INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAIRY CREST GROUP plc

Our opinions and conclusion arising from our audit

Our opinion on the financial statements

We have audited the financial statements of Dairy Crest Group plc for the year ended 31 March 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of IAS regulation.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- Accounting for promotional accruals, including the impact on revenue recognition;
- Assessing the carrying value of non-current assets;
- The treatment of exceptional items reported; and
- Determination of reportable segments in accordance with IFRS 8, Operating Segments.

Our response to these risks

The principle ways in which we responded to the risks identified above included:

Accounting for promotional accruals, including the impact of revenue recognition

We tested the key controls to ensure the recognition of promotional accruals was appropriate and applied in line with management's policies. We performed analytical procedures to evaluate and corroborate the key inputs in calculating the level of promotional accruals to be recognised at 31 March 2014. We challenged management's calculation based on current market trends, the history of claims that have been made from customers, and the level of claims subsequent to the year-end as compared to the level of the balance.

Assessing the carrying value of non-current assets

We challenged management's assumptions used in its impairment model for goodwill, intangible and fixed assets across the Group's four cash generating units ("CGUs") as set out in notes 10 and 11. In particular, we focused on the appropriateness of the methodology applied and we challenged management on cash flow forecasts, in particular cash inflows from property sales, margin growth assumptions and the allocation of central costs across CGUs. We obtained corroborative evidence where appropriate and involved Ernst & Young LLP valuation specialist in assessing the appropriateness of property values and risk adjusted discount rates. We challenged management's sensitivity analysis particularly in relation to the Dairies CGU which has limited headroom above carrying value.

Accounting for exceptional items

We challenged the classification of items as exceptional to ensure that the nature of each item is consistent with the criteria set out in the group's accounting policy as described in note in the Accounting Policies section of the financial statements and assessed the consistency in the application of the exceptional classification with previous accounting periods. We performed tests of transactions to audit both the amount and related disclosure for all exceptional items deemed material.

Determination of reportable segments

Following a significant business restructure, we challenged management's revision of the Group's reportable segments to a single Dairy Crest Group reportable segment, in accordance with the requirements of IFRS 8, Operating Segments. We evaluated changes in the day to day management of the Group's operations, the mechanism by which forecasts were completed during the year and the nature and extent of the revised management information provided to the Dairy Crest Group plc board (the Group's "Chief Operating Decision Maker") and on which it made its resource allocation decisions.

Our application of materiality

Materiality is a key part of planning and executing our audit strategy. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. As we develop our audit strategy, we determine materiality at the overall financial statement level and at the individual account level. Performance materiality is the application of materiality at the individual account level.

Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

We determined materiality for the group to be £3.0 million (2013: £2.8 million), which is approximately 5% of profit before tax, and performance materiality to be £2.25 million (2013: £2.1 million). This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2 million (2013: £0.2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAIRY CREST GROUP plc CONTINUED

An overview of the scope of our audit

All Dairy Crest Group plc operations are now based in the UK, with 96% of revenues and 100% of profit before tax reported through the Dairy Crest Limited statutory entity, on which we performed a full scope audit. The risk associated to other statutory entities within the group was considered and no other entities were deemed to be significant on the grounds of size. Specific procedures were performed on Philpot Dairy Products given the complex accounting relating to the financial instruments that are held in this entity. All audit worked performed for the purposes of the Group audit was undertaken by the Group audit team.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 63, in relation to going concern; and
- The part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code specific for our review.

The scope of our report

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

The scope of our audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 66, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Alison Duncan (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London

21 May 2014

1. The maintenance and integrity of the Dairy Crest Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.