DIRECTORS' REPORT

The Companies Act 2006 ('CA 2006') together with the UK Listing Authority's Disclosure and Transparency Rules ('DTRs') and Listing Rules ('LRs') require certain disclosures to be made. The Strategic report and the Corporate Governance report at pages 4 to 31 and pages 35 to 44 respectively, together with the details at pages 32 and 33 of the Directors in office at the date of this Annual Report are expressly incorporated into this, the Directors' Report.

Going concern: The Group and Company's business activities, together with factors likely to affect future development, performance and position are set out in the Strategic report from pages 4 to 31. The financial position, cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 28 to 31 (which also form part of the Strategic report). In addition, Notes 30 and 31 to the Accounts include the Group and Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As highlighted in Note 30, the Company and Group meet day-to-day working capital requirements through syndicated revolving credit facilities and cash to ensure that forecast net borrowings plus a reasonable operating headroom are covered by committed facilities which mature at least 12 months after the year end. At 31 March 2014, effective headroom was £275.7 million. There were no breaches of bank covenants in the year ended 31 March 2014 and projections do not indicate any breaches in the foreseeable future. Having reviewed and taken into account Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009, the Directors are satisfied that the Company and the Group have adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Future developments: Future developments are described in the Strategic report at pages 4 to 31.

Group results: The Group's consolidated income statement set out on page 69 shows a profit for the financial year of £50.2 million compared with £46.6 million profit in 2012/13.

Dividends: the Directors are recommending a final dividend of 15.4p (2012/13: 15.0p) per ordinary share, which if approved, will be paid to members on the register at the close of business on 4 July 2013. Together, the final dividend and interim dividend (5.9p per ordinary share paid on 10 January 2014) make total dividends for the year of 21.3p per ordinary share (2012/2013: 20.7p).

Directors: Details of the Directors of the Company at the date of this Report are set out at pages 32 to 33. In addition, Alastair Murray served as a Director during the period 1 April 2013 to 23 May 2013 when he stepped down from the Board.

Directors' interests: Details of the interests in the shares of the Company of the Directors holding office as at the date of this Report, along with those of the Directors who held office during the year but retired or resigned from office, and their immediate families appear in the Remuneration Report on page 56. Details of the Directors' service contracts and letters of appointment appear in the Remuneration Report on page 49. No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Procedures for dealing with Directors' conflicts of interest are in place and are operating effectively. The Company maintains liability insurance for its Directors and Officers and those of its subsidiaries. The Directors, Company Secretary and other Officers of the Company and those of its subsidiaries are indemnified by the Company to the extent permitted by company law. That indemnity provision has been in place during the year and remains in force.

Disclosure of information to the Auditor: So far as each Director in office at the date of approval of this Report is aware, there is no relevant audit information of which the Company's External Auditor, Ernst & Young is unaware. Each of the Directors has taken all steps that they might reasonably be expected to have taken in order to (i) make themselves aware of any relevant audit information and (ii) establish that the External Auditor is aware of such information. For the purposes of this statement on disclosure of information to the External Auditor, 'relevant audit information' is the information needed by the Company's External Auditor in connection with the preparation of its report at pages 67 to 68.

Political Donations: No political donations or expenditures were made or incurred during the year.

Financial instruments: Details of the use by the Company and its subsidiaries of financial instruments and any related risk management objectives and policies (including hedging policy) and exposure, including to price risk, credit risk, liquidity risk and cash flow risk (of the Company in connection with such financial instruments) can be found at Note 30 to the financial statements.

Post balance sheet events: On the 14 April 2014 the Group completed the sale of a depot in Surbiton for proceeds of £5.4 million resulting in a profit on disposal of £4.9 million.

On 16 May 2014 the Group completed the sale of it's 30% shareholding in Wexford Creamery Limited for 3.4 million Euros (£2.8 million). At March 2014 the net carrying value totalled £2.1 million comprising share of associates, deferred consideration and valuation of options net of contract provisions.

Research and development: The Group has adopted a target of delivering 10% of its annual turnover through new product development. Focus continues to be on offering consumers a wide product mix, and especially the development of lower fat variants of existing products. Dairy Crest remains at the forefront of dairy industry developments to reduce packaging waste through innovation.

Employees: At the end of March 2014, the Group employed approximately 4,500 people. It depends on the skills and commitment of its employees in order to achieve its objectives. Personnel at every level are encouraged to make their fullest possible contribution to Dairy Crest's success. Details of the Group's employment policies can be found on pages 8, 9 and 10. Employees are kept regularly informed on matters affecting them and on issues affecting the Group's performance through a variety of communication tools, including the Group intranet. Regular employee surveys are conducted, the last of which was carried out in September 2013. The employee surveys enable an understanding of, amongst other matters, the general satisfaction level of employees with their employment, any questions or concerns which employees have in relation to the business of the Group, an understanding of the effectiveness of management of and communication with employees. Following employee surveys, specific action plans are drawn up and implemented on a site by site basis to address issues which are raised through the surveys. Each year, the senior management team conducts road shows which all employees are invited to attend. The last road shows were conducted during autumn 2013 and provided a forum for, amongst other matters, the communication to employees of the performance of the business of the Group, anticipated future developments, significant matters of required focus for the coming period, and; the opportunity for employees to ask questions of the senior management. The Group has well-established consultation and negotiating arrangements with established trade unions. Employees are encouraged to acquire shares in the Group through participation in the savings-related share option scheme ('Sharesave Scheme').

Details of the Scheme are set out in Note 26 to the financial statements.

Share capital: The authorised and issued share capital of the Company together with details of movements in the Company's issued share capital during 2013/414 are shown in Note 24 to the financial statements at page 109. As at the date of this report, 136,722,751 ordinary 25p shares were in issue and fully paid with an aggregate nominal value of £34,180,687.

Rights and obligations attaching to shares: The holders of ordinary shares are entitled to receive the Company's Reports and Accounts; to attend and speak at General Meetings of the Company; to appoint proxies and to exercise voting rights. To be effective, electronic and paper proxy appointments and voting instructions must be received at the Company's registered office, or such other place in the United Kingdom specified in the relevant notice of meeting, not later than 48 hours before a General Meeting. None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights. Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

Transfer of shares: Subject to applicable statutes and regulations, there are no restrictions on transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers.

Shareholder waiver of dividends: The Company established an employee benefit trust in 1996 which in certain circumstances holds shares in connection with the Group's employee share incentive plans. As the registered holder, the voting rights in the shares are exercisable by the trustee. However, the trustee does not ordinarily exercise those rights and waives its entitlement to dividends.

Issue of shares: At the AGM on 16 July 2013, shareholders renewed the authority for the Board under the Articles to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £22,768,020.

Purchase of own shares: At the AGM on 16 July 2013, shareholders granted the Company authority to make market purchases of up to 13,660,813 of its issued ordinary shares of 25 pence each, provided that: the minimum price which may be paid for any such ordinary share is 25 pence (exclusive of expenses and appropriate taxes); the maximum price (exclusive of expenses and appropriate taxes) which may be paid for any such ordinary share shall be not more than 5% above the average of the middle market prices for an ordinary share in the Company, as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase. The Company did not exercise this authority during the year and made no market purchases. Except in relation to a purchase of ordinary shares, the contract for which was concluded before this authority expires and which will or may be executed wholly or partly after such expiry, the authority granted shall expire at the conclusion of this year's AGM. The Directors believe it advisable to seek renewal of both of the above-mentioned authorities or replacement of them with suitable alternatives, annually at the AGM. Approval will be sought from the shareholders at this year's AGM to renew the authorities for a further year.

Substantial shareholdings: As at 31 March 2014, the Company had been notified in accordance with the Disclosure and Transparency Rules issued by the Financial Services Authority of the following interests of 3% or more in the Company's existing issued ordinary share capital.

	Notified No. of shares	Notified percentage of issued share capital
BlackRock, Inc.	6,834,772	5.00

During the period 1 April 2014 to 21 May 2014 the Company has been notified by Legal & General Group Plc that it holds less than 3% of the Company's issued share capital.

Articles of association: Changes to the Articles must be approved by the shareholders in accordance with the legislation in force from time to time.

Significant agreements – change of control: A change of control of the Company following a takeover bid may cause a number of agreements to which the Company or its subsidiaries are party, to take effect, alter or terminate. The agreements that are considered significant are as follows:

Borrowing facilities – Non-compliance with the change of control clauses in the Group's funding arrangements, or failure to reach agreement with the parties on revised terms, would require any acquirer to put in place replacement facilities.

Supply agreements – Certain supply agreements contain provisions whereby on a change of control of the Group, they may be terminable. Accordingly, a change of control of the Group could result in the need for the Group to source alternative supply for certain materials.

No compensation for loss of office: The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Pensions: The Company employs only the Executive Directors. Most employees in the Group are employed by the Company's main subsidiary, Dairy Crest Limited. Relevant companies within the Group became subject to the automatic enrolment regulations on 1 April last year. Depending on their grade, effective from 1 April 2013 employees either enter the auto enrolled pension arrangements for the Group which are provided by Zurich or into the Group's defined contribution pension scheme also provided by Zurich. The Group's defined benefit pension fund is closed to future accrual and is now in run-off. It remains under the control of a corporate trustee, Dairy Crest Pension Trustees Limited, the board of which comprises four directors nominated by Dairy Crest Limited and three directors elected by all members. Its assets are held separately from those of the Group and can only be used in accordance with the rules of the fund.

Greenhouse gas emissions: The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 31 March 2014 and the actions which the Group has taken to reduce them are set out on pages 23 to 27 and form part of the Directors' report disclosures.

Directors' responsibility statements: The responsibility statements required under Disclosure and Transparency Rule 4.1 are set out on page 66.

Annual general meeting: The AGM will be held at Eversheds LLP, One Wood Street, London, EC2V 7WS on Tuesday, 15 July 2014 at 12.00 pm. The Notice convening the meeting will be issued separately, together with details of the business to be considered and explanatory notes relating to each of the resolutions being proposed.

Auditor: Ernst & Young LLP has expressed its willingness to continue as Auditor of the Company. A resolution to reappoint Ernst & Young LLP as the Company's Auditor will be put to the forthcoming AGM.

The Directors' Report from pages 63 to 65 has been approved by the Board and is signed on its behalf by

Robin Miller Company Secretary & General Counsel
21 May 2014