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day to day operations, external reporting and for longer term planning. The Group exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow forecasting; and clearly defined policies and approval limits.

Environmental risk

The Group is committed to minimising its impact on the environment. It has clearly defined policies and procedures to enable compliance with environmental best practice and legislation.

FINANCIAL RISK MANAGEMENT POLICY

The Group's principal financial instruments comprise cash, trade debtors and creditors, bank loans and certain other debtors and accruals. The main risks associated

with these financial assets and liabilities are set out below.

Foreign currency risk

The Group's exposure to foreign currency risk arises primarily from revenues from customers denominated principally in Euro and US Dollars. When customers place major orders of this type, the Group has a policy of immediately entering into a forward currency contract to eliminate this risk.

Credit risk

Credit risk arises principally on third party derived revenues. Group policy is aimed at minimising such risk through the application of satisfactory creditworthiness procedures, including where appropriate taking out credit insurance cover. The Group monitors the levels of credit to individual customers within their approved credit limits, so as to ensure the company's exposure to bad debts is minimised.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Group. The Group also manages liquidity risk via revolving credit facilities and long term debt.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on variable rate debt. The Group manages this risk, where significant, by use of derivatives as explained under 'foreign currency risk'.

By order of the Board

Mike Dawson

Secretary

Date: 13 June 2019

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 March 2019.

RESULTS AND DIVIDENDS

The Group reported an operating profit of £14,300k, which was an increase of £2,229k on the previous year. The profit after taxation for the year amounted to £9,446k (2018 – £8,008k) which is to be transferred to reserves. The Directors do not recommend the payment of a dividend (2018 – £NIL).

REVIEW OF 2018/19 YEAR AND FUTURE DEVELOPMENTS

Dale Farm has continued to trade positively in all its markets, many of which have improved during the year. The Group made a satisfactory return on its sales during the year and this has continued into the first quarter of 2019/20, albeit some markets have reduced.

Dairy market returns and farm gate milk prices grew during the first half of the year as markets continued to pick up. Export market returns continued to be assisted by the weakness of Sterling versus the Euro and the US dollar, as the negotiations surrounding Brexit continue. Milk prices reduced in the second half of the year. The farmer base price for Dale Farm Red Tractor milk started the year at 28p per litre and ended at 25.80p per litre.

In the first quarter of 2019/20 some dairy markets have traded downwards. The final outcome of the Brexit negotiations is as yet unknown.

Research and development

The Group maintains an ongoing programme of innovation in added value dairy products and further widened its portfolio of products offered as follows:

PRODUCT DEVELOPMENT	2019	2018
Number of new products launched	21	31
Number of new product variants launched in above	56	45
Number of rejuvenated products launched	29	29
Number of rejuvenated product variants launched in above	133	41

DIRECTORS

For the year ended 31 March 2019 the Directors of the Society were:

Elected by - Area 1	Fred Allen, Harold Johnston
- Area 2	Robert Bryson, Norman Thompson,
- Area 3	John Dunlop, James Murphy
- Area 4	Robert Fyffe, Steven Brown,

Elected by Conference of Area Councils	David Rea, David Rowe
Appointed	Helen Kirkpatrick, Stephen Kingon CBE

The term of office of one of the elected Directors from each of Area 1 and Area 2 ended on 31 March 2019. Harold Johnston was re-elected as Director for Area 1 and Norman Thompson was re-elected as a Director for Area 2.

On 15 April 2019, John Dunlop was re-elected as Chairman and Fred Allen was re-elected as Vice-Chairman of the Society.

DIRECTORS' REPORT

FINANCIAL INSTRUMENTS

Details of financial instruments are provided in the strategic report.

EMPLOYMENT POLICY

The Group fully supports and complies with all the legislation which is designed to promote equality of opportunity.

Safety awareness is promoted and information on pension matters is provided to staff.

EMPLOYEE INVOLVEMENT

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations. The policy of employee involvement includes performance improvement groups, personnel surveys and a programme of continuous improvement. Discussions also take place regularly with trade unions representing employees on a wide range of issues.

The Group gives full consideration to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors confirm that so far as they are aware, there is no relevant audit information of which the auditor is unaware. The Directors have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the AGM.

By order of the Board

Mike Dawson

Secretary

Date: 13 June 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and ROI'. 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 Group and the company, and of the profit or loss of the Group 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 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 proper accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Dale Farm Cooperative Limited ('the Parent Company') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Group Income Statement, Group and Society Statement of Comprehensive Income, Group and Society Statement of Changes in Equity, Group and Society Statement of Financial Position, Group Statement of Cash Flows and the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and ROI" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Society's affairs as at 31 March 2019 and of the Group's 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 Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976

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 financial statements section of our report below. We are independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements UK, including the FRC's Ethical Standard, and we have fulfilled our 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 ISA's (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 Group's or Society's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report the fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of knowledge and understanding of the Group and the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976 requires us to report to you if, in our opinion:

- a satisfactory system of internal control over transactions has not been maintained; or
- 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
- 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 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 Group's and the Society'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 Group or the Society or to cease operations, or have no realistic alternative but to do so.

AUDITORS' 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 ISA's (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. The description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Society's members, as a body, in accordance with the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Kidd
(Senior Statutory Auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast
Date: June 2019

FINANCIAL STATEMENTS



GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £000	2018 £000
Group turnover	2	509,363	482,375
Cost of sales		(454,481)	(433,579)
GROSS PROFIT		54,882	48,796
Selling and distribution costs		(25,757)	(24,904)
Operating and administration costs		(14,825)	(11,821)
OPERATING PROFIT	3	14,300	12,071
Interest payable and similar charges	6	(2,373)	(1,923)
Net gain/(loss) on financial instruments measured at fair value through the profit and loss account		80	(47)
PROFIT BEFORE TAXATION		12,007	10,101
Taxation charge	7	(2,561)	(2,093)
PROFIT RETAINED FOR THE FINANCIAL YEAR		9,446	8,008

The results above relate to continuing operations.

GROUP & SOCIETY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

Group Statement of Comprehensive Income for the year ended 31 March 2019

	2019 £000	2018 £000
Profit for the financial year	9,446	8,008
Foreign exchange movement on retranslation of foreign operations	(35)	64
TOTAL OTHER COMPREHENSIVE INCOME	(35)	64
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,411	8,072

Society Statement of Comprehensive Income for the year ended 31 March 2019

	2019 £000	2018 £000
Profit for the financial year	558	990
TOTAL OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	558	990

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

GROUP	Called up share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 April 2017	10,332	46,069	56,401
Profit for the financial year	-	8,008	8,008
Other comprehensive income	-	64	64
Total comprehensive income for the year	-	8,072	8,072
Ordinary shares issued	47	-	47
Shares cancelled	(282)	-	(282)
At 31 March 2018	10,097	54,141	64,238
Profit for the financial year	-	9,446	9,446
Other comprehensive income	-	(35)	(35)
Total comprehensive income for the year	-	9,411	9,411
Ordinary shares issued	72	-	72
Shares cancelled	(73)	-	(73)
AT 31 MARCH 2019	10,096	63,552	73,648

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

SOCIETY	Called up share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 April 2017	10,332	15,237	25,569
Profit for the financial year	-	990	990
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	990	990
Ordinary shares issued	47	-	47
Shares cancelled	(282)	-	(282)
At 31 March 2018	10,097	16,227	26,324
Profit for the financial year	-	558	558
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	558	558
Ordinary shares issued	72	-	72
Shares cancelled	(73)	-	(73)
AT 31 MARCH 2019	10,096	16,785	26,881

GROUP STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £000	2018 £000
FIXED ASSETS			
Intangible assets	9	2,547	3,191
Tangible assets	10	73,609	69,168
Investments	11	14	14
		76,170	72,373
CURRENT ASSETS			
Stocks	12	68,303	59,748
Debtors	13	70,743	68,743
Cash at bank and in hand		11,887	12,050
		150,933	140,541
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Producer accounts		(19,178)	(17,677)
Trade creditors		(37,339)	(32,767)
Other creditors and accruals	14	(78,776)	(77,087)
Corporation tax		(921)	(1,266)
Share capital repayable on demand	22	(556)	(529)
		(136,770)	(129,326)

GROUP STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £000	2018 £000
Net current assets		14,163	11,215
TOTAL ASSETS LESS CURRENT LIABILITIES		90,333	83,588
Creditors: amounts due after more than one year	15	(9,749)	(12,266)
Provisions for liabilities - deferred tax	18	(3,317)	(3,062)
Deferred income - capital grants	19	(3,619)	(4,022)
		(16,685)	(19,350)
NET ASSETS		73,648	64,238
CAPITAL AND RESERVES			
Called up share capital	20	10,096	10,097
Profit and loss account		63,552	54,141
SHAREHOLDERS' FUNDS		73,648	64,238

The financial statements were approved and authorised for issue by the Board of Directors on 13 June 2019 and signed on their behalf by:

John Dunlop
Chairman

Fred Allen
Vice-Chairman

Mike Dawson
Secretary
Date: 13 June 2019

SOCIETY STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2019

	Notes	2019 £000	2018 £000
FIXED ASSETS			
Intangible assets	9	269	300
Tangible assets	10	4,407	4,451
Investments	11	13,578	13,578
		18,254	18,329
CURRENT ASSETS			
Stocks	12	295	224
Debtors	13	41,080	43,582
Corporation tax		2,503	522
		43,878	44,328
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Producer accounts		(19,178)	(17,677)
Trade creditors		(4,129)	(3,516)
Other creditors and accruals	14	(11,099)	(14,296)
Share capital repayable on demand	22	(556)	(529)
		(34,962)	(36,018)

SOCIETY STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2019

	Notes	2019 £000	2018 £000
Net current assets		8,916	8,310
TOTAL ASSETS LESS CURRENT LIABILITIES		27,170	26,639
Creditors: amounts due after more than one year	15	-	-
Provisions for liabilities and charges - deferred tax	18	(109)	(118)
Deferred income - capital grants	19	(180)	(197)
		(289)	(315)
NET ASSETS		26,881	26,324
CAPITAL AND RESERVES			
Called up share capital	20	10,096	10,097
Profit and loss account		16,785	16,227
SHAREHOLDERS' FUNDS		26,881	26,324

The financial statements were approved and authorised for issue by the Board of Directors on 13 June 2019 and signed on their behalf by:

John Dunlop
Chairman

Fred Allen
Vice-Chairman

Mike Dawson
Secretary
Date: 13 June 2019

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £000	2018 £000
Net cash inflow from operating activities	23(a)	16,551	8,930
INVESTING ACTIVITIES			
Bank interest paid		(2,357)	(1,910)
Preference share interest paid		(16)	(13)
Payments to acquire tangible fixed assets		(10,901)	(9,610)
Payments to acquire intangible assets		(73)	(36)
Receipts from disposals of tangible fixed assets		122	301
Purchase of business and deferred payment for subsidiary undertaking		(24)	(30)
NET CASH FLOW FROM INVESTING ACTIVITIES		(13,249)	(11,298)
Financing activities			
Repayment of bank loans		(2,550)	(2,640)
Issue of share capital repayable on demand	22	28	34
Redemption of share capital repayable on demand	22	(1)	(18)
Repayment of convertible loan stock	16	(26)	(2)
Issue of Convertible loan stock	16	-	18
Repayment of ordinary share capital	20	(73)	(282)
Issue of ordinary share capital	20	72	47
Net gain/(loss) on financial liabilities		(80)	47
NET CASH FLOW FROM FINANCING ACTIVITIES		(2,630)	(2,796)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23(b)	672	(5,164)

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

Reconciliation of net cash flow to movement in net debt

	Notes	2019 £000	2018 £000
Increase/(decrease) in cash	23(b)	672	(5,164)
Repayment of bank loans		2,550	2,640
Convertible loan stock repaid/(issued)	16	26	(16)
Issue of share capital repayable on demand		(27)	(16)
Movement in net debt in the year	23(b)	3,221	(2,556)
NET DEBT AT 1 APRIL		(67,033)	(64,477)
NET DEBT AT 31 MARCH	23(b)	(63,812)	(67,033)

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

1. ACCOUNTING POLICIES

Definitions

- I. 'Dale Farm Cooperative Limited' is a cooperative society incorporated in Northern Ireland. The registered office is Dale Farm House, 15 Dargan Road, Belfast BT3 9LS. Its activities include marketing and transport of milk, sales promotion, laboratory services, and other services to dairy farmers.
- II. 'Dale Farm Limited' is a private limited liability company which, as a wholly owned subsidiary of Dale Farm Cooperative Limited, carries out manufacturing, processing, distribution and marketing activities. During the year under review, it had seven trading subsidiaries, Dale Farm Dairies (Ireland) Limited, which is involved in the sale and distribution of dairy products in ROI; Dale Farm (GB) Limited which produces and markets yogurts, desserts, cottage cheese and related cultured products; Rowan Glen Dairy Products Limited which markets yogurts, desserts, cottage cheese and related dairy products; Ash Manor Cheese Company Limited is involved in the cutting, packing and sale of cheese products and Dale Farm Ice Cream Limited, which is involved in the sale and distribution of a range of ice cream and frozen products. Dale Farm Ice Cream (Ireland) Limited, a subsidiary of Dale Farm Ice Cream Limited, is involved in the sale and distribution of a range of ice cream and frozen products in ROI. Mullins Ice Cream Limited is a subsidiary of Dale Farm Ice Cream Limited and is involved in the manufacture and sale of ice cream and frozen products.

- III. 'United Feeds Limited' is a wholly owned subsidiary of Dale Farm Cooperative Limited, which carries out manufacturing, distribution and marketing activities in the animal feed sector.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards. The accounts are prepared under the Industrial and Provident Societies Acts 1969 and 1976 and where these Acts do not provide relevant guidance, the Directors have adopted the requirements of the Companies Act 2006. The financial statements are prepared in Sterling, which is the functional currency of the Group and rounded to the nearest £'000.

Statement of compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 March 2019.

Basis of consolidation

The Group financial statements consolidate the financial statements of Dale Farm Cooperative Limited and all its subsidiary undertakings made up to 31 March each year. No profit and loss account is presented for Dale Farm Cooperative Limited as permitted by the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities

as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation – Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Stock provision – the Group reviews and considers prevailing market conditions, the levels of stock held and forecast market movements and makes a provision to the carrying value of the stock where necessary.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life.

Rates vary according to the class of asset but are typically:

Buildings freehold – 50 years

Buildings leasehold – over the period of the lease

Plant and equipment – three to 15 years

Vehicles and associated equipment – four to 10 years

Land is not depreciated

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the years of the leases where these are shorter.

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

Government grants

Capital grants are credited to a deferral account and are released to revenue on the same basis as the related assets are depreciated.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Goodwill - 10 years

Brands - 10 years

Software - five years

Negative goodwill is capitalised and released to the profit and loss account as the related assets are realised.

If a subsidiary or a business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves, or that has not been amortised through the profit and loss account, is taken into account in determining the profit or loss on sale or closure.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Rates vary according to the class of asset but are typically:

Goodwill - 10 years

Brands - 10 years

Software - five years

The carrying value of intangible assets is reviewed for impairment at

the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stock is valued at the lower of cost or net realisable value. Cost includes an appropriate element of overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred for disposal.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group relief

It is the Group's policy to pay for Group relief at the fiscal rate of tax on losses utilised during the period.

Pensions

The Group operated for the majority of its eligible employees three defined contribution schemes – the Dale Farm Cooperative Group Scheme, the Dale Farm (GB) Limited Scheme, and the United Feeds Limited Scheme. Contributions to the three defined contribution schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

Research and development

Research and development expenditure is written off as incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. The assets and liabilities of non-UK subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Income and expenses of non-UK subsidiary undertakings are translated an average rate for the year. The exchange difference arising on the retranslation of

opening net assets is taken directly to other comprehensive income. All other translation differences are taken to the profit and loss account.

Lease commitments

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Capital instruments

Ordinary shares are included in shareholders' funds as any redemption requires the prior consent of the Board. Other instruments such as preference shares are classified as liabilities if they contain an obligation to transfer economic benefits and, if not, they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings, which are basic financial instruments, are recognised at the present value of cash payable to the bank (excluding interest).

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

The Group does not undertake any hedge accounting transactions.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Revenue recognition

Sale of goods

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

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.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

2. TURNOVER AND SEGMENTAL REPORTING

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities. Turnover is attributable to the marketing and transporting of milk, the processing and sale of dairy products and the manufacture and sales of animal feeds. Turnover and operating profit are attributable to continuing activities.

Segmental reporting, by areas of activity and geographical markets, has not been included in these financial statements. Disclosure of such information is not considered relevant and would be seriously prejudicial to the interests of the Group.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

3. Operating profit

(a) This is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of owned tangible fixed assets	6,329	5,773
Depreciation of tangible fixed assets held under finance leases	119	145
Amortisation of goodwill	554	556
Amortisation of brands	17	27
Amortisation of software	104	127
Capital grant release	(403)	(415)
Revenue grants	(144)	(65)
Research and development costs	570	394
Auditors' remuneration – audit services*	92	89
Non-audit services** – taxation compliance services	79	80
– other audit related services	7	6
Operating lease rentals – land and buildings	149	159
– plant and equipment	2,823	2,976
Profit on disposal of fixed assets	(66)	(221)
Foreign exchange loss	232	162

* £24k (2018 - £24k) of this relates to the Society

** Included in non audit services is £23k (2018 - £23k) relating to the Society

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

4. Directors' remuneration

	2019 £000	2018 £000
Fees and other emoluments	167	162

5. Staff costs

	2019 £000	2018 £000
Wages and salaries	33,762	30,890
Social security costs	3,047	2,980
Other pension costs	1,346	1,244
	38,155	35,114

Included in other pension costs is £1,346k (2018: £1,244k) in respect of the defined contribution scheme.

The average number of Group employees during the year was:

	2019 No.	2018 No.
Processing	628	601
Selling and distribution	224	220
Operations and administration	190	211
Milk recording (part-time)	63	62
	1,105	1,094

The number of employees at 31 March 2019 was 1,151 (2018 - 1,113).

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

6. Interest payable and similar charges

	2019 £000	2018 £000
Bank loans and overdrafts	2,357	1,910
Interest on preference shares	16	13
GROUP INTEREST PAYABLE	2,373	1,923

7. Tax

(a) The taxation charge is made up as follows:

Based on profit for the year:	2019 £000	2018 £000
Current tax:		
Corporation tax on profit for the period	2,344	1,939
Adjustments in respect of previous periods	(38)	27
TOTAL CURRENT TAX	2,306	1,966

Deferred tax:	2019 £000	2018 £000
Origination and reversal of timing differences	237	163
Adjustments in respect of previous periods	18	(36)
TOTAL DEFERRED TAX	255	127
TOTAL TAX CHARGE (NOTE 7(B))	2,561	2,093

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

7. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit for the period varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £000	2018 £000
Profit before tax	12,007	10,101
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,281	1,919
EFFECT OF:		
Disallowed expenses and non-taxable income	291	215
Change in tax laws and rates	(16)	(31)
Losses carried forward	24	-
Adjustment in respect of previous periods	(20)	(10)
R&D credits	1	-
	2,561	2,093

(c) Factors that may affect future tax charges

The corporation tax rate in the UK is 19%. This rate will be reduced to 17% on April 2020. The 17% statutory rate of corporation tax was enacted in full on 6 September 2018, and this is the rate at which deferred tax has been provided. No further rate changes have been announced.

8. Profit attributable to the members of the parent company

The profit dealt with in the financial statements of the parent company is £558k (2018 - £990k).

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

9. Intangible fixed assets

GROUP	Goodwill £000	Brands £000	Software £000	Total £000
COST:				
At 1 April 2018	9,305	377	1,228	10,910
Additions	-	-	73	73
Release	-	(46)	-	(46)
AT 31 MARCH 2019	9,305	331	1,301	10,937
AMORTISATION:				
At 1 April 2018	6,693	98	928	7,719
Provided during the year	554	17	104	675
Release	(4)	-	-	(4)
AT 31 MARCH 2019	7,243	115	1,032	8,390
NET BOOK VALUE:				
AT 31 MARCH 2019	2,062	216	269	2,547
AT 1 APRIL 2018	2,612	279	300	3,191

The net book value at 31 March 2019 is analysed below:	£000
Purchased goodwill	84
Goodwill arising on consolidation	1,978
	2,062

Goodwill is being amortised over its expected useful life. Negative goodwill is capitalised and released to the profit and loss account as the related assets are realised.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

9. Intangible fixed assets (continued)

SOCIETY	Software £000
COST:	
At 1 April 2018	1,228
Additions	73
AT 31 MARCH 2019	1,301
AMORTISATION:	
At 1 April 2018	928
Provided during the year	104
AT 31 MARCH 2019	1,032
NET BOOK VALUE:	
AT 31 MARCH 2019	269
AT 1 APRIL 2018	300

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

10. Tangible fixed assets

GROUP	Land and buildings £000	Plant and equipment £000	Vehicles and associated equipment £000	Total £000
COST:				
At 1 April 2018	38,326	102,908	1,488	142,722
Additions	780	10,121	-	10,901
Disposals	(93)	(133)	(36)	(262)
Reclassification	(2)	(7)	54	45
AT 31 MARCH 2019	39,011	112,889	1,506	153,406
DEPRECIATION:				
At 1 April 2018	11,335	60,747	1,472	73,554
Provided during the year	1,020	5,428	-	6,448
On disposals	(32)	(137)	(36)	(205)
Reclassification	(1)	(68)	69	-
AT 31 MARCH 2019	12,322	65,970	1,505	79,797
NET BOOK VALUE:				
AT 31 MARCH 2019	26,689	46,919	1	73,609
AT 1 APRIL 2018	26,991	42,161	16	69,168

Included in the amounts for plant and machinery and vehicles above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

10. Tangible fixed assets (continued)

GROUP	Plant and equipment £000	Vehicles £000	Total £000
COST:			
At 1 April 2018 and 31 March 2019	4,580	237	4,817
DEPRECIATION:			
At 1 April 2018	4,461	237	4,698
Provided during the year	119	-	119
AT 31 MARCH 2019	4,580	237	4,817
NET BOOK VALUE:			
AT 31 MARCH 2019	-	-	-
AT 31 MARCH 2018	119	-	119

The net book value of land and buildings comprises:	2019 £000	2018 £000
Freehold	21,297	21,584
Leasehold	5,392	5,407
	26,689	26,991

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019**10. Tangible fixed assets (continued)**

SOCIETY	Land and buildings £000	Plant and equipment £000	Vehicles and associated equipment £000	Total £000
COST:				
At 1 April 2018	5,562	2,336	1,577	9,475
Additions	-	109	-	109
Disposals	-	-	(36)	(36)
Reclassification	(7)	(2)	54	45
AT 31 MARCH 2019	5,555	2,443	1,595	9,593
DEPRECIATION:				
At 1 April 2018	1,490	1,972	1,562	5,024
Provided during the year	116	83	-	199
On disposals	-	-	(36)	(36)
Reclassification	1	(71)	69	(1)
AT 31 MARCH 2019	1,607	1,984	1,595	5,186
NET BOOK VALUE:				
AT 31 MARCH 2019	3,948	459	-	4,407
AT 1 APRIL 2018	4,072	364	15	4,451

The net book value of vehicles and associated equipment includes an amount of £NIL (2018 - £NIL) relating to assets held under finance leases and hire purchase contracts.

The net book value of land and buildings comprises:	2019 £000	2018 £000
LEASEHOLD	3,931	4,047
FREEHOLD	17	25

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

11. Investments

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
SHARES AT COST:				
Subsidiary undertakings	-	-	13,564	13,564
Trade investment	14	14	14	14
	14	14	13,578	13,578

At 31 March 2019 the principal subsidiary undertakings were:

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of business
Dale Farm Group Limited	Ordinary shares	100%	Holding company
Dale Farm Limited	Ordinary shares	100%*	Manufacture, sale and distribution of milk and a comprehensive range of dairy products
Dale Farm Dairies (Ireland) Limited	Ordinary shares	100%**	Sale and distribution of milk and dairy products
Dale Farm (GB) Limited	Ordinary shares	100%**	Manufacture and sale of yogurts, desserts, cottage cheese and related cultured products
Rowan Glen Dairy Products Limited	Ordinary shares	100%**	Sale of yogurts, cottage cheese, desserts and related dairy product
Ash Manor Cheese Company Limited	Ordinary shares	100%**	Packing, sale and distribution of cheese products
Dale Farm Ice Cream Limited	Ordinary shares	100%**	Sale and distribution of ice cream and frozen products
Dale Farm Ice Cream (Ireland) Limited	Ordinary shares	100%***	Sale and distribution of ice cream and frozen products

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

11. Investments (continued)

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of business
Mullins Ice Cream Limited	Ordinary shares	100%***	Manufacture and sale of ice cream and frozen products
United Feeds Limited	Ordinary shares	100%*	Manufacture and sale of animal feeds
Dale Farm Dairies Limited	Ordinary shares	100%	Dormant
Dale Farm Ingredients Limited	Ordinary shares	100%	Dormant
Dale Farm Gridco Limited	Ordinary shares	100%**	Dormant
Ash Manor Holdings Limited	Ordinary Shares	100%**	Dormant

* Held by Dale Farm Group Limited.

** Held by Dale Farm Limited.

*** Held by Dale Farm Ice Cream Limited.

The above undertakings are incorporated and operate in Northern Ireland, with the exception of Dale Farm (GB) Limited and Ash Manor Cheese Company Limited which are incorporated in England and operate in Great Britain, Rowan Glen Dairy Products Limited which is incorporated and operates in Scotland, and Dale Farm Dairies (Ireland) Limited and Dale Farm Ice Cream (Ireland) Limited which are incorporated and operate in ROI.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

12. Stocks

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Raw materials and consumables	8,015	7,473	185	169
Finished goods and goods for resale	60,288	52,275	110	55
	68,303	59,748	295	224

The difference between the carrying value of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £381m (2018: £364m) for the Group and £228m (2018: £219m) for the Society.

13. Debtors

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Trade debtors	59,974	59,107	533	476
Amounts due from subsidiary undertakings - loans	-	-	10,965	21,301
- trading	-	-	24,937	18,060
Other debtors	4,136	4,007	3,821	3,327
Prepayments and accrued income	6,553	5,629	652	413
Financial instruments (note 27)	80	-	-	-
Group relief	-	-	172	5
	70,743	68,743	41,080	43,582

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

14. Creditors' amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Bank overdrafts & other facilities	62,599	63,434	5,499	9,625
Bank loans (note 17)	2,609	2,642	-	-
Other taxes and social security	1,095	813	936	754
Other creditors	1,287	1,234	656	675
Accruals	11,000	8,635	3,822	3,030
Deferred consideration	-	70	-	-
Loan stock (note 16)	186	212	186	212
Financial instruments (note 27)	-	47	-	-
	78,776	77,087	11,099	14,296

Included in bank overdraft and other facilities is invoice financing with recourse of £33m (2018 - £24m) for which the Group has provided an assignment over certain trade debtors. Part of the other facilities are secured by a floating charge over a subsidiary company's stocks.

15. Creditors: amounts due after more than one year

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Bank loans (note 17)	9,749	12,266	-	-
	9,749	12,266	-	-

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

16. Convertible loan stock

Convertible loan stock:	Group and Society 2019 £000	Group and Society 2018 £000
At 1 April	212	196
Loan stock repaid	(26)	(2)
Loan stock issued	-	18
AT 31 MARCH	186	212

Loan stock is convertible on the basis of £1 of loan stock to £1 of ordinary shares held, subject to current legal limits on the maximum number of shares being raised.

17. Bank Loans

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Wholly repayable within five years	12,358	14,908	-	-
In more than five years	-	-	-	-
	12,358	14,908	-	-

The loans are interest bearing at a variable rate based on LIBOR and are secured by way of unlimited intra-group guarantees.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

18. Provisions for liabilities

The movements in deferred taxation during the current year are as follows:	Group £000	Society £000
At 31 March 2018	3,062	118
Charge in the current year	255	(9)
AT 31 MARCH 2019	3,317	109

Deferred taxation provided in the financial statements is as follows:	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Capital allowances in advance of depreciation	3,369	2,936	133	106
Other timing differences	(52)	126	(24)	12
	3,317	3,062	109	118

Deferred tax has been calculated at 17% as at March 2019 reflecting HMRC enactment of a reduction in the Corporation tax rate effective from 1 April 2019.

19. Deferred income - capital grants

	Group £000	Society £000
At 31 March 2018	4,022	197
Release for the year	(403)	(17)
AT 31 MARCH 2019	3,619	180

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

20. Issued share capital

Group and Society Allotted, called up and fully paid	2019 No.	2018 No.	2019 £000	2018 £000
Ordinary shares of £1 each	10,096,406	10,097,437	10,096	10,097

Ordinary shares:	2019 £000	2018 £000
At 1 April	10,097	10,332
Issued during the year	72	47
Cancelled during the year	(73)	(282)
AT 31 MARCH	10,096	10,097

Dale Farm Cooperative Limited is a cooperative society established under the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. It is governed by its rules which require all members to have a minimum shareholding of 200 £1 ordinary shares, fully paid up.

21. Reserves

Called up share capital

The balance classified as share capital includes the nominal value of issued company's share capital.

Profit and loss account

The company's profit and loss account includes the accumulated profits and losses of the company less any dividends declared.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

22. Share capital repayable on demand

Group and Society Preference shares	2019 £000
At 1 April 2018	529
Issued during the year	28
Cancelled during the year	(1)
AT 31 MARCH 2019	556

During the year £28k in share capital repayable on demand was issued in lieu of ordinary shares to members who had retired from milk production. Interest on the preference shares is payable annually at bank base rate less 0.25% or at such higher rate as may be determined by the Board: for the year ended 31 March 2019, the rate of interest paid was 2.5%.

23. Notes to the Group statement of cash flows

(a) Reconciliation of operating profit to net cash inflows from operating activities:

	2019 £000	2018 £000
Operating profit	14,300	12,071
Depreciation of tangible fixed assets	6,448	5,918
Amortisation of intangibles	675	710
(Increase)/decrease in stocks	(8,555)	242
Increase in debtors	(2,000)	(9,826)
Increase in creditors	7,893	1,797
Capital grant release	(403)	(415)
Profit on disposal of fixed assets	(66)	(221)
Foreign exchange movement	(39)	4
Corporation tax paid	(1,702)	(1,350)
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,551	8,930

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

23. Notes to the Group statement of cash flows (continued)

(b) Group analysis of net debt

	At 31 March 2018 £000	Cash flow £000	At 31 March 2019 £000
Cash at bank and in hand	12,050	(163)	11,887
Overdrafts & other facilities	(63,434)	835	(62,599)
	(51,384)	672	(50,712)
Loan stock	(212)	26	(186)
Preference shares	(529)	(27)	(556)
Bank loans	(14,908)	2,550	(12,358)
	(67,033)	3,221	(63,812)

24. Pension scheme information

Dale Farm Cooperative Limited, Dale Farm Limited and United Feeds operate one type of pension scheme for the benefit of their employees and the total pension charge to the Group for the period amounted to £1,346k (2018 - £1,244k). The details of these schemes are set out below:

Defined contribution schemes

The Group operated for the majority of its eligible employees three defined contribution schemes - the Dale Farm Cooperative Group Scheme, the Dale Farm (GB) Limited Scheme and the United Feeds Limited Scheme. The assets of the schemes are held in independently administered funds. Contributions to the three defined contribution schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

The pension costs represent contributions payable by the Group to the schemes and amounted to £1,346k (2018 - £1,244k). The unpaid contributions outstanding at the year end, included in 'Other creditors', are £122k (2018 - £69k).

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

25. Future capital commitments

At 31 March 2019 the Directors have authorised future capital expenditure which, without taking account of Government grants, amounts to:

	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Contracted	3,486	2,728	-	-
Non contracted	490	3,349	-	24

26. Other financial commitments

At 31 March 2019 the Group and Society's future minimum rentals payable under non-cancellable operating leases are as follows:

Group Leases expiring:	Land and buildings		Plant and equipment	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	149	160	2,373	2,814
Within two to five years	157	157	4,176	4,364
After more than five years	1,688	1,727	631	566
	1,994	2,044	7,180	7,744

Society Leases expiring:	Land and buildings		Plant and equipment	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	-	-	594	660
Within two to five years	-	-	857	1,349
After more than five years	-	-	-	30
	-	-	1,451	2,039

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

27. Financial instruments

Financial assets at fair value through income statement	Group 2019 £000	Group 2018 £000	Society 2019 £000	Society 2018 £000
Forward foreign currency contracts - Financial liabilities measured at amortised cost	(80)	47	-	-
Bank overdraft (note 14)	62,599	63,434	5,499	9,625
Loans (note 14 & 15)	12,358	14,908	-	-

The Group entered into forward foreign currency contracts to manage currency exposure on sales. The fair values of the assets and liabilities held at fair value through income statement at the balance sheet date are determined using quoted prices. The foreign exchange contracts all expire within the next 12 months.

28. Related party transactions

The Directors, with the exception of the appointed Directors, are all engaged in dairy farming and supply their milk to Dale Farm Cooperative on the same terms as all other members. They are also entitled to utilise all other services made available by Dale Farm Cooperative on the same terms as other members.

The net value of milk purchased from and services provided to these Directors during the year was £5,026,339 (2018 - £5,121,717).

At 31 March 2019 the net amount owed to the Directors was £477,699 (2018 - £494,576).

Key management personnel

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST MARCH 2019

29. Contingent liabilities

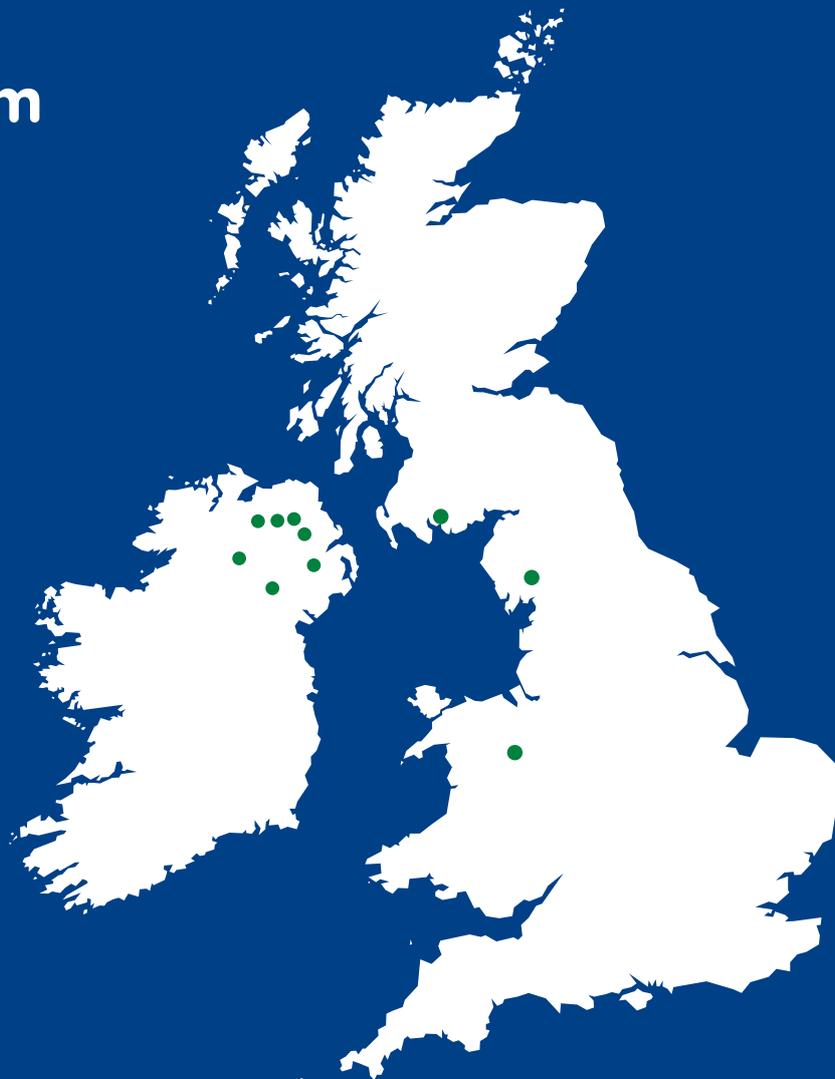
The Society has provided an unlimited guarantee in favour of the Ulster Bank in respect of Dale Farm Cooperative Group borrowings from Ulster Bank. At 31 March 2019, the Dale Farm Cooperative Group borrowings from Ulster Bank amounted to some £66 million (2018: £70 million).

The banking facilities of the subsidiary, United Feeds Limited, are secured by a floating charge over the company's assets.

Under the terms of different grant schemes, there exists a contingent liability to repay grants received if certain conditions therein are not fulfilled.

Certain other contingent liability claims and guarantees occur in the normal course of business, but it is not considered that any material liabilities will arise.

Dale Farm Site Map



1
United Feeds
Dungannon



2
Dunman
Cookstown



3
Mullins
Kilrea



4
Dromona
Cullybackey



5
Pennybridge
Ballymena



6
Technical Centre
Ballymena



7
United Feeds
Belfast



8
Dale Farm House
Belfast



9
Rowan Glen
Dumfries & Galloway



10
Kendal
Cumbria



11
Ash Manor
Wrexham



DALE FARM COOPERATIVE LTD

Email: info@dalefarm.co.uk

Visit: www.dalefarm.co.uk