

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

Annual report and financial statements

for the financial year ended 31 December 2018

Registered number: 01514948



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DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Mr. J. Woulfe
Mr. J. O'Gorman
Mr. E. C. Lynch

SECRETARY

Ms. A. Fogarty

REGISTERED OFFICE

Lancaster Fields
Crewe Gates Farm Industrial Estate
Crewe
Cheshire
CW1 6FU

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm,
Bank Place
Limerick
Ireland

BANKERS

Allied Irish Bank Group (UK) Plc,
City Business Centre
25 Finsbury Square
London
EC2A 1DS

SOLICITORS

Osborne Clarke Partnership
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

The Directors present their strategic report on the Company for the financial year ended 31 December 2018.

Review of the business

The Company is a wholly owned subsidiary of Dairygold Holdings (UK) Limited, a Company registered in the UK, whose ultimate parent undertaking is Dairygold Co-Operative Society Limited, a society registered in the Republic of Ireland under the Industrial and Provident Societies Acts 1893 to 2018.

The Company carries on business as suppliers and processors of cheese and cheese products to the manufacturing, wholesale and retail trades. There have not been any significant changes in the Company's principal activities during the period under review and the Directors are not aware, at the date of this report, of any likely changes in the Company's activities.

The Directors primarily measure the performance and development of the business by reference to turnover and profitability. As shown in the Company's Statement of Comprehensive Income on page 10, the Company's turnover has increased by 1.2% compared to the prior year, principally due to price increases to recover increases in commodity based input costs. The operating profit has increased by 13.4% to £1,908,096 (2017: £1,682,768) which was due mainly to decreases in operating costs year on year

The Statement of Financial Position shows an increase in net assets at the year-end of 12.4% to £9,031,953 (2017: £8,038,098). The movement in shareholders' funds is consistent with the retained profit for the current year, as there were no dividends paid (2017: £nil).

Principal risks and uncertainties

Competitive pressure in the food manufacturing and retail sector is a continuing risk for the Company, which could result in the Company losing sales to its competitors. The Company manages this risk by providing a range of add-on services and support to its customers in the form of technical support, customer service, new product development, market trends and knowledge. The business is a commodity business and the Company seeks to manage this risk through its integration with the Group. Commodity product prices are based on the market benchmarks with inflationary changes being passed on to customers at agreed price cycles.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. The risk, and its potential impact on cash flow, is carefully managed by way of credit scoring, credit insurance and close control of receivable balances.

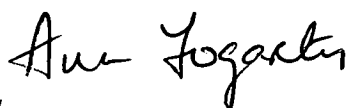
The UK vote to leave the EU presents a significant challenge to the Company and the Dairygold Co-Operative Society Limited group. A substantial portion of the Company's raw materials comes from Ireland and Brexit has the potential to make Irish imports uncompetitive in the UK. The Company will be challenged to recover the increased cost of raw materials purchased outside the UK.

Future developments

Regarding future prospects, the Directors consider that the Company remains competitive and is well placed to leverage its product quality and delivery capability.

Approved by the Board of Directors
and signed on behalf of the Board

Ms. A. Fogarty
Group Company Secretary



Date: 16 May 2019

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report, for the financial year ended 31 December 2018.

In preparing this Directors' Report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report.

Going concern and Future Developments

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 in the notes to the financial statements. Details regarding future developments can be found in the Strategic Report on page 3.

Dividends

No dividends were paid during the year and there is no recommendation to pay a dividend (2017: £nil).

Directors and Secretary

The Directors, who served throughout the year except as noted, were as follows:

Mr. J. Woulfe
Mr. J. O'Gorman
Mr. E. C. Lynch (appointed 19 February 2018)
Mr. J. Lynch (resigned 19 February 2018)

Mr. E. Looney resigned as Secretary on 1st May 2018 and Ms. A. Fogarty was appointed in his place on 1st May 2018.

Director's indemnities

None.

Political contributions

In the current year the Company made no political donations (2017: £nil).

Disclosure of Information to Auditors

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

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

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity and cashflow risk. The Company in conjunction with its ultimate parent undertaking, Dairygold Co-Operative Society Group Limited, has in place a risk management programme that seeks to manage the financial exposures of the Company.

The policies are set by the board of Directors and are implemented by the Company's finance department. Dairygold has a policy and procedures manual that sets out specific guidelines to manage credit risk and other financial risks and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The Company has implemented policies that require appropriate credit checks on third party customers before credit sales are made.

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Liquidity & cashflow risk

The Company is equity financed and has no external debt. Sufficient funds are made available to the Company for operations and planned expansions through intercompany funding.

Disclosure Exemptions

Dairygold Food Ingredients (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Dairygold Food Ingredients (UK) Limited is consolidated in the financial statements of its ultimate parent undertaking, Dairygold Co-Operative Society Limited, which may be obtained from its registered office at Clonmel Road, Mitchelstown, Co. Cork, Ireland. Exemptions have been taken in these separate Company financial statements in relation to disclosures concerning financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

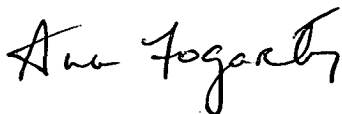
Independent Auditors

The auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Post Balance Sheet Events

No significant post balance sheet events have occurred that require reporting in the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board



Ms. A. Fogarty
Group Company Secretary

Date: 16 May 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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



Independent auditors' report to the members of Dairygold Food Ingredients (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dairygold Food Ingredients (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.



With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in dark ink, appearing to read 'Declan Maunsell'.

Declan Maunsell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Limerick
24 June 2019

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover - continuing operations	3	114,409,349	113,017,407
Cost of sales		(98,128,858)	(96,465,844)
Gross profit		16,280,491	16,551,563
Operating expenses - Distribution		(2,330,671)	(2,328,865)
Operating expenses - Administration		(12,041,724)	(12,539,930)
Operating profit		1,908,096	1,682,768
Interest payable and similar charges	4	(624,194)	(563,433)
Profit before taxation	5	1,283,902	1,119,335
Taxation charge on profit	9	(290,047)	(264,009)
Profit for the financial year		993,855	855,326

The Company had no recognised gains or losses for the financial year or the preceding year other than those dealt with in the statement of comprehensive income.

The above results are derived from continuing operations.

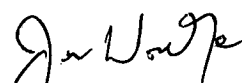
DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018


	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	11	44,754	52,410
Tangible assets	10	5,803,760	5,207,448
Financial assets	12	-	-
		<u>5,848,514</u>	<u>5,259,858</u>
Current assets			
Stocks	13	23,358,340	23,827,578
Debtors falling due within one year	14	17,387,667	19,439,843
Cash at bank and in hand		2,191,441	1,724,266
		<u>42,937,448</u>	<u>44,991,687</u>
Creditors : (amounts falling due within one year)	15	<u>(23,324,946)</u>	<u>(23,698,510)</u>
Net current assets		<u>19,612,502</u>	<u>21,293,177</u>
Total assets less current liabilities		<u>25,461,016</u>	<u>26,553,035</u>
Creditors: (amounts falling due after more than one year)	16	<u>(16,429,063)</u>	<u>(18,514,937)</u>
Net assets		<u>9,031,953</u>	<u>8,038,098</u>
Capital and reserves			
Called up share capital	18	100	100
Other reserves			
Profit and loss account		<u>9,031,853</u>	<u>8,037,998</u>
Shareholders' funds		<u>9,031,953</u>	<u>8,038,098</u>

The financial statements of Dairygold Food Ingredients (UK) Limited (registered number 01514948) were approved by the board of directors and authorised for issue on 16 May 2019.

Signed on behalf of the Board of Directors:


Mr. J. Wolfe
Director

Date: 16 May 2019


Mr. J. O'Borman
Director

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital £	Profit and loss account £	Shareholders' equity £
At 1 January 2017	100	7,182,672	7,182,772
Profit for the financial year	-	855,326	855,326
At 31 December 2017	100	8,037,998	8,038,098
Profit for the financial year	-	993,855	993,855
At 31 December 2018	100	9,031,853	9,031,953

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year.

a. General information and basis of accounting

Dairygold Food Ingredients (UK) Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Lancaster Fields, Crewe Gates Farm Industrial Estate, Crewe, Cheshire, CW1 6FU. The nature of the Company's operations and its principal activities are set out in the strategic report on page 3.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The functional currency of Dairygold Food Ingredients (UK) Limited is considered to be sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are prepared in sterling which is the presentational currency of the Company.

Dairygold Food Ingredients (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Dairygold Food Ingredients (UK) Limited is consolidated in the financial statements of its ultimate parent undertaking, Dairygold Co-Operative Society Limited, whose consolidated financial statements may be obtained from its registered office at Clonmel Road, Mitchelstown, Co. Cork, Ireland. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The Company has considerable financial resources including assurances over the availability of loans and additional working capital facilities provided by group companies. Additionally contracts and commercial relationships with customers provide a diverse and relatively secure source of cash flows such that the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries and reviewing the Company's future cash forecasts taking into account the uncertain market conditions to ensure that the Company has adequate liquidity and financial resources in place, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

c. Group accounts

The Company's ultimate parent undertaking is Dairygold Co-Operative Society Limited, a Society registered in the Republic of Ireland. The Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare group accounts. These financial statements therefore, provide information about the Company and not the Group.

d. Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost comprises the purchase price including legal and brokerage fees, import duties, any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, including non-refundable purchase taxes after deductions made for discounts and rebates. Own costs are capitalised where relevant and where the criteria for capitalisation is met.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset less estimated residual value over its expected useful life by equal instalments at the following rates:

Buildings	4% per annum
Fixtures, plant and machinery	10 – 25% per annum
Motor vehicles	25% per annum

Tangible assets in the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when they are commissioned and ready for their intended use.

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of its fair value less costs to sell and its value in use). Fair value less costs to sell is defined as the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those to be realised on its eventual disposal.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

e. Intangible assets

Costs incurred on the acquisition of computer software are capitalised as intangible assets, as are costs directly associated with developing computer software programmes. Costs incurred on the signing of contracts for listings of product are capitalised as intangible assets.

Computer software costs and listing fees recognised as assets are written off over their estimated useful lives by annual instalments at the following annual rates.

Computer software	10 – 25% per annum
Listing fee	33% per annum

1 Accounting policies (continued)**f. Stocks**

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

Costs in the case of raw materials, goods for resale and expense stocks comprise the purchase price including transport and other directly attributable costs. These are valued on a first in, first out basis.

Costs in the case of finished goods comprise direct material and labour costs and an appropriate proportion of manufacturing overhead based on normal production levels. These are valued using the weighted average cost formula.

Estimated selling price less costs to sell represents the estimated selling price less costs to completion and all appropriate holding, selling and distribution expenses.

Provision is made for obsolete, slow moving or defective items where appropriate.

g. Taxation

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

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

h. Deferred Taxation

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is considered that it is more likely than not that there will be suitable future taxable profits from which the underlying timing differences can be deducted.

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

The tax expense or income is presented in the same component of the statement of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

i. Turnover

Turnover is measured at the fair value of the consideration received/receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Company recognises turnover when the amount can be reliably measured, when it is probable that future economic benefit will flow to the Company and when specific criteria have been met for each of the Company's activities.

Turnover from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers and accumulated experience. Rebates and discounts are recorded in the same period as the original turnover.

When the expected receipt of turnover is deferred beyond normal credit terms, then it is discounted back to its present value.

j. Employee benefits

The Company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) Short term employee benefits

Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The Company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the Company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Post-employment benefits

The Company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the statement of comprehensive income in the year to which they relate. These contributions are invested separately from the Company's assets.

Difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

1 Accounting policies (continued)**k. Foreign currency**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into the profit and loss account for the financial year.

l. Leasing and hire purchase commitments

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

m. Financial fixed assets

Investments in subsidiary undertakings are carried at cost less provision for permanent diminution in value.

n. Provisions and contingencies**(i) Provisions**

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the Company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

o. Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, investments in corporate bonds and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

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

Trade and other creditors, bank loans, loans from fellow group companies, preference shares and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an 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.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both future and current periods.

Critical judgements in applying the Company's accounting policies

There are no critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty**Stock**

Included in note 5 is the impairment of stock recognised as an expense. Estimated selling price less costs to sell represents the Company's best estimate of the selling price that will be achieved in the market less costs in relation to completion and appropriate holding, selling and distribution expenses.

Useful economic lives

The useful economic lives of tangible assets are key assumptions concerning the future at the reporting date. In determining these estimates the Company has considered: the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence and any other limits on the use of assets.

3 Turnover**Geographical analysis**

	2018 £	2017 £
UK	105,601,484	103,514,310
Ireland	7,528,944	6,946,974
Rest of Europe	1,278,921	2,556,123
	<u>114,409,349</u>	<u>113,017,407</u>

4 Finance costs (net)**Interest payable and similar charges**

	2018 £	2017 £
On intercompany loans	624,194	563,433
	<u>624,194</u>	<u>563,433</u>

All interest payable is in respect of a loan owed to a fellow subsidiary undertaking (note 16). The interest is paid at EURIBOR plus a margin determined by Dairygold Finance DAC (a fellow Dairygold Co-Operative Society Limited group company) and is due for repayment on 31 December 2020.

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is arrived at after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible assets (note 10)	720,196	648,087
Amortisation of intangible assets (note 11)	7,656	44,568
Impairment of intangible assets (note 11)	-	43,666
Operating lease rentals	95,055	89,983
Cost of stock recognised as an expense	97,928,111	96,256,588
Movement in stock provision	140,994	70,489
Movement in debtor provision	(249,758)	204,919
Foreign exchange gains / losses	23,273	38,630

6 Auditors' remuneration

Fees payable to PricewaterhouseCoopers for the audit of the Company's annual financial statements were £25,000 (2017: £25,000)

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Employees

The average monthly number of employees was:

	2018	2017
Office and Management	78	78
Cheese Handling	80	78
	<u>158</u>	<u>156</u>

The aggregate payroll costs of these employees were as follows:

	2018	2017
	£	£
Wages and salaries	4,771,797	4,955,903
Social welfare costs	484,489	503,513
Pension costs (see note 20)	123,147	93,796
	<u>5,379,433</u>	<u>5,553,212</u>

Payroll costs are paid centrally by the Parent Society for administrative purposes and charged out of the Company as they arise.

8 Directors' remuneration and transactions

Directors' emoluments for the current and prior years were borne by a fellow group undertaking with no recharge made to this Company. It is not practical to allocate total remuneration for each Director to this entity.

9 Taxation Charge on profit on ordinary activities

The tax charge comprises:

	2018	2017
	£	£
Current tax on profit on ordinary activities		
UK corporation tax charge for the year	291,575	276,620
Adjustments in respect of previous periods	23,767	19,832
Total current tax	<u>315,342</u>	<u>296,452</u>
Deferred tax:		
Origination and reversal of timing differences	(8,054)	(26,807)
Adjustment in respect of previous periods	(18,088)	(8,450)
Effect of changes in tax rates	847	2,814
Total deferred tax (see note 17)	<u>(25,295)</u>	<u>(32,443)</u>
Taxation charge on profit on ordinary activities	<u>290,047</u>	<u>264,009</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

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

	2018	2017
	£	£
Profit on ordinary activities before taxation	<u>1,283,902</u>	<u>1,119,335</u>
Tax on profit on ordinary activities at standard UK corporation tax rate	243,941	215,434
Effects of:		
- Expenses allowable/not deductible for tax purposes	39,580	32,683
- Adjustments to tax charges in respect of previous periods	5,679	13,078
- Effects of changes in tax rates	847	2,814
	<u>290,047</u>	<u>264,009</u>

Finance Act 2016, included provisions to reduce the rate of corporation tax to 17.00% with effect from 1 April 2020 and 19% from 1 April 2017. A number of deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reversed before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Tangible Assets

	Freehold Land and Buildings £	Plant and Machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 2018	3,077,671	11,381,140	6,914	14,465,725
Additions	1,280,559	35,949	-	1,316,508
Disposals	-	(51,881)	-	(51,881)
At 31 December 2018	4,358,230	11,365,208	6,914	15,730,352
Accumulated depreciation				
At 1 January 2018	1,458,087	7,793,276	6,914	9,258,277
Charge for the year	149,683	570,513	-	720,196
Disposals	-	(51,881)	-	(51,881)
At 31 December 2018	1,607,770	8,311,908	6,914	9,926,592
Net book value				
At 31 December 2018	2,750,460	3,053,300	-	5,803,760
At 31 December 2017	1,619,584	3,587,864	-	5,207,448

11 Intangible Assets

	Software Development £	Total £
Cost		
At 1 January 2018	61,250	61,250
Additions	-	-
At 31 December 2018	61,250	61,250
Accumulated amortisation		
At 1 January 2018	8,840	8,840
Charge for the year	7,656	7,656
At 31 December 2018	16,496	16,496
Net book value		
At 31 December 2018	44,754	44,754
At 31 December 2017	52,410	52,410

12 Financial Assets

The unlisted shares in group companies comprise in the following wholly owned subsidiaries:

	Country of incorporation or principal business address	Principal activity	Holding	%
Dan Dairies (UK) Limited	England & Wales	Dormant	Ordinary shares	100%
Haslington Food Ingredients Limited *	England & Wales	Dormant	Ordinary shares	100%
Sunnyvale Dairy Products Limited *	England & Wales	Dormant	Ordinary shares	100%

* These Companies were dissolved on 17th April 2018.

	2018 £	2017 £
Cost		
As at 1 January and 31 December	6,307,468	6,307,468
Provisions for impairment		
As at 1 January and 31 December	6,307,468	6,307,468
Carrying value		
As at 31 December	-	-

All subsidiaries did not trade during the current and previous financial years.

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13 Stocks	2018	2017
	£	£
Raw materials	22,180,236	22,851,186
Finished goods and goods for resale	1,178,104	976,392
	<u>23,358,340</u>	<u>23,827,578</u>

There is no material difference between the above amounts and the replacement cost of stocks. The amount expensed in the period in respect of stocks whereby the estimated selling price less costs to sell was lower than cost was £140,994 (2017: £70,489).

14 Debtors	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	16,671,012	18,897,871
Amounts owed by Group undertakings	3,079	7,627
Prepayments and accrued income	325,175	182,671
Deferred taxation (note 17)	29,748	4,453
Other debtors, taxes and social security	358,653	347,221
	<u>17,387,667</u>	<u>19,439,843</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand. The amount recognised in the year in respect of provision for bad debts £249,758 (2017 expense: £204,419).

15 Creditors: (amounts falling due within one year)	2018	2017
	£	£
Trade creditors	6,804,316	5,745,054
Other taxation and social security	119,562	135,250
Corporation tax	187,214	126,872
Deferred revenue	408,506	343,215
Accruals and deferred income	1,600,500	2,810,227
Amounts owed to Group undertakings	14,204,848	14,537,892
	<u>23,324,946</u>	<u>23,698,510</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

16 Creditors: (amounts falling due after more than one year)	2018	2017
	£	£
Amounts owed to Group undertakings	<u>16,429,063</u>	<u>18,514,937</u>

The group pays interest at EURIBOR plus a margin determined by Dairygold Finance Limited (a fellow Dairygold Co-operative Society Limited group company) and is due for repayment on 31 December 2020.

17 Deferred taxation	2018	2017
	£	£
At 1 January	(4,453)	27,990
Charged to statement of comprehensive income for the year	(25,295)	(32,443)
At 31 December	<u>(29,748)</u>	<u>(4,453)</u>
Deferred tax	2018	2017
	£	£
Fixed asset timing differences	192,773	211,397
Short term timing differences	(222,521)	(215,850)
Deferred tax asset	<u>(29,748)</u>	<u>(4,453)</u>

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 Called-up share capital and reserves

	2018 £	2017 £
Authorised, allocated, called-up and fully-paid: 100 ordinary shares of £1 each	100	100

The profit and loss reserve represents cumulative profits and losses of the Company.

19 Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	-	59,319	-	82,326
- between one and five years	-	18,705	-	76,396
	-	78,024	-	158,722

20 Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees.

The total expense charged in the year ended 31 December 2018 was £123,147 (2017: £93,796). Amounts accrued as at 31 December 2018 were £21,859 (2017: £21,652).

21 Group Membership

The immediate parent undertaking and controlling party of the Company is Dairygold Holdings (UK) Limited, a Company registered in the UK, and its ultimate parent undertaking and ultimate controlling party is Dairygold Co-operative Society Limited, a Society registered in the Republic of Ireland. The financial statements of Dairygold Food Ingredients (UK) Limited are incorporated in the consolidated financial statements of its ultimate parent and can be obtained at the registered office of Dairygold Co-operative Society Limited, at Clonmel Road, Co. Cork, Ireland.

The largest and smallest group of companies, of which the Company is a member that produces consolidated financial statements is Dairygold Co-operative Society Limited.

22 Securities and Guarantees

The Company has provided guarantees on funds advanced to the Dairygold Co-operative Society Limited group. All funds are secured by fixed and floating charges on the assets of the Company.

23 Post balance sheet events

No significant post balance sheet events have occurred that require reporting in the financial statements.