

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

Annual report and financial statements

for the financial year ended 31 December 2019

Registered number: 01514948



DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED
REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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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 AUDITOR

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

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STRATEGIC REPORT

The Directors present their strategic report on the Company for the financial year ended 31 December 2019.

Review of the business

The Company is a wholly owned subsidiary of Dairygold Holdings (UK) Limited 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 year 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 decreased by 8.3% compared to the prior year, principally due to lower sales volumes. Operating profit has increased by 64.3% to £3,135,464 (2018: £1,908,096) which was due mainly to the reduction in cost of sales, driven partly by commodity cost reductions during the year and partly from value derived from stocks held at the end of 2018 and utilised during 2019.

The Statement of Financial Position shows an increase in net assets at the year-end of 23.5% to £11,155,252 (2018: £9,031,953). The movement in shareholder's funds is consistent with the retained profit for the current year, as there were no dividends paid (2018: £nil).

Section 172 (1) statement

From the perspective of the board, the directors are satisfied that the matters which it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent. These include addressing:

- the issues, factors and stakeholders, the directors consider relevant in complying with section 172 (1) (a) to (f) and how they have formed that opinion;
- the main methods the directors have used to engage with stakeholders and understand the issues to which they must have regard; and
- information on the effect of that regard on the Company's decisions and strategies during the financial year

The Company is a wholly owned subsidiary of Dairygold Holdings (UK) Limited 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 seeks to maintain a reputation for high standards of business conduct with all stakeholders. The board of directors of Dairygold Food Ingredients (UK) Limited, together with the board of its parent society, are satisfied they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act, 2006) in the decisions taken during the year ended 31 December 2019 as follows;

Employee engagement

The Company uses a variety of methods to enable all of its employees to understand the performance of the company and of their own operating sites. These include briefing groups, meetings with employee representatives and Company newsletters. Employees are consulted on a wide range of issues affecting their current and future interests, and particularly on changes affecting their Company. Employee surveys are used to gain valuable feedback. A colleague representative group is in place to facilitate regular communication with colleagues on a range of topics. A monthly management meeting and onward team cascade process ensures that regular business information is shared and two-way dialogue is encouraged for all colleagues in all parts of the Company. These processes are subject to continual review and improvement. Our employment policies are regularly reviewed to ensure they are simple, helpful and trusted to enable an honest and transparent employment culture. A robust induction procedure ensures communication and understanding of policies from day one and regular updates are communicated as required.

Equal opportunities

Dairygold is opposed to all forms of unlawful and unfair discrimination, recognising that the provision of equal opportunities in the workplace is good management practice and good business sense. Equal opportunities means that those who work for us can reach their full potential. The Company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disablement, marital status or religion.

Learning and development

Dairygold Food Ingredients (UK) Limited are committed to ensuring that all colleagues are provided with the necessary training to enable them to perform their roles safely, to the highest standards and in accordance with relevant Company policy and procedures. We ensure that appropriate documentation and procedures exist to support a regular review of training needs and delivery of appropriate training and development activities. Succession Planning ensures that colleague performance and potential can be realised through targeted development activity. Mandatory development is planned to ensure compliance with relevant statutory obligations.

Health and safety

Dairygold Food Ingredients (UK) Limited fully recognises and complies with the duties placed upon it under the Health and Safety at Work Act 1974 and all other relevant legislation to ensure a safe and healthy working environment. It also recognises the duty it has not only to staff, but also to customers, visitors and contractors and to any others who may be affected by its activities. The Company uses risk assessment principles to manage Health and Safety risks. The company has a central Health and Safety and Environmental team who provide support to the UK sites.

Community involvement

Dairygold Food Ingredients (UK) Limited has two manufacturing sites in the UK. The Company endeavours to be a 'good neighbour' in positively exercising its responsibilities towards the wider community.

Ethical trading

The Company's Code of Ethics and Business Conduct policy is built on its core values and highlights the principles that guide 'how it does business'. The Company's leadership and management team have an obligation to understand and consider this, and ensure they both act in a manner that avoids any improper, illegal or unethical actions and also to champion this behaviour within the teams they manage. The Company's code of practice is not limited to the policies and procedures which the company is committed to delivering, but also to ensuring that when its customers buy its products they are buying goods produced without exploitation and in acceptable working conditions and that the Company conducts its business with integrity and respect. Through these relationships, the company aims to provide customer confidence in its products, ensuring they are of a consistent high quality and that everyone in the supply chain is treated with honesty, fairness and respect.

Environmental responsibility

The Company recognises that its operations have a direct and indirect impact on both the wider environment and the environments in which it operates. The Company is committed to working continuously, in collaboration with its stakeholders and employees, to contribute positively to environmental sustainability. The Company recognises the importance of its environmental responsibility and monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. Each of the company's individual sites has its own environmental plan to reduce the impact it may have and reduce the effects of the wider group environment. The Company's aim is to reduce its impact on the environment as much as we can by recycling. Where possible, food waste is used as bio fuel in preference to landfill. Additionally, plastic, metal, electrical and cardboard are recycled.

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DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STRATEGIC REPORT

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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.

The United Kingdom ("UK") left the European Union ("EU") on 31 January 2020, which saw the UK leave the EU institutions but remain under most EU rules during the transition period until 31 December 2020. Negotiations are taking place to agree the future trading relationship. The Board has determined that, as the existing relationship continues while the future trading relationship is being negotiated, no adjustments are deemed necessary in the financial statements for the year ended 31 December 2019.

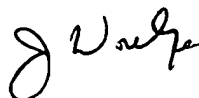
As referred to in Note 24, COVID -19 is a rapidly evolving situation resulting in a high level of uncertainty and has the potential to have a significant negative impact on the Company. As this event is a non-adjusting post balance sheet event, it has no impact on the results for the year or the balance sheet at 31 December 2019. The Board has considered the uncertainty surrounding the potential outcome of the COVID-19 virus and believe this will result in a negative impact on the financial results and balances for the year ended 31 December 2020.

Future developments

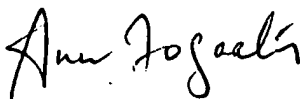
Regarding future prospects, the Directors consider that the Company remains competitive and is well placed to leverage its product quality and delivery capability

While Brexit and Covid-19 pose challenges the Company, from its position inside the UK market, is very well placed to grow market share further. Dairygold is currently evaluating opportunities in relation to a complete site regeneration at the Leeds facility. The potential investment will seek to increase capacity and facilitate new product development through the commissioning of new, state-of-the-art production facilities. This will re-enforce our market leading position within cultured dairy products. Similarly, we are evaluating opportunities for our cheese formatting operation in Crewe to increase capacity and improve efficiency.

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



Ms. A. Fogarty
Group Company Secretary



Date: 02 June 2020

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

DIRECTORS' AND SECRETARY REPORT

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 2019.

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 2 in the notes to the financial statements. Details regarding future developments can be found in the Strategic Report on page 3.

The evolving COVID-19 situation since year end could potentially have a significant negative impact on the Company. The Company is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. The parent Society has engaged with its Banking Syndicate and has put in place additional working capital facilities for the wider group for 2020.

Dividends

No dividends were paid during the year and there is no recommendation to pay a dividend (2018: £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

Ms A Fogarty as Secretary

Directors' Indemnities

None

Political contributions

In the current year the Company made no political donations (2018: £nil).

Business relationships

The company's statement of engagement with suppliers, customers and others in a business relationship with the company is set out as part of the s 172 (1) statement in the Strategic Report.

Disclosure of Information to Auditor

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

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The Director has taken all 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 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.

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DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

DIRECTORS AND SECRETARY REPORT

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Credit risk

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

Liquidity & cashflow risk

The Company has no external debt and liquidity is managed at a group level. 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 Auditor

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.

Events since the financial year end

COVID -19 is a rapidly evolving situation resulting in a high level of uncertainty and has the potential to have a significant negative impact on the Company. As this event is a non-adjusting event, it has no impact on the results for the year or the balance sheet at 31 December 2019. The Board has considered the uncertainty surrounding the potential outcome of the COVID-19 virus and believe this will result in a negative impact on the financial results and balances for the year ended 31 December 2020. It is not possible, however, to qualify this at present. The impact of Covid-19 is addressed in Note 24.

There are no other events after the financial year end impacting the financial statements

Going concern

The evolving COVID-19 situation since year end could potentially have a significant negative impact on the Company in 2020. The Company is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. As part of these arrangements the Group has also engaged with its Banking Syndicate and has put in place additional working capital facilities for 2020.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

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



Ms A Fogarty
Group Company Secretary



Date: 02 June 2020

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

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 2019 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 and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



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' and Secretary 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' and Secretary Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' and Secretary Report for the year ended 31 December 2019 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' and Secretary 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 7, 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.

Declan Maunsell

Declan Maunsell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Limerick
3 June 2020

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover - continuing operations	4	104,962,637	114,409,349
Cost of sales		<u>(87,102,948)</u>	<u>(98,128,858)</u>
Gross profit		17,859,689	16,280,491
Operating expenses - Distribution		(2,316,356)	(2,330,671)
Operating expenses - Administration		<u>(12,407,869)</u>	<u>(12,041,724)</u>
Operating profit		3,135,464	1,908,096
Interest payable and similar charges	5	<u>(567,325)</u>	<u>(624,194)</u>
Profit before taxation	6	2,568,139	1,283,902
Taxation charge on Profit	10	<u>(444,840)</u>	<u>(290,047)</u>
Profit for the financial year		<u>2,123,299</u>	<u>993,855</u>

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.

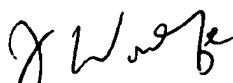
DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

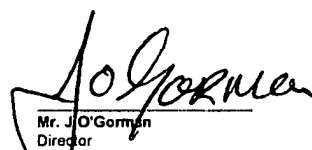
	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	12	111,261	44,754
Tangible assets	11	5,663,515	5,803,760
Financial assets	13	-	-
		<u>5,774,776</u>	<u>5,848,514</u>
Current assets			
Stocks	14	25,327,572	23,358,340
Debtors falling due within one year	15	17,350,586	17,387,667
Cash at bank and in hand		<u>1,520,527</u>	<u>2,191,441</u>
		44,198,685	42,937,448
Creditors: (amounts falling due within one year)	16	<u>(38,818,209)</u>	<u>(23,324,946)</u>
Net current assets		<u>5,380,476</u>	<u>19,612,502</u>
Total assets less current liabilities		<u>11,155,252</u>	<u>25,461,016</u>
Creditors: (amounts falling due after more than one year)	17	<u>-</u>	<u>(16,429,063)</u>
Net assets		<u>11,155,252</u>	<u>9,031,953</u>
Capital and reserves			
Called up share capital	19	100	100
Profit and loss account	19	<u>11,155,152</u>	<u>9,031,853</u>
Shareholders' funds		<u>11,155,252</u>	<u>9,031,953</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 02 June 2019.

Signed on behalf of the Board of Directors.


Mr. J. Woulfe
Director

Date 02 June 2020


Mr. J. O'Gorman
Director

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital £	Profit and loss account £	Shareholders' equity £
At 1 January 2018	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
Profit for the financial year	-	2,123,299	2,123,299
At 31 December 2019	100	11,155,152	11,155,252

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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. Group financial statements

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 financial statements. These financial statements therefore, provide information about the Company and not the Group.

c. 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.

d. 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.

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

Software development	10 – 25% per annum
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DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

e. 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.

f. 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 entity on the same taxable entity.

g. 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.

h. 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.

i. 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)**j. 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.

k. 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.

l. Financial fixed assets

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

m. 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.

n. 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.

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Going concern

The Directors have considered the basis of preparation of the financial statements for the financial year ended 31 December 2019. The financial statements have been prepared on the basis that the Company is a going concern. The Company had net current assets of £5,380,476 (2018: £19,612,502) at the financial year end. Included therein are net amounts of £29,227,903 (2018: £30,630,832) which are owed to other group companies. Notwithstanding that the Company has a net current assets position and is profitable at the financial year end, the Company has received confirmation from its parent Society Dairygold Co-Operative Society Limited, that the parent undertaking and its subsidiary companies will not seek repayment of any amounts owing to them at the financial year end in such a manner that would impact the ability of the Company to meet its other financial obligations as they fall due for a period of not less than 12 months from the date of signing the financial statements.

The parent Society has considered the impact of the uncertainties arising from the COVID 19 pandemic and its potentially negative impact on both the Society and group cashflows. The Society is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. As part of these arrangements the Society has also engaged with its Banking Syndicate and has put in place additional working additional facilities for the wider group for 2020. The Society's (and group's) forecasts and projections taking account of possible changes in trading performance show that the Society and the group should be able to operate within the increased level of the facilities now in place. Accordingly, on this basis the Directors consider it appropriate to present the financial statements on a going concern basis.

3 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.

Key sources of estimation uncertainty

Stock

Included in notes 6 and 14 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. See note 11 for further details.

4 Turnover	2019	2018
	£	£
Geographical analysis		
UK	94,884,173	105,601,484
Ireland	8,725,085	7,528,944
Rest of Europe	1,353,379	1,278,921
	104,962,637	114,409,349

5 Interest payable and similar charges	2019	2018
	£	£
Interest payable and similar charges		
On intercompany loans	567,325	624,194
	567,325	624,194

All interest payable is in respect of a loan owed to a fellow subsidiary undertaking (note 16 and 17).

6 Profit before taxation	2019	2018
	£	£
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of tangible assets (note 11)	701,723	720,196
Amortisation of intangible assets (note 12)	8,939	7,656
Operating lease rentals	105,445	95,055
Movement in stock provision (see note 14)	(187,116)	140,994
Movement in debtor provision (see note 15)	(193,417)	249,758
Foreign exchange (gains) / losses	(3,353)	23,273

7 Auditor's remuneration

Fees payable to PricewaterhouseCoopers for the audit of the Company's annual financial statements were £25,000 (2018, £25,000)

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 Employees

The average monthly number of employees was:

	2019	2018
Office and Management	81	78
Cheese Handling	74	80
	<u>155</u>	<u>158</u>

The aggregate payroll costs of these employees were as follows:

	2019 £	2018 £
Wages and salaries	5,033,090	4,771,797
Social welfare costs	504,874	484,489
Pension costs (see note 21)	163,615	123,147
	<u>5,701,579</u>	<u>5,379,433</u>

Payroll costs are paid centrally by the Parent Society for administrative purposes and charged to the Company on a monthly basis.

9 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.

10 Taxation charge on profit

The tax charge comprises:

	2019 £	2018 £
Current tax on profit		
UK corporation tax charge for the year	475,619	291,575
Adjustments in respect of previous periods	-	23,767
Total current tax	<u>475,619</u>	<u>315,342</u>
Deferred tax:		
Origination and reversal of timing differences	(30,779)	(8,054)
Adjustment in respect of previous periods	-	(18,088)
Effect of changes in tax rates	-	847
Total deferred tax (see note 18)	<u>(30,779)</u>	<u>(25,295)</u>
Taxation charge on profit	<u>444,840</u>	<u>290,047</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2018: 19.00%). 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.

	2019 £	2018 £
Profit before taxation	<u>2,568,139</u>	<u>1,283,902</u>
Tax on profit on ordinary activities at standard UK corporation tax rate	487,946	243,941
Effects of:		
- Expenses allowable/not deductible for tax purposes	(43,106)	39,580
- Adjustments to tax charges in respect of previous periods	-	5,679
- Effects of changes in tax rates	-	847
	<u>444,840</u>	<u>290,047</u>

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be an immaterial increase in the deferred tax asset.

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Tangible Assets

	Freehold Land and Buildings £	Plant and Machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 2019	4,358,230	11,365,208	6,914	15,730,352
Additions	28,580	532,898	-	561,478
At 31 December 2019	<u>4,386,810</u>	<u>11,898,106</u>	<u>6,914</u>	<u>16,291,830</u>
Accumulated depreciation				
At 1 January 2019	1,607,770	8,311,908	6,914	9,926,592
Charge for the year	163,907	537,816	-	701,723
At 31 December 2019	<u>1,771,677</u>	<u>8,849,724</u>	<u>6,914</u>	<u>10,628,315</u>
Net book value				
At 31 December 2019	<u>2,615,133</u>	<u>3,048,382</u>	<u>-</u>	<u>5,663,515</u>
At 31 December 2018	<u>2,750,460</u>	<u>3,053,300</u>	<u>-</u>	<u>5,803,760</u>

12 Intangible Assets

	Software Development £
Cost	
At 1 January 2019	61,250
Additions	75,446
At 31 December 2019	<u>136,696</u>
Accumulated amortisation	
At 1 January 2019	16,496
Charge for the year	8,939
At 31 December 2019	<u>25,435</u>
Net book value	
At 31 December 2019	<u>111,261</u>
At 31 December 2018	<u>44,754</u>

13 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%
Cost			2019	2018
As at 1 January and 31 December			£	£
			<u>6,307,468</u>	<u>6,307,468</u>
Provisions for impairment				
As at 1 January and 31 December			<u>6,307,468</u>	<u>6,307,468</u>
Carrying value				
As at 31 December			<u>-</u>	<u>-</u>

The subsidiary 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 2019

14 Stocks	2019 £	2018 £
Raw materials	24,231,542	22,180,236
Finished goods and goods for resale	1,096,030	1,178,104
	<u>25,327,572</u>	<u>23,358,340</u>

There is no material difference between the above amounts and the replacement cost of stocks. The amount (credited) / charged in the period in respect of stocks whereby the estimated selling price less costs to sell was lower than cost was a credit of £187,116 (2018: charge of £140,994).

15 Debtors	2019 £	2018 £
Amounts falling due within one year		
Trade debtors	16,739,460	16,671,012
Amounts owed by Group undertakings	43,580	3,079
Prepayments	180,621	325,175
Deferred tax asset (note 18)	60,527	29,748
VAT	<u>326,398</u>	<u>358,653</u>
	<u>17,350,586</u>	<u>17,387,667</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand. The amount credited to the statement of Comprehensive income in the period in respect of provision for bad debts £193,417 (2018 expense: £249,758)

16 Creditors: (amounts falling due within one year)	2019 £	2018 £
Trade creditors	6,450,226	6,804,316
Other taxation and social security	142,479	119,562
Corporation tax	316,897	187,214
Deferred revenue	384,409	408,506
Accruals	2,252,715	1,600,500
Amounts owed to Group undertakings	<u>29,271,483</u>	<u>14,204,848</u>
	<u>38,818,209</u>	<u>23,324,946</u>

Amounts owed to Group undertakings include a loan payable to Dairygold Finance DAC (a fellow Dairygold Co-Operative Society Limited Group company) in the amount of £18,386,893 which is unsecured. The interest on this loan is calculated at a rate of LIBOR plus 2.6%. The loan is repayable on 31 December 2023 or the repayment schedule can be varied by Dairygold Finance DAC by giving 30 days written notice. All other amounts owed to other group undertakings are unsecured, interest free and are repayable on demand.

17 Creditors: (amounts falling due after more than one year)	2019 £	2018 £
Amounts owed to Group undertakings	-	<u>16,429,063</u>

18 Deferred tax asset	2019 £	2018 £
At 1 January	(29,748)	(4,453)
Adjustments in respect of prior years	-	-
Credited to statement of comprehensive income for the year	<u>(30,779)</u>	<u>(25,295)</u>
At 31 December	<u>(60,527)</u>	<u>(29,748)</u>
Deferred tax	2019 £	2018 £
Fixed asset timing differences	224,360	192,773
Short term timing differences	<u>(284,887)</u>	<u>(222,521)</u>
Deferred tax asset	<u>(60,527)</u>	<u>(29,748)</u>

DAIRYGOLD FOOD INGREDIENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 Called-up share capital and reserves

	2019 £	2018 £
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.

20 Financial commitments

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

	2019		2018	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	-	41,170	-	59,319
- between one and five years	-	47,303	-	18,705
	-	88,473	-	78,024

21 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 2019 was £163,615 (2018: £123,147). Amounts accrued as at 31 December 2019 were £31,657 (2018: £21,859).

22 Group Membership

The immediate parent undertaking and controlling party of the Company is Dairygold Holdings (UK) Limited 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

23 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.

24 Events since the end of the financial year

COVID -19 is a rapidly evolving situation resulting in a high level of uncertainty, nationally and globally, and has the potential to have a significant negative impact on the Company through:

- potential for high staff absenteeism impacting the Company's ability to manage and operate the business on a day to day basis
- restricted market demand, from regions severely impacted from a logistics and global economic perspective, particularly Food Service businesses;
- negative financial implications for the business, from both a profitability and debt position, but particularly in relation to short to medium term working capital challenges.

From a Government perspective, Dairygold is an "essential business" in the context of the COVID -19 pandemic and will therefore continue to operate throughout the crisis over the coming months. However, it is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on consumer behaviour

The company's priority is to do all it can to keep our workplaces and retail outlets as safe as possible for our members, customers and staff. As part of Dairygold's robust Business Continuity Planning, the Parent Society has established a Pandemic Response Steering Group, which is supported by the Risk Management team. These teams meet regularly and liaise with the Senior Leadership team on an ongoing basis. The Steering group is constantly monitoring the situation to ensure all necessary actions and appropriate measures are being taken. The company is strictly following the guidelines issued by the NHS and the Government.

The company is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. The parent Society and the company are also putting in place various measures to control costs and conserve cash across the Group. As part of these arrangements the parent Society has engaged with its Banking Syndicate who have agreed to make significant additional working capital facilities available for the parent Society and its subsidiaries for 2020.

There are no other events after the financial year end impacting the financial statements