

LACTALIS MCLELLAND LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



LACTALIS MCLELLAND LIMITED

COMPANY INFORMATION

Directors	Michel Pèslier Naigee Gopal Michael Chatters
Secretary	Prism Cosec Limited
Company number	SC014583
Registered office	The Creamery Commerce Road Stranraer DG9 7DA
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Bankers	HSBC Bank PLC P.O Box 125 2nd Floor 62-76 Park Street London SE1 9DZ
Solicitors	Pinsent Masons Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ

LACTALIS MCLELLAND LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Business review

Lactalis McLelland Limited delivered a strong performance driven by increased sales across all product categories with turnover of £223m, an increase of 6.9% (2019: £208M) and volume increase by 6% over the previous year.

The company has continued to grow its brand share for its flagship product Seriously® with more product innovations. The company invested in marketing and expanded in new segments while driving its main brands, including Seriously®, President® as well as Galbani® retaining its number 1 position in the mozzarella market.

The business will continue to invest in above the line activity supported by targeted shopper marketing and promotional activities within the retail channels. Given the high proportion of retailer own brand sales in the UK market the company will continue to closely align its strategy with its customers and expand its portfolio of private label products. The development of new products is also a key focus for the business as well as seeking to develop new packaging solutions, reducing waste and saving of energy and resources and creating a culture of responsibility towards the environment.

Principal risks and uncertainties

The business faces a number of risks and uncertainties. The directors review and agree policies as well as strategies to mitigate these on an on-going basis. The main risks facing the business are set out below:

Commercial and customer demands risks

The business operates in a very competitive dairy market environment with the retail sector undergoing continuous changes. Failure to adequately control our costs and listening to our customers and consumers may lead to lower sales and profitability.

Mitigating control

The business addresses these risks by maintaining strong relationships with all our customers. We also review consumer trends, market data and invest in marketing our key brands and generating new products that appeal to consumers. We continually invest in our manufacturing plants to allow for growth, better efficiency, improved productivity as well as reducing our cost base.

Operational risks

Milk, our biggest input cost, is influenced by demand, supply and price volatility which can impact significantly on the company's ability to produce and affect profits.

Mitigating control

Our dedicated milk team works closely with our farmer representatives to ensure we have a sustainable high quality milk supply and we aim to pay a fair and competitive price to our farmers. All other input costs are closely monitored and the company has internal procedures in place to communicate changes to our costs to the commercial teams so they can explain these impact on prices with our customers.

Credit risks

Credit risks are mainly attributed to trade debtors as a result of non-payment.

Mitigating control

Management actively assesses these risks by monitoring outstanding debts, reviewing credit ratings and taking actions for early debt recovery. The company has credit insurance in place for a number of customers to mitigate potential risks.

LACTALIS MCLELLAND LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal Risks and Uncertainties (cont.)

Foreign exchange risks

The UK group buys and sells products to /from other countries, mainly in the EU, and is therefore exposed to foreign exchange risks.

Mitigating control

The exposure to foreign exchange risks is monitored continually and to reduce exposures, we mainly buy forward contracts for Euro.

Legal and compliance risks

The business is subject to numerous statutory requirements with potential risks of non-compliance that can result in costs and reputational damage

Mitigating control

We have numerous policies and procedures in place and work with our internal and external legal advisers to ensure compliance. The company also offers training in competition law to all relevant employees.

Impact of Covid-19 Pandemic

During 2020 the world has been impacted by the coronavirus pandemic. The business has taken the outbreak extremely seriously and have put in place measures to build as much resilience as possible to mitigate disruptions while ensuring the safety and wellbeing of its employees.

In common with many other organisations, the Covid-19 pandemic has had a considerable impact on the business. The hospitality & foodservice channels were severely affected by closures and had an impact on the company's volume but this was counterbalanced by the strong growth in the grocery retail & convenience channels fuelled by people being at home in lockdown with many turning to home cooking which has driven strong growth in particular across the President & Galbani brands in 2020.

Directors' statement of compliance with duty to promote the success of the Company (S172 statement)

The Companies (Miscellaneous Reporting) Regulations 2018 ("2018 MRR") require the Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) of the Companies Act 2006 ("S172") when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

The Directors have an in depth understanding of the business and the fast evolving business environment in which we operate. This is primarily fast moving consumer goods in the dairy industry which is a very competitive industry operating on small margins. To continue to deliver growth and long term success, we build strong mutually beneficial relationships with our key stakeholders including our customers, our milk producers, our suppliers and colleagues in the wider Lactalis Group as well as government and industry bodies.

The UK Board is also committed to ensuring our strategies are aligned with the long term vision and values of the Group. Our commitment to continuous improvement is demonstrated through the numerous projects we have in place such as improving animal health, reducing food waste, and packaging improvements to reduce the use of plastics and increase recyclability.

The company regards its employees as its most valuable asset and the success of our business depends on attracting, retaining and motivating our people. We undertake to remain a responsible employer, from pay and benefits to our health, safety and workplace environment and have procedures in place to encourage personal growth and development. We engage with our employees on a regular basis via meetings, business updates, employee surveys and newsletters.

LACTALIS MCLELLAND LIMITED

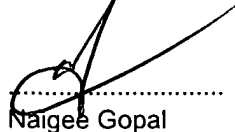
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The company has on-going meetings with all stakeholders about products, services and future strategies. There are joint business plans in place with key customers and improvement plans with suppliers.

There is also established consultation and discussions with the trade unions for our factory workers. Over the COVID-19 period, there has been regular communications with all employees setting out changes in policies and ways of working and ultimately ensuring the health and safety of our employees.

On behalf of the board



Naigee Gopal

Director

Date: 3 August 2021

LACTALIS MCLELLAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

Lactalis McLelland Limited's principal activity is the processing, import, manufacture and sale of branded and private label dairy products in the UK and abroad.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2019: £nil).

The outbreak of COVID-19 in early 2020 has affected business and economic activity around the world. The group has taken the outbreak extremely seriously and have put in place measures to build as much resilience as possible to mitigate disruptions while ensuring the safety and wellbeing of its employees.

In common with many other organisations, the COVID-19 pandemic has had a considerable impact on the business. The hospitality and foodservice channels were severely affected by closures and had an impact on the group's volume but this was counterbalanced by the strong growth in the grocery retail channels fuelled by people being at home in lockdown.

The directors have assessed the going concern assumption and believe that, with wider group support, this remains appropriate.

Directors

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

Michel Peslier	
Naigee Gopal	
Daniel Jaouen	(Resigned 9 November 2020)
Michael Chatters	(Appointed 1 June 2020)
Hugues Meaudre	(Resigned 1 June 2020)

Post reporting date events

There have been no post reporting date events.

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon reporting

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

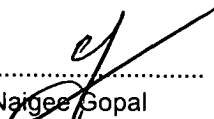
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves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

LACTALIS MCLELLAND LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board


.....
Naigee Gopal
Director

Date: 3 AUGUST 2021

LACTALIS MCLELLAND LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LACTALIS MCLELLAND LIMITED

Opinion

We have audited the financial statements of Lactalis Mclelland Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. 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 Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included checking the integrity and accuracy of the forecasts prepared by management; challenging management on the reasonableness of the assumptions made in the forecasts; assessing the reasonableness of assumptions and explanations provided by management to supporting documentation, where available; stress-testing management's forecasts to assess the impact of assumptions worse than those included in management's model; and auditing the accuracy of disclosures made in the financial statements.

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

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

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LACTALIS MCLELLAND LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LACTALIS MCLELLAND LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and food safety. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these laws and regulations and inspected the group and component's internal policies and procedures, internal meeting minutes as well as a review of external regulatory authority websites, where applicable.

The audit engagement team identified risk of management override of controls and net recognition of revenue after rebates as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in relation to management override of controls included but were not limited to testing manual journal entries and other adjustments, assessing whether the judgments made in making accounting estimates are indicative of management bias and evaluating the business rationale in relation to significant, unusual transactions. Audit procedures performed in relation to net recognition of revenue after rebates included but were not limited to testing the design of controls in relation to the completeness, accuracy and existence of rebates, reviewing a sample of accrued rebates back to contract to assess whether they were correctly recorded and reviewing payments made post year end to ensure completeness.

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

Use of our report

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

RSM UK Audit LLP

Katie Morrison BAcc CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG
6 AUGUST 2021

LACTALIS MCLELLAND LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £'000
Turnover	3	222,706	208,339
Cost of sales		(207,745)	(195,450)
Gross profit		14,961	12,889
Administrative expenses		(17,166)	(18,708)
Other operating income		3,266	3,522
Operating profit/(loss)	6	1,061	(2,297)
Interest receivable and similar income	8	1,240	1,682
Interest payable and similar expenses	9	(856)	(1,192)
Profit/(loss) before taxation		1,445	(1,807)
Tax on profit/(loss)	10	(263)	(13)
Profit/(loss) for the financial year		1,182	(1,820)
Other comprehensive income net of taxation			
Actuarial (loss)/gain on defined benefit pension schemes		(575)	16
Cash flow hedges gain/(loss) arising in the year		736	(833)
Tax relating to other comprehensive income		109	(55)
Total comprehensive income for the year		1,452	(2,692)

LACTALIS MCLELLAND LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

		2020	2019
	Notes	£000	£'000
Fixed assets			
Intangible assets	12	26	49
Tangible assets	13	220	230
Investment properties	14	1,430	1,430
Investments	15	13,861	13,861
		<u>15,537</u>	<u>15,570</u>
Current assets			
Stocks	17	4,575	4,143
Debtors	18	101,900	100,298
		<u>106,475</u>	<u>104,441</u>
Creditors: amounts falling due within one year	19	<u>(94,619)</u>	<u>(94,302)</u>
Net current assets		<u>11,856</u>	<u>10,139</u>
Total assets less current liabilities		<u>27,393</u>	<u>25,709</u>
Provisions for liabilities	21	<u>(23)</u>	<u>(75)</u>
Net assets excluding pension surplus		<u>27,370</u>	<u>25,634</u>
Defined benefit pension surplus	23	<u>59</u>	<u>343</u>
Net assets		<u><u>27,429</u></u>	<u><u>25,977</u></u>
Capital and reserves			
Called up share capital	24	17	17
Share premium account	25	2	2
Hedging reserve	25	63	(673)
Capital redemption reserve	25	18	18
Profit and loss reserves	25	27,329	26,613
Total equity		<u><u>27,429</u></u>	<u><u>25,977</u></u>

The financial statements were approved by the board of directors and authorised for issue on 3 August 2021 and are signed on its behalf by:


 Naigee Gopal
 Director

LACTALIS MCLELLAND LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Hedging reserve	Capital redemption reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	17	2	160	18	30,472	30,669
Year ended 31 December 2019:						
Loss for the year	-	-	-	-	(1,820)	(1,820)
Other comprehensive income net of taxation:						
Actuarial gains on defined benefit plans	-	-	-	-	16	16
Cash flow hedges gains	-	-	(833)	-	-	(833)
Tax relating to other comprehensive income	-	-	-	-	(55)	(55)
Total comprehensive income for the year	-	-	(833)	-	(1,859)	(2,692)
Dividends	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2019	17	2	(673)	18	26,613	25,977
Year ended 31 December 2020:						
Profit for the year	-	-	-	-	1,182	1,182
Other comprehensive income net of taxation:						
Actuarial gains on defined benefit plans	-	-	-	-	(575)	(575)
Cash flow hedges gains	-	-	736	-	-	736
Tax relating to other comprehensive income	-	-	-	-	109	109
Total comprehensive income for the year	-	-	736	-	716	1,452
Balance at 31 December 2020	17	2	63	18	27,329	27,429

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Lactalis Mclelland Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is The Creamery, Commerce Road, Stranraer, DG9 7DA.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of BSA International SA. These consolidated financial statements are available from Rue des Vétérinaires 42F, 1070 Bruxelles, Belgium.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

At the time of approving the financial statements, the directors are confident that the company has adequate resources to continue its operations for the foreseeable future. The company has prepared projections for at least 12 months from the date of approving the financial statements which show that the company will continue to be able to meet its liabilities as they fall due. As a key country within the wider Lactalis group, the parent company will continue to support and grow the UK businesses and have provided a letter of support to this effect. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Turnover

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

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.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life. Goodwill is currently considered to be fully amortised.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

Patents and licences	20% per annum on straight line method
----------------------	---------------------------------------

Tangible fixed assets

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

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

Fixtures and fittings	5% - 50% per annum on reducing balance and straight line methods
Computers	5% - 50% per annum on reducing balance and straight line methods
Motor vehicles	5% - 50% per annum on reducing balance and straight line methods

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

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

Fixed asset investments

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

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

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

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Other financial liabilities

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

Equity instruments

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Leases

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

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Leases

Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles, and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset, and projected disposal values.

Investment properties are professionally valued on a regular basis using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only be ultimately be reliably tested in the market itself.

Stock

The carrying value of stock includes and absorption of overhead costs incurred in the production of stock. This absorption is based on the volume of production of stock in a year relative to the level of overheads incurred in stock production. The absorption rate is re-assessed annually to ensure that the correct amount of overhead costs are reflected in the carrying value of stock at any given year end.

Investments

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment gives the valuation methodology.

Debtors

Determine whether any bad debt provision is required via a review of trade debtors, with debts provided for on a specific basis. Factors considered include customer payment history and agreed credit terms.

Pension

The assumptions used by the group actuary in preparing the defined benefit pension actuarial valuation are detailed at note 23.

3 Turnover

	2020	2019
	£000	£000
Turnover analysed by class of business		
Sale of goods	222,706	208,339

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover (Continued)

	2020 £000	2019 £000
Turnover analysed by geographical market		
United Kingdom	198,693	183,981
Europe	20,960	22,270
Rest of World	3,053	2,088
	<u>222,706</u>	<u>208,339</u>

4 Employees

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

	2020 Number	2019 Number
Administration and management	<u>124</u>	<u>117</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	7,106	7,306
Social security costs	789	740
Pension costs	497	482
	<u>8,392</u>	<u>8,528</u>

5 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	<u>676</u>	<u>574</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £000	2019 £000
Remuneration for qualifying services	335	408
Company pension contributions to defined contribution schemes	13	30
	<u> </u>	<u> </u>

During the financial year two of the directors were remunerated through the company. The remaining directors are remunerated through other group companies.

6 Operating profit/(loss)

	2020 £000	2019 £000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	37	(16)
Depreciation of owned tangible fixed assets	97	147
Amortisation of intangible assets	23	26
Operating lease charges	489	525
	<u> </u>	<u> </u>

7 Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	23	27
	<u> </u>	<u> </u>
For other services		
All other non-audit services	4	24
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2020 £000	2019 £000
Interest income		
Interest on bank deposits	258	328
Net interest on the net defined benefit asset	9	5
Interest receivable from group companies	748	1,349
	<u> </u>	<u> </u>
Total interest revenue	1,015	1,682
Income from fixed asset investments		
Income from shares in group undertakings	225	-
	<u> </u>	<u> </u>
Total income	1,240	1,682
	<u> </u>	<u> </u>

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£000	£000
Interest on bank overdrafts and loans	241	156
Interest payable to group undertakings	615	1,035
Other interest	-	1
	<u>856</u>	<u>1,192</u>

10 Taxation

	2020	2019
	£000	£000
Current tax		
UK corporation tax on profits for the current period	206	-
Adjustments in respect of prior periods	-	(4)
Total current tax	<u>206</u>	<u>(4)</u>
Deferred tax		
Origination and reversal of timing differences	<u>57</u>	<u>17</u>
Total tax charge	<u>263</u>	<u>13</u>

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2020	2019
	£000	£000
Profit/(loss) before taxation	<u>1,445</u>	<u>(1,807)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	275	(343)
Tax effect of expenses that are not deductible in determining taxable profit	6	5
Tax effect of income not taxable in determining taxable profit	(98)	(63)
Adjustments in respect of prior years	3	(3)
Group relief	(8)	419
Remeasurement of deferred tax for changes in tax rates	1	(1)
Other adjustments	<u>84</u>	<u>(1)</u>
Taxation charge for the year	<u>263</u>	<u>13</u>

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation (Continued)

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £000	2019 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(109)	55

11 Dividends

	2020 £000	2019 £000
Final paid	-	2,000

12 Intangible fixed assets

	Goodwill £000	Patents and licences £000	Total £000
Cost			
At 1 January 2020 and 31 December 2020	3,160	276	3,436
Amortisation and impairment			
At 1 January 2020	3,160	227	3,387
Amortisation charged for the year	-	23	23
At 31 December 2020	3,160	250	3,410
Carrying amount			
At 31 December 2020	-	26	26
At 31 December 2019	-	49	49

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

	Fixtures and fittings £000	Computers £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2020	1,427	431	5	1,863
Additions	61	26	-	87
Disposals	(484)	-	-	(484)
At 31 December 2020	1,004	457	5	1,466
Depreciation and impairment				
At 1 January 2020	1,240	388	5	1,633
Depreciation charged in the year	69	28	-	97
Eliminated in respect of disposals	(484)	-	-	(484)
At 31 December 2020	825	416	5	1,246
Carrying amount				
At 31 December 2020	179	41	-	220
At 31 December 2019	187	43	-	230

14 Investment property

	2020 £000
Fair value	
At 1 January 2020 and 31 December 2020	1,430

The investment property was valued by Lambert Smith Hampton, Chartered Surveyors, on 16 December 2015 on a fair value basis. The directors have reviewed the valuation at 31 December 2020 and consider it to remain appropriate.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2020 £000	2019 £000
Cost	2,141	2,141
Accumulated depreciation	(1,016)	(1,016)
Carrying amount	1,125	1,125

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15 Fixed asset investments

	Notes	2020 £000	2019 £000
Investments in subsidiaries	16	13,631	13,631
Investments in associates		230	230
		<u>13,861</u>	<u>13,861</u>

Movements in fixed asset investments

	Shares in group undertakings and participating interests £000
Cost or valuation	
At 1 January 2020 & 31 December 2020	13,861
Carrying amount	
At 31 December 2020	13,861
At 31 December 2019	<u>13,861</u>

16 Subsidiaries and associates

Details of the company's subsidiaries and associates at 31 December 2020 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
The Caledonian Cheese Company Limited	1	Ordinary	100.00
McLelland Cheese Packing Limited	1	Ordinary	100.00
Lubborn Cheese Limited	2	Ordinary	100.00
The Fresh Milk Company Limited	2	Ordinary	100.00
Orkney Cheese Company Limited	3	Ordinary	20.00
Dairy Solutions Limited	4	Ordinary	30.00

Registered office addresses (all UK unless otherwise indicated):

- 1 The Creamery, Commerce Road, Stranraer, DG9 7DA
- 2 Red Central, 60 High Street, Redhill, Surrey, RH1 1SH
- 3 Crowness Road, Hatston Industrial Estate, Kirkwall, Orkney, KW15 1RG
- 4 Englesea House, Barthomley Road, Crewe, Cheshire, CW1 5UF

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	4,575	4,143

18 Debtors

Amounts falling due within one year:	2020 £000	2019 £000
Trade debtors	29,210	24,704
Corporation tax recoverable	478	-
Amounts owed by group undertakings	71,920	74,965
Other debtors	167	363
Prepayments and accrued income	125	266
	101,900	100,298

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment, and are repayable on demand.

19 Creditors: amounts falling due within one year

	Notes	2020 £000	2019 £000
Bank loans and overdrafts	20	25,645	9,313
Trade creditors		3,393	3,178
Amounts owed to group undertakings		55,331	70,928
Taxation and social security		228	206
Other creditors		268	587
Accruals and deferred income		9,754	10,090
		94,619	94,302

The company's bank facilities are secured by an intercompany cross guarantee covering the Lactalis McLelland Limited group of companies, Lactalis Nestle Chilled Dairy Company Limited, Groupe Lactalis SA and Lactalis (UK) Limited.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment, and are repayable on demand.

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Borrowings

	2020 £000	2019 £000
Bank overdrafts	25,645	9,313
Payable within one year	25,645	9,313

21 Provisions for liabilities

	Notes	2020 £000	2019 £000
Deferred tax liabilities	22	23	75

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2020 £000	Liabilities 2019 £000
Balances:		
Accelerated capital allowances	12	10
Retirement benefit obligations	11	65
	23	75
Movements in the year:		2020 £000
Liability at 1 January 2020		75
Charge to profit or loss		57
Credit to other comprehensive income		(109)
Liability at 31 December 2020		23

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£000	£000
Charge to profit or loss in respect of defined contribution schemes	497	482

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year other than the December payroll amounts paid over January.

Defined benefit schemes

Following the acquisition of Galbani (UK) Limited in 2007, the company acquired a defined benefit pension scheme, the Galbani (UK) Limited Retirement Benefits Scheme.

A full actuarial valuation of the defined benefit scheme was carried out at 31 August 2019 and updated to 31 December 2020 by a qualified independent actuary. The company expects to contribute £282,000 to its defined benefit pension scheme in 2021.

<i>Key assumptions</i>	2020 %	2019 %
Discount rate	1.4	2
Expected rate of increase of pensions in payment	3.7	3.7
Retail price inflation	3.2	3.2
Consumer price inflation	2.5	2.2
Deferred pension revaluation	2.5	2.2
	<u> </u>	<u> </u>
	2020	2019
<i>Amounts recognised in the income statement</i>	£000	£000
Net interest on net defined benefit liability/(asset)	(9)	(5)
	<u> </u>	<u> </u>
	2020	2019
<i>Amounts taken to other comprehensive income</i>	£000	£000
Actual return on scheme assets	(235)	(381)
Less: calculated interest element	122	162
	<u> </u>	<u> </u>
Return on scheme assets excluding interest income	(113)	(219)
Actuarial changes related to obligations	688	199
	<u> </u>	<u> </u>
Total costs/(income)	575	(20)
	<u> </u>	<u> </u>

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2020 £000	2019 £000
Present value of defined benefit obligations	6,185	5,868
Fair value of plan assets	(6,244)	(6,211)
Surplus in scheme	(59)	(343)

	2020 £000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2020	5,869
Benefits paid	(485)
Actuarial gains and losses	688
Interest cost	113
At 31 December 2020	6,185

	2020 £000
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	6,185
	6,185

	2020 £000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2020	6,212
Interest income	122
Return on plan assets (excluding amounts included in net interest)	113
Benefits paid	(485)
Contributions by the employer	282
At 31 December 2020	6,244

The actual return on plan assets was £235,000 (2019 - £381,000).

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Retirement benefit schemes (Continued)

	2020 £000	2019 £000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	1,697	1,739
Bonds and cash	2,538	2,494
Insured pensions	2,009	1,978
	<u>6,244</u>	<u>6,211</u>

24 Share capital

	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>17,000</u>	<u>17,000</u>	<u>17</u>	<u>17</u>

Each share has full voting, dividend, and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

25 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Hedging reserve

Foreign currency hedge reserve.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £000	2019 £000
Within one year	590	555
Between one and five years	1,123	1,545
	<u>1,713</u>	<u>2,100</u>

LACTALIS MCLELLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

27 Related party transactions

Transactions with related parties

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

	Sales and other income		Purchases and recharged costs	
	2020	2019	2020	2019
	£000	£000	£000	£000
Entities over which the entity has control, joint control or significant influence	45	109	-	-
Group undertakings not 100% owned	1,753	1,928	365	353
Other related parties	43	52	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2020	2019
	£000	£000
Amounts due to related parties		
Group undertakings not 100% owned	-	65
Other related parties	9	-
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2020	2019
	£000	£000
Amounts due from related parties		
Entities over which the entity has control, joint control or significant influence	1	-
Group undertakings not 100% owned	157	15
Other related parties	-	48
	<u> </u>	<u> </u>

Other information

Other related parties relate to a company of which one of the directors is also a director of Lactalis McLelland Limited.

The company has taken advantage of the exemption granted by section 33.1A of FRS102 not to disclose transactions with other group companies.

28 Ultimate controlling party

The directors regard B.S.A. International S.A., a company incorporated in Belgium, as the company's immediate and ultimate parent company.

The largest and smallest group in which the company's results are consolidated is that headed by B.S.A. International S.A, and the consolidated accounts are available from Rue des Vétérinaires 42F, 1070 Bruxelles, Belgium.

Groupe B.S.A.

International



CONSOLIDATED FINANCIAL
STATEMENTS

2020

B. S. A. International

Société Anonyme : Share Capital 1 787 000 000 €
42 F rue des Vétérinaires - 1070 BRUXELLES

INDEPENDANT AUDITOR'S REPORT
ON THE CONSOLIDATED STATEMENT
AT 31 DECEMBER 2020

Independent auditor's report to the general meeting of B.S.A. International SA for the year ended 31 December 2020

As required by law and the Company's articles of association, we report to you as statutory auditor of B.S.A. International SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at 31 December 2020, the consolidated income statement for the year ended 31 December 2020 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 20 June 2018, in accordance with the proposition by the Board of Directors. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2020. We performed the audit of the Consolidated Financial Statements of the Group during 5 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of B.S.A. International SA, that comprise of the consolidated statement of the financial position on 31 December 2020, the consolidated income statement of the year and the disclosures, which show a consolidated balance sheet total of 5.579.305 thousand euros and of which the consolidated income statement shows a profit for the year of 175.420 thousand euros.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2020, and of its consolidated results for the year then ended, prepared in accordance with the financial reporting framework applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with the financial reporting framework applicable in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

In performing our audit, we comply with the legal, regulatory and normative framework that applies to the audit of the Consolidated Financial Statements in Belgium. However, a statutory audit does not provide assurance about the future viability of the Company and the Group, nor about the efficiency or effectiveness with which the board of directors has taken or will undertake the Company's and the Group's business operations. Our responsibilities with regards to the going concern assumption used by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, as well as to report on these matters.

Aspects relating to Board of Directors' report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contains any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

No additional services, that are compatible with the audit of the Consolidated Financial Statements as referred to in Article 3:65 of the Code of companies and associations and for which fees are due, have been carried out.

Diegem, 24 June 2021

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by

Carlo-Sébastien D'Addario *
Partner
*Acting on behalf of a BV/SRL

21CSD0169

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEET	5
CONSOLIDATED INCOME STATEMENT	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8
NOTE 1 ACCOUNTING POLICIES	8
NOTE 2 SCOPE OF CONSOLIDATION	12
NOTE 3 GOODWILL	12
NOTE 4 INTANGIBLE ASSETS	13
NOTE 5 TANGIBLE ASSETS	13
NOTE 6 MOVEMENTS IN ASSETS , DEPRECIATION AND AMORTIZATION	14
NOTE 7 FINANCIAL ASSETS	15
NOTE 8 INVENTORIES	15
NOTE 9 TRADE AND OTHER RECEIVABLES	16
NOTE 10 SHAREHOLDERS' EQUITY	16
NOTE 11 PROVISIONS FOR RISKS AND CHARGES	17
NOTE 12 NET FINANCIAL DEBT	18
NOTE 13 ACCOUNT PAYABLES	19
NOTE 14 REVENUE	20
NOTE 15 OTHER PURCHASES AND EXTERNAL EXPENSES	20
NOTE 16 EXTRAORDINARY INCOME AND EXPENSES	20
NOTE 17 FINANCIAL INCOME/EXPENSES	20
NOTE 18 INCOME TAX	21
NOTE 19 EMPLOYEES	21
NOTE 20 COMMITMENTS GIVEN	21
NOTE 21 COMMITMENTS RECEIVED	21
NOTE 22 SIGNIFICANT EVENTS OCCURING AFTER THE END OF THE YEAR AND OTHERS INFORMATIONS	22
SCOPE OF CONSOLIDATION	23

CONSOLIDATED BALANCE SHEET

GROUPE B.S.A. INTERNATIONAL

ASSETS in thousands of euros

	Note	2020	2019
Goodwill	3	1 191 602	1 209 259
Intangible assets	4 & 6	889 501	871 527
Tangible assets	5 & 6	1 006 537	1 067 411
Financial assets	7	439 064	820 672
Investments in companies using equity method	7	172 044	0
Total fixed assets		3 698 749	3 968 869
Inventories	8	632 160	637 269
Trade and other receivables	9	1 243 361	1 129 282
- <i>Account receivables</i>		932 220	796 104
- <i>Other receivables</i>		285 577	305 727
- <i>Prepaid expenses</i>		25 564	27 451
Cash & cash pooling	12	5 034	294 022
Total current assets		1 880 556	2 060 574
TOTAL ASSETS		5 579 305	6 029 442

GROUPE B.S.A. INTERNATIONAL

LIABILITIES in thousands of euros

	Note	2020	2019
Shareholders' Equity – Group Interest		3 357 117	3 398 095
- <i>Share capital</i>		1 787 000	1 787 000
- <i>Share premium</i>		0	0
- <i>Reserves for currency translation differences</i>		(397 198)	(185 028)
- <i>Reserves and profit for the period</i>		1 967 315	1 796 123
Minority interest in shareholders' equity		37 973	37 982
Total shareholders' equity	10	3 395 090	3 436 077
Provisions for risks and charges	11	146 831	147 393
Financial liabilities	12	800 071	1 136 946
Account payables		879 611	916 419
Other payables		345 533	385 308
Accrued expenses		12 169	7 299
Total liabilities		2 037 384	2 445 973
TOTAL EQUITY & LIABILITIES		5 579 305	6 029 442

CONSOLIDATED INCOME STATEMENT

GROUPE B.S.A. INTERNATIONAL

In thousands of euros

	2020	2019
Net sales	6 318 738	6 191 595
Operating expenses	(5 998 963)	(5 857 678)
- <i>Purchases</i>	<i>(4 357 847)</i>	<i>(4 267 690)</i>
- <i>Other external revenues and charges</i>	<i>(925 722)</i>	<i>(897 472)</i>
- <i>Staffs costs</i>	<i>(541 640)</i>	<i>(513 977)</i>
- <i>Income and payroll taxes</i>	<i>(15 858)</i>	<i>(14 932)</i>
- <i>Depreciation expenses</i>	<i>(160 468)</i>	<i>(145 263)</i>
- <i>Provisions for risks & charges expenses</i>	<i>(24 249)</i>	<i>(27 155)</i>
- <i>Other operating revenues and charges</i>	<i>26 822</i>	<i>8 811</i>
Other non recurring expenses and revenues	20 562	13 032
Goodwill amortization and impairment	(117 961)	(117 950)
Operating profit	222 376	228 999
Net finance costs	(2 996)	1 528
Income before tax	219 380	230 527
Income tax	(59 509)	(72 597)
Net income from fully consolidated companies	159 870	157 929
Income from companies using equity method	15 550	0
Net income	175 420	157 929
Net income - Minority interest	4 227	5 295
Net income - Group interest	171 193	152 634
Net income per share	15,33	13,67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

The financial statements of the Group Companies, established according to the accounting principles in effect in their respective countries, have been restated in advance in order to ensure that the consolidated accounts are compliant with articles 3:96 to 3:158 of the Royal Decree of 29 April 2019.

▪ **BASIS OF CONSOLIDATION**

- The French and Foreign subsidiaries and sub-subsidiaries, in which the Group is liable for the definition of the financial and economic policies are consolidated by full consolidation
- The companies held for more than 20%, and of which the group does not have exclusive control are consolidated by the equity method, with the exception of those over which the group exercises no notable influence.
- The subsidiaries and sub-subsidiaries of the Group and their financial year on 31 December. Companies acquired or created which do not end their financial year on this date draw up interim statements.
- Consolidation method change: From January 1st, 2020, Lactalis Do Brazil, Itambé and Nutrifont (Held by the Group at 32.81%) are now consolidated in accordance with the Equity Method. The shares' purchase price is allocated to the related asset and liabilities valued at the fair value. The difference between the purchase price and the group interest at the fair value of acquired assets and liabilities represents the Goodwill. Financial impacts of this change are exposed in the note 7.

▪ **SUBSIDIARIES - CONSOLIDATION EXEMPTIONS**

The following German subsidiaries use the exemption possibilities pursuant to § 264 Section 3 of the German Commercial Code (HGB) for the disclosure of financial statements or the preparation of a Management Report or Notes to the Financial Statements:

- OMIRA GmbH, Ravensburg/Germany
- OMIRA Milchunion Süd GmbH, Ravensburg/Germany
- Neuburger Milchwerke GmbH, Neuburg/Germany
- OMIRA BodenseeMilch GmbH, Ravensburg/Germany
- Ravensburg Milchwerke GmbH, Kehl am Rhein/Germany
- Lactalis Gruppe GmbH, Kehl am Rhein/Germany
- Lactalis Deutschland GmbH, Kehl am Rhein/Germany

▪ **CONVERSION OF THE FINANCIAL STATEMENTS OF COMPANIES IN FOREIGN CURRENCIES**

The financial statements of the foreign subsidiaries of the group are translated as follows:

- Shareholders' equity is converted at the history rate,
- Other balance sheet items are converted at the rate on closure,
- The income statement items are translated at the average rate for the fiscal year,
- Translation gains and losses are included in the consolidated reserves and do not affect net income/loss.

▪ **GOODWILL**

The Group values assets and liabilities of acquired companies at their fair value with allocation of the balance to goodwill.

- Goodwill are:
 - First allocated to undervalued, non-current assets up to the amount of the unrealized capital gains and subject to the amortization rules of that item

- The remainder is allocated to goodwill

The Group has an allocation period, which ends at the closing of the first accounting period following the year of acquisition, to make appropriate analysis and to finalize valuation of assets and liabilities. After this allocation period, goodwill cannot be allocated any more except for unexpected additional price and corrections of errors in unjustified assets and liabilities.

For the new goodwill, as from January 1st, 2016, the Group determines their operating life, limited or not. When there is no predictable limit in the duration during which the goodwill will get economic advantages to the Group, the latter is not amortized. In this case, a test of depreciation is realized every year. When it exists, during the acquisition, the predictable limit in its operating life, the goodwill is linearly amortized on this duration, or, if it cannot be determined in a reliable way, over 10 years.

▪ INTANGIBLE ASSETS AND PROPERTY, PLANT, EQUIPMENT

Intangible assets mainly consist of collection areas and commercial brands. An amortization is realized on their useful life, when this one is defined.

Property, plant and equipment items are depreciated on a straight-line basis. Depreciation is calculated on the basis of the individual financial statements according to the Group depreciation plan based on the following probable useful lives:

• Building	15 to 40 years
• Industrial equipment	5 to 15 years
• Light vehicle	3 to 5 years
• Heavy truck and trailer	5 to 10 years
• Computer and office equipment	3 to 5 years
• Furniture	5 to 10 years

Assets financed through a lease agreement that transfer to the group the risks and rewards related to ownership are recognized as non-current assets, along with a corresponding financial liability. These assets are depreciated over their useful life. Conversely, agreements that are not considered finance lease agreements are treated as operating lease agreements. Payments made under these agreements are recognized as an expense on a straight-line basis during the contract term.

▪ RESEARCH AND DEVELOPMENT COSTS

Research and development costs are registered under expenses during the fiscal year in which they are incurred.

▪ IMPAIRMENT TESTS

As nothing specific is provided by the Belgium "Arrêté Royal" of 29 April, 2019 the impairment rules recommended by IAS 36 are applied. To measure impairment, the asset's carrying amount is compared with its recoverable amount who is defined as the higher of the fair value and the value in use.

For Intangible assets, the Group conducts impairment tests, at least once a year, or more in case of indications of losses of value. Annual impairments have to be done during the last quarter of the year and are mainly done external.

Fair value is generally used to perform the impairment test. It corresponds to the amount that could be obtained from the sale of the asset (or group of assets) under conditions of normal competition. It is, in the particular case of brands, approached by the capitalization method of future royalties flows.

A loss due to an impairment test has to be booked in order to keep the booked value lower than the recoverable value.

Goodwill, intangible assets with finite lives and property, plant and equipment are tested for impairment if there are signs of impairment.

To perform these impairments, Cash Generating Unit (« CGU ») are defined. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other assets or groups of assets.

Value in use is generally used to perform the impairment test. It is the present value of the future cash flows expected to be derived from an asset or a CGU.

If the recoverable amount is lower than book value, impairment loss has to be considered in priority on goodwill and be booked in P&L.

An impairment loss relative to goodwill is considered as definitive.

Others tangibles assets are also subjected to impairment tests if their book value couldn't be recovered.

▪ FINANCIAL FIXED ASSETS

Equity interests of unconsolidated companies and other financial fixed assets appear in the balance sheet at their acquisition cost and, where applicable, are covered by a provision for impairment losses.

In order to calculate this provision, the shares of listed non-consolidated companies are valued based on a weighted average of their stock market prices over a sufficiently long period of time to reduce the effect of sharp sporadic fluctuations.

▪ INVENTORIES

Inventories are valued at acquisition cost or at cost depending on their nature. The cost price of inventories corresponds to the weighted average cost.

When the net realizable value of inventory is less than its cost or acquisition cost, a provision for impairment losses is set up.

▪ TRADE RECEIVABLES

Trade receivables are presented either at their nominal value or net of provisions calculated based on the risk of unrecoverability or disputes.

The receivables sold through the factoring contract are settled by the factor to BSA Finances, to which the BSI Group therefore holds a receivable at closing, presented in account receivables in accordance with CNC notice 2011-23.

▪ CASH AND CASH POOLING

Cash includes cash equivalent who are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, securities, receivables and payables with BSA Finances covered by a Group cash pooling agreement.

▪ FINANCIAL INSTRUMENTS

The Group may use hedging financial instruments with the aim of hedging itself against the risk of variation in exchange rates and interest rates.

The instruments which meet the criteria of hedge accounting are classified as hedge instruments.

The instruments which do not meet the criteria of hedge accounting, while implemented with the prospect of risk management, shall be recorded as speculative instruments.

When the hedge relationship is demonstrated, no receivable or debt shall be recorded at the close. When the hedge relationship is not demonstrated, if the transaction shows unrealised losses, it shall be recorded under financial income and under provisions for risks. Unrealised gains are not registered.

▪ INVESTMENT SUBSIDIES

Investment subsidies are recognized as other debts and accruals and reversed through profit or loss at the same rate at which the assets that they finance are depreciated.

▪ PROVISIONS FOR RISKS AND CHARGES

Provisions are recorded for risks and charges whose purpose is clearly specified and whose due date or amount is uncertain and when an obligation exists vis-à-vis third parties and it is certain or probable that this obligation will result in an outflow of resources without at least equivalent consideration.

▪ TRANSLATION OF FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

Receivables and liabilities denominated in foreign currencies are converted into euros at the exchange rate at the end of the fiscal year. Translation differences incurred are booked in net finance costs.

In addition, receivables and liabilities for which a foreign currency hedge is in place are considered as being denominated in euros and therefore valued at the hedged or guaranteed rate.

▪ NET SALES

Net sales is recorded at the time of transfer of ownership and consists of sales of products and services less any rebates, discounts and allowances granted.

▪ NET FINANCE COSTS

The Group has selected the preferential method whose consist in allocating debt issuing expenses from loan's lifespan.

▪ EXTRAORDINARY INCOME AND EXPENSES

Non-recurring income/expenses include significant items which, because of their nature and/or amount, are unusual.

▪ INCOME TAX

Income tax corresponds to the sum of the amounts of tax due by each consolidated fiscal entity, adjusted by deferred taxes.

A deferred tax is recorded at the reporting date when a future tax position exists and the company's tax position so allows.

The future tax position results from:

- Tax payable on certain amounts included in equity which, because of special tax provisions, were not subject to corporation income tax or were taxed at a reduced rate,
- Tax payable or paid in advance related to certain income or expenses included in the accounting income of a fiscal year but taxable or tax-deductible during different fiscal years.

The Group uses the liability method, according to which deferred taxes are calculated by applying the tax rates approved at the reporting date which will be in effect on the date on which these differences reverse. Deferred taxes have been used on a net basis by tax entity. No deferred tax asset is calculated if the company's tax position does not allow it to foresee a possible use of these taxes. Deferred tax assets and liabilities are not discounted.

▪ EARNINGS PER SHARE

Basic earnings per share is obtained by dividing the net income attributable to owners of the parent company by the average weighted number of shares issued and outstanding during the fiscal year.

▪ RETIREMENT BONUSES

Contractual or statutory bonuses are recognized as expenses at the time of the employee's retirement. A provision is set up based on entitlements accrued.

NOTE 2 SCOPE OF CONSOLIDATION

There was no external growth during the year.

NOTE 3 GOODWILL

Goodwill (in thousand euros)	Gross amount	Amortization	Net amount
	2 110 282	918 680	1 191 602
Including :			
Ak Gida Group	484 478	125 234	359 244
Puleva Group	274 933	144 462	130 470
Dukat Group	199 499	135 644	63 855
Brazil equity method	153 323	15 332	137 991
Prabhat	134 939	27 092	107 847
Tirumala	146 737	51 780	94 957
Iberia Group	132 687	76 052	56 636
Sanulac	110 764	16 694	94 070
Albalact	45 545	19 572	25 973
Covalact	24 640	8 624	16 016
Others	402 738	298 194	104 544

Net goodwill assets break down as follows:

Net goodwill at 01/01/2020	1 209 259
Increase during the year	0
Adjustment to previous goodwill (1)	103 905
Amortization	(121 561)
Others	0
Net goodwill at 12/31/2020	1 191 602

(1) The gap is explained by :

- a) The equity method used for Brazil : 153.3 M€
- b) The minorities buyout of Dukat : 3.9 M€
- c) The prices' adjustments and goodwill of 2019 : -53.2 M€

NOTE 4 INTANGIBLE ASSETS

Intangible assets (In thousand euros)	Gross amount	Amortization	Net amount
Concessions, patents, licenses	71 641	55 298	16 343
Brands	962 911	107 610	855 301
Purchased goodwill	16 686	6 197	10 490
Other intangible assets	14 549	8 706	5 843
Total	1 067 311	177 810	889 501

NOTE 5 TANGIBLE ASSETS

Tangible assets (In thousand Euros)	Gross amount	Amortization	Net amount
Lands	127 896	8 927	118 970
Buildings	570 273	281 976	288 297
Fixtures & fittings	1 471 422	1 006 773	464 649
Others property, plant & equipment	174 560	125 086	49 474
Leased assets	16 209		16 208
Assets in progress	59 428	371	59 058
Advances & prepayments to suppliers	9 881	0	9 881
Total	2 429 669	1 423 132	1 006 537

NOTE 6 MOVEMENTS IN ASSETS, DEPRECIATION AND AMORTIZATION

Movements of fixed assets – Gross amount (In thousand euros)	Intangible assets	Tangible assets
Gross amount at 01/01/2020	1 015 254	2 332 909
Increases	2 703	146 520
Decreases	(1 994)	(32 607)
Change in scope (1)	67 802	(2 769)
Translation adjustments	(26 383)	(127 112)
Transfers, miscellaneous (incl. mergers)	9 930	112 728
Gross amount at 12/31/2020	1 067 311	2 429 669

Movements of depreciation and amortization (In thousand euros)	Intangible assets	Tangible assets
Amortization at 01/01/2020	143 727	1 265 498
Increases	32 006	128 540
Decreases	(2 003)	(29 340)
Change in scope (1)		7 749
Translation adjustments	(8 815)	(60 936)
Transfers, miscellaneous (incl. mergers)	12 895	111 620
Amortization at 12/31/2020	177 810	1 423 132

Movements of fixed assets – Net amount (In thousand euros)	Intangible assets	Tangible assets
Net amount at 01/01/2020	871 527	1 067 411
Increases (Capex)	2 703	146 520
Increases (Amort)	(32 006)	(128 540)
Decreases	8	(3 267)
Change in scope (1)	67 802	(10 518)
Translation adjustments	(17 567)	(66 176)
Transfers, miscellaneous (incl. mergers)	(2 964)	1 107
Net amount at 12/31/2020	889 501	1 006 537

(1) Of which allocation of brands New Milk (Sanulac) and Prahbat (Sunfresh) for 52 M€.

NOTE 7 FINANCIAL ASSETS

Financial assets (In thousand euros)	Gross amount	Provisions	Net amount
Equity investments	18 429	265	18 164
Related receivables (1)	409 033	0	409 033
Loans	7 181	1 969	5 212
Other financial assets	6 981	326	6 655
Total	441 624	2 560	439 064

(1) Of which loan to Gruppo Lactalis Italia:

408 960

Investments in companies using equity method (In thousand euros)	Investment value	Shareholders' Equity at the acquisition date	Goodwill Gross amount	Shareholders' Equity at year end	Equity method Shareholders' Equity result	Other Shareholders' Equity variations *
Equity method Lactalis do Brazil, Itambé, Nutrifont	376 175	222 939	153 236	172 044	15 550	(66 445)

*Other movements are mainly linked to local currency change.

NOTE 8 INVENTORIES

Inventories (In thousand euros)	Gross amount 2020	Net amount 2020	Net amount 2019
Raw materials & supplies	110 991	109 881	106 547
Work in process	1 128	1 128	25 110
Finished and semi-finished products	333 263	320 848	314 348
Consumables	206 808	200 303	191 265
Total	652 190	632 160	637 269

NOTE 9 TRADE AND OTHER RECEIVABLES

Other receivables (In thousand euros)	Gross amount 2020	Provisions 2020	Net amount 2020	Net amount 2019
Receivables (1)	973 168	40 948	932 220	796 104
Other receivables (1) (2)	266 843	2 130	264 713	283 583
Deferred tax assets	20 864	0	20 864	22 143
Prepaid expenses (1) (3)	25 564	0	25 564	27 451
Total	1 286 440	43 078	1 243 361	1 129 282

	2020	2019
Of which "Trade receivables" from related parties:	329 115	123 607
Of which "Other Receivables" from related parties:	11 884	17 002
Of which "Prepaid Expenses" towards related parties:	12 091	11 790
TOTAL RELATED PARTIES	353 090	152 399

NOTE 10 SHAREHOLDERS' EQUITY

Shareholders' equity (In thousand euros)	Total	Group share	Minority interests
At 12/31/2018	3 291 399	3 257 211	34 188
Net income	157 929	152 634	5 295
Dividends paid	(327)	0	(327)
Change in translation reserve	(15 648)	(14 448)	(1 200)
Change in scope	0	0	0
Other changes	2 723	2 698	25
At 12/31/2019	3 436 077	3 398 095	37 982
Net income	175 420	171 193	4 227
Dividends paid	(646)	0	(646)
Change in translation reserve	(207 263)	(206 510)	(753)
Change in scope	(1 435)	0	(1 435)
Other changes	(7 062)	(5 661)	(1 401)
At 12/31/2020	3 395 090	3 357 117	37 973

The share capital of the parent company remained unchanged and amounted to 1 787 000 thousand euros.

NOTE 11 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges (In thousand euros)	2020	2019
Deferred tax liabilities (1)	55 206	57 204
Provisions for retirement bonuses of the acquired companies (2)	37 332	36 674
Other provisions (3)	48 054	43 535
Negative goodwill	6 238	9 980
Total	146 831	147 393

(1) This item mainly concerns revaluations of assets in the consolidated financial statements.

(2) This line includes the provision for pensions of Skanemejerier for 14 274 thousand euros and Omira for 7 212 thousand euros.

(3) The item includes various provisions covering commercial and industrial disputes and other tax risks.

In addition, ongoing tax audits can potentially expose the Group to significant outflows of resources.

Those which cannot be assessed with sufficient reliability at this stage, due to the uncertainty regarding the outcome of the procedures, have not been provisioned in the accounts.

The movements of items (2) and (3) during the year breaks down as follows:

Provisions at (In thousand euros) 01/01/2020 :	80 209
Allowance of the year	14 323
Reversal of the year	(10 681)
Translation adjustments	(779)
Change in scope	2 061
Other changes	255
Provisions at 12/31/2020 :	85 387

NOTE 12 NET FINANCIAL DEBT

Net financial debt (In thousand euros)	2020	2019
Convertible bond loans	0	0
Loans from credit institutions	623 988	985 829
Miscellaneous borrowings and liabilities	7 041	5 807
Finance lease liabilities	1 016	440
Sub-total loans	632 045	992 076
Accrued interests	1 071	17 492
Bank overdrafts	166 956	127 378
Total financial debt	800 071	1 136 946
Marketable securities	(33 393)	(37 852)
Cash	(448 532)	(384 816)
Cash pooling	476 891	128 646
Total Cash and Cash Pooling	(5 034)	(294 022)
Total net financial debt	795 037	842 924

The maturities of the borrowings and debts are as follows:

In thousand euros	Debt details by maturity						
	Total	< 1 an	N+2	N+3	N+4	N+5	> 5 years
Band loans							
Syndication loan credit 2015	0	0	0	0	0	0	0
Syndication loan credit 2019	0	0	0	0	0	0	0
Misc. borrowing and liabilities	623 988	9 918	120 188	461 720	9 372	22 790	0
Other borrow. and miscel. debts	7 041	4 500	104	26	1 185	7	1 218
Finance lease liabilities	1 016	122	132	135	139	143	347
Sub-total	632 045	14 539	120 424	461 881	10 696	22 940	1 565
Accrued interests	1 071	1 071					
Bank overdrafts	166 956	166 956					
Cash & cash equivalent	(481 925)	(481 925)					
Cash pooling	(476 891)	(476 891)					

The breakdown of borrowings and debts, by currency and nature of interest rates was as follows:

By type of currency		
- Euros	578 365	92%
- US Dollars	24 544	4%
- Others currencies	29 137	5%
By type of interest rates		
- Variable	498 418	79%
- Fixed	133 627	21%
Total	632 045	100%

NOTE 13 ACCOUNT PAYABLES

In thousand euros	2020	2019
These items include trade payables to related parties	135 016	106 543

NOTE 14 REVENUE

Revenues had the following breakdown:

In thousand euros	2020	2019
Sales	6 631 096	6 484 309
Output of services	101 502	98 145
Total gross sales	6 732 598	6 582 454
Deferred rebates	(413 860)	(390 859)
Total net sales	6 318 738	6 191 595

NOTE 15 OTHER PURCHASES AND EXTERNAL EXPENSES

The fees of the statutory auditor are included in "Other purchases and external charges" and amounted to 3 057 thousand euros in 2020 (3 004 thousand euros in 2019).

NOTE 16 EXTRAORDINARY INCOME AND EXPENSES

In thousand euros	2020	2019
Allowance to/reversal of provisions	(1 258)	8 451
Net gain/loss on disposals of non-current assets	1 239	1 252
Income / expense on management operations	19 201	2 133
Income from government capital grants	1 381	1 196
Total	20 562	13 032

NOTE 17 FINANCIAL INCOME/EXPENSES

In thousand euros	2020	2019
Dividends received	8 351	3
Financial expenses - Interest and similar expenses	(17 014)	(20 188)
Translation adjustments	3 866	6 839
Additions to/reversals of provisions	18	(96)
Others	1 782	14 970
Total	(2 996)	1 528

Financial expenses essentially correspond to the financial interests relating to financing agreements established by the Group.

NOTE 18 INCOME TAX

Income tax had the following breakdown:

In thousand euros	2020	2019
Current tax	(63 266)	(62 945)
Deferred tax	3 756	(9 652)
Total	(59 509)	(72 597)

NOTE 19 EMPLOYEES

The number of full-time equivalent employees breaks down as follows:

	2020	2019
Number of full-time equivalent employees	33 657	33 270

NOTE 20 COMMITMENTS GIVEN

Commitments given (In thousand euros)	2020	2019
Endorsements, sureties and guarantees (1)	50 994	47 387
Total	50 994	47 387

(1) These amounts do not include any guarantees given by the Group BSI International to related entities.

NOTE 21 COMMITMENTS RECEIVED

Commitments received (In thousand euros)	2020	2019
Endorsements, sureties and guarantees	23 910	31 781
Total	23 910	31 781

NOTE 22 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR AND OTHERS INFORMATIONS
--

At the beginning of 2021 the following events took place:

- **Cativa**

On March 31, 2021 Lactalis do Brasil signed a strategic partnership agreement with Cativa's cooperative located in Londrina, in the state of Paraná. The agreement deals with long term partnership based on an exclusive supplying of milk by Cativa to Lactalis for 10 years and renewable for another 10 years. The project aims for develop the milk's collection and the dairy area. In this surrounding Lactalis purchased two production sites of Cativa located in Cerqueira César (SP) and Londrina (PR) and the collection center of Pato branco (PR) as well as the entire commercial organization of Cativa. In 2020 it turnover was more than 163 million euros and it collected 360 million liters of milk.

- **Biosearch SA**

The society KERRY has, dated February 16, 2021, announced and initiated a takeover bid on 100% of the Spanish legal entity BIOSEARCH S.A shares. Lactalis Group through Grupo Lactalis Iberia S.A.U held 29,5% (17 021 351 shares) of the society BIOSEARCH S.A and signed an irrevocable agreement to provide it titles to KERRY offer. The price is 2,20 € per share. The completion of the transaction is subject to three conditions which depend on: Kerry's obtaining from the Spanish authorities for foreign direct investment, obtaining the authorization from the Spanish competition authorities and the accepting of the offer by at least 50% of the shareholders of BIOSEARCH SA.

SCOPE OF CONSOLIDATION

Name	Country	% interest	Method
BSA INTERNATIONAL	BELGIUM	100,0000	MOTHER
SANULAC NUTRITIONALS SOUTH AFRICA (PTY) LTD	SOUTH AFRICA	100,0000	FULL CONSOL.
CLAYVILLE NUTRITIONALS (PTY) LTD	SOUTH AFRICA	100,0000	FULL CONSOL.
LACTALIS DEUTSCHLAND	GERMANY	100,0000	FULL CONSOL.
LACTALIS GRUPPE GMBH	GERMANY	100,0000	FULL CONSOL.
OMIRA GmbH	GERMANY	100,0000	FULL CONSOL.
OMIRA MILCHUNION SÜD GmbH	GERMANY	100,0000	FULL CONSOL.
NEUBURGER MILCHWERKE GmbH	GERMANY	100,0000	FULL CONSOL.
OBM OMIRA BODENSEEMILCH GmbH	GERMANY	100,0000	FULL CONSOL.
RAVENSBURG MILCHWERKE GmbH	GERMANY	100,0000	FULL CONSOL.
ROUTHIER-WEBER GmbH	GERMANY	100,0000	FULL CONSOL.
ALWELIS WEBER GmbH	GERMANY	100,0000	FULL CONSOL.
UNITED FOOD INDUSTRIES COMPANY (UFC)	SAUDI ARABIA	99,0000	FULL CONSOL.
LACTALIS ARMA	ARMENIA	100,0000	FULL CONSOL.
LEMNOS FOODS PTY LTD	AUSTRALIA	100,0000	FULL CONSOL.
LACTALIS JINDI	AUSTRALIA	100,0000	FULL CONSOL.
SANULAC OCEANIA	AUSTRALIA	100,0000	FULL CONSOL.
SANULAC NUTRITIONALS AUSTRALIA PTY LTD	AUSTRALIA	100,0000	FULL CONSOL.
LACTALIS ÖSTERREICH GMBH	AUSTRIA	100,0000	FULL CONSOL.
LACTALIS CASPI	AZERBAIJAN	100,0000	FULL CONSOL.
TRANSCITERNE BENELUX	BELGIUM	100,0000	FULL CONSOL.
SOMALAC	BELGIUM	100,0000	FULL CONSOL.
MOLKEREI LAITERIE WALHORN	BELGIUM	100,0000	FULL CONSOL.
SOCABEL	BELGIUM	100,0000	FULL CONSOL.
LACTALIS BELGIEUE	BELGIUM	100,0000	FULL CONSOL.
BS NUTRITION	BELGIUM	100,0000	FULL CONSOL.
SANULAC NUTRITION	BELGIUM	100,0000	FULL CONSOL.
LACTALIS BLR	BELARUS	100,0000	FULL CONSOL.
LYAKHOVICH DAIRY FACTORY	BELARUS	87,7419	FULL CONSOL.
INNER LTD	BOSNIA HERZEGOVINA	95,3300	FULL CONSOL.
LACTALIS BH	BOSNIA HERZEGOVINA	95,3300	FULL CONSOL.
LJB - PRERADA I PROMET MLJEKA	BOSNIA HERZEGOVINA	91,4931	FULL CONSOL.
LACTALIS BULGARIA	BULGARIA	95,3300	FULL CONSOL.
LACTALIS DO BRASIL PARTICIPACOES LTD	BRÉSIL	32,8100	EQUITY
NUTRIFONT INDUSTRIA DE INGREDIENTES LACTEOS LTDA	BRÉSIL	32,8100	EQUITY
ITAMBE ALIMENTOS S.A.	BRÉSIL	32,8100	EQUITY
SANULAC NUTRICIÓN CHILE SpA	CHILE	100,0000	FULL CONSOL.
LACTALIS TRADING (SHANGHAI)	CHINA	97,0000	FULL CONSOL.
LACTALIS HONG KONG LIMITED	CHINA	100,0000	FULL CONSOL.
JIANGSU TAIZI DAIRY CO LTD	CHINA	99,0000	FULL CONSOL.
LACTALIS INGREDIENTS (SHANGHAI) CO., LTD	CHINA	100,0000	FULL CONSOL.
SANULAC NUTRITIONALS HONG KONG LIMITED	CHINA	100,0000	FULL CONSOL.
SANULAC NUTRITIONALS SHANGHAI	CHINA	100,0000	FULL CONSOL.
SANULAC NUTRICIÓN COLOMBIA S.A.S	COLOMBIA	100,0000	FULL CONSOL.
SANULAC NUTRICION CARICAM SOCIEDAD ANONIMA	COSTA RICA	100,0000	FULL CONSOL.
DUKAT DAIRY INDUSTRY Inc.	CROATIA	95,3300	FULL CONSOL.
KIM DAIRY d.o.o.	CROATIA	95,3300	FULL CONSOL.
B.P.A.C. AUTO LTD	CROATIA	95,3300	FULL CONSOL.
LA LOG	CROATIA	95,3300	FULL CONSOL.
LACTALIS DANEMARK A/S	DENMARK	100,0000	FULL CONSOL.
BEST OF FRANCE FOR DAIRY PRODUCTS	EGYPT	51,0000	FULL CONSOL.
AL NOUR COMPANY FOR DAIRY PRODUCTS	EGYPT	50,9998	FULL CONSOL.
BEST CHEESE COMPANY FOR DAIRY PRODUCTS	EGYPT	51,0000	FULL CONSOL.
DAIRY DISTRIBUTION COMPANY	EGYPT	51,0000	FULL CONSOL.
GREENLAND GROUP FOR DAIRY INDUSTRIES S.A.E.	EGYPT	51,0000	FULL CONSOL.
L.P. AND TRADING MIDDLE EAST DMCC	UNITED ARAB EMIRATES	49,0000	FULL CONSOL.
L.P. AND TRADING MIDDLE EAST LLC	UNITED ARAB EMIRATES	100,0000	FULL CONSOL.
GRUPO LACTALIS IBERIA	SPAIN	100,0000	FULL CONSOL.
LECHE DE GALICIA	SPAIN	100,0000	FULL CONSOL.
LACTALIS FOOD SERVICES IBERIA	SPAIN	100,0000	FULL CONSOL.
LACTALIS FORLASA	SPAIN	100,0000	FULL CONSOL.
BPA IBERICA	SPAIN	50,7576	FULL CONSOL.
LACTALIS COMPRAS & SUMINISTROS	SPAIN	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS VALLISOLETANAS	SPAIN	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS DE PENAFIEL	SPAIN	100,0000	FULL CONSOL.
LACTALIS ZAMORA	SPAIN	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS DE GRANADA S.L	SPAIN	100,0000	FULL CONSOL.
GRANADA VAPOR Y ELECTRICIDAD	SPAIN	100,0000	FULL CONSOL.
LACTALIS PULEVA, S.L.U.	SPAIN	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS DE NADELA S.L.	SPAIN	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS DE MOLLERUSA S.L.	SPAIN	100,0000	FULL CONSOL.
LACTALIS VILLARROBLEDO	SPAIN	100,0000	FULL CONSOL.
SANULAC NUTRICIÓN ECUADOR S.A	ECUADOR	100,0000	FULL CONSOL.
LACTALIS FINLAND OY	FINLAND	100,0000	FULL CONSOL.
LABORATOIRES SANULAC	FRANCE	100,0000	FULL CONSOL.
SANTE GMT PRODUCT	GEORGIA	100,0000	FULL CONSOL.
LACTALIS GEORGIA	GEORGIA	100,0000	FULL CONSOL.

Name	Country	% interest	Method
LACTALIS HELLAS-FOODS AND BEVERAGES S.A.	GREECE	100,0000	FULL CONSOL.
SHM HELLAS-PILION SA	GREECE	100,0000	FULL CONSOL.
LACTALIS HUNGARIA KFT	HUNGARY	99,9800	FULL CONSOL.
S.L. KUNTEJ Zrt	HUNGARY	100,0000	FULL CONSOL.
TIRUMALA MILK PRODUCTS	INDIA	100,0000	FULL CONSOL.
ANIK MILK PRODUCT PRIVATE LTD	INDIA	100,0000	FULL CONSOL.
SUNFRESH AGRO INDUSTRIES PRIVATE LIMITED	INDIA	100,0000	FULL CONSOL.
FOODMASTER COMPANY	KAZAKHSTAN	100,0000	FULL CONSOL.
FOODMASTER-SHYMKENT COMPANY	KAZAKHSTAN	100,0000	FULL CONSOL.
LLP MEZHDOURECHENSK AGRO	KAZAKHSTAN	100,0000	FULL CONSOL.
JSC SUT	KAZAKHSTAN	98,8328	FULL CONSOL.
LLP KIROVA	KAZAKHSTAN	100,0000	FULL CONSOL.
LLP FOODMASTER-TRADE	KAZAKHSTAN	100,0000	FULL CONSOL.
LACTALIS SH.P.K.	KOSOVO	95,3300	FULL CONSOL.
SIA LACTALIS BALTICS	LATVIA	100,0000	FULL CONSOL.
HANILOR SAL	LEBANON	50,9800	FULL CONSOL.
SMEDS INTERNATIONAL SAL	LEBANON	50,8000	FULL CONSOL.
EKABE S.A.	LUXEMBOURG	100,0000	FULL CONSOL.
LACTALIS LUXEMBOURG	LUXEMBOURG	100,0000	FULL CONSOL.
EKABE INTERNATIONAL	LUXEMBOURG	100,0000	FULL CONSOL.
NETHUNS S.A.	LUXEMBOURG	100,0000	FULL CONSOL.
LACTALIS MK DOOEL SKOPJE	MACEDONIA	95,3300	FULL CONSOL.
LACTALIS MK DAIRY LTD. BITOLA	MACEDONIA	95,3300	FULL CONSOL.
LACTALIS MK LOGISTICA	MACEDONIA	95,3300	FULL CONSOL.
LACTALIS MALAYSIA SDN BHD	MALAYSIA	100,0000	FULL CONSOL.
LACTALIS MANUFACTURING MALAYSIA SDN BHD	MALAYSIA	100,0000	FULL CONSOL.
LACTALIS TRADING MALAYSIA SDN BHD	MALAYSIA	100,0000	FULL CONSOL.
SANULAC NUTRICION MEXICO S. DE R.L DE C.V	MEXICO	100,0000	FULL CONSOL.
INDUSTRIAS LACTEAS DE VALLEJO S. DE R.L DE C.V	MEXICO	100,0000	FULL CONSOL.
SANULAC SERVICIOS S. DE R.L DE C.V	MEXICO	100,0000	FULL CONSOL.
I.M. FABRICA DE BRINZETURI DIN SOROCA S.A.	MOLDOVA	99,8517	FULL CONSOL.
I.M. FABRICA DE PRODUSE LACTATE HINCESTI S.A.	MOLDOVA	97,8534	FULL CONSOL.
LACTALIS ALBA SRL	MOLDOVA	100,0000	FULL CONSOL.
NEW ZEALAND NEW MILK LIMITED	NEW ZEALAND	100,0000	FULL CONSOL.
NEW ZEALAND NEW MILK BRANDS LIMITED	NEW ZEALAND	100,0000	FULL CONSOL.
LACTALIS NORGE AS	NORWAY	100,0000	FULL CONSOL.
LACTALIS AGRO LLC	UZBEKISTAN	100,0000	FULL CONSOL.
LACTALIS CENTRAL ASIA	UZBEKISTAN	100,0000	FULL CONSOL.
LACTALIS NEDERLAND	NETHERLANDS	100,0000	FULL CONSOL.
SANULAC NUTRICION PERU S.A.C	PERU	100,0000	FULL CONSOL.
LACTALIS PORTUGAL	PORTUGAL	100,0000	FULL CONSOL.
L.P.L.V. ACE	PORTUGAL	33,3300	FULL CONSOL.
LACTALIS C.Z.	CZECH REPUBLIC	99,2600	FULL CONSOL.
MLEKARNA KUNIN	CZECH REPUBLIC	100,0000	FULL CONSOL.
MLEKARNA KLATOVY	CZECH REPUBLIC	100,0000	FULL CONSOL.
DORNA LACTATE S.A.	ROMANIA	100,0000	FULL CONSOL.
DORNA S.A.	ROMANIA	99,9589	FULL CONSOL.
LACTALIS ROMANIA SA	ROMANIA	100,0000	FULL CONSOL.
ALBALACT SA	ROMANIA	100,0000	FULL CONSOL.
LACTALIS LOGISTIC S.R.L.	ROMANIA	100,0000	FULL CONSOL.
RARAU SA	ROMANIA	99,0419	FULL CONSOL.
COVALACT S.A.	ROMANIA	99,7400	FULL CONSOL.
COVALACT-PRODSERV S.R.L.	ROMANIA	99,7400	FULL CONSOL.
LACTATE HARGHITA S.A.	ROMANIA	99,3386	FULL CONSOL.
LACTALIS U.K.	UNITED KINGDOM	100,0000	FULL CONSOL.
LACTALIS McLELLAND LIMITED	UNITED KINGDOM	100,0000	FULL CONSOL.
McLELLAND CHEESE PACKING LIMITED	UNITED KINGDOM	100,0000	FULL CONSOL.
LUBBORN CHEESE LIMITED	UNITED KINGDOM	100,0000	FULL CONSOL.
THE FRESH MILK COMPANY LIMITED	UNITED KINGDOM	100,0000	FULL CONSOL.
THE CALEDONIAN CHEESE COMPANY LIMITED	UNITED KINGDOM	100,0000	FULL CONSOL.
EMSKCo. Ltd.	RUSSIA	100,0000	FULL CONSOL.
SOMBOLED LLC SOMBOR	SERBIA	95,3300	FULL CONSOL.
LACTALIS SINGAPORE	SINGAPORE	66,2000	FULL CONSOL.
Lactalis Asia Oceania Pte Ltd (EUR)	SINGAPORE	100,0000	FULL CONSOL.
LACTALIS SLOVAKIA	SLOVAKIA	100,0000	FULL CONSOL.
DUKAT S. LTD	SLOVENIA	95,3300	FULL CONSOL.
LJUBLJANSKE MLEKARNE MLEKARSKA INDUSTRIJA INC.	SLOVENIA	95,3300	FULL CONSOL.
SKANEMEJERIER AB	SWEDEN	100,0000	FULL CONSOL.
HJORDNARA MEJERI	SWEDEN	100,0000	FULL CONSOL.
KRISTIANSTADS OSTFORADLING	SWEDEN	100,0000	FULL CONSOL.
SVENSKA OSTKOMPANIET HB	SWEDEN	100,0000	FULL CONSOL.
MALMO MEJERI	SWEDEN	100,0000	FULL CONSOL.
KRISTIANSTADS MEJERI	SWEDEN	100,0000	FULL CONSOL.
SKANEMEJERIER FÖRSÄLJNING AB	SWEDEN	100,0000	FULL CONSOL.
SKANEMEJERISTORHUSALL AB	SWEDEN	100,0000	FULL CONSOL.
LINDHALS MEJERIPRODUKTER	SWEDEN	100,0000	FULL CONSOL.
BAER AG	SWITZERLAND	100,0000	FULL CONSOL.
SWISS PREMIUM CHEESE AG	SWITZERLAND	100,0000	FULL CONSOL.
LACTALIS SUISSE SA	SWITZERLAND	100,0000	FULL CONSOL.
AK GIDA	TURKEY	100,0000	FULL CONSOL.
SEHER GIDA	TURKEY	100,0000	FULL CONSOL.
LACTALIS MYKOLAIV ZAT	UKRAINE	100,0000	FULL CONSOL.
LACTALIS UKRAINE	UKRAINE	100,0000	FULL CONSOL.
MOLOCHNIY DIM PAVLOHRAD	UKRAINE	99,0000	FULL CONSOL.