IN FOCUS

Dairy Crest Group plc
Annual Report 2015

IN FOCUS

Dairy Crest processes and markets branded dairy products and nutritious fresh milk. The Company has a well-established strategy, a clear vision, robust values and good people.

In the year ended 31 March 2015 Dairy Crest has grown the combined sales and profits of our predominantly branded Cheese and whey and Spreads and butter businesses.

We have also negotiated the sale of our Dairies operations. Reported sales and profits from these operations have both fallen in the year.

The sale, which will transform Dairy Crest and allow us to focus further on profitable growth, is subject to the approval of the competition authorities.

We constantly innovate, bringing new products to market and new ways of working across the business.

We are a responsible business and have been awarded five stars by Business in the Community up from four and a half stars last year, maintaining our place at the very top of their index.

At the end of a year of change, Dairy Crest is well positioned to deliver sustainable and profitable growth for the benefit of everyone connected to the business.

CONTENTS

Non-GAAP measures of financial performance used throughout this Annual Report and Accounts are defined in the Financial review on pages 28 to 31 and in Note 1 to the financial statements.

AT A GLANCE

Who we are

Dairy Crest processes and markets branded dairy products and nutritious fresh milk

Vision

- We are proud of our links to the countryside, our dairy heritage and the part they play in everyday life
- We want to earn the right to consumers' loyalty by providing healthy, enjoyable, convenient products
- We aim to meet consumers' needs and go where this takes us
- As we grow, we will look after our people and the communities where we work

Strategy

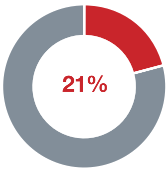
- To generate growth by building strong positions in branded and added value markets
- To simplify, make sustainable and reduce costs
- To generate cash and reduce risk
- To make acquisitions where they will generate value

Product groups

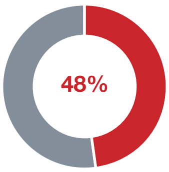
Contribution to Group: % of total Group. Revenue excludes other revenue. Profit is product group profit excluding associates.

Cheese & whey

Cheese revenue



Cheese profit



Dairy Crest has the leading cheese brand in the UK, Cathedral City, and a world-class cheese supply chain. Cathedral City is made at our Davidstow creamery in Cornwall from milk supplied by local dairy farmers. The cheese is matured, cut and wrapped at our purpose-built facility in Nuneaton from where it is despatched to retailers.

We also have a smaller cheese packing facility at Frome, Somerset which provides the business with additional flexibility. We currently dry the whey that is produced as a by-product of cheese making at Davidstow.

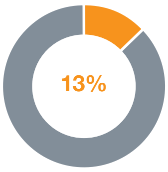
We are developing a new facility that will manufacture demineralised whey powder and galacto-oligosaccharide, a lactose based prebiotic.

Highlights

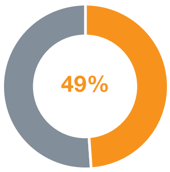
- Cathedral City continues to grow market share and is now Britain's 16th largest grocery brand (Source: The Grocer)
- Cathedral City now accounts for over 50% of total retail branded cheddar sales
- Our premium brand Davidstow has also grown market share
- On track to produce demineralised whey and galacto-oligosaccharide later in 2015

Spreads & butters

Spreads revenue



Spreads profit



Dairy Crest produces some of the UK's leading spreads and butter brands. We focus on two key brands Clover and Country Life.

We also manufacture and sell Frylight one calorie cooking spray.

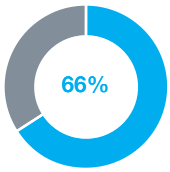
During the year we have consolidated the production of spreads and packet butters at Kirkby, Merseyside.

Highlights

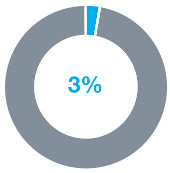
- Country Life Spreadable continues to grow and outperform the market
- Clover maintains market share – awarded 'Best Buy' in spreads category by Which magazine
- Frylight sales growing strongly
- Packet butter and spreads manufacturing consolidated into one site

Dairies

Dairies revenue



Dairies profit



We process and deliver fresh conventional, organic and flavoured milk to major retailers, 'middle ground' customers including smaller retailers, coffee shops and hospitals, and residential customers.

We also manufacture and sell FRijj, the leading fresh flavoured milk brand, cream and milk powders.

Dairies also benefit from property profits arising from the sale of surplus depots.

Highlights

- FRijj sales up by 7%
- Reduced sugar FRijj variant introduced
- Ongoing cost reductions achieved
- Property profits £17.6 million

Sale of Dairies

On 6 November 2014 Dairy Crest agreed to sell its Dairies operations to Muller UK and Ireland Group LLP for £80 million in cash on completion. The sale has been approved by shareholders but remains conditional on the approval of the relevant competition authorities.

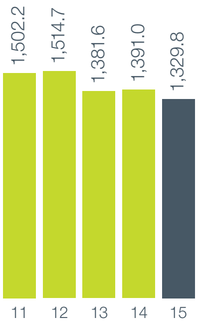
Details of the sale are included in the Financial review on page 29.

Our retail markets

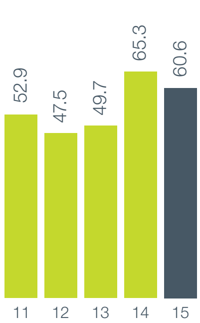
IRI market data, 52 weeks ended 28 March 2015	£ million
Cheese	2,453
Butter and spreads	1,161
Milk	2,764
Ready to drink flavoured milk	268

Financial highlights

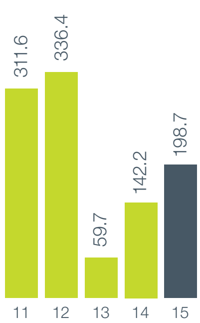
Revenue (£m)



Adjusted profit before tax* (£m)

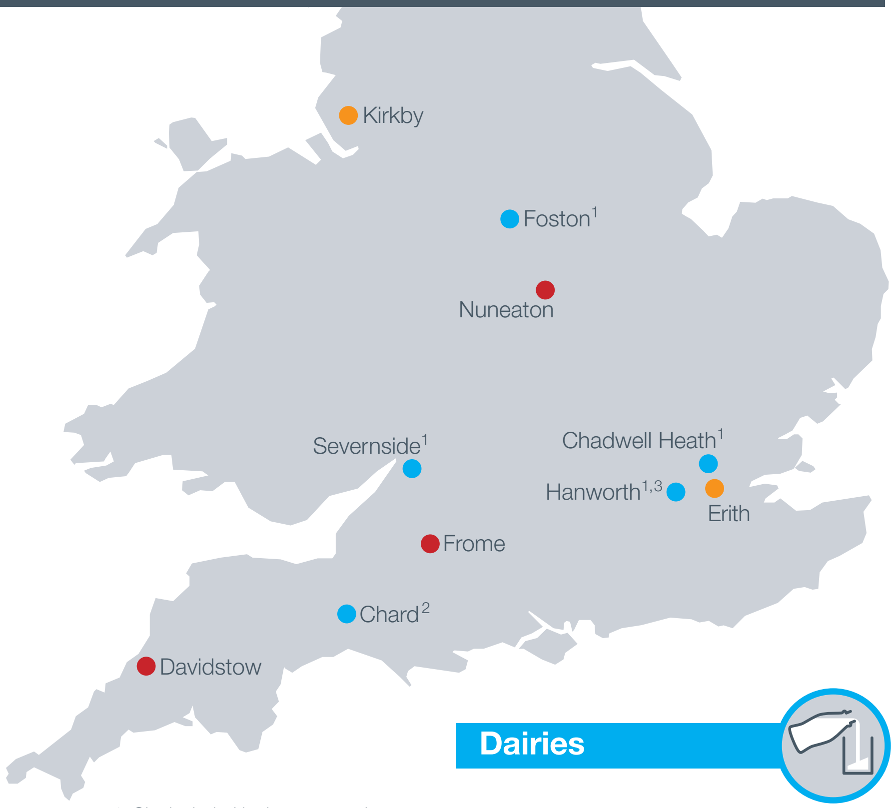


Net debt (£m)



* Before exceptionals, amortisation of acquired intangibles and pension interest

Production sites



1. Site included in the proposed sale of Dairies operations.
2. Planning to close 2015.
3. Planning to close 2016.

Cheese & whey

No1 UK branded cheese

Spreads & butters

No1 UK dairy spread

Frylight 1Cal

Dairies

Fresh milk to retailers

Country Life milk

No1 ready to drink flavoured milk

Residential delivery – ‘milk&more’

Making the most from milk

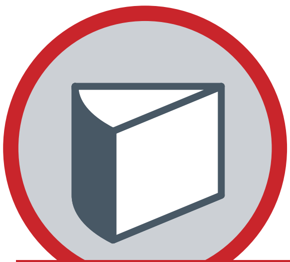
Dairy Crest processes and markets branded dairy products and nutritious fresh milk. Our business depends on milk and we make sure we use every drop we buy. This diagram shows how milk flows through our business and the products we make from it.

We have three product groups: Cheese & whey, Spreads & butters and Dairies.

Milk procurement

A sustainable supply of high quality milk is important to Dairy Crest. We buy 1.9 billion litres each year – around 1 litre in every 6 produced in Great Britain.

After the conditional sale of our Dairies operations we expect our annual milk purchasing volumes to fall to around 500 million litres.



Cheese & whey

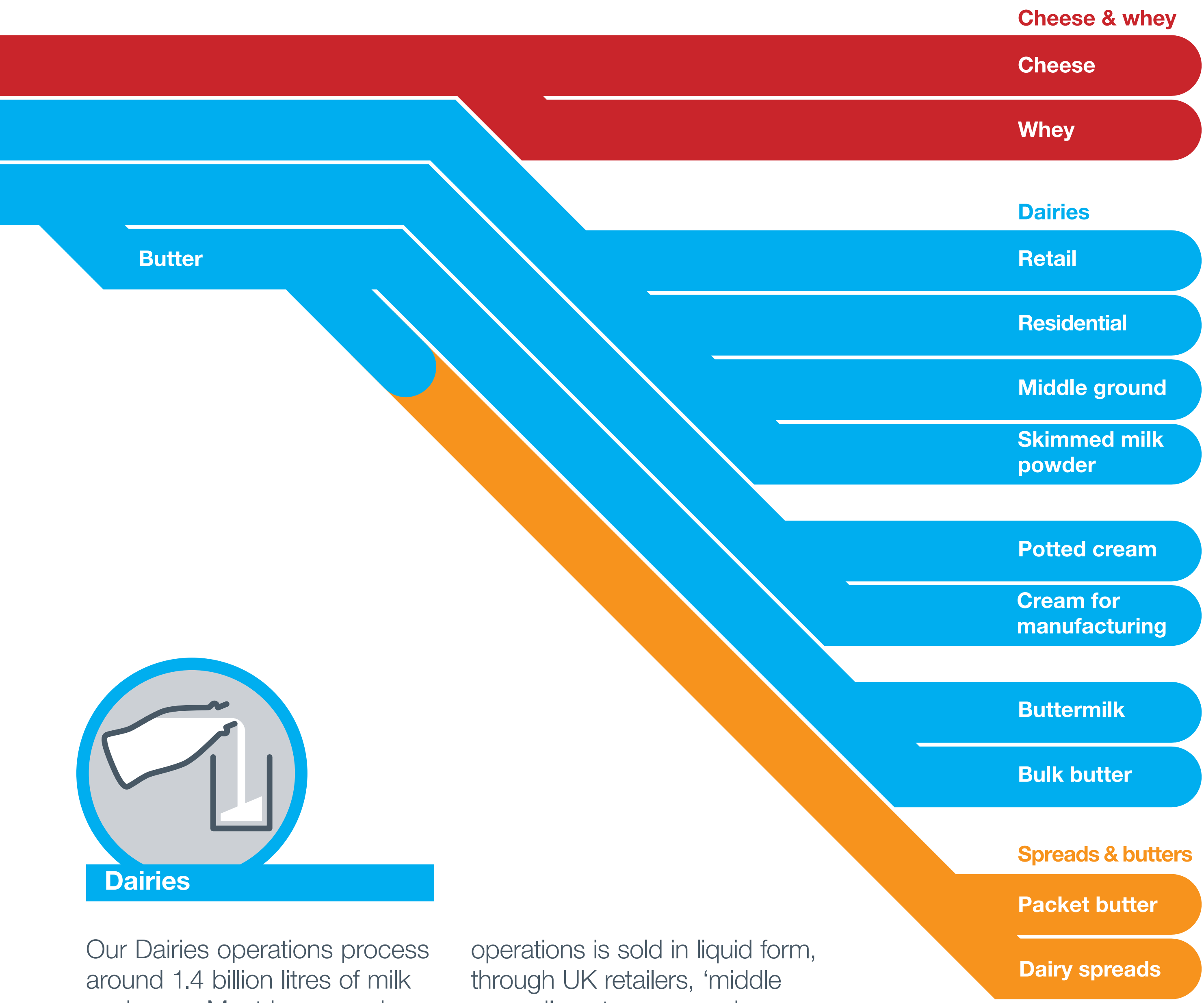
We process over 400 million litres of milk into cheese each year; which is all sourced directly from dairy farmers in Devon and Cornwall and turned into cheddar cheese at our creamery in Davidstow.

Currently we dry the whey that is produced as a by-product of making cheese and sell it to food manufacturers. In future we plan to make demineralised whey powder – a key ingredient in infant formula.

Spreads & butters

Our Spreads & butters operation makes packet butter and dairy spreads from cream separated from the milk processed by our Dairies operations and vegetable oil.

After the conditional sale of our Dairies operations we will make packet butter from purchased bulk butter.



Dairies

Our Dairies operations process around 1.4 billion litres of milk each year. Most is sourced direct from dairy farmers across the southern half of England and Wales. Milk production is seasonal with more being produced in the spring, but because our consumers want to drink the same amount every day, we turn any surplus milk we have into skimmed milk powder and butter. Over 90% of the milk purchased for our Dairies operations is sold in liquid form, through UK retailers, 'middle ground' customers ranging from coffee shops to hospitals, and direct to consumers' doorsteps by our milkmen.

Today's consumers prefer to drink lower fat varieties of milk so we separate the cream and sell it or churn it into butter.

Our Dairies operations also produce potted cream.

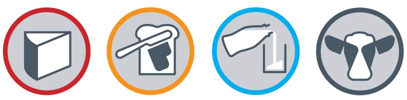
Dairy Crest has a clear strategy. We have also created a strong vision and robust values for the business which underpin all we do.

We constantly innovate, bringing new products to market and new ways of working across the business.

We aim to generate cash and reward shareholders with a progressive dividend.

Our key performance indicators are summarised opposite. These KPIs are also used as measures for our Long Term Alignment Plan (LTAP) for Directors and senior employees. (See pages 59 to 60 for more detail).

Operational performance – pages 16 to 22



Financial performance – page 28

Corporate responsibility performance – page 23

See how we make 'The most from milk' through our integrated business model – pages 4 and 5

Further details of our LTAP – pages 54 and 55

Our vision

We are proud of our links to the countryside, our dairy heritage and the part they play in everyday life

We want to earn consumers' loyalty by providing healthy, enjoyable, convenient products

Our strategy	Progress 2014/15
1 **To generate growth by building strong positions in branded and added value markets**	Cathedral City had another good year, growing sales ahead of the retail cheese market. It has grown to be Britain's 16th largest grocery brand (Source: The Grocer, 21 March 2015), up from 18th in March 2014. Both Country Life (butter) and Clover (spread) saw their sales value fall in a declining butter and spreads market although sales of Country Life Spreadable grew in the year. FRijj sales grew by 7%. Frylight one calorie cooking spray continued to grow sales and market share. The brand has responded well to the increased investment behind it and has the potential to grow further. During the year we have carried out a comprehensive category strategy project 'Dairy for Life' which forms the foundation for future innovation, marketing and category merchandising for our key brands. We are investing £65 million at our Davidstow creamery to manufacture demineralised whey and galacto-oligosaccharide ('GOS') and expect commercial production of these products to start later in 2015. Following the closure of our Crudgington site, we are building a new £4 million innovation centre at Harper Adams University in Shropshire, where our innovation team is now based.
2 **To simplify, make sustainable and reduce costs**	Cost reduction remains a key part of our strategy and we have again achieved our target of making cost savings in excess of £20 million in the year. Prior to the announcement of the conditional sale of our Dairies operations we announced our plans to close our specialised cream potting facility at Chard, Somerset in 2015 and our glass bottling dairy at Hanworth, West London in 2016. Both these projects are on track.
3 **To generate cash and reduce risk**	We have agreed to sell our Dairies operations. The conditional sale is a positive development for Dairy Crest and the wider UK dairy sector. Shareholders have approved the sale and the process to obtain regulatory approval is on track. Completion of the sale will result in Dairy Crest operating from five well invested manufacturing sites. It will be a much simpler, more focused, predominantly branded business. We continue to reduce risk in our closed defined-benefit pension scheme. During the year we have reduced the scheme's exposure to equities and other higher-risk asset classes.
4 **To make acquisitions where they will generate value**	Our focus in the year ended 31 March 2015 has been on organic growth, typified by our investment in demineralised whey and GOS. We have not made any acquisitions during the year ended 31 March 2015.

Our values

WE LISTEN
Consumers are at the heart of our business

WE CREATE
We constantly look for new and better ways of doing things

We aim to meet consumers' needs and go where this takes us

As we grow, we look after our people and the communities where we work

Future priorities

Our focus will remain on our key brands, Cathedral City, Country Life, Clover, FRijj and, from 2015/16, Frylight.

We will continue to invest in marketing these brands – including advertising, promotions and innovative range extensions.

We will work with key customers to build on Dairy for Life and grow the categories in which we operate.

Working with Fonterra, our selected sales agent, we will aim to maximise the long term return from our investment in demineralised whey and GOS at Davidstow.

We will continue to seek cost reductions and efficiency improvements across our business. The sale of our Dairies operations will significantly reduce the complexity of the business and will allow us to streamline our future overhead structure and systems.

Our investment in whey and GOS is nearing completion and we expect capital expenditure to fall below depreciation.

We will continue to reduce pension scheme risk, initially by further reducing the proportion of higher risk/higher return assets in the scheme.

Completion of the sale of Dairies will much reduce our exposure to commodity risk. We will continue to work with commodity suppliers and customers to share risk as appropriate.

We have the opportunity to make acquisitions that will contribute to growth and strengthen the business.

Any acquisitions we do make will have to meet strict criteria.

Key performance indicators and performance in the year ended 31 March 2015

Deliver progressive dividends with cover between 1.5 and 2.5 times.
In the year ended 31 March 2015 the Board is recommending a total dividend up 1.9%. This is covered 1.8 times.

Grow earnings before interest, tax and depreciation (adjusted EBITDA*) and adjusted profit before tax (adjusted PBT*).
In the year ended 31 March 2015 adjusted EBITDA* fell by 7% and adjusted PBT* also fell by 7%. However adjusted EBITDA* and adjusted PBT* for the combined Cheese and whey and Spreads and butters product groups – which will be the heart of the business after a sale of our Dairies operations – grew by 15% and 19% respectively year on year.

Deliver an acceptable return on capital employed (ROCE).
ROCE for the year ended 31 March 2015 was 11.5%, compared to the long term target of 12% (31 March 2014: 13.8%).

Maintain net debt/EBITDA within the range 1 – 2 times.
At 31 March 2015 net debt/EBITDA was 1.97 times (31 March 2014: 1.3 times).

Grow our four key brands ahead of the market.
In the year ended 31 March 2015 three of our four key brands grew ahead of the market taking into account all sales channels (31 March 2014: one key brand grew ahead of the market). In addition Frylight has grown ahead of the market for both years.

Deliver cost savings initiatives.
Cost reduction projects initiated in the year ended 31 March 2015 have again delivered annual benefits ahead of our £20 million annual target.

Achieve revenue targets for products developed in the last 3 years.
In the year ended 31 March 2015 around 6% of our total revenue and 7% of our key brand revenue came from such sales against an ambitious target of 10% (31 March 2014: 4% of total revenue; 7% of key brand revenue).

Improve corporate responsibility measures.
In the year ended 31 March 2015 we achieved a score of 5 stars from Business in the Community (31 March 2014: 4.5 stars).

* Before exceptional items, amortisation of acquired intangibles and pension interest.

There is a more detailed review of our performance against KPIs on pages 59 and 60.

WE LEAD
We value success and strive to be the best

WE RESPECT
We value our people and are stronger together

WE CARE
We act responsibly with a passion to do the right thing

OUR PEOPLE

Dairy Crest is committed to providing an inclusive working environment where everyone feels valued and respected and has the opportunity to progress.

We recognise that people treated and rewarded fairly are more loyal and are more likely to champion fresh ideas which help to improve our working practices which in turn deliver commercial benefit and ultimately shareholder value.

Since it was launched in 2010 approximately

3,000

people have logged onto our e-learning portal

Investing in our staff

Our dedicated learning and development team works across the business to ensure that the right development opportunities are available to the whole workforce from line operators and factory team leaders through to finance managers and senior directors.

In the dairy sector, as in the UK food industry as a whole, there is a shortage of food scientists and engineers. To help tackle this problem and to ensure that Dairy Crest is operationally fit for the future, we have continued to invest in our technology and engineering apprenticeship schemes which were launched in 2011 and 2012 respectively.

At our new Innovation Centre at Harper Adams University in Shropshire we support undergraduate students studying a food science related subject. The food science placement gives them the opportunity of getting hands on experience working on product and packaging innovation and is in addition to our sponsorship of places at the Reading and Nottingham Universities 'sixth form summer schools'.

Joining any big business can be daunting; to ensure new recruits get off to the best possible start and receive a comprehensive overview of the Company, all new starters are invited to participate in our group induction programme. Over the course of this financial year 792 new starters availed themselves of the programme. This course ensures they understand our business strategy, our vision and the values to which we operate that have been the foundation of our success.

Once on-board all staff, where appropriate, can attend face-to-face development courses and via our e-learning portal can participate in online courses ranging from health and safety through to IT training. Since it was launched in 2010 over 3,000 people have logged onto the system, with over 8,000 courses having been completed.

It has, however, also been a challenging year for many Dairy Crest staff. Over the course of the last 12 months we have restructured our business to ensure we are better placed to drive growth and create a more integrated, efficient supply chain. Where these changes have resulted in the reduction of roles, for example the necessary but regrettable decision to close our creamery at Crudgington and several milk depots, we have supported staff with a range of tools and services which have helped them find alternative roles inside and outside the Company. Indeed, this supportive approach is now included in our corporate responsibility pledges.

Retaining a talented workforce

To make sure we retain and develop our talent, we use our annual appraisal system to identify employees with high career development potential and invite them to join our talent programme. In 2014 39 took up the offer of participating in the programme which includes mentoring by senior staff, psychometric assessment and career workshops.

By way of emphasising our commitment to retaining talent and staff, this year we introduced several new corporate responsibility pledges with the aim of increasing focus on this key area. New pledges include increasing the percentage of staff who have over five years' experience, and increasing the percentage of roles filled internally.

Taken as a whole we believe the investment we have made in recruiting, retaining and rewarding our staff has helped us maintain a turnover rate of around 13%, an absence rate of less than 3% and ensured that over a quarter of our employees have chosen to participate in our sharesave scheme.

In 2014/15

618

employees received a recognition award

Striving for a more engaged workforce

A successful and happy workforce is one that is involved and engaged in the business. As well as striving to continually improve our score in staff surveys we also make sure that employees not only know what is going on but that they are the first to know what is going on. To help achieve this we provide staff with a weekly news round-up, monthly business performance reports, a staff website and we run company road shows that all employees are invited to attend. Finally, to safeguard employees against bullying and harassment at work and to also ensure that bribery and corruption are never tolerated, we have formal policies in place and a confidential staff helpline to provide direct support and guidance.

Reward and recognition

Being valued and recognised at work is important. Our aim is to not only reward staff fairly for the work they do through a competitive remuneration package but to also ensure that they too share in our commercial successes. To help achieve this almost all staff are part of a bonus or incentive scheme which is linked to either personal, site and/or Company performance.

To encourage a team atmosphere and to be better at rewarding success in the workplace we have a reward and recognition scheme in place whereby any member of staff can nominate another for a job well done and the best performing team in the Company is formally recognised. Despite a smaller workforce we are pleased to report that there was an increase in the number of staff successfully nominated up from 551 in 2013/14 to 618 in 2014/15. The 2014 team of the year award was presented to staff from our Frome site for the work they did to achieve top marks for a Food Standards audit from a leading retailer.

To help colleagues save their money outside of work in July 2014 we launched a new, bespoke Dairy Crest benefits website which provides colleagues with access to a valuable range of discounts on products and services. By March 2015 over 1,500 members of staff had signed up to the website.

1,500+

have signed up to the bespoke Dairy Crest benefits website

Diversity and inclusion

We believe that for people to be the most productive, they need to achieve an appropriate balance in their commitment to the workplace and their home life. Any employee regardless of their position, location or role should feel that they are treated flexibly in their ways of working according to business needs. We wish to have a fully diverse workforce as we recognise that people from different backgrounds, experiences and abilities bring fresh ideas and innovations that improve our business. Employees will be encouraged to reach their full potential regardless of their age, gender, marital status (including civil partnerships), disability, nationality, colour, ethnic origin, sexual orientation or religious affiliation. Dairy Crest does not tolerate discrimination or harassment on any of these grounds. To help us achieve our aims our polices include the right to apply for flexible working hours, a sabbatical, support with taking time off to study, and we provide maternity pay above the statutory minimum and full pay during paternity leave.

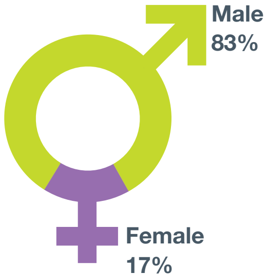
Following the creation of a new diversity working group in 2014, which is made up of volunteers from all parts of the business and chaired by our Group Supply Chain Director, the key areas the business will be focusing on over the next 12 months will include driving diversity through recruitment and promotion, increasing the number of female managers and providing language support to workers where their first language is not English. In addition to coming top of the Business in the Community Index 2015, of which diversity is a key part, we were also pleased to be named by Waitrose as the overall winner of their prestigious ‘treating people fairly’ supplier award.

Working together with Trade Unions

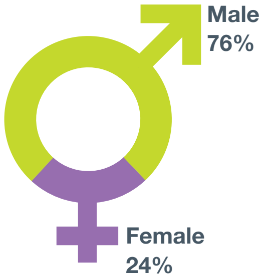
As a progressive employer we recognise and respect the positive role that trade unions can play in the development of our employees and our business. Indeed both Dairy Crest and the Unions, Usdaw and Unite, agree the importance of working together towards long term employment security and wherever possible avoid redundancy though redeployment. In our true working partnerships, we strive to achieve a genuine sharing of information and openness.

Gender profile

All employees



Senior management



Treating people fairly
The Waitrose way awards
Winner 2014

CR INDEX 2015 ★★★★★
BUSINESS IN THE COMMUNITY

Anthony Fry

Whilst I was very pleased to take up the role of Chairman in September 2014, I did so with mixed feelings. I was delighted to have the opportunity to be able to contribute further to the future of Dairy Crest but saddened by the departure due to illness of my predecessor, Anthony Fry, who left the Board at that time. Anthony had a significant influence on the business in his seven years as a Non-executive director and especially for the four years he served as Chairman. I would like to thank Anthony on behalf of the Board for his considerable contribution to the development of Dairy Crest and to wish him well with his recovery.

I would also like to thank Richard Macdonald who was Acting Chairman while Anthony was away from the business and has now resumed his role as Senior Independent Director.

Transformational sale

In November 2014 we agreed to sell the assets of our Dairies operations to Muller UK & Ireland Group LLP ('Müller') for a cash consideration of £80 million. The sale has been overwhelmingly approved by shareholders but remains conditional on the approval of the Competition and Markets Authority. It is pleasing that we have received support for the sale from the independent organisation that represents our farmers, Dairy Crest Direct, and the wider farming community.

Combining our Dairies business with that of Müller will build on the progress that Dairy Crest has already achieved, strengthen the wider UK dairy sector and allow Dairy Crest to focus on growing our successful cheese and spreads operations.

The financial results for the year ended 31 March 2015, delivered in a particularly challenging environment, highlight the differing financial performance of the business we are selling and those that we will retain and which will be at the heart of Dairy Crest in the future.

We have continued to make good progress with projects that enhance the future prospects of these businesses, including consolidating butter and spreads production onto one site and investing in demineralised whey and galacto-oligosaccharide – innovative products that will expand our product range and give us access to new sales channels in growing global markets.

Living by our Vision and Values

Dairy Crest has robust values and a clear vision. The Board recognises its responsibilities to the farmers who supply us with milk, our employees and franchisees, our pensioners, the communities in which we operate and our shareholders. We use the framework that our well established Vision and Values provide to balance the different interests of these groups.

It is very important that the Company has not let the tough trading environment and the transformational activities that we have undertaken in the year deflect us from our commitment to act responsibly. This has been reflected in our continuing strong performance in the Business in the Community Index where we have maintained our position as their highest ranked business in the UK and further improved our score.

Board changes

In addition to the departure of Anthony Fry, to which I refer above, Martyn Wilks, Executive Managing Director, left Dairy Crest on 31 March 2015 to pursue other interests. Martyn was on the Board for seven years and played a key role in building our brands. He left Dairy Crest with our best wishes for the future. Martyn has not been replaced on the Board at this time.

Increased dividend recommended

The Board is recommending a final dividend of 15.7 pence per share, making a full year dividend of 21.7 pence per share, up 1.9% from last year. This dividend is covered 1.8 times by adjusted basic earnings per share, compared to 1.9 times last year. Looking ahead, we propose to maintain our progressive dividend policy with a target cover range of 1.5 to 2.5 times.

Summary

The conditional sale of our Dairies operations will transform Dairy Crest and leave a predominantly branded business that has delivered strong financial results in the year. The business will benefit from greater focus on sectors where it is already strong and where it has significant growth potential.

Stephen Alexander Chairman

20 May 2015

Highlights

Total Product group profits of Cheese and Spreads businesses up 19% year on year.

Sale of Dairies operations approved by shareholders; regulatory approval progressing to plan.

Cathedral City brand continues to grow strongly – now Britain's 16th largest grocery brand, accounting for over 50% of total branded retail cheddar sales.

On track to start production of demineralised whey powder and galacto-oligosaccharide for growing global markets this year.

Strong Corporate Responsibility commitment maintained – top ranked UK business by Business in the Community for second consecutive year.

Proposed final dividend payment of 15.7p taking full year to 21.7p, up 1.9%.

CHIEF EXECUTIVE'S REVIEW

Summary
This has been another year of significant progress for Dairy Crest. We have grown combined Cheese and Spreads sales despite the deflationary market environment. We have also delivered an encouraging improvement in the combined margins of these businesses. Cathedral City has again outperformed and accounts for over 50% of retail sales of branded cheddar. Our focus on product development has underpinned these results and our investment in a new innovation centre will support this. We have again met our target to deliver annual cost savings of over £20 million. These include consolidating our butter and spreads production onto one site.

We have agreed to sell our Dairies operations. The conditional sale is a positive development for Dairy Crest and the wider UK dairy sector. Shareholders have approved the sale and the process to obtain regulatory approval is on track. Completion of the sale will result in Dairy Crest operating from five well-invested manufacturing sites. It will be a much simpler, more focused, predominantly branded business. It will also have exposure to the growing infant formula category and emerging markets.

Market background
This year has been a difficult one for the major food retailers, our principal customers. They have faced falling sales due to food price deflation and greater competition.

It has also been a very difficult year for dairy farmers. Global dairy commodity prices have fallen steeply since the first quarter and ended the year close to half the peak they reached as recently as the autumn of 2013. The collapse in these markets and high milk production around the world and in the UK have led to a significant reduction in the price UK farmers have received for their milk. Our purchase prices for milk fell by around 25% across the year, reversing the increases we have paid in recent years.

The long-awaited abolition of European milk production quotas took effect from 1 April 2015. This has been widely expected to lead to an increase in milk production across Europe, although not in the UK where production has been unconstrained by quotas. It is too early to say how the reduction in global dairy commodity prices and the removal of quotas will affect milk production and imports of dairy products, particularly cheddar cheese, into the UK, although cheddar imports into the UK decreased 9% in the year ended 31 December 2014 (Source: DairyCo). While we monitor this situation closely we anticipate that our market leading Cathedral City branded cheddar will not be affected significantly by these changes and will continue to perform strongly.

Against this market background we continue to position ourselves to deliver sustainable and profitable growth.

Transformational sale of Dairies operations
In November 2014 we agreed to sell the assets of our Dairies operations to Müller for a cash consideration of £80 million. The conditional sale of our Dairies operations will result in Dairy Crest becoming a stronger, predominantly branded business that can grow profitably and generate cash.

In December 2014 Dairy Crest's shareholders overwhelmingly approved the proposed sale, which remains conditional on the approval of the competition authorities. This process is on track. The European Commission referred it back to the UK for review by the Competition and Markets Authority ('CMA') which is currently expected to make a phase one decision in June 2015. Although this deadline may change and the review could move to a second phase we remain confident that a sale will ultimately be approved and proceed.

The conditional sale of our Dairies operations and their subsequent combination with Müller's dairies business will help create a more sustainable UK dairy sector by delivering economies of scale and cost efficiencies that will underpin investment and help the UK to compete more successfully in global markets. It is encouraging that we have received support for the sale from the independent organisation that represents our farmers, Dairy Crest Direct, and the wider farming community.

A successful outcome will benefit farmers, consumers, customers, employees and Dairy Crest's shareholders.

Cathedral City outperforms
In total, sales of our four key brands, Cathedral City, Clover, Country Life and FRijj were unchanged over the year. As the table on page 12 shows, both Cathedral City and FRijj performed strongly. However Clover and Country Life sales both fell in a butter and spreads market that continues to decline. Despite this we saw a welcome increase in margins in our Spreads and butters business.

Cathedral City again outperformed the market and grew sales by 5%. Its annual growth over the last five years has averaged over 7%. Cathedral City is now Britain's 16th largest grocery brand (Source: The Grocer 21 March 2015) up from 18th last year. Cathedral City now accounts for over 50% of total branded retail cheddar sales. Sales of competing cheddar brands have continued to decline. Taken together retail sales of the next three largest cheddar brands were down over 20% in the year and were just half those of Cathedral City.

The UK butter and spreads market remains difficult. Total market sales fell by 4%. Consumption is falling as consumers continue to turn away from making sandwiches in the home. Butter, where market sales are unchanged compared to last year, continues to gain share

Brand	Market	Dairy Crest sales growth*	Market statistics**	
			Brand growth	Market growth
Cathedral City	Cheese	+5%	+2%	unchanged
Clover	Spreads	-8%	-8%	-8%
Country Life	Butter	-9%	-7%	unchanged
FRijj	Ready to drink flavoured milk	+7%	unchanged	+4%
Total		unchanged		

*Dairy Crest value sales 12 months to 31 March 2015 v 12 months to 31 March 2014 **IRI data 52 weeks to 28 March 2015

from spreads where sales are down 8%. Against this background Clover and Country Life butter, our two key brands in this market, have delivered a satisfactory performance. Clover performed in line with the spreads market as a whole and was awarded Which magazine's 'Best Buy' in the spreads category (Source: Which February 2015). Country Life Spreadable, which accounts for nearly 60% of total Country Life butter and spreads sales outperformed the butter market and grew sales by 2%. We expect to use some of the savings we will achieve from the consolidation of our spreads and packet butter production to increase marketing expenditure in this high-margin category.

FRijj performed well. In a ready to drink flavoured milk market that is still growing, but at a much slower pace than last year, FRijj sales grew by 7%. Some of this growth came from sales to the food service and convenience sectors and is therefore not reflected in the IRI market data which just covers major multiples. The FRijj brand is included in the conditional sale of our Dairies operations to Müller.

We have also seen strong growth from Frylight one calorie cooking spray, which we purchased in 2011. This brand has responded well to the increased investment in marketing that we have made consistently since then and has the potential to grow further. In future we expect to report it as one of our key brands alongside Cathedral City, Clover and Country Life butter and spreads.

Dairy is one of the UK's largest food retail categories and during the year Dairy Crest carried out a comprehensive category strategy project. 'Dairy for Life' is a framework to make people look differently at the dairy category. It forms the foundation for future innovation, marketing and category merchandising for our key brands. We will work with our major customers to implement the Dairy for Life findings and drive growth across the dairy category. Some ideas generated by Dairy for Life, such as cross-sector promotions and additional store positionings, have already been implemented.

Innovation remains key to the success of our brands. During the year we have launched several brand extensions including Cathedral City Spreadable, Clover Lighter than Light, and reduced sugar FRijj. Since the year end we have started to produce and sell Clover cooking oil which combines Frylight spray technology and the strength of the Clover brand.

In the year ended 31 March 2015 around 7% of our combined Cheese and whey and Spreads and butter revenue came from products introduced in the last 3 years. This compares to our ongoing ambitious target of 10% and last year's performance of 4% across the business as a whole and 7% for our branded business.

To further increase our focus on innovation we have entered into a new partnership with Harper Adams University. Our innovation team has moved to Harper Adams and we are building a £4 million innovation centre on the university campus. We expect this to be fully operational by the end of 2015. The partnership will give us access to food and farming research that will help us continue to develop new products and ways of working.

Building from strength

We have continued to make good progress with projects that enhance the future prospects of our Cheese and Spreads operations, including consolidating butter and spreads production onto one site and investing in demineralised whey and galacto-oligosaccharide, a lactose based prebiotic.

We are nearing completion of the project to make demineralised whey powder and GOS at our Davidstow creamery in Cornwall. These products will give us access to new sales channels in growing global markets. Both products are used in the manufacture of infant formula for which there is growing demand across the world. We expect commercial manufacture of both products to start later this year. During the year we entered into a strategic partnership with Fonterra, the world's leading dairy exporter. Fonterra will market and sell our products on our behalf and is also providing valuable technical and engineering support.

Cost cutting

We have again achieved our target of making cost savings in excess of £20 million in the year.

The consolidation of our spreads and packet butter manufacturing into one site at Kirkby, Merseyside and the closure of Crudgington will give us a lower fixed cost base that will benefit future years.

We continue to work with non-milk suppliers to drive efficiencies and lower our purchase costs. During the year we have increased our use of lighter weight polybottles; reduced packaging costs and made our distribution network more efficient.

Cost reduction is essential in our residential milk delivery business, where sales fell by 11% compared to the year ended 31 March 2014. We have continued with our programme of depot closures. In addition we announced that we would further rationalise our Dairies operations and consult with employees regarding the closure of our glass bottling dairy in Hanworth, West London and our specialist cream potting facility in Chard, Somerset. We anticipate that Chard will close later in 2015 and Hanworth in 2016.

Completion of the sale of our Dairies operations will significantly reduce the complexity of the business and will allow us to streamline our future overhead structure and systems.

Financial performance

The financial performance of the business as a whole starkly demonstrates the differing financial performances of the operations we are retaining and those we are selling. Taken together our Cheese and whey and Spreads and butter businesses (which we will retain) delivered marginally higher sales compared to the year ended 31 March 2014 and significantly higher product group profits, up by 19% to £66.9 million. However excluding property profits our Dairies business (which we are selling) recorded a product group loss of £15.8 million against a profit of £0.6 million in the previous year. Property profits were broadly in line with last year at £17.6 million (2014: £18.2 million).

For the business as a whole, adjusted group profit before tax decreased by 7% to £60.6 million (2014: £65.3 million). Adjusted basic earnings per share also decreased by 7% to 38.0 pence (2014: 40.8 pence). Pre-tax exceptional charges in the year were £36.3 million (2014: £10.4 million). These mainly related to the closure and future closure of manufacturing sites. Reported profit before tax, which reflects these exceptional charges, amortisation of acquired intangibles and pension interest, was £22.1 million (2014: £54.2 million).

Group net debt at 31 March 2015 was £199 million up from £142 million at 31 March 2014, as we invested a high level of capital expenditure in the whey and galacto-oligosaccharide project at Davidstow and the completion of the Kirkby spreads and butter manufacturing facility.

Future prospects

Completion of the sale of our Dairies operations will result in Dairy Crest operating from five well-invested manufacturing sites and be a much simpler, more focused, predominantly branded business. It will also have exposure to the growing infant formula category and emerging markets.

Looking ahead, Dairy Crest is well positioned for sustainable, profitable growth. Over the coming year as a whole we expect results to benefit from the continued growth of Cathedral City, ongoing cost savings and the completion of our project at Davidstow where we will add value to our whey stream by producing ingredients for infant formula. This growth will be second half weighted.

We expect that our net debt, which at the year end remains within our target range, will fall once we have completed our major investment projects. The receipt of the proceeds from the sale of our Dairies operations will accelerate this reduction.

Mark Allen Chief Executive
20 May 2015

IN FOCUS

We manage risk to help us achieve our strategic objectives and protect our reputation.

The Audit Committee is responsible for overseeing the Group's risk management processes and the Board is responsible for the appropriate identification of risks and the effective implementation of mitigating activities.

Internal Audit provides independent assurance to management and the Audit Committee as to the effectiveness of mechanisms put in place to mitigate risks. This process explicitly recognises the relationship between Internal Audit and Risk Management. The Audit Committee is satisfied that the processes are adequate and appropriate. Further details are set out in the Corporate Governance Report on pages 35 to 44.

The Group Risk Register is compiled in two stages. Central, demand and supply risks are identified separately by members of the Management Board and senior managers and consolidated into an initial register that is then reviewed and refined by the Management Board as a whole to create the Group Risk Register. The Board formally reviews the Group Risk Register annually when the budget is set. The Company Secretary and General Counsel is responsible for highlighting to the Board any changes to the Group Risk Register identified during the intervening periods.

The principal risks and uncertainties facing the Group are set out in the table below. This is not intended to be an exhaustive analysis of all risks facing the Group.

Commercial risks

Reduced profitability

Risk area and potential impact

We operate in extremely competitive markets. If we fail to compete effectively or are subject to higher input prices that cannot be recovered by raising selling prices without losing volumes we could lose sales and profits.

Mitigating controls

We set ourselves the target of continually reducing our cost base and are able to invest in our supply chain to help achieve this.

No one customer accounts for more than 15% of total revenues and we continually strive to widen our customer base. Despite challenging trading conditions we continue to invest in marketing our key brands. Our innovation programme continues to generate new products that reinforce our appeal to customers. We recognise the importance of strong customer relationships and the executive team plays an active part in maintaining and developing these. They are also involved in major customer negotiations. We conduct customer surveys to benchmark our performance and we continuously monitor the service and quality levels provided to our customers and consumers, and have procedures in place to react quickly to any issues. Our commitment to corporate responsibility is an important part of our overall proposition to some customers.

Reduced demand from consumers

Risk area and potential impact

Consumers could move away from dairy products for economic, health, ethical, or other reasons leading to lower sales and profits.

Mitigating controls

Consumers are at the heart of our business and we regularly monitor consumer trends. We continue to promote the health benefits provided by dairy products and develop healthier products. We also continue to maintain our focus on developing a compelling new product development pipeline, enabling us to react to consumer trends, for example with more environmentally-friendly packaging, and healthier variants of our key brands. We have a direct involvement with government to understand and influence future legislation that could affect future consumer demand.

Input cost volatility

Risk area and potential impact

Volatile milk and non-milk costs (vegetable oils, diesel, electricity, gas and packaging) could reduce margins unless we can manage cost risk, find other cost efficiencies elsewhere or increase selling prices.

Milk prices could remain volatile as European milk production quotas have been abolished from April 2015.

Mitigating controls

This area is closely reviewed by the Management Board which has established a risk committee to monitor and hedge forward non-milk commodity prices as appropriate. The risks associated with purchasing large volumes of milk have been reduced by establishing milk pools linked to major customers. We seek to absorb short term cost movements through supply chain efficiencies. Our purchasing and commercial teams have clear lines of communication between them to ensure customers are kept aware of changes to our cost base and requests for price increases can be fully justified.

We have reviewed the effect that we believe the abolition of milk quotas will have on our business. We believe it is commodity cheese markets, in which we don't operate, that are most likely to be affected, but we will continue to monitor this closely.

Operational risks

Inability to source milk

Risk area and potential impact

Without milk we would not have a business. Restricted milk supply due to economic factors, weather, fuel availability or an epidemic which affects dairy cows could restrict milk supply. This in turn could lead to lower sales and profits. Consumer confidence in dairy products could also be adversely affected.

Mitigating controls

We invest significant resources in maintaining strong relationships with our milk suppliers by attending forums and discussing current issues and pressures that affect both the farms and our business. The majority of our milk comes directly from farms on contracts that include a notice period of between three months and one year. Our experienced milk procurement team understand milk production and are alert to changes in supply. We aim to pay a fair, market related milk price and closely monitor the milk price we pay to suppliers in order to ensure we can purchase the right quantity of milk to meet demand forecasts and have established procedures for allocating milk between our businesses if a short-term shortfall in supply does arise. We have contingency plans established for major incidents and work closely with DEFRA and industry bodies to ensure these are appropriate. These plans are regularly tested and reviewed with the Management Board.

Failure of a key supplier

Risk area and potential impact

We are dependent on key suppliers and could lose sales and face financial penalties from customers if suppliers' failure leaves us unable to supply. Failure of key information technology suppliers could adversely affect our financial systems.

Mitigating controls

Our purchasing team regularly monitors suppliers' ability to supply and puts in place alternative arrangements, including dual purchasing, if appropriate. We have taken specific actions to reduce our dependency on information technology suppliers.

Other operational risks

Risk area and potential impact

An accident, a fire, product contamination, the failure of equipment or systems or deliberate act could disrupt production, affect food safety, cause injury, and/or cause reputational damage with adverse consequences. We are also reliant on information technology and exposed to losses in the event that systems fail.

Mitigating controls

Plans are maintained to respond quickly to incidents and minimise any impact to the Group. Our business is committed to the health and safety of all our employees and maintains systems aimed at ensuring everyone is able to work safely. All of our manufacturing sites have a trained engineering resource, are supported by our major equipment suppliers and hold appropriate stocks of spare parts. They also all have fire protection systems and regular fire drills. Our information technology systems are regularly backed up and duplicated in the majority of areas. We also maintain insurance cover for property damage and business interruption risks.

Risk area and potential impact

Failure to maintain product quality could lead to reputational damage and loss of sales and profits. As we start to manufacture ingredients for infant formula this risk could increase.

Mitigating controls

We have well established supply chains and a close working relationship with our milk suppliers. We have an independent quality team, including experienced cheese graders. Customer and consumer complaints are monitored and acted upon. Our contractual relationship with Fonterra, who will sell the infant formula ingredients we will produce, allows us to utilise its experience in this field.

People risks

Disease epidemic

Risk area and potential impact

A disease epidemic such as swine flu could adversely affect the health of our employees and prevent them working, leaving us unable to service customers.

Mitigating controls

Contingency plans which include working with industry bodies are in place for known epidemic risks.

Recruitment and retention

Risk area and potential impact

We need to retain high quality employees to provide customers and consumers with safe, high quality products and services.

Mitigating controls

We carry out rigorous selection procedures and benchmark pay and benefits to ensure we can attract and retain the best people. We have a wide bonus scheme and a range of other incentives to reward good performance. Our Long Term Alignment Plan aligns the interest of management to shareholders and helps to retain key senior employees. There is a performance review and talent management scheme to identify and develop our own people. We undertake regular surveys to monitor the relationship with our employees and their engagement, communicate with them regularly and encourage them to ask questions.

Financial risks

Pension scheme

Risk area and potential impact

Despite the action we have taken to reduce the risks associated with our pension scheme, including closing the scheme to future accrual in 2010 and buying insurance to meet the liabilities associated with many of our retired members in 2008 and 2009, the deficit could continue to increase and we may then have to increase our contributions.

Mitigating controls

We continue to work closely with the Trustee of the Pension Fund to improve the Fund's financial position at an acceptable cash cost to the business. We have recently reduced the scheme's exposure to equities and other higher-risk asset classes and aim to further do so.

Legal and compliance risks

Risk area and potential impact

Our sector is subject to a number of complex statutory requirements. There is a risk of fines or lawsuits and reputational damage if we fail to comply.

Mitigating controls

We have a strong in-house legal function supported by external advisers. We have undertaken Group-wide training in respect of competition law and actively monitor and adjust to on-going legal and regulatory changes. We have a Business Conduct Policy, and a programme designed to ensure that all relevant employees understand what is and is not permissible under the UK Bribery Act.

Major project risk

Risk area and potential impact

To remain competitive we periodically undertake major transformational projects following strategic reviews. Successful execution of these projects is often key to delivering strategic objectives. At the same time we have to ensure that major projects do not divert from the on-going day-to-day delivery of products and services to our customers.

Mitigating controls

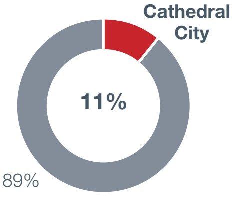
We have a good track record of managing projects and use experienced and appropriately skilled senior managers to lead these. Supervisory governance structures are also put in place to help successful delivery. We are aware that too much change concentrated in too short a timescale can be detrimental and manage this by ensuring key project resource is full time with appropriate backfilling and use of third parties.

Cheese & whey

£ million	2014/15	2013/14
Revenue	274.4	264.6
Product group profit*	33.1	39.3
Margin	12.1%	14.9%

* Before exceptional items and amortisation of acquired intangibles

Share of the total retail cheese market by value



Source: IRI 52 weeks ended 28 March 2015

Dairy Crest produces and markets Cathedral City, the UK's leading cheese brand, as well as the premium Davidstow cheddar brand. Milk from around 400 farmers in Cornwall and Devon is made into cheddar cheese at our Davidstow creamery in Cornwall. The cheese is then matured for an average of 11 months at our purpose built Nuneaton facility before being cut, packed and distributed to customers. We have two cheese packing operations: a highly automated facility at Nuneaton, Warwickshire, and a plant at Frome, Somerset capable of producing more complicated packs for innovative products such as Cathedral City Chedds and Selections.

Whey is produced as a by-product of cheese making. This is currently dried and sold to food manufacturers. However we are developing a new facility at Davidstow that will manufacture demineralised whey powder and galacto-oligosaccharide, a lactose based prebiotic

Reported revenue for the year ended 31 March 2015 grew by 4% to £274.4 million. However product group profits fell back by 16% to £33.1 million and margin declined to 12.1% (2014: 14.9%).

As is usual in this business, falling milk prices have led to a short-term pressure on margins. The maturation process means that we sell cheese made with milk purchased around 11 months before the sale takes place. Falling sales realisations have now led to lower milk prices but there is a time lag before this is reflected in the costs of stock that is being sold. We expect this margin squeeze to reverse in the second half of the year ending 31 March 2016 as stock made with less expensive milk is sold.

Whey realisations have also fallen and this has contributed to lower reported margins in this business. In addition we have adjusted our aged accruals in line with the Grocery Supply Code of Practice.

Cathedral City continues to grow market share

Total retail cheese market sales were unchanged over the year although volumes fell by 3%. Cheddar accounts for more than half of all retail sales. Cathedral City continued to grow market share, recording flat volumes and 5% sales growth. According to IRI, retail sales of Cathedral City exceeded £280 million. Sales of competing cheddar brands have continued to decline. Taken together the next three largest cheddar brands totalled £141 million, down over 20%.

We continue to develop new products in the Cathedral City range. Products launched in earlier years such as Selections, Chedds, Spreadable Cathedral City and Baked Bites have all prospered. This year we have moved outside of cheddar for the first time and have selected Red Leicester and Double Gloucester for a new Selections variety pack. We have also extended the brand into flavoured cheeses.

In addition to bringing exciting new products to the market we have continued to support Cathedral City with television and other media advertising and with an appropriate promotional programme.

Dairy Crest's second cheese brand, Davidstow, has slightly strengthened its market share. We also continue to supply Marks & Spencer and Waitrose with premium own label cheddar.

During the year we have carried out a comprehensive category strategy project, 'Dairy for Life', which will form the foundation for future innovation, marketing and category merchandising for both of our cheese brands. On the back of this, in addition to the Cathedral City range developments referred to above, we have worked with customers to cross-promote Cathedral City and jacket potatoes and to create a video of 'how to make a great cheese sauce' with Cathedral City.

Growth based on top quality cheese from a highly efficient supply chain

The investment we have made in recent times in our cheese business has created a highly efficient supply chain that produces top quality products.

Making ingredients for infant formula will provide additional growth

We are investing a total of £65 million at our Davidstow creamery in Cornwall to make demineralised whey powder and galacto-oligosaccharide, a lactose based prebiotic. Both products are used in the manufacture of infant formula for which there is growing demand across the world. We expect commercial manufacture of both products to start later this year.

During the year we entered into a strategic partnership with Fonterra, the world's leading dairy exporter. Fonterra will market and sell our products on our behalf and is also providing valuable technical and engineering support.

A business with great potential

Our Cheese and whey business has well-invested facilities, and strong brands with enviable market positions. It remains well placed to generate attractive growth.

IN FOCUS

16th

biggest grocery brand in Britain


Clover

IN FOCUS

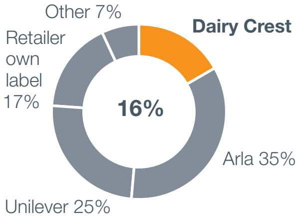

The only
1Cal
spray
Fry light
Butter Flav
Clover
Clover
Light
Clover
Lighter than Light
our lightest recipe ever
500g
COUNTRYLIFE
SPREADABLE

Spreads & butters

£ million	2014/15	2013/14
Revenue	**170.0**	177.4
Product group profit*	**33.8**	16.8
Margin	**19.9%**	9.5%

* Before exceptional items and amortisation of acquired intangibles

Share of retail butter and spreads market by value



Source: IRI 52 weeks ended 28 March 2015

We make butter at our Severnside dairy in Gloucestershire and pack butter and make spreads in Kirkby, Merseyside. We have two key brands, Clover (a dairy spread) and Country Life (spreadable and block butter). We also produce Frylight one calorie cooking spray in Erith, Kent, and have several secondary brands in the spreads category.

Reported revenue for the year ended 31 March 2015 fell by 4% to £170.0 million. However profits from the Spreads and butters product group increased sharply by 101% to £33.8 million, resulting in a margin of 19.9% (2014: profit £16.8 million, margin 9.5%). Lower raw material prices and reduced overheads following the consolidation of packing onto one site both contributed to the improved performance. In addition we have adjusted our aged accruals in line with the Grocery Supply Code of Practice.

Market decline slows – butter in growth

The butter and spreads market continued to decline during the year. However the pace of decline fell from that recorded in the year ended 31 March 2014. Across the category as a whole, both market volumes and values fell by 4%. Within the overall category, butter sales grew volume by 2% with unchanged values, driven by supermarket own label butter sales growth, whereas spreads volumes and values both fell by around 8%.

Clover performed in line with the spreads market and Country Life Spreadable, which now accounts for nearly 60% of total Country Life sales, grew sales by 2% and outperformed the butter market. However Country Life block butter sales fell as a result of lower promotional activity.

We continue to innovate and support our brands. Clover was awarded Which magazine's 'Best Buy' in the spreads category (Source: Which February 2015) and Clover Lighter than Light is firmly established as a lower fat alternative.

Our comprehensive category strategy project, 'Dairy for Life', will form the foundation for future innovation, marketing and category merchandising for both Clover and Country Life. On the back of this project we have worked with one customer to install freestanding refrigerators for butters and spreads next to their instore bakeries and with another on a 'cupcake challenge'.

Frylight one calorie cooking spray, a brand we purchased in 2011, has performed strongly with sales up 22% compared to last year. This brand has responded well to increased marketing support and has the potential to grow further. In future we expect to report it as one of our key spreads and butter brands alongside Clover and Country Life butter.

Driving efficiency, generating cash

With all our packet butter and spreads manufacturing now on one site, we expect to be able to drive efficiencies in this business and lower our manufacturing costs further. We expect to use some of the manufacturing savings to increase our marketing expenditure to grow and protect our share of this high-margin category. We would also expect to see this business improve its cash generation in future years as capital expenditure falls back to more normal levels.

101%

profit increase from the Spreads and butters product group

Dairies

£ million	2014/15	2013/14
Revenue	**881.6**	944.8
Product group profit*	**1.8**	18.8
Margin	**0.2%**	2.0%

* Before exceptional items and amortisation of acquired intangibles

Dairy Crest processes and delivers fresh conventional, organic and flavoured milk to major retailers, 'middle ground' customers (such as smaller retailers, coffee shops and hospitals) and residential customers. The Dairies product group includes revenues and profits from these operations. It also includes revenues and profits from one of our four key brands, FRijj, the country's leading ready to drink flavoured milk brand as well as cream and milk powders.

We operate three modern dairies at Severnside, Chadwell Heath and Foston where we pack milk into polybottles. We also have a glass bottling dairy at Hanworth and a specialist cream potting facility at Chard. In addition we have around 64 operational depots from which we deliver milk to residential and certain middle ground customers. Finally we also run an ingredients operation that helps balance seasonal milk supplies by drying surplus milk and selling skimmed milk powder. We aim to minimize throughput in this business to lessen our exposure to commodity markets.

The raw milk that we purchase from farms contains more cream than the milk that we sell to customers. We use some of the surplus generated during the bottling process to make bulk butter which is transferred to our Spreads and butters business at market prices. The balance of surplus cream is sold by our ingredients operation either as bulk butter or cream.

Reported revenue fell by 7% to £881.6 million (2014: £944.8 million). Both sales volumes and realisations were lower than last year. Dairies product group profits fell to £1.8 million from £18.8 million. Profits from selling surplus properties included in the Dairies product group were £17.6 million (2014: £18.2 million). In addition we have adjusted our aged accruals in line with the Grocery Supply Code of Practice.

Sale of Dairies operations

On 6 November 2014 Dairy Crest agreed to sell its Dairies operations to Müller for £80 million in cash on completion. The sale has been approved by shareholders but remains subject to the approval of the Competition and Markets Authority.

A difficult year for the whole UK dairy sector

A global surplus of milk and high production in the UK has led to a steep fall in realisations of milk and other dairy commodities. Although we and others in the UK dairy sector have reduced the price we pay dairy farmers for their milk, the profitability of our Dairies operations has fallen significantly and excluding property profits we recorded a trading loss in the year.

Property profits remain strong

As residential and middle ground sales reduce we close and sell distribution depots. Property selling prices have remained high and profits from selling properties included in the Dairies product group were £17.6 million (2014: £18.2 million).

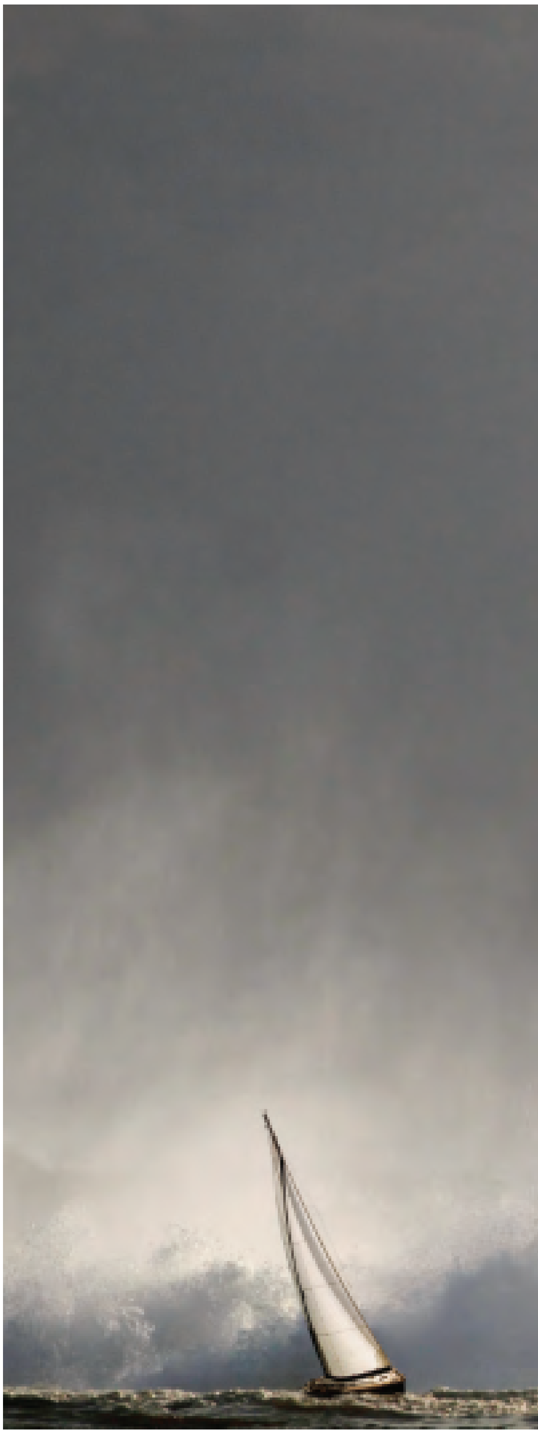
Growing FRijj sales

FRijj is the leading brand in the ready to drink flavoured milk market. This market grew by 4% in the year ended 31 March 2015 and, buoyed by growth from sales to the food service and convenience sectors, FRijj sales increased by 7%. During the year we redesigned the packaging and introduced a reduced sugar variant.

Continued cost savings

We have continued to reduce costs in this business. Key initiatives have been a wider use of lighter weight polybottles, distribution savings and an ongoing programme of depot closures to reflect declining residential demand. Overall residential sales fell by 11% compared to the year ended 31 March 2014.

In addition we announced that we would further rationalise our Dairies operations and consult with employees regarding the closure of our glass bottling dairy in Hanworth, West London and our specialist cream potting facility in Chard, Somerset. We anticipate that Chard will close later in 2015 and Hanworth in 2016.



7%
growth in FRijj sales


frijj
Seriously Strawberry
MILKS

IN FOCUS


frijj
Choc-a Chocolate
frijj
Burst of Banana
frijj
Seriously Strawberry

Milk Procurement

The year ended 31 March 2015 was a year of two dramatically different periods. The first part of the year saw milk prices at record highs with intense competition amongst milk processors for milk supply. In the second half of the year, dairy markets collapsed as milk production soared on the back of higher prices and favourable weather conditions. This resulted in milk prices falling at an unprecedented scale and speed.

Milk supply

We have managed to achieve a balanced supply of milk, by carefully monitoring production levels and customer demand. Successful new farm recruitment activity during the year has been scaled back for the short term with our priority being to develop our existing milk fields. The comprehensive service package we offer to our farmers has enabled us to maintain our focus on quality and efficiency at a time when milk prices have been under significant pressure. This partnership approach delivers key benefits to our business and our farmers, including the long term sustainability of our direct milk supply, which is fundamental to our business.

Standards and support

Our office based advisors within the Farm Business Centre together with our regional team of Farm Business Managers are the primary contacts for our farmers. During the year they have undertaken a number of practical farm training programmes to enable them to provide more comprehensive support and guidance.

Animal health and welfare remains a key priority as we work with our farmers to promote best practice and continually improve milk quality and production standards. Raising awareness of the challenges the dairy sector faces from animal disease and the eradication programmes that are in place, is one area of focus. We have worked closely with Dairy Crest Direct ('DCD'), the independent organisation representing our farmers, to engage veterinary support as part of our communication and training programmes.

Listening to our farmers

During the summer of 2014 we commissioned an independent research project 'The Voice of the Farmer'. The objective was to gain a greater understanding of how Dairy Crest and the services we offer are perceived by our farmers. This unique survey was well received with the results highlighting the opportunities for greater segmentation within our core communication activity – both for content and method of delivery. The feedback identified both what we do well as a business and where there is scope for us to improve. Our operational performance scored very highly with the consistent achievement of high service levels being recognised as a key benefit.

Electronic communication is a focus as we develop 'Farm Connect', our interactive farmer website. This provides our farmers with key management information about their milk supply together with news about Dairy Crest and the dairy sector.

The independent White Gold farm advisory service, which is fully funded by Dairy Crest, has been expanded to include a series of new initiatives to benefit our farmers. These include 'MilkWell' to improve herd health and welfare through better data recording, 'WaterWell' to analyse water consumption and 'Safe&Well' to provide guidance on health and safety for key farm tasks. The Safe&Well initiative encompasses routine health checks for our farmers and was launched during our summer agricultural shows programme, where we offered free 'on the spot' health assessments to our farmers.

Milk supply contracts

Our service package supports our core offer of a fair and competitive milk price and range of contract options. We continue to work closely with DCD to explore opportunities for new contract options that meet the requirements of both our farmers and our business. Our innovative formula pricing mechanism continues to be very popular with our farmers with over 20% opting to have a proportion of their milk priced in this way. At the start of the year we responded to farmer feedback for greater simplicity with the launch of a new 'Simplifed' Formula contract which proved very popular.

We continue to consider variations to our core contracts, looking at the compositional quality of milk for our cheese business and for larger supply volumes.

In addition, we are working with DCD to consider the opportunity for a contract based on the Dairy Futures market, with the aim of providing farmers with different options to help manage future market volatility.

Operational efficiency

Our contracted hauliers maintain their focus on improving efficiency within the milk collection operation whilst also delivering environmental improvement and meeting a range of service targets for our farmers.

The on-going vehicle fleet replacement programme will result in lighter vehicles with greater capacity. Exploratory work is also been done with new milk pumping equipment to reduce pollution and noise and to further develop automatic milk sampling equipment to reduce the opportunity for human error.

We continue to work closely with our haulage and milk testing partners to ensure that our milk sampling and testing procedures are effective and robust at every stage of the raw milk supply chain.

Looking ahead

We are committed to working in partnership with our farmers to ensure that together, we are best placed to take advantage of market opportunities. In our Davidstow milk field we are launching a new farm standards package to recognise the work our farmers in the South West are doing in preparation for the production of demineralised whey powder. In our milk fields serving the liquid market, we will further develop our portfolio of supply contracts to recognise the diverse range of business models so we can continue to offer flexibility and choice.

We will continue our support of the Government's Voluntary Code of Practice for milk supply contracts, having been the first milk processor to fully embrace this since the launch in 2012. We are supporting DCD's work to review structural changes to their organisation, including their application to achieve DPO (Dairy Producer Organisation) status. This followed a comprehensive evaluation of the constitutional implications for their members, carried out through funding they secured through the Defra 'Dairy Fund'.

Global volatility in dairy markets had a huge impact in 2014 and is expected to continue to be a critical factor going forward. We and our farmers also have to deal with any challenge brought about by the end of European milk quotas. By working together with DCD and our farmers, we can help ensure that our businesses are in the best place to meet the challenges we face and ensure we deliver a sustainable supply of top quality British milk for our customers.

Corporate Responsibility

Our future success depends on our ability to meet a range of pressing environmental and social needs – that is why Corporate Responsibility (CR) is so important to us.

Winner
IGD President's 2014 Cup

FT Finalist
FT Corporate Responsibility Company of the Year 2014

We use Business in the Community's CR Index to integrate responsible business practice into our mainstream business operations. It provides a robust framework to systematically measure and manage our progress and allows us to compare the results we are achieving with those of other responsible businesses.

We are delighted that Dairy Crest has again come out top in the Business in the Community ('BITC') benchmark. In addition we are only one of a handful of participants to achieve a top rated 5 star score, up from 4½ last year. During the year we increased our focus on community initiatives such as engaging with young people as well as developing a programme to help improve safety on farm for our supplying farmers.

More information on recent awards can be found in our CR online report. This includes the progress the business has made against its sustainability pledges.

http://ourcommitments.dairycrest.co.uk

"I congratulate Dairy Crest for achieving its ranking and look forward to working together to create a fairer society and a more sustainable future"
Stephen Howard,
Chief Executive, BITC

Mandatory Greenhouse Gas Report

In line with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 our greenhouse gas ('GHG') emissions are quantified below.

Green House Gas Emissions for 1 April 2014 to 31 March 2015

	2014/15	2013/14	
Scope 1	**89,377**	87,256	Tonnes CO_2e
Scope 2	**77,612**	74,646	Tonnes CO_2e
Total Scope 1 and 2	**166,989**	161,902	**Tonnes CO_2e**
Intensity ratio	**78.58**	74.71	kg CO_2e per tonne of milk intake
Emissions from biomass fuel	**22,192**	27,619	Tonnes CO_2e

We follow the GHG Protocol Corporate Accounting and Reporting Standard to calculate emissions from the combustion of fuels (Scope 1) and from purchased electricity, heat, steam and cooling (Scope 2). Carbon emission factors are used to convert each activity that gives rise to GHG emissions to a carbon dioxide equivalent (CO_2e) using the latest UK Government conversion factors for Company Reporting.

The GHG data reported relates to emissions from activities in the operational control of Dairy Crest Group plc from 1 April 2014 to 31 March 2015 consistent with our financial reporting period.

Scope 1 emissions data includes material sources of fossil fuels used at manufacturing sites and depots and road fuel used in the transport and distribution of intermediate and finished products. Road fuel used in company cars operated by Dairy Crest for business travel is also included. Minor losses of refrigerants used in cooling equipment have been converted to tonnes of carbon dioxide equivalent and are included for completeness.

Scope 2 emissions data includes material sources of purchased electricity used at manufacturing sites, depots and offices.

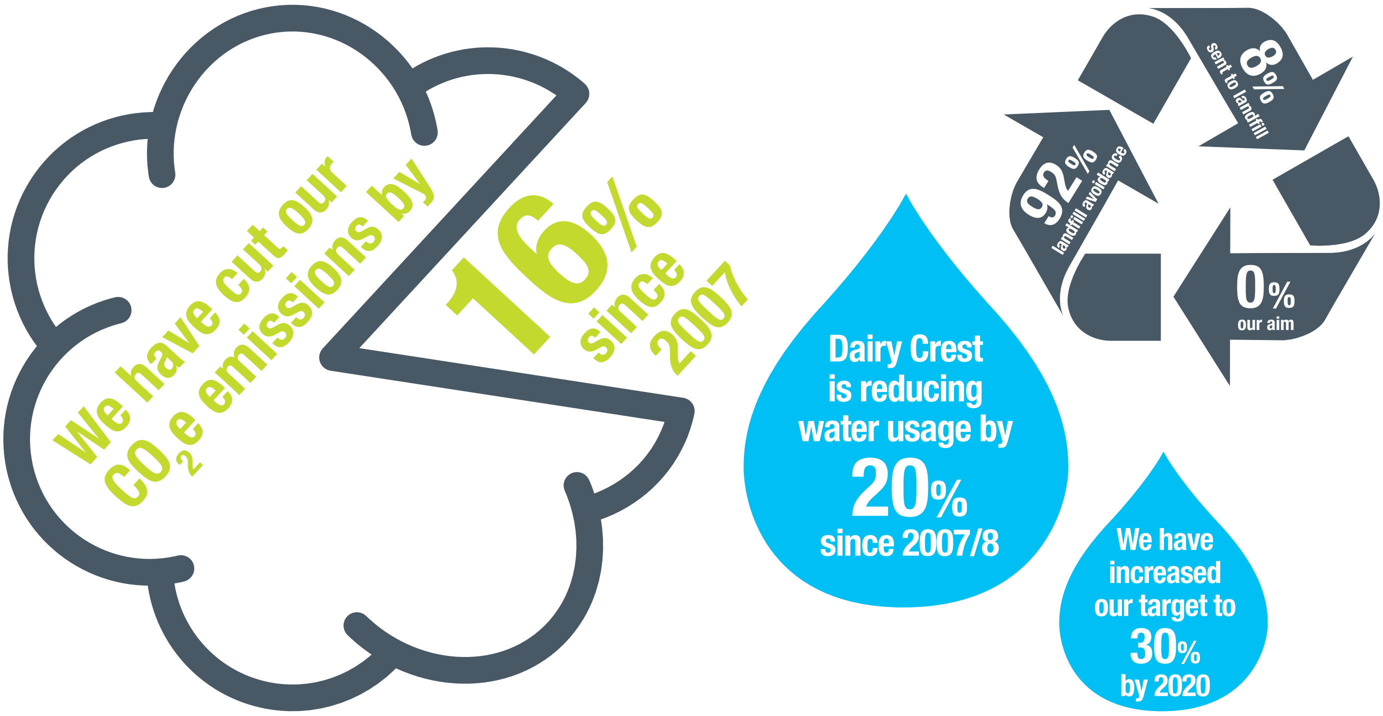
We employ a 'per tonne of milk intake' denominator as the most effective measure of relative performance. This measure is routinely employed for our manufacturing operations and is employed here as an intensity measure for our business as a whole.

Consistent with the GHG Protocol emissions from biologically sequestered carbon are reported separate to the other Scopes. These comprise emissions from combustion of biomass fuel at our creamery in Davidstow that significantly reduce Scope 1 emissions from fossil fuels. Emissions from combustion of biomass fuels are not included in the emissions intensity ratio reported above.

Absolute Scope 1 and 2 emissions increased in 2014/15 by 3% (with an associated 5% increase in intensity ratio) compared to the previous year. Although the emissions reductions activities described elsewhere in this report (page 24) delivered significant reductions in relative energy used in both manufacturing operations and transport, a number of key factors impacted emissions performance:

(i) Reduced output from biomass boilers at Davidstow mid-year necessitating increased use of fossil fuel. This contributed 1% increase in Scope 1 emissions and is evident in the reduction in emissions from biomass. Steam output from the biomass boilers returned to normal high levels by the end of 2014/15.
(ii) Increased operation of Severnside dryer to produce milk powder influenced by commercial drivers in the milk sector. This resulted in increased use of natural gas at Severnside leading to 2% increase in Scope 1 emissions.
(iii) 11% increase in the UK Government's Carbon Emission Factor for electricity supplied from the public grid. This results in a 4% increase in Scope 2 emissions despite a 6% reduction in imported electricity.

Environment



As a leading dairy manufacturer and processor we are aware of global trends and we are determined to play an active role in tackling climate change, reducing waste and looking after our natural resources.

Climate change

Dairy Crest is committed to reducing and controlling greenhouse gas emissions associated with our direct operations and our wider supply chain.

All of our manufacturing sites use assessment and monitoring tools to identify energy reduction projects.

In 2014/15, we delivered over 50 projects to reduce electricity and energy use, including installing digital controls on the boilers at Kirkby and investing in high quality and efficient compressed air at Severnside. These two projects will reduce CO_2 emissions by over 800 tonnes per year.

Against our target of reducing carbon emissions from energy used in manufacturing by 30% by 2020 against 2007 levels we have achieved a 16% reduction.

To push ourselves further, this year we committed to increase the proportion of renewable energy used in manufacturing to more than 20% by 2020.

By looking at our transport network, we are on course to reduce its carbon intensity by 10% by 2020 vs 2013/14 levels. We have achieved approximately a 7% reduction since 2007. We have reduced the distance driven by our primary vehicles by approximately 150,000 miles, saving over 1,200 tonnes per year of CO_2 emissions.

We work with our dairy farmers to assess their carbon footprint using a Carbon Trust certified emissions tool. During 2014/15, the proportion of milk supplied from farms using this tool increased to 27%. We want 50% of our farmers to have completed this by the end of 2016.

Each year we provide a voluntary report via CDP (formerly the Carbon Disclosure Project) describing our greenhouse gas emissions management and performance. In 2014 we achieved our highest ever score.

Waste

We aim to reduce waste at every point in our supply chain. Where waste is unavoidable, we always look for ways of diverting it from landfill for beneficial recovery or reuse.

Our aim is for zero waste to go to landfill by 2015. By the year end we diverted 92% of operational waste from landfill and we are focusing on key residual waste streams to achieve our target of 100%.

We also consider materials used in our packaging. This year we improved the design of our plastic milk bottles so they are now on average 13% lighter. In 2014/15 we reduced our total packaging footprint by 9% (a total reduction of 20% since 2010).

In 2014/15 we also helped lead the IGD's collaborative 'Working on Waste' household food waste campaign.

WORKING ON WASTE

Water

Parts of the UK have less water available per person than some southern European countries. We therefore need to look to make best use of the water available to us as well as reducing the amount we use.

In 2014, we commenced a major project to reduce freshwater abstraction at Severnside, the largest user of water across our manufacturing network. Investment will enable recovery of over 500 million litres of processed water per year. We are employing similar technology at Davidstow.

Dairy Crest is on track to meet our target of reducing water usage by 20% against a 2007/8 baseline by the end of 2015. We have increased our target to a 30% reduction by 2020.

We are promoting water stewardship with our dairy farmer suppliers through 'WaterWell', our innovative on-farm water use auditing programme.

Marketplace

We are committed to creating healthy, tasty enjoyable products, making it easier for consumers to choose healthier foods.

Healthier choices

Dairy Crest is proud to make healthy and nutritious products. We have continued to invest in our healthier ranges, driving sales through promotions, advertising and innovation. Consumer IRI data shows that the lower fat and added value variants of our brands achieved a collective retail sales value of £58 million in 2014/15, a slight decline from £61.3 million in 2013/14.

Cathedral City Lighter, continues to lead the lower fat branded Cheddar market, recording a retail sales value of £32.1 million, bigger than the next three rival brands put together.

Our lower fat spreads – Clover Lighter, Clover Lighter than Light, Utterly Butterly Lightly, Country Life Lighter and our Clover Additions range – have a collective retail sales value of £25.6 million.

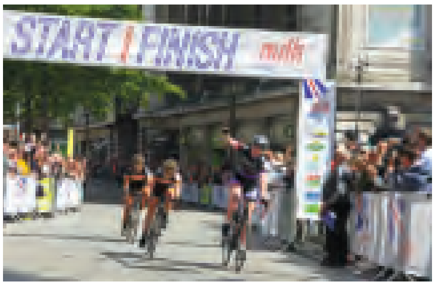
Frylight, our one calorie cooking spray, enjoyed another impressive year with sales growth of over 20%. Today the brand has a retail sales value of about £22 million.

A real highlight, in February 2015 we launched a new range of FRijj milkshakes made with 40% less sugar. The range is available in two flavours, Choc-a-Chocolate and Seriously Strawberry, in 471ml bottles. Each bottle sports a distinctive, refreshed blue FRijj logo.

The launch demonstrates our commitment to the Department of Health's Responsibility Deal.

Milk Race

To highlight the health-giving properties of milk and strengthen the dairy sector's links with the sporting world, this year, through Dairy UK, we once again sponsored the Milk Race, held in Nottingham on 25th May 2014.



Innovation

Work started on our £4 million dedicated Food Innovation Centre on the Harper Adams University campus. The partnership with Harper Adams University provides a link into leading agriculture and food research and will help us to continue to develop healthy products.

Ethical supply

In 2013 we updated our comprehensive ethical supply policy. The policy (which can be found at www.dairycrest.co.uk) extends our vision and values across a diverse and extensive supplier base.

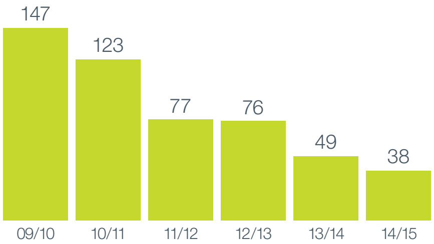
Dairy Crest aims to exceed best practice around quality, animal welfare, traceability, allergies and product recalls. Through our team of Direct Supply Managers and the White Gold accreditation service, we work with farmers to ensure animal welfare is of the highest standard possible and the milk we buy is of an exceptionally high quality.

We can trace milk and raw materials from farms and suppliers through to finished product and within our manufacturing plants we utilise tools such as Hazard Analysis Critical Control Points (HACCP), and Quality Monitoring Plans (QMP) to identify hazards and put systems and controls in place to ensure critical limits are not exceeded.

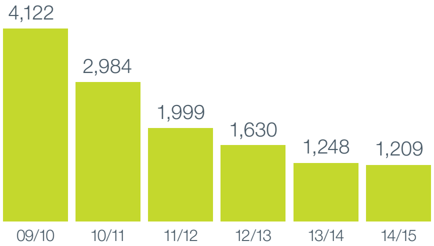
Our quality management systems are regularly reviewed and audited by our own technical teams and by third parties to ensure they comply with industry standards. In addition to an internally audited programme, each manufacturing site is accredited to the British Retail Consortium Standard and by an independent auditing body.

Workplace

Number of accidents reportable to the HSE incl > 3 day lost time accidents
Progress against 3-year strategy



Days lost



"I took one of the health assessments at the Royal Cornwall Show and I think this campaign to encourage farmers to think about their health and also the safety of their holdings is really welcome."
George Eustice MP, Farming Minister has a free health MOT at the Royal Cornwall Show

At Dairy Crest we are committed to ensuring that the safety of all of our employees, franchisees, contractors and other people affected by our activities is an integral part of managing our business.

Safety first

We believe such a strong, proactive commitment, which goes beyond legislative requirements, contributes to our business performance by reducing the risk of injuries and drives continuous improvement and engagement.

We have made excellent progress against our zero tolerance of unsafe working practices and by the end of March 2015 we had reduced our Accident Incident Rate, including Riddors and over three day lost time accidents, to 588 from the 1,027 base line set in 2013. This 43% reduction means we are well on the way to achieving our challenging target of a 50% reduction in Accident Incident Rate by 2018, against the 2013 baseline. Among the year's highlights include Chard who achieved more than 1,000 days without a lost time accident, and our Nuneaton Prepack operation achieved 987 days.

Challenging the behaviour of staff has been key to our success, with much focus being placed on encouraging staff to engage in near miss reporting and behavioural conversations so that we can continue to make workplaces safer. Against our target of having a 100:1 ratio of near miss and behavioural conversations versus all types of accidents by 2018, we achieved a ratio of 127:1 by the end of March 2015.

Some key activities have included a £250 prize draw we hold each quarter for drivers in our secondary and residential operations that have not had an 'at fault' collision. At all locations we promote our 'Stop, Think, Assess, Review' (STAR) principles to help our staff stay accident free. Finally, aware that driving in winter weather can potentially be more hazardous, this year we issued all of our professional drivers with a 'Winter Driving Guide'.

Wellbeing at work

Dairy Crest is proud to take a proactive approach to looking after employees' health, which we believe results in a happier, more engaged and productive workforce. Through our in-house occupational health team we provide all staff with the opportunity of having a free wellbeing check.

Since introducing this free service, and including the mandatory health checks for staff performing specific roles, by the end of March 2015 we had carried out 6,422 health related checks across the business.

Farm Health & Safety programme

In 2014, we expanded this service to our dairy farmers. Our occupational health team provided a free health check to 219 farmers at local shows, including the Royal Cornwall Show, and our regular farmer meetings.

Wellbeing days

Since March 2014, we have been running special wellbeing days across all of our manufacturing sites and depots, addressing heart health, mental health, sleep and healthy eating. Significantly these four topics were chosen after our occupational health advisors analysed the results of the staff health screenings they conducted in 2013.

As a result of our proactive approach to employee wellbeing we were delighted to have been shortlisted for the 2014 Bupa Workwell Engagement and Wellbeing Award and were named as Waitrose's overall 'Treating People Fairly' supplier of the year.

Treating people fairly
The Waitrose way awards
Winner 2014

THE PRINCE'S COUNTRYSIDE FUND

MOVEMENT TO WORK™

Powered by Dairy Crest

MEALS ON WHEELS deliver a difference

£100,000

contribution to the Prince's Countryside Fund

Our community programme supports four key areas; looking after the countryside, promoting healthy living, supporting education and employability and engaging with local communities.

Looking after the countryside

In 2014 we were delighted to announce the Prince's Countryside Fund as our staff charity partner, building on the relationship the charity already has with our Country Life and Davidstow brands. The charity, set up by HRH The Prince of Wales in 2010, aspires to a healthy, economically vibrant countryside – an aspiration supported by Dairy Crest's vision and values.

In addition to contributing £100,000 to the Fund, staff raised money through activities including cycling and baking challenges. In March 2015 we co-sponsored a racing day at Ascot.

Through the Fund, we support the Prince's Dairy Initiative, offering tailored support to vulnerable small and medium sized dairy farms. As part of the programme non-aligned farmers participate in a series of practical workshops delivered locally by dairy sector experts. 216 farmers have enrolled on the programme since 2012 and all are still in business. An independently conducted evaluation showed that the majority feel more confident about their future in the dairy sector as a result of participating.

We are also long term supporters of 'Open Farm Sunday'. On 8 June 2014, over 300 farms opened their gates to the public to demonstrate food production methods.

Promoting healthy living

Dairy Crest always promotes healthy living. Through Meals on Wheels, staff voluntarily deliver healthy, fresh food to the most vulnerable in our communities. During winter 2014, we also donated over 8,500 litres of milk and enough Frylight to make over 30,000 meals to Crisis, the homeless charity.

Supporting education and employability

We want to encourage young people into the food and manufacturing sector. Through the IGD's Feeding Britain's Future programme, employees have helped over 140 young people find employment since 2013. In 2014, we hosted local unemployed youngsters at Davidstow to help with CV-writing skills. For the first time, 6 youngsters then completed two weeks' work experience at the site. Every candidate had the opportunity to gain a professional food hygiene and preparation certificate.

We worked with M&S to deliver their youth unemployment programme, Movement to Work. Dairy Crest staff pledged to offer 80 young people 80 hours of work experience by June 2015. By April 2015 91 placements had been offered.

Dairy Crest supports community educational programmes, including food science placements at Reading and Nottingham Universities. We also support Festomane, a manufacturing and engineering festival in Gloucestershire. This year we ran a competition for schools to create a new flavour FRijj milkshake as well as a 'career day' at a local dairy farm.

This year staff helped at schools careers sessions through IGD's 'Feeding Britain's Future' programme. By the end of March 2015, we had visited a total of 8 schools and reached over 200 young people.

Dairy Crest has also signed up to the 'females in factories' ambassador campaign by appointing a female champion to visit secondary schools and talk about manufacturing as a career option.

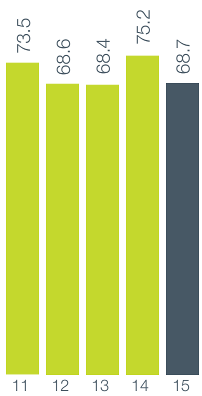
Local community programme

This year staff have supported over 124 local causes through volunteering, product donations and financial donations.

Financial review

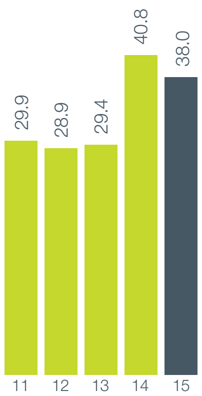
Revenue (£m)

Product group profit (£m)



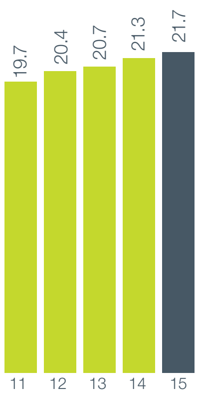
Before exceptional items and amortisation of acquired intangibles; includes associates

Adjusted earnings per share (pence)

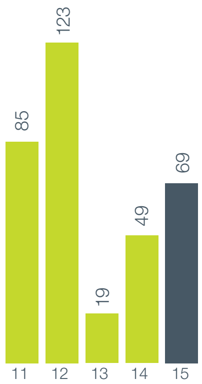


Before exceptional items, amortisation of acquired intangibles and pension interest

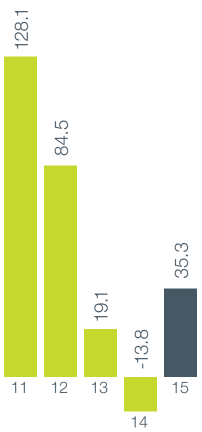
Total dividends per share (pence)



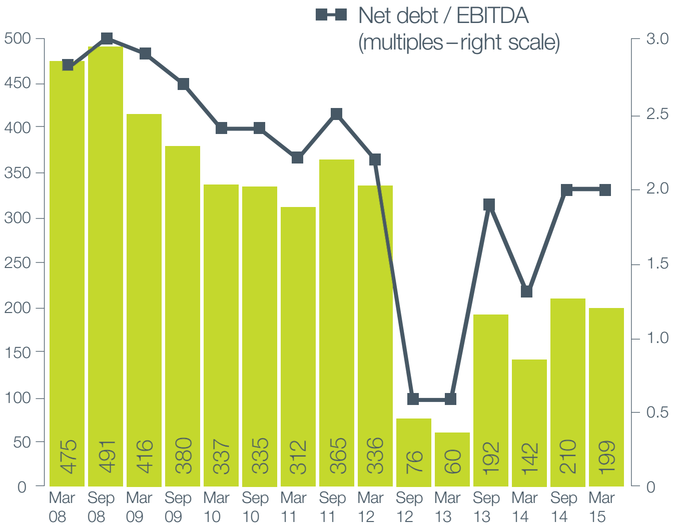
Gearing (%)



Cash generated from operations (£m)



Net debt history



Overview

Dairy Crest has continued to make progress in difficult trading conditions and 2014/15 saw an important step in delivering against our long term strategy.

In November 2014 we announced that we had agreed to sell our Dairies operations to Müller. The sale has been approved by shareholders but remains subject to the approval of the CMA. Completion of this sale will deliver a step-change in delivering our strategy of creating a value-added, streamlined business with reduced exposure to commoditised markets and the ability to deliver future growth both organically and through acquisitions.

Overall, the financial performance of the Group during the year has been satisfactory. The performance of the operations we expect to retain, namely Cheese and whey and Spreads and butter ("the Retained business") has been strong with revenue and product group profits up 0.5% and 19.3% respectively and a fully costed margin of 15%. However, profits in our Dairies operations have reduced markedly in the year reflecting strong competition in liquid milk markets and sharp falls in commodity realisations.

We have continued to invest in the businesses we are retaining. Our investment at our spreads site at Kirkby enabled us to close Crudgington during the year and the new demineralised whey and galacto-oligosaccharide facilities at Davidstow, which are nearing completion, will increase future whey returns. Having completed these investments, the businesses to be retained will run out of five well-invested, efficient processing sites.

Sale of Dairies operations

The sale of our Dairies operations to Müller remains on track and, subject to clearance by the CMA, is expected to complete during the year ending 31 March 2016.

The sale includes the FRijj brand and bulk butter manufacture and the Dairies supporting overhead structure to Müller for £80 million, payable in cash, on completion. This includes the factories at Foston, Chadwell Heath and Severnside. It also includes the Hanworth glass bottling site, where Dairy Crest has consulted with employees on the site's future, and the depot distribution network.

Dairy Crest will retain full ownership of the closed dairies at Totnes and Fenstanton, its Chard site and a number of previously closed depots and will sell these in the future.

Under the terms of the sale agreement the two companies will also enter into a supply agreement whereby Müller will sell bulk butter to Dairy Crest for five years. In addition Dairy Crest will provide certain transitional IT services to Müller.

Dairy Crest will continue to be responsible for the defined benefit pension obligations in relation to the closed Dairy Crest Group Pension Fund.

Any consideration payable by Müller is subject to upward or downward adjustments for variances from agreed levels of working capital, capital expenditure and the profitability of Dairy Crest's Dairies operations and will also be adjusted to reflect profits made on the sale of properties included in the transaction that are sold by Dairy Crest before completion.

Müller has the ability not to complete their purchase of our Dairies operations should there be a material deterioration of more than £20 million in the agreed level of profitability of Dairy Crest's Dairies operations before completion. At this time we do not anticipate that there will be such a material deterioration in the profitability of our Dairies operations before completion. Müller may also not complete if any of our four dairies are inoperable when completion is due.

The sale constitutes a Class 1 transaction for Dairy Crest pursuant to the Listing Rules. Shareholder approval was received on 23 December 2014.

Following shareholder approval for the sale, we are separating our Dairies operations, including the relevant IT systems, from the rest of the business. This creation of a stand-alone Dairies operation is necessary for completion of the sale but also ensures that supporting overhead costs are fully transferred along with the underlying business. Furthermore, it results in both the retained business and the Dairies business staying focussed on delivering their plans until such time as the sale completes.

Because the sale remains conditional upon approval from the CMA it was not, at 31 March 2015, considered to have met the "highly probable" criteria required under IFRS 5 in order for the Dairies business to be classified as held for sale. This judgement will be kept under review as the CMA continues its review of the transaction.

We continue to provide product group analysis consistent with prior years to assist the users of the Financial Statements although the Group operated as one segment throughout 2014/15.

Product group revenue	2015 £m	2014 £m	Change £m	Change
Cheese and whey	**274.4**	264.6	9.8	3.7%
Spreads and butter	**170.0**	177.4	(7.4)	(4.2%)
Other	**3.8**	4.2	(0.4)	(9.5%)
Retained business	**448.2**	446.2	2.0	0.4%
Dairies	**881.6**	944.8	(63.2)	(6.7%)
Total external revenue	**1,329.8**	1,391.0	(61.2)	(4.4%)

Revenues from our Retained business increased marginally which represents a good performance in categories experiencing price deflation. In particular, Cathedral City has had another strong year with revenue up by 5%. Conversely, our Dairies operations have seen some volume declines along with significant price deflation and overall revenue has reduced by 6.7% in the year to £881.6 million.

Product group profit	2015 £m	2014 £m	Change £m	Change
Cheese and whey	**33.1**	39.3	(6.2)	(15.8%)
Spreads and butter	**33.8**	16.8	17.0	101.2%
Retained business	**66.9**	56.1	10.8	19.3%
Share of associate	**–**	0.3	(0.3)	n/a
Dairies	**1.8**	18.8	(17.0)	(90.4%)
Total product group profit	**68.7**	75.2	(6.5)	(8.6%)
Remove share of associate	**–**	(0.3)	0.3	n/a
Acquired intangible amortisation	**(0.4)**	(0.4)	–	–
Group profit on operations (pre-exceptional items)	**68.3**	74.5	(6.2)	(8.3%)

Overall Group product group profit (before interest, acquired intangible amortisation and exceptional items) fell by 8.6% to £68.7 million. However, product group profit of the businesses we are retaining grew by 19.3% to £66.9 million.

Cheese and whey profits reduced somewhat after a very strong year ended 31 March 2014 as the cost of sales reflected milk cost increases in that year and whey realisations softened in the second half of the year ended 31 March 2015. Lower milk input costs during the year ended 31 March 2015 have resulted in the cost of cheese in stock falling. However, due to the maturity profile of cheese, this will not be fully reflected in reduced cost of goods sold until the second half of the year ending 31 March 2016.

Spreads and butter profits were higher following a difficult 2013/14 principally as a result of significantly lower cream input costs.

Overall margins in the retained businesses increased from 13% in 2013/14 to 15% in 2014/15. These margins are stated after allocating all costs including central administrative overheads of the Group.

Dairies profits fell despite lower milk input costs, reflecting the competitive marketplace and significantly lower dairy commodity realisations. Within this, profits from the sale of closed depots were marginally lower at £17.6 million (2014: £18.2 million). The Dairies business stabilised somewhat in the second half of the year and losses (before property profits) reduced from £11.9 million in the first half to £3.9 million in the second half. However, the dairy sector remains challenging and contract renewals and continued weak commodity returns will continue to put pressure on our Dairies operations in 2015. Although we retained our contract to supply Morrisons for a further three years following a competitive tender, the volumes we expect Morrisons to purchase have reduced by around one third from March 2015.

Exceptional items
Pre–tax exceptional charges in the year totalled £36.3 million (2014: £10.4 million). Cash exceptional operating costs reduced to £19.8 million (2014: £20.8 million).

Exceptional charges of £16.7 million were associated with the final consolidation of Spreads and butter production at Kirkby along with the installation of a bulk butter churn at Severnside and the creation of a new innovation centre at Harper Adams University. The Crudgington site was closed in December 2014 and any further exceptional costs associated with the completion of the Innovation Centre will be more than offset by future exceptional profit from the sale of the Crudgington production site.

Exceptional costs of £3.4 million relate to the investment in demineralised whey and galacto-oligosaccharide. These relate predominantly to incremental site costs incurred as a result of the significant works being undertaken, for example additional site shut downs. These projects remain on track for completion later in 2015.

In September 2014 we announced the future closures of our glass bottling site at Hanworth and our specialist cream potting facility at Chard. £11.8 million of exceptional charges have been made in respect of these closures of which £9.2 million are non-cash asset write downs and accelerated depreciation.

Further exceptional costs of £4.3 million have been charged in respect of the proposed sale of our Dairies operations. These include costs associated with the transaction, predominantly professional fees as well as costs relating to the separation of the Dairies business into a standalone entity.

Finance costs
Finance costs of £8.1 million reduced by £2 million in the year reflecting some capitalised interest on the major projects at Kirkby and Davidstow as well as the repayment of £27 million of loan notes in April 2014 that were at effective fixed rates of 4.97%. Interest cover excluding pension interest, calculated on total product group profit increased to 8.5 times (2014: 7.6 times).

Other finance expenses, which are derived by applying the discount rate to pension scheme assets and liabilities at the start of each financial year, increased to £1.8 million (2014: £0.3 million). These amounts are dependent upon the pension scheme position at 31 March each year and are volatile, being subject to market fluctuations. We therefore exclude this item from headline adjusted profit before tax.

Profit before tax	**2015 £m**	2014 £m	Change £m	Change
Total product group profit	**68.7**	75.2	(6.5)	(8.6%)
Finance costs	**(8.1)**	(9.9)	(1.8)	(18.2%)
Adjusted profit before tax	**60.6**	65.3	(4.7)	(7.2%)
Amortisation of acquired intangibles	**(0.4)**	(0.4)	–	
Exceptional items	**(36.3)**	(10.4)	(25.9)	
Other finance expense – pensions	**(1.8)**	(0.3)	(1.5)	
Reported profit before tax	**22.1**	54.2	(32.1)	(59.2%)

Adjusted profit before tax (before exceptional items and amortisation of acquired intangibles) decreased by 7% to £60.6 million. This is managements' key Group profit measure. Reported profit before tax of £22.1 million represents a £32.1 million decrease from 2014 predominantly due to the higher level of exceptional items incurred in 2015.

Taxation
The Group's effective tax rate on continuing operations fell slightly to 14.0% (2014: 14.6%). The effective tax rate continues to be below the headline rate of UK corporation tax due to property profits on which tax charges are offset by brought forward capital losses or roll-over relief.

Group profit for the year
The reported Group profit for the year was £22.1 million (2014: £54.2 million).

Earnings per share
The Group's adjusted basic earnings per share from continuing operations fell by 6.9% to 38.0 pence (2014: 40.8 pence). Basic earnings per share from continuing operations, which includes the impact of exceptional items, pension interest expense and the amortisation of acquired intangibles, amounted to 15.0 pence (2014: 35.8 pence).

Dividends
We remain committed to a progressive dividend policy and have continued to deliver against that policy by increasing our proposed dividend. The proposed final dividend of 15.7 pence per share represents an increase of 0.3 pence per share – a 1.9% increase. Together with the interim dividend of 6.0 pence per share (2014: 5.9 pence per share) the total proposed dividend is 21.7 pence per share (2014: 21.3 pence per share). The final dividend will be paid on 6 August 2015 to shareholders on the register on 3 July 2015.

Dividend cover of 1.8 times is within the target range of 1.5 to 2.5 times (2014: 1.9 times).

Pensions
The latest full actuarial valuation of the closed defined benefit pension scheme was performed at 31 March 2013 and resulted in an actuarial deficit of £105 million taking into account the one-off contribution of £40 million we made to the scheme in April 2013.

During the year ended 31 March 2015 the Group paid £13 million cash contributions into the scheme in line with the new schedule of contributions agreed with the Trustee in March 2014. This level of contributions will continue for the year ending 31 March 2016 before increasing to £16 million for the year ending 31 March 2017.

During the year the focus of the Trustee and the Group has been to reduce the scheme's exposure to equities in line with the derisking flight path agreed as part of the 2013 actuarial review. The proportion of assets (excluding insurance) held in higher risk/higher return type assets has reduced from 75% at March 2014 to 61% at March 2015.

The reported deficit under IAS 19 at 31 March 2015 was £41.4 million a decrease of £16.3 million from March 2014. Asset returns have been strong during the year and have offset a further reduction in the discount rate used to measure liabilities. We continue to stick to a derisking programme that targets a self-sufficient scheme by 2019 requiring returns at that point of only 0.5% above gilt yields.

Cash flow

Our ambition is for the business to generate strong free cash flows in future years and we are making good progress towards this target. Pension contributions have reduced from levels seen in previous years and lower milk input costs have reduced the value of cheese stocks. Capital expenditure, which has been high for several years and peaked this year, will fall significantly following the completion of the demineralised whey and galacto-oligosaccharide projects in Davidstow in the first half of 2015/16. Furthermore, the sale of our Dairies operations will reduce exceptional restructuring costs in future years and result in one-off sales proceeds.

In the year ended 31 March 2015 cash generated by operations was £35.3 million (2014: £13.8 million outflow). This includes a working capital increase of £12.8 million albeit there has been a working capital reduction of £27.8 million in the second half of the year. Working capital changes reflect lower cost cheese stocks offset by the timing of customer receipts and supplier payments at the end of the year. Cheese stock valuations should continue to decrease in the year ending 31 March 2016 as higher cost cheese is sold and replaced in stock with that made at reduced milk input costs. Cash generated by operations also reflects reduced payments to the pension scheme as described above and exceptional cash costs of £19.8 million (2014: £20.8 million).

Cash interest payments amounted to £10.5 million (2014: £14.0 million). There were no net tax payments or receipts (2014: net receipt of £2.1 million).

Capital expenditure of £80.1 million (2014: £58.8 million) reflects the investments at Kirkby, Harper Adams and, in particular, at Davidstow, which together totalled £53.3 million as well as ongoing expenditure elsewhere in the business. In total capital expenditure was somewhat higher than we anticipated as we took the opportunity to accelerate investment in some other site infrastructure at Davidstow to avoid disruption in the future. We expect capital expenditure to fall below levels of depreciation once our investment in Davidstow is complete in summer 2015.

Proceeds from property disposals remain strong. In the year ended 31 March 2015 these totalled £21.1 million (2014: £25.1 million).

Net debt

Net debt includes the fixed Sterling equivalent of foreign currency loan notes subject to swaps and excludes unamortised facility fees.

Net debt increased from £142.2 million at 31 March 2014 to £198.7 million at 31 March 2015, somewhat higher than was anticipated due to the working capital movements and higher capital expenditure referred to above. However the ratio of net debt to EBITDA at 31 March 2015 remained within our target range of 1.0 to 2.0 times. Looking ahead, we expect net debt to fall by at least £20 million in the year ending 31 March 2016 mainly as a result of reduced capital expenditure.

At 31 March 2015, gearing (being the ratio of net debt to shareholders' funds) was 69% (2014: 49%).

Borrowing facilities

The Group has £145 million loan notes outstanding which mature between 2016 and 2021 and a £170 million plus €90 million revolving credit facility expiring in October 2016. We expect to refinance our revolving credit facility in 2015.

Treasury Policies

The Group operates a centralised treasury function, which controls cash management and borrowings and the Group's financial risks. The main treasury risks faced by the Group are liquidity, interest rates and foreign currency. The Group only uses derivatives to manage its foreign currency and interest rate risks arising from underlying business and financing activities. Transactions of a speculative nature are prohibited. The Group's treasury activities are governed by policies approved and monitored by the Board.

Going concern

The financial statements have been prepared on a going concern basis as the Directors are satisfied that the Group has adequate financial resources to continue its operations for the foreseeable future. In making this statement, the Group's Directors have: reviewed the Group budget, strategic plans and available facilities; have made such other enquiries as they considered appropriate; and have taken into account 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the Financial Reporting Council in October 2009.

Tom Atherton Finance Director
20 May 2015

BOARD OF DIRECTORS AND ADVISERS

Dairy Crest is led by an experienced Board of Directors, which today comprises two Executive Directors, one Non-executive Chairman and three independent Non-executive Directors. Together, the Executive Directors have over 30 years experience of the business.

The Board sets strategy and monitors progress. Day-to-day matters are the responsibility of the Management Board, which today comprises the two Executive Directors, the Company Secretary & General Counsel and four other senior managers.

1. Mark Allen
Chief Executive ◊ Δ

Appointed a Director in 2002 and became Chief Executive in January 2007. He joined Dairy Crest in August 1991. He was formally with Shell UK Ltd. He is a Trustee for The Prince's Countryside Fund a Non-Executive Director of Howden Joinery Group Plc and a member of the GLF Schools Board and the Dairy UK Board.

2. Tom Atherton
Finance Director ◊ Δ

Appointed May 2013. A Chartered Accountant who has worked for Dairy Crest for over 9 years. Prior to his appointment to the Board he served as Director of Financial Control. He has previously held senior finance positions in Logica plc and Thorn plc.

3. Stephen Alexander
Chairman ‡

Appointed as a Non-executive Director in January 2011, as Chairman in September 2014 and Chairman of the Nomination Committee in March 2015. Prior to being appointed Chairman, Stephen served as Remuneration Committee Chairman. He is Chairman of Immediate Media Company Ltd and of Rhubarb Food Design Ltd, an Operating Partner at OpCapita LLP and Chairman of Look Ahead Care and Support. Previously Chairman of Maltby Capital Ltd (parent company of EMI Group), Chairman of Odeon Cinemas, Chief Executive of Hillsdown Holdings Ltd and held senior positions with Allied Domecq PLC and Imperial Foods. He was also Senior Independent Director at Devro plc.

4. Richard Macdonald
Non-Executive Director * † ‡ ◊

Appointed as a Non-executive Director in November 2010, as Senior Independent Director and a member of the Audit Committee in May 2012 and as Chairman of the Remuneration Committee in November 2014, prior to which he was Chairman of the Corporate Responsibility Committee. Richard had a 30 year career with the National Farmers Union, serving as Director General for 13 years. He is a Non-executive Director of Moy Park Limited and the Environment Agency, a Governor of The Royal Agricultural University Cirencester, Vice Chairman of the National Institute of Agricultural Botany and became Chairman of Farm Africa in 2013.

5. Andrew Carr-Locke
Non-Executive Director * † ‡

Appointed as a Non-executive Director and Chairman of the Audit Committee in August 2009. A Fellow of the Chartered Institute of Management Accountants, he has previously held senior finance positions at Courtaulds Textiles, Diageo, Bowater Scott and Kodak and was Group Finance Director at George Wimpey plc until 2007. More recently he was Executive Chairman of Countryside Properties. He has previously held Non-executive directorships at Royal Mail Holdings, Venture Production and AWG and was appointed a Non-executive Director of Grainger plc in March 2015.

6. Sue Farr
Non-Executive Director * † ‡ ◊

Appointed as a Non-executive Director in November 2011, Chairman of the Corporate Responsibility Committee in November 2014 and a member of the Audit and Nomination Committees in March 2015. She is a member of the Executive Management Team of Chime Communications PLC, a position she has held since 2003. She has extensive marketing communications experience, having served as Marketing Director of the BBC for 7 years, Director of Corporate Affairs, Thames Television for 3 years and Director of Corporate Communications, Vauxhall Motors. Sue was appointed a Non-executive Director and member of the remuneration committee of Millennium & Copthorne Hotels plc in December 2013, a Non-Executive Director and a member of the Nomination, Remuneration and Audit Committees of Accsys Technologies PLC in November 2014 and a Non-Executive Director of British American Tobacco p.l.c. in February 2015. She has previously held positions as a Trustee of the Historic Royal Palaces and as a Non-executive Director of Motivcom plc.

7. Robin Miller
Company Secretary & General Counsel ◊ Δ #

Appointed in April 2008. He is a solicitor having worked in private practice and in-house in both retail and international manufacturing.

Governance

*** Audit Committee Member**
† Remuneration Committee Member
‡ Nomination Committee Member
◊ Corporate Responsibility Committee Member
Δ Management Board Member
 # Not a Board Member

Auditor
Ernst & Young LLP

Solicitors
Eversheds LLP

Principal Bankers
The Royal Bank of Scotland plc

Rabobank International, London Branch

Lloyds TSB plc

Santander UK plc

Corporate Brokers
J. P. Morgan Cazenove

Jefferies Hoare Govett

Registered Office
Claygate House, Littleworth Road, Esher, Surrey KT10 9PN

Registered in England
No. 3162897

MANAGEMENT BOARD

Day-to-day matters are the responsibility of the Management Board, which currently comprises the two Executive Directors, the Company Secretary & General Counsel, the Managing Director, Dairies, the Group Commercial Director, the Group Supply Chain Director and the Group HR Director. Other senior managers attend by invitation. The Management Board normally meets weekly.

◊ **Corporate Responsibility Committee Member**
Δ **Management Board Member**

Mike Sheldon
Managing Director, Dairies Δ

Mike joined Dairy Crest from PepsiCo 22 years ago. He has held several senior management positions within the business. He took up his current role in November 2014.

Adam Braithwaite
Group Commercial Director Δ

Adam joined Dairy Crest in 2002 and has held a number of senior management positions within the business. He was appointed Group Commercial Director in April 2013 and joined the Management Board in November 2014.

Mike Barrington
Group Supply Chain Director Δ

Before joining Dairy Crest in 2011, Mike held senior management positions with Cadbury Schweppes and Kraft Foods, latterly Manufacturing Director for Cadbury in the UK & Ireland. Mike joined Dairy Crest as Supply Chain Director, Dairies and was appointed to his current role in April 2013.

Robert Willock
Group HR Director ◊ Δ

Robert joined Dairy Crest 9 years ago as HR Director, Dairies from The Maersk Company where he was Director of Human Resources. He was appointed to his current role in April 2013.

Chairman's introduction

As Chairman my role is to lead the Board and ensure it delivers against its responsibilities. A strong governance framework enables the Board to do so, helping to ensure it has clarity of purpose and a common understanding of the responsibilities and accountabilities which it must keep in mind when going about its business. The Board has two key responsibilities. It must provide entrepreneurial leadership to the business while at the same time exerting appropriate control. Our governance framework helps the Board to focus on the detailed activities which sit within those two broad responsibilities. As a Board we are committed to delivering the best possible outcomes and we are conscious of the need to take account of and balance the interests of all of our stakeholders.

Over the last twelve months we have undergone a period of change as a Board as Anthony Fry, our previous Chairman, was taken ill in the spring 2014. Anthony's illness coincided with a critical time in Dairy Crest's development. We were able as a Board to cope during that challenging period because we had in place an effective governance framework and a Board comprising Directors equipped with resilience and the breadth and depth of experience to cope with unexpected challenges and therefore able to continue to focus on delivering our strategy. I am grateful to Richard Macdonald for his leadership as Acting Chairman during 2014 and for his continued support as Senior Independent Director. Under Richard's guidance the Board was equipped to manage an unexpected succession from one Chairman to another and to ensure that process did not disrupt the Board's work and the execution of the Company's strategy.

The smooth succession from one Chairman to another, albeit in unexpected circumstances which none of us would have wanted to have arisen, clearly demonstrates the importance of good governance. Our focus within our governance framework on strategy, leadership and succession planning, amongst other matters, shows, I believe, the benefits of good corporate governance and is a clear example of the effectiveness of the governance framework we have in place. As a Board, we recognise that appropriate planning and procedures are required not only for the efficient operation of the Board but for the business as a whole.

In my introduction to this, our Corporate Governance report, I have sought to demonstrate how we have brought to life the principles of good governance. Good governance is however, broader than good succession planning and having the right mix of skills and experience required to deal with unexpected events. Amongst other matters it includes ensuring that the right tone is set at the top of our organisation in order to guide its behaviour and to ensure that our organisation lives by and demonstrates the right values. Those values must in turn enable entrepreneurial and prudent management of the resources which you, our shareholders, have entrusted to us so that we can deliver long term success for Dairy Crest and all its stakeholders. In this Report we demonstrate how we have addressed those broader principles of good governance through, amongst other things, ensuring that we have in place an effective internal framework of systems and controls which clearly define authority and accountability while at the same time enabling the appropriate management of risk.

A key benchmark is our compliance with the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in September 2012 ('Code') – which can be found at www.frc.org.uk. I am pleased to report that we have complied with all relevant provisions of the Code during the 2013/14 year, although as a result of the changes which the Board has undergone we have had to delay slightly our Board evaluation process. The evaluation of our Board is ongoing and we cover it in more detail later in this Corporate Governance report.

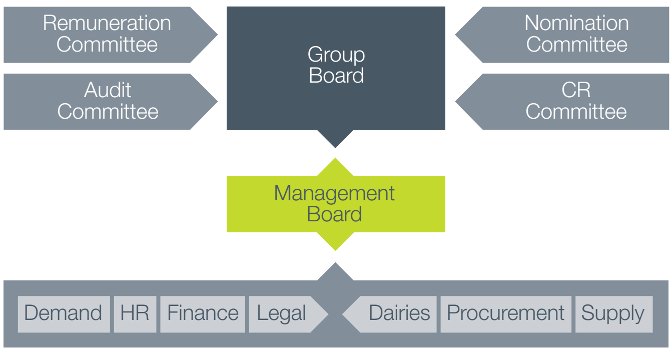
The Board recognises its collective responsibility for the governance of the Company. Its strong governance framework (as illustrated below) is supported by a combination of clear values, which are discussed elsewhere in this Report (see pages 6 to 7), appropriate policy, and an environment of transparency and accountability. The Board's central role is to work alongside the executive team providing support, challenge, guidance and leadership. I believe that the Board of Dairy Crest is well balanced with a broad range of skills, diversity and experience.

My key objective for the coming year is to maintain focus on ensuring that we have the right people and processes in place to manage the transformation which Dairy Crest is undergoing within an appropriate risk framework.

Stephen Alexander Chairman
20 May 2015

Governance framework

The diagram below sets out the structure used to govern the Company. Through our governance structure we have established a clearly defined set of values which are communicated throughout the Group. Our values are supported by a range of procedures and guidelines providing an appropriate roadmap to inform employees' behaviour. Together with external governance codes they set an effective framework for the Group's standards and governance. In order to prepare ourselves for the sale of the Dairies business we have refocused our commercial structures into Dairies, Cheese and Spreads and butters. The HR, Finance and Legal teams remain in place alongside the Dairies and Cheese, Butter, Oils & Spreads businesses.



The Board

Role: The Board is collectively responsible for the entrepreneurial leadership and control of the Company against a framework of prudent and effective controls enabling the assessment and management of risk. As custodian of the Group's strategic aims, vision and values it ensures that the necessary human, financial and other resources necessary for the delivery of long term success of the Group are in place and scrutinises and reviews management's performance. Each Director is aware of his/her responsibilities, individually and collectively, to promote the long term success of the Company consistent with their statutory duties.

How it operates: The Board's agenda through the year is pre-planned with sufficient time allowed to enable the Board to react and respond to the changing landscape of the Group's business as the year progresses. The Board's key accountabilities are:

- Approval of the Group's long term objectives and business strategy
- Approval of the annual operating and capital expenditure budgets
- Maintaining an overview and control of the Group's operating and financial performance
- Ensuring the maintenance of a sound system of internal control and risk management
- Oversight of the Company's governance and compliance framework, including key Group policies, for example Health and Safety and Business Conduct and considering regulatory changes and developments

A formal schedule of matters reserved has been adopted by the Board and is available on the Group's website www.dairycrest.co.uk.

Delegation of authority: the Board has delegated authority to five committees;

- Audit Committee
- Nomination Committee
- Management Board
- Corporate Responsibility Committee
- Remuneration Committee

The individual reports of the Audit, Nomination, Corporate Responsibility and Remuneration Committees prefaced by an introduction from the chairman of each can be found at pages 40 to 62. The Committees' terms of reference, which to the extent required, comply with the Code, can be found on the Group's website. Day-to-day management responsibility rests with the Management Board which under its terms of reference has delegated authority from the Board over operational decisions.

Composition: At the date of this Report, the Board comprises six Directors (two Executive, a Non-executive Chairman (who was independent on appointment) and three independent Non-executive Directors). Directors' biographical details, experience, responsibilities and other commitments are set out at pages 32 to 33.

Balance and Independence: With three independent Non-executive Directors and a Chairman who was independent on appointment, all of whom are free of any relationship which could materially interfere with the exercise of their independent judgement, the composition of the Board satisfies the requirements of the Code. The Board considers that the Directors demonstrate the suitable breadth of experience and backgrounds required to provide effective leadership for the Group. Details of the Group's approach to diversity are set out in the Report of the Nomination Committee at page 43.

Chairman and Chief Executive: These roles are distinct and separate with clearly defined accountabilities set out for each which can be found on the Group's website (Chairman/Chief Executive Division of Responsibilities). The Chairman has particular responsibility for the effectiveness of the Group's governance. He is accountable for ensuring the Board's effectiveness in discharging its responsibilities, safeguarding shareholder and other stakeholder interests and promoting effective communication with shareholders. Together with the Chief Executive and with the assistance of the Company Secretary he sets the agenda for Board Meetings and directs the focus of the Board ensuring that adequate time is available for all agenda items. In promoting a culture of openness among the Board and ensuring constructive relations between Executive and Non-executive Directors, he facilitates the effective contribution of all Directors. To help ensure a proper dialogue with all Directors the Chairman meets with Directors individually and talks to the Non-executive Directors in the absence of Executive Directors.

Senior Independent Director: Following Stephen Alexander's appointment as Chairman, Richard Macdonald has reverted to his role as Senior Independent Director, in which he provides a sounding board to the Chairman. He also acts as a lightning rod should matters arise which Directors wish to discuss with someone other than the Chairman. He is available to shareholders and other stakeholders in the Group's business as needed; and where required, he deputises for the Chairman.

Non-executive Directors: All Non-executive Directors (including the Chairman) confirmed on appointment that they had sufficient time available to fulfil their obligations as Directors and that they would inform the Board should the position change. Details of the Chairman's other significant professional commitments are included in his biography (page 33). The Board is satisfied that he continues to have sufficient time available to fulfil his obligations as a Director and Chairman. All significant commitments of Non-executive Directors were disclosed to the Board prior to their appointment and the Board was informed of subsequent changes.

As members of a unitary board, the Non-executive Directors scrutinise management's performance in meeting agreed goals and objectives. The Board as a whole monitors the reporting of performance. The Chief Executive's objectives, achievement of which influences his remuneration, are agreed with the Remuneration Committee following initial discussion with the Chairman. Performance against those objectives is scrutinised by the Remuneration Committee. The Audit Committee monitors and scrutinises the integrity of financial information as well as the robustness and defensibility of financial controls and systems of risk management. The Remuneration Committee is responsible for determining appropriate levels of remuneration for Executive Directors. The Nomination Committee has a prime role in selecting and recommending Directors for appointment and in succession planning. The appointment of Directors to or the removal of Directors from the Board is a matter reserved to the Board as a whole.

The Chairman periodically meets individually or collectively with the Non-executive Directors in the absence of the Executive Directors. Were Directors to have unresolved concerns about the running of the Company or a proposed action, they would be recorded in the Board minutes. The Non-executive Directors recognise the principle that if on resignation from the Board a Director has unresolved concerns, that Director should provide a written statement to the Chairman for circulation to the Board. The concept that Non-executive Directors are free to question any executive decision of the Company is enshrined in the engagement letter of each Non-executive Director.

Information and Support: The Company Secretary advises the Chairman and the Board on all governance matters and ensures Board procedures are followed and applicable rules and regulations complied with. He ensures that the Board is supplied in a timely manner with information in a form and of a quality which enables the Board to discharge its duties. The Board, the Committees and all Directors have access to the advice and services of the Company Secretary. He provides the Board with regular reports on governance issues. Procedures exist for Directors to seek independent professional advice at the Company's expense where required.

Effectiveness: Normally the Board has eight scheduled meetings in its annual work plan. It holds additional meetings on an ad hoc basis as and when required. During the year the Board held a number of meetings associated with the sale of the Dairies business in addition to those scheduled in its annual work plan. It is inherent in the nature of large corporate transactions that the Board is called upon to meet more frequently than normal, often at short or relatively short notice, as it is required to deal with fast developing issues. Accordingly, although all of the Directors made every effort to attend meetings which were required in addition to those scheduled in the Board's annual work plan, it was not always possible for them all to accommodate all of those additional meetings. Where they were unable to attend, they ensured that their input was given to the Chairman in advance. Details of the Board and Committee meetings held during the 2014/15 year and Directors' attendance at those meetings is set out in the table below.

Board and main Committee meetings

The Directors named in the table below held office during the year. The number of Board and Committee meetings attended by Directors in the year is shown in the table below. The numbers in brackets show the maximum number of meetings Directors could have attended during 2014/15.

	Board (scheduled in annual work plan)	Board (additional to those schedule in annual work plan)	Audit	Remuneration	Nomination	Corporate Responsibility	Management Board
Mr M Allen	8(8)	2(2)	–	–	–	3(3)	31(40)
Mr T Atherton [i]	8(8)	2(2)	–	–	–	3(3)	34(40)
Mr A Fry [ii]	0(4)	0(1)	–	–	0(1)	–	–
Mr M Wilks [iii]	7(8)	2(2)	–	–	–	2(3)	37(40)
Mr S Alexander [iv]	8(8)	2(2)	4(4)	3(3)	1(1)	–	–
Mr A Carr-Locke	7(8)	1(2)	4(4)	9(9)	1(1)	–	–
Ms S Farr [v]	8(8)	1(2)	–	8(9)	–	3(3)	–
Mr R Macdonald [vi]	8(8)	2(2)	4(4)	6(6)	1(1)	3(3)	–

i Tom Atherton was appointed to the Corporate Responsibility Committee on 6 March 2015

ii Anthony Fry stepped down from the Board on 17 September 2014

iii Martyn Wilks stepped down from the Board and its Committees on which he served on 31 March 2015

iv Stephen Alexander stepped down from the Remuneration Committee on 17 September 2014 and from the Audit Committee on 6 March 2015 following his appointment as Chairman of the Board and was appointed Chairman of the Nomination Committee on 6 March 2015

v Sue Farr was appointed Chairman of the Corporate Responsibility Committee on 3 November 2014 and as a member of the Audit and Nomination Committees on 6 March 2015

vi Richard Macdonald was appointed Chairman of the Remuneration Committee on 3 November 2014

In the last Annual Report we reported on the decision taken to adopt a hybrid approach to the Board effectiveness review in 2012/13 following the externally facilitated process undertaken in 2011/12 with Rathmullan. In 2012/13 we used a combination of an initially internal process using questionnaires which was then followed up with individual interviews with the Directors and the Company Secretary conducted by IDDAS, a specialist mentoring, coaching and effectiveness consultancy. IDDAS focused on continuing with the themes of the previous effectiveness review, in particular ensuring that adequate progress had been made with the conclusions drawn from the first externally facilitated review. IDDAS' review concluded that the Board had made good progress in ensuring its visibility through more regular site visits and that relationships amongst the Board continued to work well with any issues arising being quickly resolved in an open and constructive manner. The Board visited the Group's sites at Frome, Somerset (September 2013) and Chadwell Heath, London (January 2014). Building on the benefits of greater visibility for the Board within the business, the Board held its meetings in September 2014 and January 2015 at the Group's Davidstow site where we are building our new demineralised whey and GOS plants. The 2012/13 review also concluded that following changes to the Board's composition in May 2013 when Alastair Murray had stepped down from the Board and Tom Atherton had been appointed Group Finance Director, Tom had assimilated well into the Board quickly consolidating the relationships which he had begun to build with the Directors in his previous role as Director of Financial Control.

It had been intended that the annual appraisal of the Board's effectiveness required by provision B6 of the Code for the 2013/14 financial year would be undertaken in the spring of 2014. However, in light of Anthony Fry's absence due to ill health and in recognition of the pivotal role played by the Chairman and the appraisal of his performance in the overall appraisal of the Board's effectiveness and performance, the Board decided to postpone the annual appraisal of its performance pending Anthony's return to his duties as Chairman. Unfortunately Anthony was unable to return to those duties and in light of that and in order to enable Stephen Alexander time to establish himself in the role of Chairman, it was decided that the next review of the Board's effectiveness should be conducted later in 2015.

The decision has been taken to use an external facilitator to help the Board and Stephen, as the new Chairman, to conduct its next review. The Chairman and the Company Secretary are conducting a selection exercise to identify a range of possible organisations and approaches for the effectiveness review. Following a shortlisting process the Board will appoint an appropriate external facilitator. We will report on the outcome of the review in full in the next Annual Report and will post a summary report on the Company's website in the interim.

The performance of Executive Directors in the context of their management and operational responsibilities was appraised in the normal way. As is the case with all management grade employees, Executive Directors participate in the Group's performance and development review process. Under that process, the Chairman appraises the performance of the Chief Executive and the Chief Executive appraises the performance of the Group Finance Director. The outcome of reviews of performance of both Executive Directors is scrutinised by the Remuneration Committee. The outcome of the performance review of Executive Directors is set out in the Directors' Remuneration Report at page 52.

Induction and development: the Company Secretary ensures that Directors undergo a comprehensive induction programme on appointment. In addition to equipping Directors with sufficiently detailed knowledge of the operations of the Group's business necessary to enable them effectively to carry out their duties, the induction programme is tailored to their experience, background and particular areas of focus.

Conflicts of interest: The Companies Act 2006 places a duty on each Director to avoid a situation in which he or she has or can have a direct or indirect interest which conflicts or may conflict with the interests of the Company. That duty is in addition to the obligation owed by Directors to the Company to disclose to the Board any transaction or arrangement which gives rise or may give rise to a conflict of interest under consideration by the Company. Procedures are in place for Directors to disclose conflicts or potential conflicts of interest. The Company's Articles of Association ('Articles') authorise the Directors, where appropriate, to authorise conflicts or possible conflicts of interest between Directors and the Company. Non-executive Directors' letters of appointment require Non-executives to obtain the prior approval of the Board to appointments external to the Company where those appointments might affect the time they are able to devote to their role. That requirement assists the Board to ensure no conflict of interest may result from such appointments. When considering conflicts or potential conflicts of interest, the conflicted or potentially conflicted Director is excluded from participation in the Board's consideration of the conflict or potential conflict situation. From 2014 onwards we adopted a more formalised process where at the Board's April meeting, as part of the year-end sign off process when Directors approve their emoluments statements, they confirm in writing that they had no present or anticipated conflicts of interest. That process was most recently repeated at the Board's April 2015 meeting. No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

Appointment and re-election: The Articles provide that the Directors or the members, by ordinary resolution, may appoint a Director either to fill a vacancy or as an additional director. A Director appointed by the Directors shall retire at the next AGM following appointment and shall be eligible for election by the members. The Articles require all Directors to be elected annually. All Directors will stand for re-election at the Company's 2015 Annual General Meeting ('AGM'). Having regard to the roles performed by each of the Directors, the individual input and contribution they make and their individual expertise and experience, the Board is satisfied that each candidate's performance justifies nomination for re-election by shareholders. Service agreements of Executive Directors and a template letter of appointment of Non-executive Directors are published on the Company's website and are available for inspection by any person at the Company's registered office during normal office hours and will also be available at the 2015 AGM for 15 minutes before and throughout the meeting.

Dialogue with shareholders

The Board believes in the importance of an on-going relationship with its shareholders. It fully supports the principles encouraging dialogue between companies and their shareholders in the Code and the UK Stewardship Code. The Chief Executive and Group Finance Director have primary responsibility for investor relations. They are supported by the Group's Investor Relations team. Amongst other matters, they organise presentations for analysts and institutional investors and hold meetings with key institutional shareholders to discuss strategy, financial performance and investment activities immediately after the Interim and Preliminary Results Announcements. Slide presentations made to institutional shareholders are made available on the Company's website along with annual and interim reports, interim management statements, trading updates and company announcements. Announcements are made as appropriate and required through a Regulatory Information Service.
All the Non-executive Directors, and, in particular, the Chairman and Senior Independent Director, are available to meet with shareholders. Feedback from meetings with shareholders is provided to the Board to ensure that all Directors have a balanced understanding of the issues and concerns of shareholders. The Board receives feedback from the Chief Executive and the Group Finance Director on their meetings with shareholders, periodic reports on investor relations and independent feedback from the Company's brokers on the views of major shareholders. During the year the Chairman and the Remuneration Committee Chairman held meetings with key investors to discuss, amongst other matters, the Transformational Share Award for the Chief Executive which was approved by shareholders in General Meeting in December 2014.

The notice of each AGM together with other related papers is dispatched to shareholders at least 20 working days before the meeting. Ordinarily all Directors attend the AGM and are available to answer shareholder questions before, during and after the meeting. The Chairman of the Board provides the meeting with an update on the progress and performance of the Group before the formal business of each AGM is addressed and a resolution is proposed relating to the Annual Report and Accounts. Details of the proxy voting on each resolution are announced at the AGM including the level of votes for and against resolutions and abstentions, and are posted on the Company's website following the conclusion of the meeting. At the last AGM, consistent with corporate governance best practice, voting was conducted on a poll and the result was published on the Company's website after the meeting. Voting will again be conducted on a poll at this year's AGM.

Risk management and internal control

The Board determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in which task it is assisted by the Audit Committee and the Group Internal Audit function. It has delegated responsibility for management of day-to-day operational risks to the Management Board and responsibility for the detailed review of internal control to the Audit Committee. It has established a sound system of risk management and internal control, the key components of which are set out below. Group Internal Audit supports the Board and Audit Committee in reviewing the effectiveness of the system of internal control. Through periodic reviews during the year, the Board has satisfied itself that its systems accord with the FRC's Guidance on Internal Control (the 'Turnbull Guidance') and that satisfactory internal control procedures and systems have been in place throughout the year in compliance with the requirements of the Code. A rolling audit programme conducted by Group Internal Audit across the Group forms a key facet of the Group's systems of internal control. The Head of Group Internal Audit reports independently to the chairman of the Audit Committee on assurance matters. It is not possible entirely to eliminate risk; accordingly, although the systems are designed to manage risks they cannot provide absolute assurance against material misstatement or loss. They provide reasonable assurance that potential issues can be identified promptly and remedied appropriately. The key components of the risk management and internal control systems include:

- Reservation to the Board of control of, amongst other matters, all significant strategic, financial and organisational risks
- A management structure which includes clear lines of responsibility and documented delegations of authority with appropriate policies, levels and rules for, amongst other matters, incurring capital expenditure or divesting of the Group's assets
- The operation of comprehensive financial and strategic planning, forecasting and review processes
- Exercise of oversight by the Audit Committee, with input from the Head of Group Internal Audit, over the Group's control processes designed to ensure the integrity of internal and external financial reporting
- The preparation of monthly management accounts packs for the business, including KPI dashboards for each constituent part of the Group's business, trading results, balance sheet and cash flow information with comparison against prior year and budget, all of which are reviewed by the Management Board and the Board
- Monthly scrutiny of performance against budget (including analysis of key trends, variances and key risks and plans for mitigation as well as the continued appropriateness of those risks) in meetings known internally as Accounts Reviews where each key constituent part of the Group and key departments report performance year-to-date and forecast against budget to a panel comprising the Management Board and other senior executives
- Formal documented financial controls and procedures including specific procedures for treasury transactions and the approval of significant contracts
- Quarterly completion by each key constituent part of the Group of a self-assessment controls questionnaire that requires the approval of business unit management
- Preparation and refreshment of risk registers which are reviewed by senior management, the Management Board and the Board with the assignment of individual responsibility for the ownership and mitigation of significant risks to members of the Management Board and independent assurance over the appropriate implementation and operation of mitigating activities provided by Group Internal Audit
- Review by the Audit Committee of the Group's risk register processes
- Review and approval of the audit plan for the Group's Internal Audit function together with progress against and revision of the plan as appropriate, throughout the year
- Receipt by the Audit Committee and the Management Board of all Group Internal Audit reports detailing audit issues noted, corrective action plans and progress against those plans
- The operation of an integrated business planning process with formal procedures for highlighting on a monthly cycle financial performance and risks to budgetary delivery together with associated opportunities to counteract or mitigate those risks to performance

Fair balanced and understandable: Provision C.1 of the Code requires the Directors to present a fair, balanced and understandable assessment of the Company's position and prospects. When the provision was first introduced to the Code, the Audit Committee adopted a detailed process to enable the Board to report against this principle of the Code. The resultant more structured approach (see table below) to the preparation of the Report and Accounts has been repeated in the production of this Report and Accounts which the Board formally signed off at its meeting in May 2015.

January/February/March		April	May
Initial content production Prepare content not dependent on year end results, e.g.: business model, strategy, corporate governance sections. Project Manager ('PM') considers whether content collated is itself and collectively fair balanced and understandable ('FBU'): review and amend. Identify material events/ performance issues that will need to be reported	**Agree key messages** Start completing and collating performance related content, e.g. remuneration report. Consider new regulations and consistency with key messages and KPIs. PM considers whether content collated is itself and collectively FBU: review and amend	**Review and sign off** Confirmation from contributors as to completeness of input. Appropriate review of full content, for consistency, completeness and messaging: review and amend. 'Sign-off' by section owners. • Bring together all section owners to agree that whole Annual Report and Accounts ('ARA') is FBU. • Consider formal sign off from section owners to the Board.	**Formal sign off** Consider level of assurance obtained over non-financial information in the ARA. Where applicable Audit Committee to formally report to the Board on how it has satisfied itself that ARA is FBU. Board to minute consideration of FBU with Board paper showing the process and results.

The Board's assessment of the fair, balanced and understandable nature of the Annual Report and Accounts is further assisted by, amongst other matters, the following:

The Annual Report and Accounts is drafted by senior management with overall coordination by the Company Secretary & General Counsel.

An internal verification process is undertaken by the Internal Auditors to ensure factual accuracy.

Comprehensive reviews of the draft Annual Report and Accounts are undertaken by Management Board members, and in relation to certain sections by the Company's external lawyers, by the External Auditor and other advisors.

The drafts of each relevant section are reviewed as they are prepared through an iterative drafting process by the Chairmen of appropriate Committees of the Board and the final draft is reviewed by those Committees prior to consideration by the Board.

At its May 2015 meeting, the Board reviewed and was satisfied that the Annual Report and Accounts for financial year 2014/15, taken as a whole, is fair, balanced and understandable and the Board believes that the information contained therein provides the information necessary for shareholders to assess the Company's and Group's performance, business model and strategy.

Audit Committee report

Being entirely independent of management and enjoying a free ranging remit on behalf of the Board, the Audit Committee plays a crucial role in the governance of Dairy Crest. It provides oversight of the essential checks, balances and controls which are relied upon by our shareholders in order to have confidence that their interests are appropriately safeguarded. The Committee provides assurance over the integrity of the Group's financial reporting, including the interim and full year accounts; it enables shareholders and other stakeholders to have confidence that appropriate scrutiny has been applied to the Company's and the Group's accounting policies and that key accounting issues have been approached in an appropriate manner and a proper assessment of the Company as a going concern has been undertaken by management and the Board. The Committee scrutinises management's approach to judgmental issues and challenges management to ensure that judgements are approached in an unbiased manner with proper consideration of relevant facts. The Committee's work combined with assurance derived from internal and external auditors helps the Group to operate within a framework of suitable controls enabling the risks necessary for the Group's growth and for the enhancement of shareholder value to be properly controlled and mitigated. The Board is ultimately responsible for the identification, assessment and management of risk and the Committee assists it in the oversight of risk in addition to its core duties related to financial oversight and reporting.

The Committee has clearly defined accountabilities which are set out in its terms of reference and has a work programme which encompasses regular, routine activity, planned proactive activity and when necessary, reactive activity. Details of the Committee's work programme undertaken during the year are set out in the Report below. The Code encourages audit committees to report not just on the areas of work they have undertaken, but also on the significant issues they have considered during the year. Following the period of significant change and major internal restructuring undertaken in 2013/14, the Committee continued to focus on the integrity of financial reporting following the changes undergone by the Group's finance team and the appointment of Tom Atherton as Group Finance Director in 2013/14. Change has been a consistent theme during the year with significant focus on the delivery of the Group's strategy to build market leading positions in branded and added value markets, part of the implementation of which is the sale of the Group's Dairies business which is subject to competition clearance and its development of its demineralised whey and GOS plants. During the year, the Committee has focused on ensuring the continued integrity of the Group's financial management and reporting systems, its policies and its internal controls against this backdrop of change in order to ensure maintenance of the control environment.

Significant matters relating to the 2015 Group financial statements:

The Committee discussed with management the key judgements applied in the Group's financial statements and the impact of significant accounting items arising in the year. The main items discussed were:

- **Going Concern Review:** the Committee received management's report on; procedures undertaken to support the going concern statement; the level of the Group's borrowing facilities and forthcoming deadlines for repayment or renegotiation of those facilities; the amount of headroom over borrowing facilities and the adequacy of committed facilities to meet cash requirements in the 2015/16 financial year; budgeted net debt and EBITDA and headroom related to banking covenants. The Committee was satisfied that the proposed going concern statement to be made in the 2015 Annual Report and accounts is appropriate.
- **Accounting treatment for the Dairies operations:** for both the interim financial statements and the full year Group financial statements, the Committee reviewed with management and EY the accounting treatment to be adopted for the Dairies operations at both 30 September 2014 and 31 March 2015 in light of the conditional sale of the Dairies operations to Müller. In considering whether the Dairies business should be accounted for as held for sale under the requirements of IFRS 5 'Non Current assets held for sale and discontinued operations', the Committee considered whether the transaction was highly probable given the status of the regulatory approval process and ongoing advice obtained by the Board from legal advisers. The Committee confirmed that the accounting conclusion that Dairies should not be presented as held for sale in the 2015 Group financial statement should be disclosed as a key area of judgement.
- **Annual impairment review:** the Committee reviewed a management report supporting the conclusion that no impairment of goodwill or property, plant and equipment should be recognised at 31 March 2015 albeit a reasonably possible change in assumptions might lead to an impairment in the Dairies cash generating unit ('CGU'). Due to the low margins and challenging market conditions associated with the Dairies business, the carrying value of property plant and equipment in the Dairies CGU was reviewed for impairment. The Committee reviewed with management and EY key assumptions used including, but not limited to, discount rates, cash inflows from forecast property disposals, profit margins, the potential timing and amount of disposable proceeds and the allocation of corporate costs. In light of the conditional sale of the Dairies operations, the methodology applied in calculating an appropriate value in use for the Dairies CGU was reviewed and the Committee agreed that this should be disclosed as a key area of judgement applied in the 2015 Group financial statements.
- **Revenue recognition and promotional activity:** given the judgemental nature of certain promotional accruals, the Committee routinely reviews the level of promotional accruals at the half year and the full year. It considers the results of the interim review and the audit conducted by EY which assessed the effectiveness of redemption rates used and the effectiveness of controls. In light of current regulatory focus on promotional activity, the Committee recommended to the Board that it conduct a review of the Group's commercial arrangements with key retail customers. The Board's review concluded there were no changes required to the accounting approach used and that appropriate controls were in place.
- **Exceptional items:** the Committee challenged the appropriateness of the classification of items as exceptional and compliance with the Group's accounting policies when dealing with exceptional items. The Committee was satisfied that exceptional items had been appropriately classified, treated consistently and discussions were transparent.
- **Capitalisation of assets:** given the scale of the investment in the new demineralised whey and GOS facilities at Davidstow, the Committee considered Internal Audit's findings from their review performed in November 2014 of financial controls for actual

expenditure against approved capital expenditure, including compliance with the Group's purchasing policies and procedures.
- **Fair balanced and understandable:** at its meeting on 11 May 2015, the Committee reviewed the process which had been followed for the preparation of the Annual Report and Accounts (see page 39) together with the content of the draft Annual Report and Accounts and considered whether the Code requirements for the presentation of a fair balanced and understandable Annual Report and Accounts had been met. The Committee challenged management over the appropriateness of the degree of confidence with which completion of the sale of the Dairies business was presented in the Strategic report section of the Annual Report considering the accounting treatment applied to the sale, which is conditional on competition clearance, in the draft Accounts. The Committee provided comment for consideration by the Board, subject to which, it considered the Annual Report and Accounts to be fair, balanced and understandable.

In light of the considerable focus which is rightly placed on the objectivity and independence of the external auditor, we shall report more fully later in this Report on the Committee's approach to external audit tendering. Finally, as Stephen Alexander replaced Anthony Fry during the year as Chairman of the Board, in order to ensure continued compliance with the Code, Stephen stood down from the Committee. In turn, Sue Farr joined the Committee and I would like to take this opportunity formally to welcome her to the Committee.

Andrew Carr-Locke Chairman of the Audit Committee
20 May 2015

Membership: details of the members of the Committee at the date of this Report together with details of attendance at meetings are set out at page 37. Changes to membership of the committee during the year are set out in the footnotes to the table on page 37. The Board considers that the Chairman of the Committee has recent and relevant financial experience for the purposes of the Code.

Invitations to attend meetings: a standing invitation has been made by the Committee to the Chairman of the Board, the Chief Executive and the Group Finance Director to attend the Committee's meetings. The Group Reporting Controller, Group Financial Controller, Head of Group Internal Audit and representatives of EY attend all meetings at the invitation of the Committee. During the year the External and Internal Auditors attended all meetings and also met privately with the Committee.

Role and responsibilities: consistent with the FRC's "Guidance on Audit Committees" the Committee's role and responsibilities are concerned with financial reporting, narrative reporting, whistleblowing and fraud, internal controls and risk management systems, internal audit and external audit. The Committee's scheduled activities are planned in accordance with its terms of reference, which have been approved by the Board.

Terms of reference: the Committee has documented terms of reference which are approved by the Board. They are reviewed at least annually and during the year they were last reviewed at the Committee's meeting in March 2015. Its terms of reference comply with the Code and can be found on the Group's website.

Objectives: the Board has delegated authority to the Committee to oversee and review the Group's financial reporting process, system of internal control and management of business risks, the internal audit process, the external audit process and relationship with the external auditor and the Company's process for monitoring compliance with laws and external regulations. Final responsibility for financial reporting, compliance with laws and regulations and risk management rests with the Board to which the Committee regularly reports back.

Meetings: the Committee's core work is driven by a structured programme of activity settled at the start of the year between the Committee Chairman, management and EY. As well as its core work, the Committee undertakes additional work in response to the evolving audit landscape. The following non-exhaustive list provides highlights of the Committee's core and additional work undertaken during the year:

12 May 2014	• Received and considered EY's 2014 Audit Results Report
	• Received management's review of changes to relevant accounting standards and policies affecting the draft Report and Accounts for the year ending 31 March 2014 (including the legislative requirements for the inclusion in the Report and Accounts of a strategic report and the Group's approach to the preparation of the strategic report as well as the fair balanced and understandable requirement under the Code)
	• Reviewed its own performance and that of EY along with EY's objectivity and the independence and effectiveness of EY's processes, and recommended to the Board EY's reappointment as the external auditor
	• Received Group Internal Audit's updates on pre-existing whistleblowing notifications and any new notifications as well as its report on financial and operational controls audits and its progress against audit plan. Approved Group Internal Audit's work plan for the next financial year
15 September 2014	• Received Group Internal Audit's report on financial and operational controls audits, pre-existing whistleblowing notifications and any new notifications
	• Considered EY's 2014/15 Audit Planning Report
	• Received a report on the impact of changes to UK GAAP and the introduction of new financial reporting standards on the Company
	• Received an update on and reviewed the Group's IT security and cyber risks together with appropriate controls and recommended changes to policy
	• Reviewed the outcome of the Financial Reporting Council's Audit Quality Inspections, including in particular, the outcome of the Audit Quality Inspection of EY
3 November 2014	• Received Group Internal Audit's report on financial and operational controls audits, pre-existing whistleblowing notifications and any new notifications
	• Received management's analytical review of the results for the period ended 30 September 2014 and reviewed and approved for recommendation to the Board draft Interim Accounts for that period
	• Received and considered EY's Interim Review Report for the period ended 30 September 2014
6 March 2015	• Received a report on and reviewed the Group's accounting for its Dairies business at 31 March 2015
	• Received and considered a report on the conduct of the annual impairment review of the Group's operations, including, in particular, impairment testing of the Dairies assets
	• Received and considered EY's Audit Update Report
	• Received Group Internal Audit's update on audits conducted in the period and progress with its audit plan, as well as whistleblowing notifications received during the period and an update on investigations into previous notifications

6 March 2015 continued	• Received and considered an update on the regulatory environment surrounding audit tenders and changes to that environment and considered a proposed approach for adoption by the Group to tendering the external audit engagement
	• Received an update on and reviewed the Group's IT security and cyber risk
	• Reviewed the Committee's performance during the year against its work plan satisfying itself that it had achieved its work plan as well as a number of additional matters which had arisen during the year and that it had satisfied its remit under its terms of reference, which it also reviewed and decided that no changes were required to them

External auditor objectivity and independence: the objectivity and independence of the external auditor is critical to the integrity of the audit. During the year the Committee reviewed the external auditor's own policies and procedures for safeguarding its objectivity and independence. There are no contractual restrictions on the Company with regard to the external auditor's appointment. Audit engagement partner rotation requirements have been routinely observed. The audit engagement partner provided her annual representation to the Committee as to the external auditor's independence and confirmed that EY's reward and remuneration structure includes no incentives for her to cross sell non-audit services to audit clients.

The Committee's assessment of EY's independence is underpinned by the Group's policy on the use of EY for the provision of non-audit services. The policy contains a presumption against the use of the external auditor for non-audit services. EY may only be engaged for the provision of non-audit services in contravention of that presumption where those services are expressly permitted under the policy and where there is a demonstrable efficiency, audit enhancement or cost benefit resulting from the engagement of the external auditor. Furthermore, before it may be engaged for the provision of such non-audit services, alternative providers must have been considered and discounted.

Services which the external auditor is prohibited from providing to the Group include, amongst others:

- Bookkeeping services and preparation of financial information
- The design, supply or implementation of financial information systems
- Appraisal or valuation services
- Internal audit services
- Actuarial services

Fees paid to EY during the year are set out in the table below, together with prior year comparisons:

	2014/15 £m	2013/14 £m
Total audit fees	0.4	0.4
Non-audit fees		
Taxation services	0.1	0.1
Other non-audit services	0.5	–
Total non-audit fees	0.6	0.1
Total Fees	1.0	0.5

Details of the non-audit work undertaken by EY during the year, which included acting as reporting accountant as part of the Dairies sale transaction and research and development related tax work, are set out at Note 2 to the Accounts at page 86. The Committee was satisfied that the overall levels of audit related and non-audit fees were not material relative to the income of the external auditor firm as a whole. It was satisfied that the objectivity and independence of the external auditor was maintained throughout the year.

External auditor appointment:
EY has been the Company and Group's external auditor since the Company floated in 1996. The external audit appointment has not been tendered competitively since EY's appointment. During the prior year and the year covered by this Annual Report, the Committee has closely monitored regulatory developments concerning external audit tendering and has assessed the implications of the transitional arrangements for the Competition and Markets Authority's order concerning audit contract tender ('Order') and the EU audit regulation ('Regulation'), which comes into force in June 2016.

In light of EY's long association with the Company, EY and the Committee have agreed that EY will not participate in the next tender exercise for the Company's external audit engagement. During the 2013/14 financial year, the Company introduced a policy requiring that the external audit engagement is tendered each 10 years, the first of which tendering exercises must be undertaken not later than the end of 2019. In so doing, the Committee believes it will comply with the provisions of the Order, the Regulation and the Code.

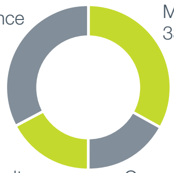
During the year the Committee decided that it would plan to undertake a tender process timed to enable the appointment of a new external auditor in readiness for the start of the 2017/18 financial year on 1 April 2017. The Committee is keeping its approach to the external auditor appointment and continued regulatory changes under review. It currently expects to make a final decision on an audit tender by the end of 2015, by which time the Department for Business Innovation and Skills will have published the conclusion of its consultation on the effects of the Regulation.

The Committee monitors the performance of the external auditor throughout the year and formally concludes the assessment of its performance every May and makes a corresponding recommendation on the appointment of EY for the forthcoming financial year to the Board. Shareholders formally appoint the external auditor at the AGM in July. In light of the assessments and review undertaken last May, the Board endorsed the Committee's recommendation which was approved by shareholders in July 2014. At its meeting in May 2015, the Audit Committee considered the appropriateness of the re-appointment of EY as the Group's external auditor for the 2015/16 year. In doing so it took account of the Committee's review of the external auditor's independence and objectivity, the ratio of audit to non-audit fees and the effectiveness of the audit process together with other relevant review processes conducted throughout the year. The Committee was satisfied that it should recommend to the Board the re-appointment of EY as the Company's and Group's external auditor.

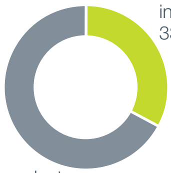
Nomination Committee report

I present to shareholders the report on the work of the Nomination Committee during the 2014/15 financial year. Details of the membership of the Committee and the attendance of members at Committee meetings during the year are set out on page 37. For the majority of the year, in Anthony Fry's absence, I chaired the Committee. Stephen Alexander was appointed as Chairman of the Committee in March 2015. As I chaired the Committee during most of the year on which we are reporting, I am reporting on the Committee's work rather than Stephen.

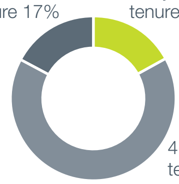
Sector experience



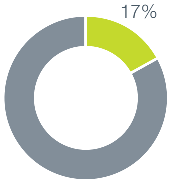
Independence



Length of tenure



Board gender



The Committee is responsible for overseeing the selection and appointment of Directors and making its recommendations to the Board. In conjunction with the Chairman it also evaluates the commitments of individual Directors and ensures that the membership of the Board and its principal committees are refreshed periodically. The Board believes that it is in the best interests of the Company that Executive Directors take up opportunities to act as Non-executive Directors in other appropriate companies. Executive Directors are permitted to serve in a non-executive capacity on the board of one other listed company and to retain any fees received. Non-executive Directors may serve as directors, executive or otherwise, on the boards of other companies or appropriate organisations. Non-executive Directors' letters of appointment require them to seek prior approval from the Board before accepting any additional commitment that might affect the time that they are able to devote to their role as a Non-executive Director of the Company. The Board has the opportunity to satisfy itself that Non-executive Directors' other commitments allow them to devote adequate time to their commitments to the Company. The Board approved all new appointments of Directors during the year and is satisfied that all Directors continue to have sufficient time to devote themselves properly to their duties for the Company.

The Committee has not been required during the year to assist the Board with the recruitment of a Director. Were it to be so required, it would ensure that the recruitment exercise was conducted against a documented brief setting out the requirements of the role and the skills and experience required of the person to fill it. In the past, the Company has engaged the services of external search consultancies and it is anticipated, in the ordinary course, that it would continue to do so in the future. Were it not to do so, open advertising would be used as an alternative. None of the Non-executive Directors, or the Chairman, who was independent on appointment, has yet served six years in office. Andrew Carr-Locke is the longest serving of the independent Non-executive Directors. In August 2015 he will have served six years on the Board.

During the year the Committee's main focus was on the potential need for succession to the position of Chairman of the Board, should, as unfortunately proved to be the case, Anthony be unable to return to the role. The Committee also focused on any other additional consequential changes required to be made to the membership of the Board and its Committees. In recruiting Stephen Alexander to the Board in 2010/11 careful consideration had been given to future succession planning for the Chairman's role. Keeping in mind the critical juncture in the development of the Group's business at which we found ourselves, it was clearly appropriate given Stephen's experience and suitability for the role that the Committee recommended to the Board his appointment as Chairman.

In order to ensure continued compliance with the Code and that the Board's Committees could continue to function properly, a number of changes were also required to the Board's Committees. During the year following his appointment as Chairman of the Board, Stephen stood down from the Audit Committee and as Chairman of the Remuneration Committee. I was appointed Chairman of the Remuneration Committee and Sue Farr joined the Audit Committee and Nomination Committees and was appointed Chairman of the Corporate Responsibility Committee from which role I stood down, although I remain a member of that Committee. Finally, the Committee recommended to the Board that Stephen Alexander become Chairman of the Nomination Committee, which recommendation was endorsed by the Board – although in the event that the Nomination Committee is in the future required to deal with the appointment of Stephen's successor, in compliance with the Code, I would lead that process as Senior Independent Director. The Committee and the Board have considered whether, in light of Martyn Wilks departure from the Board, an additional Executive Director is required to be appointed to the Board. The Committee's recommendation, accepted and endorsed by the Board, was that for the time being, given the changes which the Company is undergoing, no additional appointment should be made although it will be keeping that recommendation under review.

The Group has not adopted targets for female representation amongst the Directors. It interprets diversity in its widest sense and aims to achieve the best possible leadership for the Group by ensuring an appropriate mix of skills, backgrounds, gender, experience and knowledge amongst its Directors, senior managers and other employees. The Committee considers that first and foremost, appointments must be made based on an objective assessment of who is the best person to fill a role, with candidates drawn from a diverse range of backgrounds. The Group will continue to operate policies giving equal opportunities to all, irrespective of age, gender, marital status, disability, nationality, colour, ethnic origin, sexual orientation or religious affiliation.

Richard Macdonald Senior Independent Director
20 May 2015

Report of the Corporate Responsibility Committee

I am delighted to present to shareholders my first report as Chairman of the Corporate Responsibility Committee which can be found on pages 23 to 27. As referred to in the report of the Nomination Committee, Richard Macdonald chaired the Committee during the year until November. I thank Richard for his leadership of the Committee during which time the Company's corporate responsibility programme has gone from strength to strength as demonstrated by the Group's continued success in the reduction of accidents in the workplace, its reduced water usage and the launch of healthier innovative products. It was with great pride that we reported last year that the Group had achieved four and a half stars in the 2014 BITC corporate responsibility audit, the highest rating of any participating member company, which built on the achievement of a BITC Platinum Big Tick in 2013. It is with equal pride that I am able to report to you that in the 2015 BITC corporate responsibility audit we have achieved the highest possible rating of five stars. I was also delighted that in 2014 Dairy Crest was the recipient of the prestigious IGD President's Cup, an award that recognises, in part, the work that the Company has made to helping the organisation achieve its societal objectives.

The Committee oversees the Group's corporate responsibility programme and ensures that key social, ethical and environmental issues are assessed and prioritised including reviewing the Company's 40 corporate responsibility pledges. In addition to me as Chairman, the Committee comprises Richard Macdonald, Mark Allen, Tom Atherton, Robin Miller, Robert Willock and Adam Braithwaite.

During the year the Group continued to benefit from working in collaboration with other businesses to deliver larger scale benefits to society. Examples have included our continued support of the IGD's Feeding Britain's Future initiative through which employees have helped over 140 young people find employment since 2013. Through our community partnership with Marks & Spencer we have also been able to offer over 80 young people 80 hours of work experience. Aware that without dairy farmers we would not have a business we are also proud of the work we have done through the Prince's Countryside Fund and more specifically, the Prince's Dairy Initiative, a programme that helps the most vulnerable dairy farms become more economically and environmentally sustainable.

Overall the Committee views corporate responsibility as an opportunity to improve and add further value to the business. Accordingly, good corporate responsibility is in the interests of all of Dairy Crest's stakeholders. We believe that the Group's approach helps to spark creative, innovative ideas which contribute to the business' better understanding of its consumers and will lead to greater success.

Sue Farr Chairman of the Corporate Responsibility Committee
20 May 2015

Management Board

The Chief Executive chairs the Management Board which comprises the other Executive Directors and senior members of the Group's executive team. Details of the members of the Management Board can be found at pages 32 to 34. The Management Board is responsible, amongst other matters, for implementing the Group's strategic direction and monitoring the performance of the business and its control procedures on a day-to-day basis, as well as the day-to-day operations of the Group's business, its performance against forecasts and budgets and profitability. The Management Board normally meets weekly.

Information included in the Directors' report

Certain information fulfilling the requirements of the Corporate Governance Report can be found in the Directors' Report at pages 63 to 65 under the headings 'Substantial shareholdings', 'Rights and obligations attaching to shares', 'Articles of association' and 'Purchase of own shares' and is incorporated into this Corporate Governance Report by reference.

By order of the Board

Robin Miller Company Secretary & General Counsel
20 May 2015

DIRECTORS' REMUNERATION REPORT

Chairman's statement

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the 2014/15 financial year.

The Dairy Crest remuneration policy continues to be based upon a core set of principles which support the strategic and financial ambitions of the Company:

- The remuneration package should support a performance based culture, attract and retain talented personnel and align executives' and shareholders' interests.
- The remuneration structure is both uncomplicated and transparent, and we remain committed to open disclosure.
- The measures used for incentive plans reflect the strategic priorities which the Committee considers critical to the future success of the Company.

At the 2014 AGM, shareholders approved our Directors' Remuneration Policy ('Policy') with 96% support. A copy of the Policy is included after this statement for ease of reference. The full Policy as approved by shareholders is available on our website.

The Dairies transaction

2014/15 has been a notable year for Dairy Crest. On 6 November we announced that we have agreed to sell the assets and business of our Dairies operations to Müller. A sale is conditional on approval from the relevant competition authorities and the process to obtain approval is on track. After completion of a sale, Dairy Crest's focus will be on its profitable, predominantly branded, cheese and spreads operations. It will also grow its revenue and profits by continuing to develop whey-based products, specifically demineralised whey powder and galacto-oligosaccharide, for the fast growing global infant formula market. A sale of the Dairies operations will be a transformational and a hugely positive transaction for the Company, our shareholders and the sector.

In light of the challenges that lay ahead for Dairy Crest over this critical period for the business, the Committee determined that the retention of Mark Allen, given his unique knowledge of the Group's business and in-depth knowledge of the sector in which it operates and his relationships with the Company's key stakeholders, is paramount over the coming three years. Mark has been the Company's Chief Executive for eight years and with Dairy Crest for 23 years. Shareholders approved the grant of a one-off Transformational Incentive Award to the Chief Executive outside the approved Directors' Remuneration Policy at the extraordinary general meeting held in December 2014. As a result the award was granted following the EGM and vests three years from grant in December 2017, subject to the achievement of stretching performance conditions. Further details of this award are given in the report under 'Scheme interests awarded during the financial year'. We consulted with a number of our key shareholders prior to the EGM, and I would like to take this opportunity to thank investors for their input and engagement during this process, and for their subsequent support at the EGM.

2014/15

The positive transaction for Dairy Crest highlighted above takes place against a backdrop of challenging trading and economic conditions for the business this year, which is reflected in our incentive payouts in relation to 2014/15.

The Dairy Crest annual bonus incorporates stretching short term financial targets and personal objectives. This year's bonus payments reflect a challenging year where bonus targets for profit and net debt were not met, resulting in lower payments of 18.75% of salary for Mark Allen, 15.63% for Martyn Wilks and 18.75% for Tom Atherton.

Awards under the Long Term Incentive Share Plan ('LTISP') 2012 had a three-year performance period to March 2015. Against the TSR performance measure (60% of the award), the Company achieved 34.7% growth, however, the Company did not achieve the minimum Adjusted EPS target threshold (40% of the award). This resulted in 20.8% of awards vesting under this award.

Under the Long Term Alignment Plan ('LTAP'), our Executives are measured against a set of strategic Key Performance Indicators supported by a 3 year performance measure relating to dividend performance. For the 2014/15 financial year, the LTAP grant will be 69.2% of basic pay for the Executive Directors, which reflects a consistent performance by Dairy Crest against the backdrop of a difficult market. As the 2014/15 grant level was determined based on performance against the scorecard over the previous financial year, we have provided full details of the outcomes against these measures in this report. This is contained towards the end of the report just before 'Statement of Implementation of policy in the following financial year'. Grants under the LTAP will vest in two equal tranches four years and five years after grant, subject to the dividend and dividend cover maintenance performance condition being met.

Board changes

Martyn Wilks left the Board on the 31 March 2015, and I would like to take this opportunity to thank Martyn for his contribution throughout the seven years he was on the Board. Further information on the termination pay arrangements in place for Martyn can be found on page 53 of this report.

2015/16

2015/16 is expected to be a challenging year in light of the transaction and related significant restructuring activity required. As the timing of the transaction is unclear and dependent on the relevant competition approvals, the Committee has reviewed the 2015/16 annual bonus performance measures. This is to ensure that for this year, during this critical period of transition, the targets appropriately assess performance and recognise the contribution of our people. As a result of this review, the Committee has determined that the profit before tax measure will be replaced with an adjusted operating profit measure, to enable the Committee to assess the underlying performance of the business over the year, excluding property disposals and the impact of interest payments over the period which will be abnormally impacted by the anticipated transaction. In addition, the net debt measure is to be replaced with a cashflow measure to provide a more relevant assessment of performance over the period and the target will be calibrated to exclude the anticipated cash receipt as a result of the transaction. Finally, part of the 2015/16 annual bonus will be paid depending on the successful completion of the transaction. This approach is being applied to all bonus scheme participants and the Committee believes that it is important to incentivise and reward employees appropriately for their part in achieving this deal. However, to ensure that the greater proportion of the Executive Directors' bonuses continue to be based on specific financial measures, this element will comprise a much lower proportion of the bonus for them compared with other employees. This change is consistent with the approved Policy. The maximum bonus potential for Executive Directors will remain at 100% of salary.

In reviewing our bonus, we have also made a substantive change to how we will implement the Policy. We have introduced clawback and malus clauses to our bonus, applying to awards made relating to 2015/16 and future financial years. These will allow both cash and share bonus awards to be reduced in the three years after the award is made. This is intended to protect the Company and its stakeholders against the most serious events, which may only come to light after a period of time. This does not constitute a change to Policy.

As referenced in last year's remuneration report, Tom Atherton's promotion to Group Finance Director was at a salary level significantly below the market rate, but with a clear plan for enhanced salary adjustments in line with increasing experience and good performance in the role. I am pleased to confirm that further to an on-going review of Tom's performance his salary has been increased by 15.4% to £300,000 p.a. This reflects our ongoing intention to move him to a market median positioning as his experience in role grows. It is therefore anticipated that subject to his continued strong performance, Tom will receive further appropriate increases such that his salary positioning is in the market median range against FTSE 250 CFOs. No salary increase will be awarded to Mark Allen in 2015 (he last received an increase in his basic salary in 2011). The Committee intends to conduct a review of Mark's salary in January 2016.

This report
Following the high level of support received for our 2013/14 remuneration report, the Committee decided to make minimal changes to the layout of the report to provide consistency for our readers. We have included a copy of our full Policy report, which was approved at the 2014 AGM, but this is not being put to a shareholder vote this year as we have made no changes to the Policy. Other than the one-off Transformational Incentive Award previously mentioned, we have operated fully within the Policy this year.

Approved by the Board and signed on its behalf by

Richard Macdonald Chairman of the Remuneration Committee.

Directors' remuneration policy

(approved by shareholders at the 2014 AGM)

Directors' remuneration Policy
We seek to ensure that the remuneration packages contribute to the delivery of long term shareholder value. This is reflected in the Company's annual bonus scheme and long term alignment plan, which are explained in more details below. The Committee received shareholder approval of the following Policy at the Annual General Meeting on 15 July 2014 to cover the period from 1 April 2015 to the 2017 AGM.

Future policy table
The remuneration structure for Executive and Non-executive Directors (who are paid only fees and receive no additional benefits) at Dairy Crest, and the underlying principles on which each element of the package is based are set out below.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Base salary Reflect assessment of market practice based on role and experience.	Benchmarked against executives with similar responsibilities in companies of comparable size and complexity, in particular the constituent companies of the FTSE 250 index (excluding financial services). Paid in 12 equal monthly instalments during the year. Reviewed annually and any changes are in the ordinary course effective from 1st July.	Increases will normally be broadly in line with inflation and the wider employee population. The Committee retains the flexibility to award higher base salary increases and to position salaries in such a way that ensures Dairy Crest remains competitive in the market, and to take into account an individual's personal performance and experience in the role – as such the Committee may apply increases over time as appropriate to achieve alignment with market levels. Changes may also be made in the case of a change in role or responsibility.	Not applicable.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Pension Provide a market competitive level of provision with appropriate flexibility whilst minimising risk to the Group.	There is a defined contribution scheme and/or salary supplement in place. No further service accrual under final salary pension scheme from 1 April 2010.	Mark Allen and Tom Atherton receive employer contributions up to Annual Allowance plus cash supplements. Total benefit will not exceed 23% of salary. Martyn Wilks receives a cash supplement of 23% of salary.	Not applicable.
Benefits Provide market-competitive benefits.	Includes company car benefit, life assurance cover, permanent health insurance and medical insurance. Dairy Crest pays the cost of providing the benefits on a monthly basis, or as required for one-off events. The Remuneration Committee reserves the right to add to or remove these benefits as required.	All Executives receive a company car/car allowance and private medical insurance, commensurate with market levels. Mark Allen and Tom Atherton receive life insurance cover of 7 x annual salary. Martyn Wilks receives life insurance cover of 4 x annual salary.	Not applicable.
Bonus Ensure that annual reward is consistent with successfully achieving the short term financial targets and strategic objectives of the Group.	To deliver an appropriate balance between long term and short term reward, any bonus earned over 50% of annual salary is deferred into shares (see below). The remainder is paid as cash. The cash element of the bonus is paid three months after the end of the financial year to which it relates.	Current maximum award: 100% of salary. Target award: 50% of salary. Threshold award: 0% of salary. The Remuneration Committee has discretion to increase the maximum award to 150% of salary in exceptional circumstances. The Committee is not aware of any such circumstances and so does not currently expect to make awards above the maximum of 100% of salary.	Performance is measured by reference to the financial year. Metrics used to determine performance under the bonus will be based on a mix of financial, operational and personal measures. The Committee has the flexibility to vary the performance measures and weighting of metrics under this plan.
Deferred bonus Deliver appropriate balance between long term and short term reward and to build up Directors' shareholdings in line with Policy.	Any bonus over 50% of annual salary is deferred for three years, conditional on continued employment until vesting date. Delivered in shares. Participants will normally be entitled to an amount, payable in shares, on vesting equal in value to the dividends payable on deferred bonus shares over the deferral period.	Policy maximum award: 50% of salary (maximum potential deferral). In the exceptional event the Remuneration Committee exercises discretion to award a bonus above 100% of salary, any bonus earned above 50% of salary would be deferred into shares.	None. Value growth is achieved only through change in share price, and dividend equivalents paid.
Long Term Alignment Plan Encourage and reward continuing improvement in the Group's performance over the longer term. Alignment of interest between participants and shareholders. Measures identified are central to Dairy Crest's strategy and are considered by Directors in overseeing the operation of the business.	Annual grant of share awards. Awards will be subject to a phased vesting requirement, with 50% of the award vesting in year 4 and 50% in year 5 following grant. Participants will normally be entitled to an amount on vesting, paid in shares, equal in value to the dividends payable on shares awarded. The Board may at any time up to and on vesting reduce the number of shares that vest, should material misstatement or misconduct occur.	Maximum award: 90% of salary. If performance falls below a minimum level against the scorecard no award will be made.	Achievements over the prior year against a pre-grant performance scorecard comprising measures aligned to Dairy Crest's strategic priorities. The Committee has flexibility to amend the relevant measures, weightings and KPIs which determine the size of the awards granted. The weighting of financial KPIs in determining annual grant levels will be at least 60% of the scorecard. Vesting is subject to continued employment. The level of vesting may be reduced dependent on a dividend underpin over the first three years of the vesting period. An amount of the award proportional to the percentage decrease in dividend may be clawed back in the event of a decline of up to 50%. If the decline exceeds 50%, the Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Long Term Alignment Plan Continued			Dividend cover must be maintained in a specific range over the three-year measurement period. The Remuneration Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range. The dividend cover range will be determined by the Committee annually, and may be adjusted if the Committee determines this to be appropriate.
Shareholding requirement Alignment of interest between participants and shareholders.	Directors are encouraged to build a shareholding in the Company. Such shareholdings exclude unvested options under the Long Term Incentive Share Plan and include unvested deferred shares granted to Executive Directors as part payment of bonuses and unvested LTAP awards. Directors who have not achieved the minimum shareholding requirement will be encouraged to retain 50% of any shares released under the deferred bonus/LTAP until the required level of shareholding is reached.	The shareholding requirement for Executive Directors is 200% of salary.	Not applicable.
Non-executive Directors' fees Remunerates Non-executive Directors and attracts Non-executive Directors of suitable calibre.	Benchmarked against Non-executive Directors with similar responsibilities in companies of comparable size and complexity. The remuneration of the Non-executive Chairman is determined by the Board following recommendations from the Remuneration Committee and Chief Executive. The remuneration of Non-executive Directors is determined by the Board following recommendations from the Chairman of the Remuneration Committee having consulted with an external adviser and the Chief Executive.	The total fees for Non-executive Directors remain within the limit of £600,000 set out in the Articles of Association.	Not applicable.
Provisions of previous Policy that will continue to apply – award made 2012			
Long Term Incentive Share Plan Alignment of interest between participants and shareholders.	Annual grant of share awards. Three-year vesting period.	Annual limit – 150% of salary.	60% subject to three-year relative TSR performance against a comparator group comprising FTSE 250 constituents (as at the grant date) (excluding financial service companies, real estate companies and investment trusts). 40% subject to three-year Adjusted EPS growth targets.

Notes on Policy table and components of remuneration

Performance measures and targets

Measures for incentive plans reflect the strategic priorities which the Committee considers critical to the future success of the Company. Targets are set by reference to budgeted financials, wider Group targets, external market consensus and stretching strategic growth outcomes.

Differences in remuneration for all employees

The majority of employees participate in a bonus plan. The size of award and the weighting of performance conditions vary by level, with specific measures incorporated where relevant.

All members of the senior management team have historically participated in the LTISP arrangement. A smaller group of senior management now participates in the LTAP at a reward level appropriate to their role.

Statement of consideration of employment conditions elsewhere in the Company

As the Committee has oversight of remuneration matters for the broader senior management population, it brings the reward of these individuals into consideration when discussing packages for Executive Directors.

The Committee does not specifically ask employees to comment on matters related to the remuneration of Executive Directors, but any comments received are taken into account.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay a competitive salary as appropriate to attract and motivate the right talent in the role.

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements and be subject to the same constraints as those of the existing Directors performing similar roles, as shown below:

Component	Policy and principles
Base salary and benefits	The salary level will be set taking into account the responsibilities of the individual and the salaries paid for similar roles in comparable companies. Depending on the circumstances of any particular appointment the Committee may choose to set base salary above market median to attract the right talent, or below market median with increases applied over a period of time to achieve alignment with market levels for the role with reference to the experience and performance of the individual, all subject to the Company's ability to pay. Should relocation of a newly recruited Executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support could include but not be limited to payment of legal fees, removal costs, temporary accommodation/hotel cost, a contribution to stamp duty, and replacement of non-transferrable household items. In addition, the Committee may grant additional support as appropriate. Other benefits provided will be aligned to those set out on pages 46 to 48.
Pension	The Executive Director will be able to participate in the defined contribution scheme up to the annual allowance and a cash supplement payment above this. Total benefit will not exceed 23% of Basic Salary.
Annual bonus	The Executive Director will be eligible to participate in the annual bonus scheme as set out in the remuneration Policy table. The Policy maximum award under the bonus will be 100% of salary. The Remuneration Committee has discretion to increase the maximum award to 150% of salary in exceptional circumstances. Any bonus over 50% of salary is deferred into shares for three years as set out in the remuneration Policy table.
Long term incentives	The Executive Director will be eligible to participate in the Long Term Alignment Plan at the Remuneration Committee's discretion. The maximum potential opportunity under this scheme is 90% of salary. Associated performance measures would apply as set out in the remuneration Policy table.
Replacement awards	The Committee will seek to structure any replacement awards so that overall they are no more generous in terms of quantum or vesting period than the awards forfeited from a new recruit's previous employer. In determining quantum and structure of replacement awards, the Committee will seek to replicate the value taking into account, as far as practicable, the timing, form and performance requirements of remuneration forgone. The Committee has the flexibility to use cash and/or shares as the format for delivery of any replacement awards.

Service contracts and Policy on payment for loss of office

Service contracts and letters of appointment include the following terms.

Executive Director	Date of commencement of contract	Notice period
M Allen	18 July 2002	12 months
M Wilks	7 January 2008	12 months
T Atherton	23 May 2013	12 months

Martyn Wilks left the Board on 31 March 2015.

Executive Directors' service agreements are available on the Company's website www.dairycrest.co.uk.

Non-executive Director	Letters of appointment	Notice period
A Fry	15 July 2009	3 months
A Carr-Locke	15 July 2009	3 months
R Macdonald	4 October 2010	3 months
S Alexander	4 October 2010	3 months
S Farr	6 October 2011	3 months

Anthony Fry left the Board on 17 September 2014.

It is the Company's Policy that Non-executive Directors should not normally serve for more than nine years. A template Non-executive Director's letter of appointment is available on the Company's website.

External Appointments
Executive Directors may be invited to become Non-executive Directors of other companies and it is recognised that exposure to such duties can broaden their experience and skills which will benefit the Company. External appointments are subject to agreement by the Chairman and reported to the Board. Any external appointment must not conflict with a Director's duties and commitments to Dairy Crest. Fees may be retained by Directors for such appointments.

Termination Policy
The Remuneration Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as share plan and pension scheme rules (including relevant performance conditions).

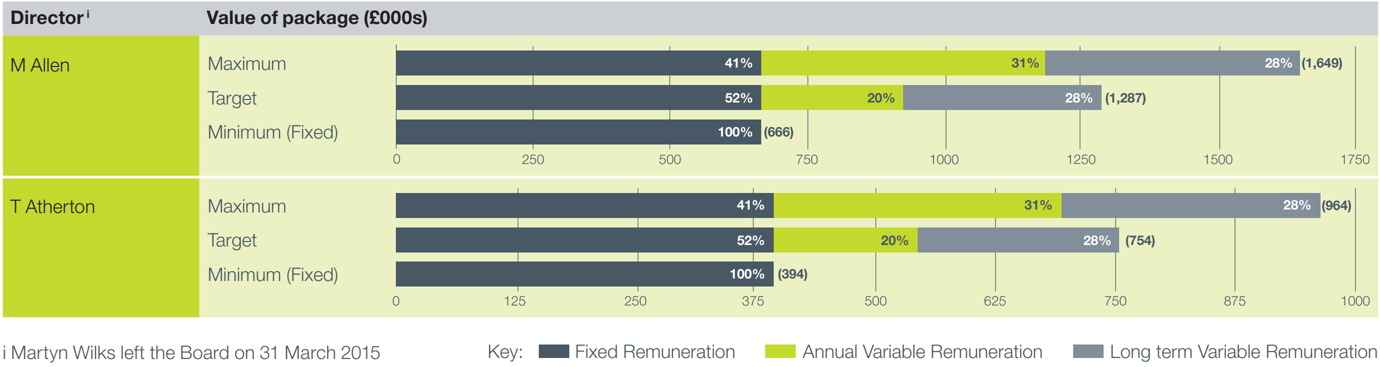
The table below summarises the key elements of the Executive Director service contract and Policy on payment for loss of office.

Component	Policy and principles
Notice period	12 months' notice from Company. 12 months' notice from Director.
Compensation for loss of office in service contracts	Up to 12 months' salary plus an additional 3% to account for presumed salary increases from any salary review that may have taken place in the notice period. Payable monthly and subject to mitigation if Director obtains alternative employment up to 12 months after termination. Other payments to the Director in question include medical benefits, cost of company car and a sum equivalent to 23% of annual salary representing pension contribution for the unexpired part of the contractual notice period. Under the terms of Mark Allen's contract payments on termination are calculated as 90% of the sum of the following items – annual salary, benefits, pension plus 50% of maximum bonus opportunity for the notice period. This will not be the Company's Policy going forward for other Executive Directors. Under the terms of Martyn Wilks' contract, payments on termination are calculated as annual base salary, benefits and pension contribution, half of which would be paid on termination and the remainder paid in six equal monthly instalments. Contractual provisions in respect of compensation for loss of office for Mark Allen and Martyn Wilks are therefore grandfathered. In the event of a compromise or settlement agreement, the Remuneration Committee may make payments it considers reasonable in settlement of potential legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The Remuneration Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements. The reimbursement of repatriation costs or fees for professional or outplacement advice may also be included in the termination package, as deemed reasonable by the Committee, as may the continuation of benefits for a limited period.
Treatment of unvested deferred bonus awards under plan rules	If termination is by way of death, injury, illness, disability, redundancy, retirement, or any other circumstances the Committee determines, deferred shares may be released on termination. Otherwise, the proportion of awards released will be determined at the discretion of the Board.
Treatment of unvested long term incentive plan awards under plan rules	Any outstanding award will lapse at cessation of employment with the Company, unless the reason for cessation is by way of injury, ill-health, disability, redundancy, retirement, or any other circumstances the Committee determines, when the award will vest at the normal vesting date with the underpin and other conditions considered at the time of vesting. Alternatively, the Committee may determine that a proportion of the award will vest immediately, with the proportion determined by the Committee taking into account satisfaction of the underpin and any other factors the Committee consider relevant. A proportion of the LTAP award will vest immediately on death, pro-rated for time
Exercise of discretion	Any discretion available in determining treatment of incentives on termination of employment is intended only to be relied upon to provide flexibility in certain circumstances. The Remuneration Committee's determination will take into account the particular circumstances of the Director's departure and the recent performance of the Company.
Change of control	Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied. The proportion of awards that vest under the LTAP will be determined by the Remuneration Committee. Deferred bonus awards would normally be released in full. The Committee reserves the right to alter the performance period or the performance measures and targets of the annual bonus plan or of any outstanding awards under the annual bonus plan or the LTAP in the event of a change of control, to ensure that the performance conditions remain relevant but challenging. The Committee has the discretion to test performance at the point of change of control or to allow awards to continue or roll-over in any reasonable manner with agreement of the acquirer, taking into account the circumstances of the change of control.

There are no pre-determined special provisions for Non-executive Directors with regard to compensation in the event of loss of office.

Illustration of application of remuneration Policy (updated for 2015)

A significant proportion of a Director's total remuneration package is variable, being subject to the achievement of specified short term and long term business objectives. The charts below show the composition of total remuneration at minimum, target and maximum performance scenarios for the Executive Directors.



i Martyn Wilks left the Board on 31 March 2015

Notes to the scenarios:

Fixed: This element comprises salary as of 1 April 2015 (1 May 2015 for T Atherton), pension benefits (including salary supplement) and other fixed benefits (company car, etc) as per the last known number.

Annual variable Remuneration: This element shows annual bonus (including any amount deferred) at 100% of salary in the maximum scenario and 50% of salary in the target scenario.

Long term Variable Remuneration: This element shows remuneration in respect of the LTAP, at 90% of salary in the maximum scenario and 70% of salary in the target scenario. No allowance is made for share price growth, in accordance with the requirements of the disclosure rules.

Statement of consideration of shareholders views

The Board consulted with several larger shareholders on the proposal to grant the one-off Transformational Incentive Award (TIA) to the Chief Executive. Further details are set out on pages 55 to 56.

The Committee discusses matters relating to Directors' remuneration with major investors on an on-going basis and takes into account any comments which are received.

Annual report on remuneration

Single total figure of remuneration – subject to audit

The table below sets out the analysis of total remuneration for each Director. An explanation of how the figures are calculated follows the table. The total remuneration for each Director reflects the performance of the Company and the contribution each individual has made to the on-going success of the Company.

Director	Base salary/fees		Taxable benefits		Bonus		LTISP iii		Pension iv		Total	
(£'000s)	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Non-executive Chairman												
S Alexander	**103**	43	**–**	–	**–**	–	**–**	–	**–**	–	**103**	43
Executive Directors												
M Allen	**518**	518	**29**	28	**97**	423	**178**	159	**119**	119	**941**	1,247
M Wilks i	**346**	346	**19**	22	**54**	261	**119**	106	**80**	80	**618**	815
T Atherton	**250**	183	**25**	13	**47**	149	**24**	21	**58**	42	**404**	408
Non-executive Directors												
A Carr-Locke	**43**	43	**–**	–	**–**	–	**–**	–	**–**	–	**43**	43
A Fry ii	**111**	155	**43**	–	**–**	–	**–**	–	**–**	–	**154**	155
R Macdonald	**48**	48	**–**	–	**–**	–	**–**	–	**–**	–	**48**	48
S Farr	**40**	38	**–**	–	**–**	–	**–**	–	**–**	–	**40**	38

i Martyn Wilks left the Board on 31 March 2015.

ii Anthony Fry left the Board on 17 September 2014. Taxable benefits relate to medical costs supported by Dairy Crest. The base salary figure includes a £39k payment in lieu of notice.

iii For 2014/15, the values included are for the 2012 LTISP and have been calculated using the average middle market price during the final quarter of 2014/15. Awards will vest on 1 July 2015. Should an Executive Director leave employment before 1 July 2015, vesting will be dependent upon the individual being considered as a good leaver under the scheme rules. For 2013/14, the values included are the actual value of the shares which vested under the 2011 LTISP.

iv Pension amounts include employer's pension contribution and salary supplement. Base salary, bonus and LTISP are defined on pages 46 to 48.

Notes

Bonuses detailed above include the full value of bonus entitlement which includes deferred bonus shares for 2013/14. No deferred bonus shares were awarded in 2014/15.

Taxable benefits are valued at the taxable value, and include company car/car allowance and private medical insurance.

During the year, Mark Allen held the position of Non-executive Director including Audit Committee member and Remuneration Committee member at Howdens Joinery Group plc, with fees in association with this work totalling £45k (2014: £43k).

Additional requirements in respect of the single total figure table – subject to audit

Performance against targets for annual bonus

Payment of the bonus is subject to the achievement of demanding short term financial targets and personal objectives. To ensure that an appropriate balance is maintained between long term and short term reward, any bonus earned over 50% of annual salary is paid in the Company's shares and deferred for a three-year period subject to continued employment.

Bonus payouts for the 2014/15 performance year are set out below:

Measure	Details	Maximum potential as a % of salary	Outcome as a % of salary		
			M Allen	M Wilks	T Atherton
Profit before tax	Stretching targets based on budget, with a sliding scale between threshold and maximum	60%	0%	0%	0%
Net debt	Stretching targets based on budget, with a sliding scale between threshold and maximum	15%	0%	0%	0%
Personal objectives	A range of non-financial operational and strategic objectives will be assessed by the Committee, with an appropriate award level set under this element with reference to the overall performance of the business.	25%	18.75%	15.63%	18.75%
Total	–	100% of salary	18.75% of salary = £97k	15.63% of salary = £54k	18.75% of salary = £47k
Deferred into shares	–	–	–	–	–

Group adjusted profit before tax decreased by 7.2% in the year resulting in no award.

Net debt increased by £56m in the year resulting in no award.

Targets for 2014/15 have not been disclosed as they are considered commercially sensitive because of the information that they provide to the Company's competitors.

Long Term Incentive Plan 2012

Awards under the LTISP 2012 had a three-year performance period to 31 March 2015. 40% of the total award was based on the Group's Adjusted EPS and 60% was measured against the TSR performance of the FTSE 250 (excluding financial services companies, real estate companies and investment trusts).

Measure	Threshold	Maximum	Outcome	Vesting (as % award granted in 2012)	Number of shares	Value (as shown in Single total figure of remuneration)
TSR performance against FTSE 250 constituents (60% of total LTISP award)	Median (30% of TSR award vests)	Upper quartile or above (100% of TSR award vests)	73/150	34.7%	67,153	£321,119
EPS target (40% of total LTISP award)	RPI + 1% p.a. over the three year performance period (30% of EPS award vests)	RPI + 5% p.a. over the three year performance period (100% of EPS award vests)	Threshold level not achieved	0%	0	0
Overall outcome				20.8%	67,153	£321,119

Current position on outstanding LTAP awards – not subject to audit
The outstanding LTAP awards are subject to a dividend underpin for three years following the award being made. The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Committee will use its discretion to determine the proportion of the award that shall vest.

Dividend cover must also be maintained in the range 1.5 – 2.5 over the three-year measurement period.

Total pension entitlements – subject to audit
Following the closure of the Dairy Crest Group Pension Fund (a defined benefit scheme) to future accruals, there is no increase in accrued pension during the year other than inflationary increases.

The scheme closed to future accrual at 31 March 2010. Mark Allen decided to draw benefits from 31 March 2010 and receives an annual pension. Mark Allen and Tom Atherton were members of the defined contribution scheme throughout 2014/15. The Company made contributions up to the £40,000 limit for employee and employer contributions. Further cash supplements were paid such that the total of cash supplements and employer contributions amounted to 23% of basic salary. Martyn Wilks was not a member of any Company pension scheme in the year ended 31 March 2015 and received a salary supplement of 23% of basic salary.

Payments for loss of office – subject to audit
Martyn Wilks left the Board on 31 March 2015. The payments for loss of office to be made to Martyn Wilks are as follows:

Termination payment
The termination payment to Martyn Wilks on leaving employment was calculated in accordance with the provisions of his service contract, which entitled him to an amount based on his salary, non-cash benefits and pension benefits over one year. An amount of £218,794 representing half of this termination payment was paid on termination. An amount of £1,430 was paid for legal fees associated with Martyn Wilkes' termination of employment.

Deferred bonus
All outstanding deferred bonus shares were released to Martyn Wilks comprising 18,267 shares (including on vesting additional shares in respect of dividends paid).

Long term incentives
Martyn Wilks has outstanding awards under the LTAP 2013 and LTAP 2014. These will be pro-rated up to termination and released on the normal vesting dates, subject to achievement against the dividend performance measure over the period. As he was with the Company for the full performance period of the 2012 LTISP, the estimated value of shares vesting is included in the single total figure above. He will receive the shares vesting under this award in full with no pro-ration on the normal vesting date.

Payments to past Directors – subject to audit
In the year, Alastair Murray received £92,860 from the vesting of the 2011 LTISP (based on his vested award of 17,794 shares). £92,000 was disclosed in the single figure table in the 2013/14 report representing an estimate of Mr Murray's vested award and based on the average share price for the last quarter of that financial year.

Scheme interests awarded during the financial year – subject to audit

LTAP 2014 award

The award made under the LTAP in 2014 was made on 16 December 2014. The award level is determined based on achievements over the prior year against the pre-grant performance scorecard, comprising of measures aligned to Dairy Crest's strategic priorities. Outcomes against the 2014 scorecard are summarised in the second table below, and detail on these outcomes against the targets set and context in which decisions were made is included thereafter. Note that this award is subject to a dividend underpin for the first three years of the vesting period and will be settled through nil cost share options.

Director	Level of award % of salary	Face value £000s	Percentage vesting at threshold performance	Number of shares	End of vesting period
Mark Allen	80%	414	N/A	84,406	50% at December 2018 50% at December 2019
Martyn Wilks	80%	277	N/A	56,464	50% at December 2018 50% at December 2019
Tom Atherton	80%	176	N/A	42,397	50% at December 2018 50% at December 2019

Determination of 2014 grant and performance assessment:

Measure	KPI	Alignment with strategy	Weighting	Outcome
1. Profit	Adjusted EBITDA target each year.	Delivery of profit is core to the business and supports the progressive dividend Policy.	30%	23%
2. Balance sheet efficiency	ROCE target each year whilst maintaining net debt/EBITDA in the 1.0-2.0 x range.	Ensuring acceptable return on investment within a sustainable level of gearing.	20%	17%
3. Corporate Activity & Efficiencies	Delivery of annual cost savings targets. Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant).	Ensuring cost savings are delivered on an on-going basis. Ensuring that major acquisitions/ divestments deliver against relevant synergy and return targets.	15%	15%
4. Brand Growth	Key brand value growth over one and three years versus markets in which they operate.	Brand growth is key to longer term business growth.	15%	5%
5. Innovation	Achieve each year the targeted proportion of revenue from innovation in previous three years.	Innovation is a key driver of productivity and growth.	10%	6%
6. Corporate Responsibility	A range of metrics including improvements in accident incident rates, reduced CO_2 emissions & improved employee engagement.	Delivering results in a sustainable way which enhances reputation and stakeholder engagement.	10%	8%
Total				74% For Executive Directors this converts to an award of 80% of salary

1. Profit **Weighting: 30%. Outcome: 23%**

The Remuneration Committee assessed profit performance against an adjusted EBITDA KPI target range set by reference to the budget.

EBITDA performance in 2013/14 showed considerable improvement in what continued to be a challenging market. Milk prices remained high, resulting in a c£45m increase in costs that had to be recovered. Developments in the retail sector and the increased prominence of discounters led to further pressures being applied to the Dairies business.

The Remuneration Committee considered that against this context, the adjusted EBITDA outcome showed a good performance and awarded 23% on this basis.

2. Balance sheet efficiency **Weighting: 20%. Outcome: 17%**

The Remuneration Committee determined balance sheet efficiency for FY 2012/13 through the assessment of ROCE performance (calculated based on average operating assets) against an annual target based on budget and the long term objective of 12%. As last year, the Remuneration Committee felt it important to underpin the assessment with the requirement that gearing (being net debt/EBITDA) remain below 2.0 times.

ROCE for the year of 13.8% was ahead of the long term 12% target. This result represented a good performance against our balance sheet efficiency objectives and resulted in an award of 17%

3. Corporate Activity & Efficiencies **Weighting: 15%. Outcome: 15%**

Given no major M&A activity during the year, the outcome for this measure was based upon cost savings. Against a target of £20 million the Group made savings of £25 million. This resulted in a full award being made against this component.

4. Brand Growth **Weighting: 15%. Outcome: 5%**

The key brand performance was mixed. Three of our four key brands recorded sales growth below the market albeit both FRijj and Country Life both performed better in the second half of the year. Cathedral City continues to significantly outperform the market. Although longer-term data shows three of our four key brands outperforming the market, we believe an award of 5% is appropriate given the importance of brand growth in the current environment.

5. Innovation **Weighting: 10%. Outcome: 6%**

Under this measure, the Remuneration Committee took into account the Group target that 10% of annual revenue should be generated from product innovation over the previous three years. In their assessment, the Remuneration Committee noted that this target should be considered for branded sales as well as for overall Group revenue.

Achieving 4% of Group revenue and 7% of branded revenue through innovation was considered by the Remuneration Committee as showing some progress against this component, albeit not in line with the Group's challenging targets. As a result, an award of 6% was considered appropriate.

6. Corporate Responsibility **Weighting: 10%. Outcome: 8%**

We have made good progress on health and safety during the year but certain other targets with respect to landfill avoidance and employee engagement were not met. However, we were the highest scoring company in BITC's CR index with 4.5 out of 5.0. This measures a range of Corporate Responsibility criteria consistent with our LTAP measures and therefore an award of 8% is considered appropriate.

Dividend underpin

The level of vesting of this award may be reduced to the extent that a dividend underpin over the period April 2014 – March 2017 is not met.

The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Remuneration Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

Dividend cover must be maintained in a specific range over the three-year measurement period. The Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range.

Chief Executive one-off Transformational Incentive Award

At the EGM held in December 2014, shareholders approved the grant of a one-off Transformational Incentive Award ('TIA') to Mark Allen.

The Remuneration Committee believes that the retention of Mark Allen and his leadership are critical to the business now and will remain so over the subsequent transformational years. The Committee therefore sought the approval of shareholders at the EGM to enable the grant to Mark Allen of a one-off TIA outside the approved Directors' Remuneration Policy.

The Committee considers that this additional award will ensure that Mr Allen is appropriately incentivised and rewarded for the achievement of key objectives that are central to Dairy Crest's transformation; is aligned with the interests of our Company and shareholders; and that by supporting his retention, it reduces risk during a critical period.

The key terms of the TIA, on which the Committee consulted the Company's largest shareholders, are detailed below:

- The grant of a nil cost option to acquire Ordinary Shares was made to Mark Allen following the EGM. The option is exercisable three years after grant (in December 2017) to the extent that the stretching performance conditions set in relation to the award are achieved (as described below).

- The grant was made under rules of the LTISP which were approved by shareholders in 2006 – this is the long term incentive operated by Dairy Crest prior to the introduction of the LTAP. No further awards are intended to be made under the LTISP.

- The award is structured as a base award over Ordinary Shares having a market value at grant equivalent to 75% of Mark Allen's base salary. A multiplier of between 0 and 3 times the number of Ordinary Shares subject to the base award will be applied to it at the end of the three year vesting period depending on the level of performance achieved. The face value of the award is therefore £1,165.5k

- The Committee will determine the level of vesting of the TIA based on performance objectives which are intended to be demanding. In measuring performance in this regard, the Committee has identified three categories of objectives on which the assessment of performance will be based. These relate to the restructuring of the business and its future success, as follows:
  – managing the competition approval process relating to the sale of the Dairies operations, requiring strong leadership and a high level of personal involvement from a chief executive officer as an acknowledged leader in the sector, as well as managing the business as a whole through a period of extended uncertainty;
  – appropriately reshaping the Group, taking account of the outcome of the competition approval process; and
  – establishing a successful future business, by reference to the development of the Group and its principal business streams, including the delivery of value to shareholders.

- The objectives set by the Committee include both financial and non-financial objectives. Where appropriate, the Committee will set a performance range against which threshold, target and stretch performance will be measured.

- In addition to the objectives themselves, the Committee will assess the quality of execution of the objectives, including, in particular, in relation to risk, sustainability and shareholder value.

- At the end of the three year performance period, the Committee will assess the sum of the evaluations of the individual objectives to determine the total level of vesting of the TIA and may exercise discretion to reduce the level of vesting when reviewing Dairy Crest's performance in the round, including the level of value delivered to shareholders over the period.

- The TIA only commenced in December 2014 but in that three month period Mark Allen has made significant progress in:
  – engaging all key stakeholders in the sale of the Dairies business resulting, with respect to competition approval, in a UK Competition and Markets Authority review of the transaction
  – the restructuring of the Dairy Crest business into two separate divisions ensuring appropriate category focus and delivery of performance
  – leading major communication channels with employees, suppliers, customers and other interested parties ensuring clear communication of Dairy Crest's strategy during the pre-transformation period
  – leading the new Whey/GOS development which is on plan to deliver expected outcomes and enhance shareholder value

- Updated objectives and performance against the objectives will be disclosed in each Directors' Remuneration Report for each of the three financial years during the performance period and full disclosure of the performance levels achieved (including the multiplier applied and vesting level) will be set out in the directors' remuneration report for the financial year in which the performance period ends. It is intended that the annual update provided to shareholders on the objectives and performance assessment will become more detailed over the course of the performance period. The Committee has chosen this approach because the timing of the competition approval process for the sale of the Dairies operations is not within the Company's control and, recognising also the commercial sensitivity in relation to the future development of Dairy Crest, the ability to disclose anything more than summary information in advance is limited.

- In line with best practice requirements under the Corporate Governance Code, the TIA is subject to malus and clawback provisions set by the Committee.

- Leaver and change of control provisions are as prescribed under the LTISP rules.

Shareholder dilution

In accordance with the guidelines set by the Investment Association ('IA'), the Remuneration Committee can satisfy awards under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury) 5% of its issued share capital to satisfy awards under discretionary or executive plans. Currently 7.1% of issued shares have been made under share plans, with 1.7% under discretionary or executive schemes.

Statement of Director's shareholdings and share interests – subject to audit

Executive Directors are encouraged to build a shareholding in the Company equivalent to 200% of salary and to this end would normally retain 50% of net proceeds from share plans and deferred bonus share awards until that shareholding is achieved. Shareholdings exclude unvested options under the LTISP and include unvested deferred shares granted to Executive Directors as part payment of bonuses and unvested LTAP awards. Mark Allen has satisfied the shareholding requirement. Tom Atherton has not met the requirement and will continue to grow his shareholding.

The interests of the Directors at the end of the year in the ordinary share capital of the Company were as follows:

Director	Number of shares owned outright (including connected persons)	LTISP 2012 iii	Unvested LTAP 2013 shares iv	Unvested LTAP 2014 shares v	Unvested TIA shares vi	Deferred annual bonus shares vii	SAYE viii
M Allen	167,663	37,220	83,879	85,484	240,623	36,874	5,595
M Wilks i	62,396	24,899	56,112	57,185	–	18,267	5,595
T Atherton	6,097	5,034	32,410	42,939	–	13,793	4,787
A Carr-Locke	2,000	–	–			–	–
R Macdonald	1,000	–	–			–	–
S Alexander	1,000	–	–			–	–
S Farr	4,465	–	–			–	–
A Fry ii	3,000	–	–			–	–

i Martyn Wilks left the Board on 31 March 2015.
ii Anthony Fry left the Board on 17 September 2014 (interests in shares as at this date).
iii Long Term Incentive Share Plan 2012 (nil cost share options): The performance period ended on 31 March 2015 and awards will vest on 1 July 2015. Amounts shown are numbers of shares which will vest.
iv Long term Alignment Plan 2013 (nil cost share options): The period for the dividend underpin condition will end on 31 March 2016. 50% of awards will vest on 15 August 2017 and 50% will vest on 15 August 2018. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report.
v Long term Alignment Plan 2014 (nil cost share options): The period for the dividend underpin condition will end on 31 March 2017. 50% of awards will vest on 15 December 2018 and 50% will vest on 15 December 2019. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report
vi One-off transformational award to the Chief Executive (nil cost share options): The performance period will end on 23 December 2017 and awards will vest shortly after. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report.
vii Deferred bonus scheme (nil cost share options).
viii Save As You Earn Scheme 2012 (cost options). The exercise price for these options is 281 pence per share and the exercise period is 3/2016–9/2016. Save As You Earn Scheme 2014 (cost options). The exercise price for these options is 376 pence per share and the exercise period is 9/2017–2/2018. There are no applicable performance conditions.

There have been no changes in Directors' shareholdings between 31 March 2015 and 20 May 2015.

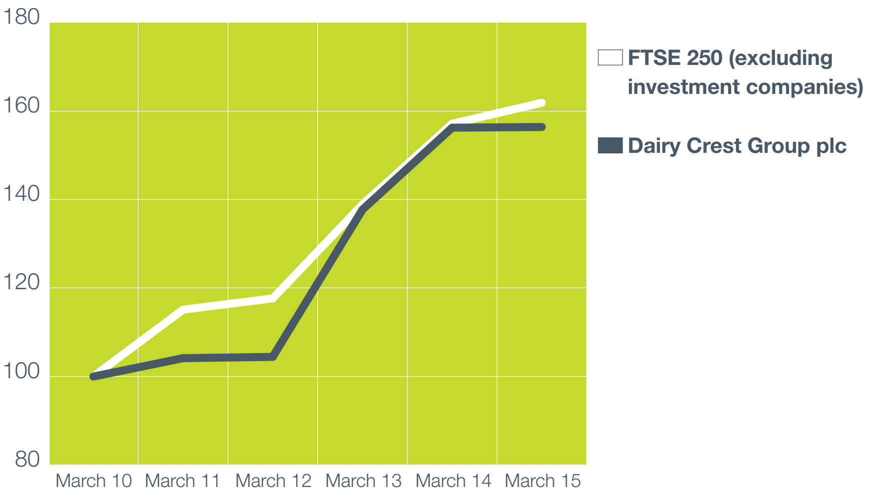
Gain on exercise of share options

Director	Number of options exercised	Market value at exercise date	Gain on exercise of share options
M Allen	21,180	£106,048	£106,048
M Wilks	14,191	£71,054	£71,054
T Atherton	2,451	£12,272	£12,272

Performance graph and table

The graph below sets out for the six years ended 31 March 2015 the total shareholder return of Dairy Crest Group plc and of the FTSE 250 index (excluding investment companies) of which the Company is a constituent member.

Dairy Crest – Total Shareholder Returns for £100 invested



Governance

Chief Executive's pay	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total remuneration (£'000s)	1,018	888	904	937	1,247	941
Annual bonus (% max)	94%	54%	50%	52.5%	81.7%	18.8%
Long term incentive vesting (% max)	0%	0%	0%	0%	23.5%	20.8%

Percentage change in Chief Executive's remuneration

The table below sets out the percentage change in the Chief Executive's salary, benefits and bonus between 2013/14 and 2014/15, compared with the percentage change in the average of each of these components of pay for the relevant members of the salaried clerical, administrative, supervisory and management population allocated to Hay bands, which comprises 24% of the total workforce and has been identified as the most appropriate for this table in view of the comparable nature of employment and incentive arrangements:

	Salary			Taxable benefits			Bonus		
	2014/15	2013/14	% change	2014/15	2013/14	% change	2014/15	2013/14	% change
Chief Executive (£'000s)	518	518	0%	29	28	3%	97	423	-77%
Average pay for wider employee population (£'000s)	41	41	1%	4.9	5.2	-7%	1.1	5.4	-79%

Relative importance of spend on pay

The table below illustrates the relative importance of spend on pay at Dairy Crest, compared with distributions made to shareholders in 2013/14 and 2014/15:

£m	2014/15	2013/14	% change
Employee remuneration costs	144.0	157.0	-8.3%
Dividends	29.2	28.5	2.5%

LTAP 2015 award

The award made under the LTAP 2015 is based on achievements over the prior year against the pre-grant performance scorecard, comprising measures aligned to Dairy Crest's strategic priorities. This award will be granted later in 2015. Outcomes against the 2015 scorecard are summarised in the second table below and detail on outcomes against the targets set and the context in which decisions were made is included thereafter. Note that this award is subject to a dividend underpin for the first three years of the vesting period.

Director	Level of award % of salary	Face value £'000s	End of vesting period
Mark Allen	69.2%	358	50% 4 years after the award date 50% 5 years after the award date
Tom Atherton	69.2%	207	50% 4 years after the award date 50% 5 years after the award date

The number of shares granted will be calculated in accordance with the rules approved by shareholders at the 2013 AGM.

Determination of 2015 grant and performance assessment:

Measure	KPI	Alignment with strategy	Weighting	Outcome
1. Profit	Adjusted EBITDA target each year.	Delivery of profit is core to the business and supports the progressive dividend Policy.	30%	2.5%
2. Balance sheet efficiency	ROCE target each year whilst maintaining net debt/EBITDA in the 1.0-2.0 x range.	Ensuring acceptable return on investment within a sustainable level of gearing.	15%	2.5%
3. Corporate Activity & Efficiencies	Delivery of annual cost savings targets. Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant).	Ensuring cost savings are delivered on an on-going basis. Ensuring that major acquisitions/divestments deliver against relevant synergy and return targets.	15%	15%
4. Brand Growth	Key brand value growth over one and three years versus markets in which they operate.	Brand growth is key to longer term business growth.	20%	12%
5. Innovation	Achieve each year the targeted proportion of revenue from innovation in previous three years.	Innovation is a key driver of productivity and growth.	10%	8%
6. Corporate Responsibility	A range of metrics including improvements in accident incident rates, reduced CO_2 emissions & improved employee engagement.	Delivering results in a sustainable way which enhances reputation and stakeholder engagement.	10%	8%
Total				48% For Executive Directors this converts to an award of 69.2% of salary

1. Profit **Weighting: 30%. Outcome: 2.5%**

The Remuneration Committee assessed profit performance against an adjusted EBITDA KPI target range set by reference to the budget.

EBITDA in 2014/15 was below prior year in what continued to be a very challenging market. Our Dairies business has faced very strong competition in liquid milk markets and sharp falls in commodity realisations. Our branded business performed relatively well in a deflationary market, but overall the Group failed to achieve the challenging EBITDA target it set for itself.

This weaker than expected adjusted EBITDA outcome, resulted in an award of 2.5%.

2. Balance sheet efficiency **Weighting: 15%. Outcome: 2.5%**

The Remuneration Committee determined balance sheet efficiency for FY 2013/14 through the assessment of ROCE performance (calculated based on average operating assets) against an annual target based on budget and the long term objective of 12%. As in previous years, the Remuneration Committee felt it important to underpin the assessment with the requirement that gearing (being net debt/EBITDA) remain below 2.0 times.

A ROCE for the year of 11.5% was behind of the long term 12% target but above the vesting level for this element. 2014/15 was a year of significant capital expenditure at Davidstow to support future demineralized Whey and galacto-oligosaccharide production. However, returns will not start to be generated until 2015/16 and this reduces ROCE in 2014/15. The outturn of 11.5% is at the bottom of the vesting range. With a year-end gearing of 2.0 times, at the top end of the range, the Remuneration Committee awarded only 2.5% for this LTAP element.

3. Corporate Activity & Efficiencies **Weighting: 15%. Outcome: 15%**

Given no major completed M&A activity during the year, the outcome for this measure was based upon cost savings. The Group has, once again, considerably exceeded its £20m cost saving target and the full award of 15% has been made for this measure.

4. Brand Growth **Weighting: 20%. Outcome: 12%**

The key brand performance was mixed. Three of our four key brands recorded sales growth ahead of the market in 2014/15 when all sales channels were considered, with Cathedral City continuing to significantly outperform the market, Clover increasing market share and FRijj sales up 7%. Longer-term data showed two of our four key brands outperforming the market. On this basis the Remuneration Committee decided an award of 12% was appropriate.

5. Innovation **Weighting: 10%. Outcome: 8%**

Under this measure, the Remuneration Committee took into account the Group target that 10% of annual revenue should be generated from product innovation over the previous three years. In their assessment, the Remuneration Committee noted that this target should be considered for branded sales as well as for overall Group revenue.

Against the challenging targets set, delivering 7% of branded revenue through innovation was considered by the Remuneration Committee as showing both good progress against this component and a competitive positioning to the market. The Committee also considered the on-going innovation in the non-branded area of the business with increasing use of environmentally friendly light-weighted polybottles. As a result, an award of 8% was made for this element.

6. Corporate Responsibility **Weighting: 10%. Outcome: 8%**

We have again made good progress on health and safety with reducing accidents and days lost and showed positive improvement against our environmental targets. Dairy Crest achieved the maximum 5 star rating in the BITC Corporate Responsibility Index, further improving on an impressive assessment in 2014. However, an employee survey was not undertaken in the year, and some quality customer complaint targets were not met. On balance across these various CR measures, the Remuneration Committee considered an award of 8% as appropriate.

Dividend underpin

The level of vesting of this award may be reduced to the extent that a dividend underpin over the period April 2015 – March 2018 is not met.

The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Remuneration Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

Dividend cover must be maintained in a specific range over the three-year measurement period. The Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range.

Statement of implementation of Policy in the following financial year

The Directors' remuneration Policy will be implemented for the 2015/16 financial year as follows:

Base salary – £'000s

Role	2014/15	Change to base salary as at 1 April 2015:
Mark Allen	518	No change
Tom Atherton*	260	300 (effective from 1 May 2015)

* Tom Atherton was brought onto the Board at a salary level below the market lower quartile for his role. In line with the Remuneration Committee's intent as stated in the 2013 Remuneration Report, he has been awarded an increase for 2015 to bring his salary closer towards a market competitive level. The 15.4% increase reflects our ongoing intention to move Mr Atherton to a market median positioning as his experience in role grows. It is therefore anticipated that subject to his continued strong performance, Mr Atherton will receive further appropriate increases such that his salary positioning is in the market median range against FTSE 250 CFOs.

Non-executive Directors' fees – £'000s

Role	2014/15	Effective 1 April 2015
Non-executive Chairman	155	155
Non-executive Director (base)	38	38
Audit Committee Chair	+5	+5
Corporate Responsibility Chair	+5	+5
Remuneration Committee Chair	+5	+5
Senior Independent Director	+5	+5

Fees for Non-executive Directors have remained unchanged since the 2011/12 financial year.

Bonus measures

Maximum opportunity for Executive Directors under the 2015/16 bonus remains at 100% of salary.

Performance will be assessed against the following measures:

- Operating profit – 45% of award
- Free cash flow – 10% of award
- Personal objectives – 15% of award
- Measure in relation to the success of the sale of the Dairies operations – 30% of award

Given the significance of the sale of the Dairies operations, the Remuneration Committee undertook a review of the performance measures of the bonus scheme to ensure appropriate alignment in this year of change. Accordingly, the profit before tax and net debt targets have been changed to Operating Profit excluding Property Sales and Free Cash Flow, respectively. In addition, a measure relating to the sale of Dairies has been included. These changes reflect the strategic objectives of the Company at this critical phase in its evolution.

The targets for the 2015/16 annual bonus measures are considered commercially sensitive because of the information that this provides to the Company's competitors.

Malus and clawback provisions will be introduced in respect of the 2015/16 and subsequent bonus awards. The malus provision will apply to the deferred share awards up to vesting. The clawback provision will apply to the cash award for three years from the date of payment. Clawback may be operated in the event of gross misconduct on the part of the employee and/or material misstatement in Company or Group financial statements.

LTAP 2016 award

A grant will be made in 2016 under the LTAP, in line with the disclosed Policy. As the grant will be based on a scorecard of metrics assessed over the 2015/16 financial year, below we set out the scorecard which will determine the grants made in 2016. We have included the 2015/16 KPIs on which performance will be assessed and the associated alignment to strategy. We have not included specific targets on the KPIs, as the targets are considered commercially sensitive. The outcomes for this award will be disclosed in the 2015/16 Directors Remuneration Report.

Measure	KPI	Alignment with strategy	Weighting
Profit	Adjusted EBITDA target	Delivery of profit is core to the business and supports the progressive dividend policy	30%
Balance Sheet Efficiency	ROCE target whilst maintaining net debt/ EBITDA in the 1-2 range	Ensuring acceptable return on investment within a sustainable level of gearing	20%
Corporate Activity and Efficiences	Delivery of annual cost savings targets Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant)	Ensuring cost savings are delivered on an on-going basis Ensuring that major acquisitions/ divestments deliver against relevant synergy and return targets	15%
Brand Growth	Key brand growth over one and three years versus the markets in which they operate	Brand growth is key to longer term business growth	20%
Revenue Growth through Innovation	Achieve each year, the targeted proportion of revenue from innovation in previous three years	Innovation is a key driver of productivity and growth	10%
Corporate Responsibility	Range of metrics aligned to the 40 pledges including improvements in accident incident rates, reduced CO_2 emissions and improved/maintained BITC score	Delivering results in a sustainable way which enhances reputation and stakeholder engagement	5%

Measures and KPIs for 2015/16 are consistent with 2014/15 and support the long term strategy of the Group. However certain weightings have been adjusted to reflect changes in relative priorities over the next 12 months. The LTAP maintains a minimum 60% weighting of financial KPIs within the 2015/16 scorecard.

Sharesave Scheme

The Sharesave Scheme is open to all eligible employees and full time Directors. Employees enter into an approved savings contract over a three-year term to make monthly contributions up to an overall maximum of £500 per month (new maximum level with effect from 1 April 2014). At the end of the term, members have the right to buy ordinary shares in the Company at a price fixed at the time of the option grant. Options may not be granted at less than 80% of the market price at the time of grant.

Consideration by the Directors of matters relating to remuneration

Members of the Remuneration Committee

The Board has appointed a Remuneration Committee of Non-executive Directors of the Company. During the year the Committee consisted of:

- Stephen Alexander (Chairman until 3 November 2014);
- Richard Macdonald (Chairman from 3 November 2014);
- Andrew Carr-Locke; and
- Sue Farr.

Anthony Fry, Company Chairman (until leaving the Board on 17 September 2014), Stephen Alexander in his capacity as Company Chairman (effective from 17 September 2014) and Mark Allen, Chief Executive attended the Remuneration Committee by invitation. Members of the Remuneration Committee have no potential conflicts of interest arising from cross-directorships and they are not involved in the day-to-day running of the Company.

The Committee's activities during the financial year

The Remuneration Committee is responsible for the broad Policy with respect to senior executives' salary and other remuneration. It specifically determines, within remuneration principles agreed with the Board, the total remuneration package of each Executive Director and reviews with the Chief Executive the remuneration packages for other senior executives. A copy of the terms of reference of the Committee can be found on the Company's website.

In 2014/15, the Committee met 9 times. Details of attendance are shown on page 37 and the Committee discussed, amongst others, the following matters:

Meeting	Agenda items discussed
April 2014	Confirmation of Termination Provision for Executive Service Agreement
May 2014	Approval of 2013/14 Bonus, LTAP & LTISP outcomes Approval of 2014/15 Bonus, LTAP Targets Executive Directors Remuneration Approval of Remuneration Report
July 2014	Executive Directors Remuneration
November 2014 (2 meetings)	Executive Directors Remuneration
January 2015	Review of Terms of Reference for Remuneration Committee Changes in Corporate Governance Remuneration Report – Updates to Reporting
February 2015	Review of Bonus Scheme Rules 2015/16
March 2015	Review of Bonus Scheme Rules 2015/16 Review of Draft Remuneration Report Review of potential bonus and long term Incentive outcomes

Advisors to the Remuneration Committee

The Remuneration Committee has appointed PricewaterhouseCoopers LLP ('PwC') to provide advice on executive remuneration. PwC have provided such advice historically, and were originally appointed through a competitive tendering process.

Work undertaken by PwC for the Committee included updates to the Remuneration Committee on remuneration and governance trends and market practice, and providing remuneration benchmarking information for Executive Directors. PwC have also supported the Remuneration Committee in the design and operation of the TIA. In this financial year, they were paid £90,700 based on agreed hourly rates.

During the year, PwC also provided other consultancy services to the Group, including corporate tax advice, share plans support, and programme management support.

The Remuneration Committee reviews the independence and objectivity of the advice it receives from PwC at a private meeting held in May each year. It is satisfied that PwC is providing objective and robust professional advice. PwC is a member of the Remuneration Consultants Group and has signed up to that group's Code of Conduct.

The Remuneration Committee also received materials, assistance and advice on remuneration Policy from Robert Willock, the Group HR Director of Dairy Crest. The Chief Executive attends all meetings by invitation, but is not present at any discussions relating specifically to his own remuneration.

Statement of voting at General Meeting

The table below shows the advisory vote on the 2013/14 remuneration report at the 2014 AGM.

Number of votes cast	For	Against	Withheld
56,146,521	52,490,948 93.49%	3,655,573 6.51%	14,384,844

The table below shows the binding vote on the 2013/14 remuneration Policy at the 2014 AGM.

Number of votes cast	For	Against	Withheld
70,936,887	68,099,552 96.00%	2,837,335 4.00%	44,478

The Committee believes the votes in favour of the remuneration report and Policy demonstrate the strength of support of shareholders for the executive remuneration arrangements at Dairy Crest.

The Directors' remuneration report from pages 45 to 62 has been approved by the Board and is signed on its behalf by

Richard Macdonald
Chairman of the Remuneration Committee
20 May 2015

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 2015, effective headroom was £180.7 million. There were no breaches of bank covenants in the year ended 31 March 2015 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 71 shows a profit for the financial year of £20.5 million compared with £50.2 million profit in 2013/14.

Dividends: the Directors are recommending a final dividend of 15.7p (2013/14: 15.4p) per ordinary share, which if approved, will be paid to members whose name appears on the register at the close of business on 3 July 2015. Together, the final dividend and interim dividend (6.0p per ordinary share paid on 29 January 2015) make total dividends for the year of 21.7p per ordinary share (2013/2014: 21.3p).

Directors: Details of the Directors of the Company at the date of this Report are set out at pages 32 to 33.

Directors' interests: Details of the interests in the shares of the Company of the Directors holding office 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 57. 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 70.

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.

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 2015, the Group employed approximately 4,100 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 and 9. 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 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. Ordinarily, the senior management team conducts road shows which all employees are invited to attend. They provide 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 senior management. In light of the proposed sale of the Dairies business, road shows have been temporarily put on hold. 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 2014/15 are shown in Note 24 to the financial statements at page 106. As at the date of this report, 137,767,777 ordinary 25p shares were in issue and fully paid with an aggregate nominal value of £34,441,944.

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 15 July 2014, 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 £22,786,896.

Purchase of own shares: At the AGM on 15 July 2014, shareholders granted the Company authority to make market purchases of up to 13,672,275 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 2015, 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
Invesco Limited	6,934,355	5.007
UBS Investment Bank/UBS Group AG	5,333,753	3.890

During the period 1 April 2015 to 20 May 2015 the Company has been notified by UBS Investment Bank/UBS Group AG of a holding of 3.996% 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 2013. 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 2015 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, 14 July 2015 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
20 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP AND COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group's and Company's financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under company law the Directors must not approve the Group's and Company's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Company;
- select suitable accounting policies in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position of the Group and Company and performance of the Group;
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are responsible and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DTR 4.1 Statement

Each of the Directors, the names and functions of whom are set out on pages 32 to 33 confirms that to the best of his/her knowledge, they have complied with the above requirements in preparing the Group's and Company's financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's income statement and the Company's profit for that period. In addition, each of the Directors confirms that the management report represented by the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Mark Allen Chief Executive
Tom Atherton Group Finance Director

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

Opinion on financial statements

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 2015 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 the IAS Regulation.

What we have audited

We have audited the financial statements of Dairy Crest Group plc for the year ended 31 March 2015 which comprise:

Consolidated income statement
Consolidated statement of comprehensive income
Consolidated and Parent Company balance sheets
Consolidated statement of changes in equity
Parent Company statement of changes in equity
Consolidated and Parent Company statement of cash flows
Related notes 1 to 34

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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement as set out on page 66, the directors are responsible for the preparation of the 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.

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 at our planning stage to be £2.7 million (2013/14: £2.9 million) which is approximately 5% of profit before exceptional items and tax, normalised for a long-term rate of return from Dairies depot property disposals included within profit on operations given the returns in 2014/15 are above the long-term trend.

Starting basis	• Reported profit before tax – £22.1 million (2013/14: £54.2 million)
Adjustments	• Exceptional items – increase basis by £36.3 million (2013/14: £10.4 million) • Normalisation of property profits – decrease basis by £4.8 million (2013/14: £7.7 million)
Materiality	• Take 5% of the adjusted profit before tax – £2.7 million (2013/14: £2.9 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.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2013/14: 75%) of materiality, namely £2.0 million (2013/14: £2.2 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135,000 (2013/14: £150,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Scope of the 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 2015 ('AR') 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 scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, we performed full scope audit procedures on Dairy Crest Limited, a statutory entity that represents the principal trading business within the Group and which represents 94% of Group revenue and greater than 100% of Group profit before tax, reflecting that the net contribution of the remaining components is a loss. Specific audit procedures were performed on an additional statutory entity. The audit procedures at a specific scope component may not include testing of all significant accounts of the entity but accounts subject to audit procedure contribute to the coverage of significant accounts tested for the Group. For the remaining components not subject to full or specific scope audits, we performed other procedures to test or assess that there were no significant risks of material misstatement in these components in relation to the Group financial statements.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our assessment of risks of material misstatement and responses to those risks

We identified the following risks of material misstatement which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to those risks:

Area of focus	Response	Cross Reference to AR page/note
Accounting for promotional accruals, including the impact of revenue recognition Revenue of £1,329.8 million is recognised net of rebates and discounts, which comprise promotional expenses in relation to agreed promotional activity and funding with customers. We focused on this area given the significance of revenue to the financial statements and the subjectivity in determining appropriate redemption rates on certain types of promotional activity on which to determine related accruals at the reporting date. In addition, reassessment of redemption rates can lead to changes to existing accruals impacting the income statement. Risks include: • Promotional expenses are recorded in the wrong financial year • The methodology to assess the redemption rates applied in calculating the level of promotional accruals at 31 March 2015 is inappropriate • Redemption rates do not reflect ongoing changes in both consumer behaviour and the nature of promotional arrangements.	• We undertook transaction testing to verify that revenue has been calculated in accordance with contractual terms and in accordance with the Group's revenue recognition policy and included cut-off testing procedures to verify that revenue has been recognised in the correct accounting period. • Where revenue was recorded through journal entries outside of normal business processes, we performed testing on a sample of journals to establish whether a sale had occurred in the financial year to support the revenue recognised. • We evaluated the design of controls in relation to the authorisation of promotional activity and the determination of year end promotional accruals. • We challenged and evaluated the appropriateness of management's key assumptions in determining redemption rates, including management's re-assessment of redemption rates for the 2014/15 financial year based on observed changes in consumer behaviour in relation to promotional offerings and the Group's experience of payments made against accruals on a three year rolling basis. • We have assessed both the timeframe for retaining unclaimed promotional accruals on the Group's balance sheet and the consistency in the application of the Group's policy between reporting periods. Specifically in 2014/15, we evaluated the impact on the Group's policy of the voluntary commitments reached by the Groceries Code Adjudicator with eight large retailers to time limit forensic audits in supplier's trading accounts. • In assessing changes in key estimates and the Group's policy, we evaluated both the methodologies and rationale applied in determining changes in approach from prior periods for risk of management override. • We tested subsequent invoices and cash paid after the balance sheet date to detect any unrecorded liabilities in promotional accruals and re-evaluated the approach to determining accrual amounts at year end.	Refer to: Audit Committee Report (pages 40 to 42); and Accounting Policies (pages 77 to 82)
Assessing the carrying value of non-current assets The Group has non-current assets of £443.6 million (2014: £400.3 million), including £74.3 million (2014: £74.3 million) of goodwill at 31 March 2015. We focused on this area given the number of assumptions required in performing impairment reviews. Risks include: • Inaccurate models are used to calculate the value in use of cash generating units • The assumptions to support goodwill carrying values (e.g. discount rates and growth rates) are inappropriate • In the case of the Dairies cash generating unit ('CGU'), where all goodwill was written off in 2011/12, relatively minor changes in key assumptions could lead to the impairment of the intangible assets and property, plant and equipment of that CGU.	• In light of the conditional disposal of the Dairies operation, we challenged management on the appropriateness of the updated basis for preparing the value in use impairment calculation under the requirements of IAS 36, 'Impairment of Assets'. • We challenged management's methodology and assumptions used in its impairment model for goodwill, intangible and fixed assets across the Group's four CGUs. Specifically: - We involved EY valuation specialists to assess the appropriateness of the discount rates applied in the impairment models which included comparison to economic and industry forecasts where appropriate. - We obtained corroborative evidence where available and involved an EY real estate valuation specialist in assessing the appropriateness of the methodology underlying the forecast property values and cash inflows. - We evaluated that the allocation of central costs was based on an appropriate methodology and at an appropriate level of detail by cost type. - We applied professional scepticism in independently stress testing key assumptions in relation to the Dairies CGU, assessing the degree to which assumptions would need to move before impairment would be triggered. • We evaluated the adequacy of the disclosures within the Group financial statements.	Refer to: Audit Committee Report (pages 40 to 42); Accounting Policies (pages 77 to 82); and Notes 10 and 11 (pages 93 to 94)
(New in 2015) Accounting for the conditional disposal of the Dairies operations We focused on this area given the conditional sale of the dairies operations to Muller Wiseman (UK and Ireland) and the Group's judgment that the Dairies operations do not meet the criteria to be classified as 'held for sale' in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations', as at 31 March 2015. The classification of the Dairies operation as 'held for sale', would require that the operations and their results on the income statement be accounted for as discontinued and the assets and liabilities of this disposal group reported as single amounts on separate line items within the consolidated balance sheet. In addition, the impairment review of the Dairies CGU would be based on a Fair Value less Cost to Sell ('FVLCS') basis, rather than recoverable amount (higher of FVLCS and Value in Use basis) and basic earnings per share would exclude the dairies results on the basis that they are discontinued.	In assessing the Group's judgement that the conditional sale of the Dairies operations does not meet the highly probable requirement to be accounted for as 'held for sale' under IFRS 5: • We evaluated documentation including correspondence with the Competition and Markets Authority ('CMA'), Board minutes and other key internal documentation, and challenged management's judgment on the accounting treatment for the Dairies operations for consistency with the content of these documents. • We have met with the Executive Board members individually, and with the Audit Committee to discuss the status of the proposed transaction, the key factors that support their judgment that the proposed transaction does not meet the requirements under IFRS 5 for the Dairies operations to be accounted for as 'held for sale'. • We have met with management's external legal advisers, who have engaged a specialist competition lawyer to advise on the transaction. We challenged the external adviser on their assessment of the probability of regulatory clearance with or without remedy, and obtained their assessment of the progress of the CMA review process at the balance sheet date. • We have challenged management on the nature and extent of disclosure, including the disclosure of this accounting treatment as a significant judgment in the Accounting policies section of the financial statements. In addition, we have assessed the narrative reporting within the Annual Report and Accounts for consistency with the accounting treatment adopted.	Refer to: Strategic Report (pages 4 to 31); Audit Committee Report (pages 40 to 42); and Accounting Policies (pages 77 to 82)
Classification of items as exceptional Dairy Crest Group considers the separate reporting of exceptional items helps to give a better understanding of the underlying operational performance of the Group where items are material and one-off in nature. We have focused on this area as £36.3 million of net costs are classified as exceptional in the current year (2013/14 £10.4 million). Risks include: • Inappropriate classification of costs as exceptional items • Inconsistent treatment of exceptional items from year to year • Inappropriate quantification of exceptional items.	• We have challenged whether items are recorded in line with the Group's policy for exceptional items and that the policy has been applied consistently with prior years. • We have tested a sample of costs classified as exceptional to assess whether the cost has been recorded in the appropriate period. • In particular, we challenged the appropriateness of the methodology and rationale supporting the calculation of duplicate running costs in relation to the consolidation of the Group's spreads operations on to one site and the initiation costs in relation to the demineralised whey powder and GOS projects. • We have assessed the level of transparency of the disclosures in relation to exceptional items.	Refer to: Audit Committee Report (pages 40 to 42); Accounting Policies (pages 77 to 82); and Note 4 (pages 87 to 88)

The above risks are the same as in the prior year, unless stated otherwise. In 2014, we also included 'Determination of reportable segments in accordance with IFRS 8, Operating Segments' as a risk given the Group restructuring that had been undertaken in the year. This was fully embedded by 31 March 2014 so has not required the same level of consideration in 2014/15.

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 financial statements are prepared is consistent with the 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 the ten provisions of the UK Corporate Governance Code specified for our review.

Alison Duncan (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP,
Statutory Auditor
London

20 May 2015

Notes

1. The maintenance and integrity of the Dairy Crest Group plc website 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 website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2015

	Note	2015 Before exceptional items £m	2015 Exceptional items £m	2015 Total £m	2014 Before exceptional items £m	2014 Exceptional items £m	2014 Total £m
Group revenue	1	**1,329.8**	**–**	**1,329.8**	1,391.0	–	1,391.0
Operating costs	2,4	**(1,279.1)**	**(36.3)**	**(1,315.4)**	(1,334.7)	(10.2)	(1,344.9)
Other income – property	3	**17.6**	**–**	**17.6**	18.2	–	18.2
Profit/(loss) on operations		**68.3**	**(36.3)**	**32.0**	74.5	(10.2)	64.3
Finance costs	5	**(8.1)**	**–**	**(8.1)**	(9.9)	(0.2)	(10.1)
Other finance expense – pensions	20	**(1.8)**	**–**	**(1.8)**	(0.3)	–	(0.3)
Share of associate's net profit	14	**–**	**–**	**–**	0.3	–	0.3
Profit/(loss) before tax		**58.4**	**(36.3)**	**22.1**	64.6	(10.4)	54.2
Tax (expense)/credit	6	**(8.2)**	**6.6**	**(1.6)**	(9.4)	4.0	(5.4)
Profit/(loss) from continuing operations		**50.2**	**(29.7)**	**20.5**	55.2	(6.4)	48.8
Profit from discontinued operations	29	**–**	**–**	**–**	–	1.4	1.4
Profit for the year attributable to equity shareholders		**50.2**	**(29.7)**	**20.5**	55.2	(5.0)	50.2

The prior year comparatives include discontinued operations that were a result of the disposal of the St Hubert business in August 2012 (see Note 29). The post-tax profit relating to discontinued activities is further analysed in Note 29.

Earnings per share		**2015**	2014
Basic earnings per share on profit for the year (pence)	8	**15.0**	36.8
Diluted earnings per share on profit for the year (pence)	8	**14.9**	36.4
Basic earnings per share from continuing operations (pence)	8	**15.0**	35.8
Diluted earnings per share from continuing operations (pence)	8	**14.9**	35.3
Adjusted basic earnings per share from continuing operations (pence)*	8	**38.0**	40.8
Adjusted diluted earnings per share from continuing operations (pence)*	8	**37.7**	40.3
Basic earnings per share from discontinued operations (pence)	8	**–**	1.0
Diluted earnings per share from discontinued operations (pence)	8	**–**	1.0

Dividends		**2015**	2014
Proposed final dividend (£m)	7	**21.6**	21.0
Interim dividend paid (£m)	7	**8.2**	8.0
Proposed final dividend (pence)	7	**15.7**	15.4
Interim dividend paid (pence)	7	**6.0**	5.9

* Adjusted earnings per share calculations are presented to give an indication of the underlying operational performance of the Group. The calculations exclude exceptional items, amortisation of acquired intangibles and pension interest in relation to the Group's defined benefit pension scheme, the latter being dependent upon market assumptions at 31 March each year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2015

	Note	2015 £m	2014 £m
Profit for the year		**20.5**	50.2
Other comprehensive income to be reclassified to profit and loss in subsequent years:			
Cash flow hedges – reclassification adjustment for (losses)/gains in income statement		**(16.1)**	20.0
Cash flow hedges – gains/(losses) recognised in other comprehensive income		**15.0**	(18.8)
Tax relating to components of other comprehensive income	6	**0.2**	(0.3)
		(0.9)	0.9
Other comprehensive income not to be reclassified to profit and loss in subsequent years:			
Remeasurement of defined benefit pension plans	20	**4.3**	(49.6)
Tax relating to components of other comprehensive income	6	**1.7**	8.7
		6.0	(40.9)
Other comprehensive gain/(loss) for the year, net of tax		**5.1**	(40.0)
Total comprehensive gain for the year, net of tax		**25.6**	10.2

All amounts are attributable to owners of the parent.

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

At 31 March 2015

		Consolidated		Parent Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Assets					
Non-current assets					
Property, plant and equipment	10	**328.5**	288.6	**–**	–
Goodwill	11	**74.3**	74.3	**–**	–
Intangible assets	12	**25.6**	27.9	**–**	–
Investments	13	**0.5**	0.3	**482.8**	482.1
Investment in associate using equity method	14	**–**	0.8	**–**	–
Deferred consideration	14	**–**	1.4	**–**	–
Deferred tax asset	6	**–**	–	**0.2**	0.2
Financial assets – Derivative financial instruments	17	**14.7**	7.0	**14.7**	5.4
		443.6	400.3	**497.7**	487.7
Current assets					
Inventories	15	**199.7**	219.6	**–**	–
Trade and other receivables	16	**95.3**	118.4	**0.4**	10.5
Financial assets – Derivative financial instruments	17	**–**	0.4	**–**	–
Cash and short-term deposits	18	**50.6**	67.3	**0.2**	–
		345.6	405.7	**0.6**	10.5
Total assets	1	**789.2**	806.0	**498.3**	498.2
Equity and Liabilities					
Non-current liabilities					
Financial liabilities – Long-term borrowings	19	**(263.0)**	(179.7)	**(158.2)**	(144.2)
– Derivative financial instruments	19	**(1.9)**	(6.2)	**(1.9)**	(6.2)
Retirement benefit obligations	20	**(41.4)**	(57.7)	**–**	–
Deferred tax liability	6	**(11.1)**	(11.4)	**–**	–
Deferred income	22	**(6.2)**	(7.8)	**–**	–
		(323.6)	(262.8)	**(160.1)**	(150.4)
Current liabilities					
Trade and other payables	21	**(168.1)**	(218.3)	**(40.0)**	(3.8)
Financial liabilities – Short-term borrowings	19	**–**	(26.5)	**–**	(25.3)
– Derivative financial instruments	19	**(0.2)**	(2.0)	**–**	(2.0)
Current tax liability		**(2.8)**	(3.6)	**(0.1)**	(0.1)
Deferred income	22	**(1.6)**	(1.7)	**–**	–
Provisions	23	**(3.1)**	(1.7)	**–**	–
		(175.8)	(253.8)	**(40.1)**	(31.2)
Total liabilities		**(499.4)**	(516.6)	**(200.2)**	(181.6)
Shareholders' equity					
Ordinary shares	24	**(34.4)**	(34.2)	**(34.4)**	(34.2)
Share premium	24	**(79.8)**	(77.6)	**(79.8)**	(77.6)
Interest in ESOP	25	**0.1**	0.6	**–**	–
Other reserves	25	**(51.4)**	(52.3)	**(156.5)**	(156.1)
Retained earnings		**(124.3)**	(125.9)	**(27.4)**	(48.7)
Total shareholders' equity		**(289.8)**	(289.4)	**(298.1)**	(316.6)
Total equity and liabilities		**(789.2)**	(806.0)	**(498.3)**	(498.2)

Mark Allen Chief Executive
Tom Atherton Finance Director

The financial statements were approved by the directors on 20 May 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

	Attributable to owners of the parent					
2015	Ordinary shares £m	Share premium £m	Interest in ESOP £m	Other reserves* £m	Retained earnings £m	**Total Equity £m**
At 31 March 2014	34.2	77.6	(0.6)	52.3	125.9	**289.4**
Profit for the year	–	–	–	–	20.5	**20.5**
Other comprehensive gain/(loss):						
Cash flow hedges	–	–	–	(1.1)	–	**(1.1)**
Remeasurement of defined benefit pension plan	–	–	–	–	4.3	**4.3**
Tax on components of other comprehensive income	–	–	–	0.2	1.7	**1.9**
Other comprehensive gain/(loss)	–	–	–	(0.9)	6.0	**5.1**
Total comprehensive gain/(loss)	–	–	–	(0.9)	26.5	**25.6**
Issue of share capital	0.2	2.2	–	–	–	**2.4**
Exercise of options	–	–	0.5	–	(0.6)	**(0.1)**
Share-based payments	–	–	–	–	1.7	**1.7**
Equity dividends	–	–	–	–	(29.2)	**(29.2)**
At 31 March 2015	**34.4**	**79.8**	**(0.1)**	**51.4**	**124.3**	**289.8**
2014						
At 31 March 2013	34.1	77.5	(0.6)	51.4	145.0	307.4
Profit for the year	–	–	–	–	50.2	50.2
Other comprehensive gain/(loss):						
Cash flow hedges	–	–	–	1.2	–	1.2
Remeasurement of defined benefit pension plan	–	–	–	–	(49.6)	(49.6)
Tax on components of other comprehensive income	–	–	–	(0.3)	8.7	8.4
Other comprehensive gain/(loss)	–	–	–	0.9	(40.9)	(40.0)
Total comprehensive gain	–	–	–	0.9	9.3	10.2
Issue of share capital	0.1	0.1	–	–	–	0.2
Shares acquired by ESOP	–	–	(1.1)	–	–	(1.1)
Exercise of options	–	–	1.1	–	(1.4)	(0.3)
Share-based payments	–	–	–	–	1.5	1.5
Equity dividends	–	–	–	–	(28.5)	(28.5)
At 31 March 2014	34.2	77.6	(0.6)	52.3	125.9	289.4

* Further details are provided in Note 25.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

2015	Ordinary shares £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Other reserve* £m	Retained earnings £m	**Total £m**
At 31 March 2014	34.2	77.6	142.7	(0.6)	14.0	48.7	**316.6**
Profit for the year	–	–	–	–	–	8.3	**8.3**
Other comprehensive gain/(loss):							
Cash flow hedges	–	–	–	(0.4)	–	–	**(0.4)**
Tax on components of other comprehensive income	–	–	–	0.1	–	–	**0.1**
Other comprehensive loss	–	–	–	(0.3)	–	–	**(0.3)**
Total comprehensive gain/(loss)	–	–	–	(0.3)	–	8.3	**8.0**
Issue of share capital	0.2	2.2	–	–	–	–	**2.4**
Share-based payments	–	–	–	–	0.7	(0.4)	**0.3**
Equity dividends	–	–	–	–	–	(29.2)	**(29.2)**
At 31 March 2015	**34.4**	**79.8**	**142.7**	**(0.9)**	**14.7**	**27.4**	**298.1**

2014	Ordinary shares £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Other reserve* £m	Retained earnings £m	Total £m
At 31 March 2013	34.1	77.5	142.7	(1.1)	12.8	52.2	318.2
Profit for the year	–	–	–	–	–	24.7	24.7
Other comprehensive gain/(loss):							
Cash flow hedges	–	–	–	0.7	–	–	0.7
Tax on components of other comprehensive income	–	–	–	(0.2)	–	–	(0.2)
Other comprehensive gain	–	–	–	0.5	–	–	0.5
Total comprehensive gain	–	–	–	0.5	–	24.7	25.2
Issue of share capital	0.1	0.1	–	–	–	–	0.2
Share-based payments	–	–	–	–	1.2	0.3	1.5
Equity dividends	–	–	–	–	–	(28.5)	(28.5)
At 31 March 2014	34.2	77.6	142.7	(0.6)	14.0	48.7	316.6

* Other reserve represents the share-based payment credit in respect of amounts capitalised as investments (see Note 13).

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOWS

Year ended 31 March 2015

		Consolidated		Parent Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Cash generated from/(used in) from operations	32	**35.3**	(13.8)	**–**	–
Interest paid		**(10.5)**	(14.0)	**–**	–
Taxation repaid		**–**	2.1	**–**	–
Net cash inflow/(outflow) from operating activities		**24.8**	(25.7)	**–**	–
Cash flow from investing activities					
Capital expenditure		**(80.1)**	(58.8)	**–**	–
Proceeds from disposal of property, plant and equipment		**22.5**	32.5	**–**	–
Purchase of businesses and investments	29	**(0.1)**	–	**–**	–
Sale of businesses	29	**4.0**	–	**–**	–
Amounts received from subsidiaries		**–**	–	**54.4**	172.9
Net cash (used in)/generated from investing activities		**(53.7)**	(26.3)	**54.4**	172.9
Cash flow from financing activities					
Repayment and cancellation of loan notes		**(27.4)**	(159.4)	**(27.4)**	(159.4)
Net drawdown under revolving credit facilities		**69.0**	36.0	**–**	–
Dividends paid	7	**(29.2)**	(28.5)	**(29.2)**	(28.5)
Proceeds from issue of shares (net of issue costs)	24	**2.4**	0.2	**2.4**	0.2
Purchase of shares by ESOP		**–**	(1.4)	**–**	–
Finance lease repayments	33	**(1.8)**	(3.7)	**–**	–
Net cash generated/(used in) financing activities		**13.0**	(156.8)	**(54.2)**	(187.7)
Net (decrease)/increase in cash and cash equivalents		**(15.9)**	(208.8)	**0.2**	(14.8)
Cash and cash equivalents at beginning of year	33	**67.3**	276.1	**–**	14.8
Exchange impact on cash and cash equivalents	33	**(0.8)**	–	**–**	–
Cash and cash equivalents at end of year	33	**50.6**	67.3	**0.2**	–
Net debt at end of year	33	**(198.7)**	(142.2)	**(144.1)**	(171.7)

ACCOUNTING POLICIES
Year ended 31 March 2015

Basis of preparation
The consolidated and Company financial statements have been prepared on a historical cost basis. They are presented in sterling and all values are rounded to the nearest 0.1 million (£ million) except where otherwise indicated.

The consolidated financial statements of Dairy Crest Group plc have been prepared in accordance with IFRS as adopted by the European Union ('EU'). The separate Company financial statements have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

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. See the Going Concern Statement on page 63 of the Directors' Report.

Areas of estimation
The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are (i) the measurement of the impairment of goodwill, intangible assets and property, plant and equipment (ii) the measurement of defined benefit pension scheme assets and obligations (iii) the calculation of promotional discount accruals and (iv) the estimation of tax costs in France in relation to the sale of St Hubert.

(i) The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The assessment of value in use is compared to the carrying value of goodwill. This requires estimation of future cash flows and the selection of a suitable discount rate. See Note 11.

The Group tests whether intangible assets, property, plant and equipment are impaired where there are indications that there is a risk of impairment. This requires an estimation of the value in use of the cash-generating units in which these assets reside. The assessment of value in use is compared to the carrying value of assets. This requires estimation of future cash flows and the selection of a suitable discount rate.

In the year ended 31 March 2015, the Group tested the intangible assets, property, plant and equipment of the Dairies cash-generating unit for impairment due to indicators of impairment being present. In assessing for impairment, consideration was taken of the future cash flows on an ongoing basis and also the impact of the potential disposal of the Dairies operations to create a risk weighted value in use calculation of the cash-generating unit. Three key assumptions in performing the test included the projected value and timing of cash flows from property sales, the allocation of corporate costs and the projected profit growth. The result of the test was that no impairment was required; however the headroom was low and therefore sensitive to the above assumptions. See Note 10.

(ii) The Group recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Retirement Benefit Obligations'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries, and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. See Note 20.

(iii) The Group accrues for agreed promotional funding. Accruals for promotional funding are calculated based on an estimated redemption rate of the promotion. The redemption rate used is dependent on the promotional mechanic and considers known historical data on the performance of that mechanic. Management considers this to be an area of judgment which is dependent on the customer mix and promotion mechanic.

(iv) The sale of St Hubert will result in tax payable in France both on the chargeable gain on disposal and on dividend payments made to the UK parent between 31 March 2012 and the date of disposal in August 2012. An estimate has been made of the likely tax costs resulting from these transactions however the final assessment has yet to be agreed with the French tax authorities, which may result in a change to the level of tax provisioning.

Areas of judgment
The key areas where judgment has been applied are (i) classification of the Dairies operation (ii) the timing and nature of exceptional costs and (iii) the judgment that for IFRS 8 purposes only one segment should be reported on.

(i) On 6 November 2014, the Group announced the sale of its Dairies operations to Müller, subject to approval of the relevant competition authorities. The Dairies operation has not been classified as held for sale at the balance sheet date because, due to it being conditional upon CMA approval, it was not deemed to meet the "highly probable" criteria under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(ii) Items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance are disclosed separately in the consolidated income statement as exceptional. Management consider this to be an area of judgment due to the assumptions made around the timing and nature of exceptional costs.

(iii) Following the restructure of the Group to a single operating unit in 2013, management has judged that the Group comprises one segment under IFRS 8 'Operating Segments'. However, certain product group information is provided voluntarily to assist the user of the accounts.

Further analysis of the key sources of estimation uncertainty and sensitivities are included in the relevant notes to the financial statements.

Changes in accounting policies
The following accounting standards and interpretations became effective for the current reporting period:

International Accounting Standards (IAS/IFRSs)
IAS 16 – Improvement to IAS 16: Property, Plant and Equipment (effective 1 July 2014)
IAS 38 – Improvement to IAS 38: Intangible Assets (effective 1 July 2014)
IAS 24 – Improvement to IAS 24: Related Party Disclosure (effective 1 July 2014)
IFRS 13 – Improvement to IFRS 13: Fair Value Measurement (effective 1 July 2014)

International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 21 – Levies (effective 13 June 2014)
The application of these standards has had no material impact on the net assets, results and disclosures of the Group in the year ended 31 March 2015.

The IASB and IFRIC have issued the following standards and interpretations (with an effective date after the date of these financial statements):

IFRS 15 – Revenue from Contracts with Customers
IFRS 9 – Financial Instruments

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Consolidation
The Group financial statements consolidate the accounts of Dairy Crest Group plc and its subsidiaries drawn up to 31 March each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries acquired during the year are consolidated from the date on which control is transferred to the Group. The separable net assets, both tangible and intangible, of the newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value as at the effective date of control, if appropriate.

Results of subsidiary undertakings disposed of during the financial year are included in the financial statements up to the effective date of disposal. Where a business component representing a separate major line of business is disposed of, or classified as held for sale, it is classified as a discontinued operation. The post-tax profit or loss of the discontinued operations is shown as a single amount on the face of the income statement, separate from the other results of the Group.

Interest in associates
The Group's investments in associates are accounted for under the equity method of accounting. Associates are entities over which the Group exerts significant influence. The Company and its associates use consistent accounting policies. The investment in associates are carried in the balance sheet at initial fair value plus post-acquisition changes in the Group's share of net assets, less any impairment in value and any distributions received. The consolidated income statement reflects the share of the post-tax results of associates. Where there has been a change recognised directly in the associates' other comprehensive income, the Group recognises its share of such changes and discloses this, where applicable in other comprehensive income.

Foreign currency translation
The functional and presentational currency of Dairy Crest Group plc and its subsidiaries is Sterling (£).

Transactions in foreign currency are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the balance sheet date. Exchange differences on monetary items are taken to the income statement, except where recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

On consolidation, assets and liabilities of foreign subsidiaries are translated into sterling at year end exchange rates. The results of foreign subsidiaries are translated into sterling at average rates of exchange for the year (being an approximation of actual exchange rates). Exchange differences arising from the retranslation of the net investment in foreign subsidiaries at year end exchange rates, less exchange differences on borrowings, which finance or provide a hedge against those undertakings are taken to a separate component of equity as long as IFRS hedge accounting conditions are met. Exchange differences relating to foreign currency borrowings that provide a hedge against a net investment in a foreign entity remain in equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated to write off the cost (less residual value) of property, plant and equipment, excluding freehold land, on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings:	25 years
Leasehold land and buildings:	25 years or, if shorter, the period of the lease
Office equipment:	4 to 6 years
Factory plant and equipment:	6 to 20 years
Vehicles:	4 to 10 years

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the estimated recoverable value, the asset is written down to its recoverable amount. The recoverable amount of plant and equipment is the greater of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to the consolidated income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year that it is derecognised.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets.

All other borrowing costs are recognised as an expense in the period they occur.

Investments
The Company recognises its investments in subsidiaries at cost being the fair value of consideration paid, less provisions for impairment where appropriate.

Business Combinations and Goodwill
The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of acquiree's identifiable net assets will be determined on a transaction by transaction basis. Acquisition costs incurred are expensed in the income statement.

Goodwill on acquisition is initially measured at cost being the cost of the acquisition (see above) less net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. All goodwill was tested for impairment at the time of transition to IFRS and no impairment was identified.

Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at the net book value as at this date and is not subsequently amortised.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating unit or groups of cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's cash-generating units, for the purpose of considering goodwill, are 'Dairies' (fully impaired), 'Spreads', 'MH Foods' and 'Cheese'. These represent the lowest level at which goodwill is monitored.

Goodwill arising on acquisitions before 1 April 1998 has been charged against the merger reserve and will remain set off against reserves even if the related investment becomes impaired or the business sold.

Intangible assets
Intangible assets acquired as part of an acquisition of a business are capitalised at fair value separately from goodwill if the fair value can be measured reliably on initial recognition and the future expected economic benefits flow to the Group. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Currently, all the Group's intangible assets have finite useful lives and are amortised over 3 to 15 years on a straight line basis. Acquired intangible assets comprise acquired brands, principally the Frylight brand which was considered to have a useful life of 15 years at the date of acquisition.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets generated internally comprise software development expenditure. Software development is carried at cost less accumulated amortisation and is amortised over four to seven years on a straight line basis. Internally generated intangible assets that are not yet available for use are tested for impairment annually either individually or at the cash-generating unit level or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Research and development
Expenditure on research is written off as incurred. Development expenditure is also written off as incurred unless the future recoverability of this expenditure can reasonably be assured as required by IAS 38 'Intangible Assets'.

Recoverable amount of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of its recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes the purchase price of raw materials (on a first in first out basis), direct labour and a proportion of manufacturing overheads based on normal operating capacity incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs.

Trade and other receivables
Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Interest bearing loans
Interest bearing loans and borrowings are initially recognised at the fair value net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised.

Net debt
The Group and Company define net debt as interest bearing loans and borrowings and finance leases less cash and cash equivalents. The calculation of net debt excludes the fair value of derivative financial instruments with the exception of cross currency swaps to fix foreign currency debt in Sterling where they are designated as cash flow hedges. In this case the fixed Sterling debt, not the underlying foreign currency debt retranslated, is included in net debt. It includes any cash or borrowings included within disposal groups classified as held for sale and excludes unamortised upfront facility fees.

Retirement benefit obligations
The Group operates two types of pension arrangements, a defined benefit scheme and a defined contribution scheme.

Defined benefit scheme
The net asset or liability recognised in the balance sheet in respect of the defined benefit pension scheme is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost. Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. Where the Group is considered to have a contractual obligation to fund the scheme above the accounting value of the liabilities, an onerous obligation is recognised as an unrecoverable notional surplus. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full to the statement of comprehensive income as they arise.

The Company has closed its defined benefit scheme and therefore no current service costs are required to be charged to income statement. Past service costs are recognised in the income statement at the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs.

Scheme administration costs that are not directly related to investment activities are charged to the income statement. Administration costs that are directly related to investment are recognised as part of the re-measurement exercise through the Statement of Comprehensive Income.

The net interest charge is calculated by applying the discount rate to the net defined benefit liability or asset.

Defined contribution scheme
These pension arrangements do not constitute a future obligation to the Group. Members of these schemes will contribute a percentage of their salary into the scheme and the Company will pay an additional amount into the scheme. The size of an individual's pension on retirement is based on the performance of the asset portfolio and is not linked to salary. Company contributions to the scheme are charged to the income statement in the same period as services are rendered by the relevant employee.

Share-based payments
Equity-settled performance payments
The Group and Company have issued equity instruments for which they receive services from employees in consideration for these equity instruments. Equity-settled share-based payment schemes are measured at fair value at the grant date using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

The cost of equity-settled transactions with employees is measured by reference to the fair value and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees became fully entitled to the award. At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Rights granted to employees of subsidiary undertakings over equity instruments of the Company are treated as an investment in the Company's balance sheet.

Employees' Share Ownership Plan ('ESOP')
The shares in the Company held by the Dairy Crest Employees' Share Ownership Plan Trust to satisfy Long Term Incentive Share Plan awards are presented as a deduction from equity in arriving at shareholders' equity. Consideration received from the sale of such shares is also recognised in equity with no gain or loss recognised in the consolidated income statement.

The Group and Company have not adopted the exemption to apply IFRS 2 'Share-based payments' only to awards made after 7 November 2002.

Leased assets
Assets acquired under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, the present value of the minimum lease payments. The net present value of future lease rentals is included as a liability on the balance sheet. The interest element of lease rentals is charged to the income statement in the year. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Revenue
Revenue on sale of food and dairy products is recognised on delivery. Revenue comprises the invoiced value for the sale of goods net of value added tax, rebates and discounts and after eliminating sales within the Group.

Discounts comprise mainly promotional accruals and overriding discounts. The Group accrues against agreed promotional funding and agreed customer terms. The redemption rate used is dependent on the promotional mechanic and considers known historical data on the performance of that mechanic and is adjusted for actual performance. The overriding discounts are calculated as a proportion of the level of customer sales in the period.

Dividend income is recognised when the Company's right to receive payment is established.

Other income
Other income comprises the profit on disposal of closed depots.

Exceptional items
Certain items are recorded separately in the income statement as exceptional. Only items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance, are disclosed in this manner in order to give a better understanding of the underlying operational performance of the Group. The profits arising on disposal of closed sites, other than as a result of dairies depot rationalisation, are reported within exceptional items.

Government and other grants
Government grants are initially recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset in equal annual installments.

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Financial assets
The Group and Company classifies financial assets that are within the scope of IAS 39 as:

- financial assets at fair value through income statement;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

The Group and Company determines the classification of financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value. The Group and Company currently hold only loans and receivables.

Derivative instruments
The Group and Company use derivative financial instruments such as forward currency contracts, cross-currency swaps and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value at each balance sheet date.

Neither the Group nor the Company has entered into any fair value hedges during the year.

Cash flow hedges
In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the income statement.

When the hedged firm commitment (in relation to foreign exchange exposure) or the highly probable forecast transactions results in the recognition of a non-monetary asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged item affects the net profit and loss, for example when the future sale actually occurs, interest payments are made or when debt matures. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement for the year.

Fair value measurement
The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

1 Segmental analysis

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Company's Board members as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM's primary focus for review and resource allocation is the Group as a whole. All revenue streams for the business are managed centrally by functional teams (e.g. Demand, Supply, Procurement and Finance) that have responsibility for the whole of the Group's product portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, the product group profit is not part of the CODM's review. Management has judged that the Group comprises one operating segment under IFRS 8. As such, disclosures required under IFRS 8 for the financial statements are shown on the face of the Consolidated Income Statement and Consolidated Balance Sheet.

Voluntary disclosure

To assist the readers of the financial statements, management considers it appropriate to provide voluntary disclosure on a basis consistent with historical reporting of the product groups. In disclosing the product group profit for the year, certain assumptions have been made when allocating resources which are now centralised at a group level.

Share of associate's net profit forms a separate product group whose results are reviewed on a post-tax basis.

The Other product group comprises revenue earned from distributing product for third parties and certain central costs net of recharges to the other product groups. Generally, central costs less external 'other' revenue are recharged back into the product groups such that their result reflects the total cost base of the Group. 'Other' operating profit therefore is nil.

The results under the historic segmentation basis for the year ended 31 March 2015 and for the year ended 31 March 2014 and the reconciliation of product group measures to the respective line items included in the financial information are as follows:

		Year ended 31 March	
	Note	**2015 £m**	2014 £m
External revenue			
Cheese		**274.4**	264.6
Spreads		**170.0**	177.4
Dairies		**881.6**	944.8
Other		**3.8**	4.2
Total product group external revenue		**1,329.8**	1,391.0
Product group profit*			
Cheese		**33.1**	39.3
Spreads		**33.8**	16.8
Dairies		**1.8**	18.8
Share of associate's net profit	14	**–**	0.3
Total product group profit*		**68.7**	75.2
Finance costs	5	**(8.1)**	(9.9)
Adjusted profit before tax**		**60.6**	65.3
Acquired intangible amortisation	2	**(0.4)**	(0.4)
Exceptional items	4	**(36.3)**	(10.4)
Other finance expense – pensions	20	**(1.8)**	(0.3)
Group profit before tax		**22.1**	54.2
Total assets			
Cheese		**292.4**	266.2
Spreads		**158.5**	156.7
Dairies		**229.8**	268.5
Investments and share of associate		**0.5**	2.5
Other		**42.7**	37.4
Total product group		**723.9**	731.3
Unallocated assets		**65.3**	74.7
Total assets		**789.2**	806.0

* Profit on operations before exceptional items and amortisation of acquired intangibles.
** Before exceptional items, amortisation of acquired intangibles and pension interest.

1 Segmental analysis continued

	Note	Year ended 31 March 2015 £m	2014 £m
Inter-product group revenue			
Cheese		**8.8**	11.2
Spreads		**3.5**	3.1
Elimination		**(12.3)**	(14.3)
Total		**–**	–
Product group depreciation and amortisation (excluding amortisation of acquired intangible assets)			
Cheese		**7.0**	7.0
Spreads		**2.6**	2.5
Dairies		**13.9**	15.4
Other		**7.1**	7.0
Total		**30.6**	31.9
Product group additions to non-current assets			
Cheese		**55.7**	12.4
Spreads		**6.0**	21.0
Dairies		**16.1**	25.9
Other		**4.9**	4.6
Total		**82.7**	63.9
Product group exceptional items			
Cheese		**(3.4)**	–
Spreads		**(16.7)**	(3.8)
Dairies		**(12.2)**	(2.0)
Share of Associate		**0.6**	–
Unsegmented		**(4.6)**	(4.4)
Total exceptional operating costs	4	**(36.3)**	(10.2)

1 Segmental analysis continued

Interest income and expense are not included in the measure of product group profit. Group treasury has always been centrally managed and external interest income and expense are not allocated to product groups. Further analysis of the Group interest expense is provided in Note 5.

Tax costs are not included in the measure of product group profit.

Product group assets comprise property, plant and equipment, goodwill, intangible assets, inventories, receivables, assets in disposal group held for sale and investments in associates using the equity method and deferred consideration but exclude cash and cash equivalents, derivative financial assets and deferred tax assets. Other product group assets comprise certain property, plant and equipment that is not reported in the principal groups.

Inter-product group revenue comprises the sale of finished Cheese and Spreads products to the Dairies product group on a cost plus basis and is included in the product group result. Other inter-product group transactions principally comprise the transfer of cream from the Dairies product group to the Spreads product group for the manufacture of butters. Cream transferred into Spreads is charged by reference to external commodity markets and is adjusted regularly so as to reflect the costs that the Spreads product group would incur if it was a stand alone entity. Revenue from inter-product group cream sales is not reported as revenue within the Dairies product group but as a reduction to the Dairies product group's input costs.

Product group depreciation and amortisation excludes amortisation of acquired intangible assets of £0.4 million (2014: £0.4 million) as these costs are not charged in the product group result.

Product group additions to non-current assets comprise additions to goodwill, intangible assets and property, plant and equipment through capital expenditure and acquisition of businesses.

Geographical information – continuing operations

	Year ended 31 March	
External revenue attributed on basis of customer location	**2015 £m**	2014 £m
UK	**1,257.5**	1,330.9
Rest of world	**72.3**	60.1
Total revenue (excluding joint ventures)	**1,329.8**	1,391.0
Non-current assets* based on location		
UK	**428.4**	390.8
Rest of world	**0.5**	1.1
Total	**428.9**	391.9

* Comprises property, plant and equipment, goodwill, intangible assets, investments and investment in associate.

The Group has two customers which individually represent more than 10% of revenue from continuing operations in the year ended 31 March 2015 (2014: two) with each customer accounting for £145.5 million and £177.3 million (2014: £152.1 million and £174.8 million) of revenue from continuing operations being 11.0% and 13.4% (2014: 10.9% and 12.6%).

The product group analysis provided above is based upon groupings of similar products, namely Cheese, Spreads and Dairies, and therefore the analysis of Group revenue by product and services is consistent with the revenue analysis presented above with the exception of non-milk product sales in the Dairies product group, which amounted to £55.6 million (2014: £66.3 million).

2 Operating costs – continuing operations

	Year ended 31 March 2015			Year ended 31 March 2014		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Cost of sales	**1,022.3**	**32.0**	**1,054.3**	1,040.4	5.8	1,046.2
Distribution costs	**183.9**	**–**	**183.9**	207.8	–	207.8
Administrative expenses	**72.9**	**4.3**	**77.2**	86.5	4.4	90.9
	1,279.1	**36.3**	**1,315.4**	1,334.7	10.2	1,344.9

Profit from continuing operations is stated after (charging)/crediting	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Release of grants	**1.7**	1.7
Depreciation	**(27.4)**	(28.6)
Amortisation of intangibles – acquired	**(0.4)**	(0.4)
Amortisation of intangibles – internally generated	**(3.2)**	(3.3)
Realised exchange loss on early loan note repayment and translation of foreign currency balances	**(0.8)**	(0.8)
Operating lease rentals	**(26.5)**	(27.0)
Research and development expenditure	**(3.3)**	(3.8)
Cost of inventories recognised as an expense	**(1,022.3)**	(1,040.4)
Including: Write-down of inventories recognised as an expense	**(0.3)**	(0.6)

Remuneration paid to auditors	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Fees payable to the Company's auditors – audit of Company's annual accounts*	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Taxation services	**0.1**	0.1
Other services relating to corporate finance transactions	**0.5**	–
	1.0	0.5

* £10,000 (2014: £10,000) of this relates to the Company.

Non-audit services carried out in the year include, acting as Reporting Accountant in relation to the disposal of the Group's Dairies operations and tax advisory services.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Ernst & Young LLP are auditors of the Dairy Crest Group Pension Fund. Fees paid by the Fund for audit services are not included in the above table.

3 Other income – property

	Year ended 31 March 2015			Year ended 31 March 2014		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit on disposal of depots	**17.6**	**–**	**17.6**	18.2	–	18.2

The Group continues to rationalise its Dairies operations as a result of the ongoing decline in doorstep volumes. This rationalisation includes the closure of certain depots (the profit on which is shown above) and rationalisation of the ongoing Dairies operations. These activities represent a fundamental part of the ongoing ordinary activities of the Dairies operations.

4 Exceptional items

Exceptional items comprise those items that are material and one-off in nature that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance of the Group. These one-off projects can span a number of accounting periods.

Operating costs	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Spreads restructuring costs	**(16.7)**	(3.8)
Rationalisation of operating sites	**(11.8)**	(2.0)
Costs associated with the separation and proposed sale of the Dairies operations	**(4.3)**	–
Demineralised whey powder and GOS projects	**(3.4)**	–
Business reorganisation	**(0.3)**	(4.4)
Disposal of the business and assets of FoodTec UK Limited	**(0.4)**	–
Disposal of remaining interest in Wexford Creamery Limited	**0.6**	–
	(36.3)	(10.2)
Finance costs		
Repayment of loan notes and associated costs (Note 5)	**–**	(0.2)
	(36.3)	(10.4)
Tax relief on exceptional items	**6.6**	2.1
Deferred tax adjustment for change in UK corporation tax rate	**–**	1.9
	(29.7)	(6.4)
Discontinued operations (Note 29)	**–**	1.4
	(29.7)	(5.0)

Spreads restructuring costs

During the year, the Group completed the consolidation of its spreads production operations into one site in Kirkby, Liverpool. As a result of this consolidation, the site at Crudgington, Shropshire ceased production in December 2014. The exceptional costs incurred in the year were £16.7 million (2014: £3.8 million), including duplicate running, commissioning and redundancy costs. The tax credit on this exceptional charge for the year was £3.2 million (2014: £0.8 million).

Rationalisation of operating sites

In September 2014, the Group announced it was starting consultation with employees and their representatives regarding the closure of its glass bottling dairy in Hanworth, West London and its specialist cream potting facility in Chard, Somerset. The Hanworth site is expected to remain operational until 2016. An exceptional charge of £2.5 million has been incurred in the period, primarily comprising accelerated depreciation of assets following an assessment of their useful economic lives as well as other associated closure costs. The Chard site is to be closed on economic grounds in the second half of 2015. As a result a £7.8 million impairment charge has been recognised to write the assets down to nil being their net realisable value after selling costs which is lower than their value in use and a charge of £1.5 million in relation to redundancy and closure costs has also been recognised. The tax credit on these exceptional costs in the year was £2.1 million.

The exceptional charge for the year ended 31 March 2014 related to the January 2014 closure of the Proper Welsh Milk dairy (£0.6 million) and the impairment of the plant and equipment and working capital of FoodTec UK Limited, a subsidiary whose business and assets were sold on 29 July 2014 (£1.4 million). The tax credit on this exceptional charge in the year ended 31 March 2014 was £0.3 million.

Costs associated with the separation and proposed sale of the Dairies operations

On 5 November 2014, the Group entered into an agreement to dispose of its Dairies operations to Müller which is subject to clearance from the relevant competition authorities. Following this announcement, the Group has started the process of separating its Dairies operations into a standalone operating unit to support the potential sale and increase focus in the challenging Dairies market. During the year, £2.7 million of costs were incurred in relation to the potential sale of the Dairies operation, which primarily comprised transaction related professional fees and £1.6 million in relation to the creation of a standalone Dairies operation including one-off business systems and other costs. The tax credit on this exceptional charge in the year was £0.5 million.

Demineralised whey powder and GOS projects

The Group has initiated projects to significantly invest in its cheese creamery at Davidstow, Cornwall to enable the Group to commence the manufacture of demineralised whey powder, a base ingredient of infant formula, and GOS, widely used in infant formula. The Group is investing £65 million on new manufacturing assets at Davidstow over financial years ending 31 March 2015 and 31 March 2016. During the year, £3.4 million of exceptional costs were incurred relating to project initiation and set up. The tax credit on this exceptional charge in the year was £0.7 million.

4 Exceptional items continued

Business reorganisation

In February 2013 the Group announced plans to reorganise the business into a single management and operational structure from 1 April 2013. This reorganisation has resulted in exceptional redundancy costs in the year of £0.3 million. In the year ended 31 March 2014 a £4.4 million exceptional charge was taken comprising redundancy costs and the write-down of an intangible asset. The tax credit in the year on this exceptional charge was £0.1 million. (2014: £0.8 million).

Disposal of business and assets of FoodTec UK Limited

On 29 July 2014, the Group completed the sale of the business and assets of FoodTec UK Limited for consideration of £1.2 million, realising a loss on disposal of £0.4 million (see Note 29).

Disposal of remaining interest in Wexford Creamery Limited

On 16 May 2014 the Group completed the sale of its 30% shareholding in Wexford Creamery Limited for €3.4 million (£2.8 million) realising a gain on disposal of £0.6 million (see Note 29).

Exceptional items in the year ended 31 March 2014 only:
Repayment of loan notes and associated costs
Exceptional costs of £0.2 million relating to bank charges and professional fees were incurred in the year ended 31 March 2014 as a result of the early repayment of private placement loan notes in April 2013. The tax effect of this exceptional charge was nil.

Deferred tax adjustment for change in UK corporation tax rate
With effect from 1 April 2015, the corporation tax rate (which was enacted on 2 July 2013) was reduced to 20%. (see Note 6). The deferred tax calculations based on the lower rate resulted in a deferred tax benefit of £1.9 million in the year ended 31 March 2014. Due to the size and one-off nature of this significant amendment in the enacted rate, it was classified as an exceptional deferred tax credit in the year.

5 Finance costs and other finance income

Finance costs	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Bank loans and overdrafts (at amortised cost)	**(8.1)**	(9.7)
Unwind of discount on provisions (Note 23)	**–**	(0.2)
Finance charges on finance leases	**(0.1)**	(0.2)
Pre-exceptional finance costs – continuing operations	**(8.2)**	(10.1)
Finance income on cash balances (financial assets not at fair value through profit and loss)	**0.1**	0.2
Pre-exceptional net finance costs – continuing operations	**(8.1)**	(9.9)
Exceptional cost of repayment of loan notes (Note 4)	**–**	(0.2)
Total net finance costs – continuing operations	**(8.1)**	(10.1)

Interest payable on bank loans and overdrafts is stated after capitalising £2.4 million (2014: £1.6 million) of interest on expenditure on capital projects at the Group's average cost of borrowing.

6 Tax expense

The major components of income tax expense for the years ended 31 March 2015 and 2014 are:

Consolidated income statement	2015 £m	2014 £m
Current income tax		
Adjustments in respect of previous years – current tax	–	0.2
– transfer from deferred tax	–	–
	–	0.2
Deferred income tax		
Relating to origination and reversal of temporary differences	2.1	8.0
Effect of change in tax rate	–	(1.9)
Adjustments in respect of previous years – deferred tax	(0.5)	(0.9)
– transfer to current tax	–	–
	1.6	5.4
Analysed: Before exceptional items	8.2	9.4
Exceptional items	(6.6)	(4.0)
	1.6	5.4

Reconciliation between tax charge/(credit) and the profit/(loss) before tax multiplied by the statutory rate of corporation tax in the UK:

	2015 £m	2014 £m
Profit/(loss) before tax	22.1	54.2
Tax at UK statutory corporation tax rate of 21% (2014: 23%)	4.6	12.5
Adjustments in respect of previous years	(0.5)	(0.7)
Adjustment in respect of associate's profits	–	(0.1)
Adjustment for change in UK corporation tax rate*	(0.2)	(1.9)
Non-deductible expenses	1.9	1.2
Profits offset by available tax relief	(4.2)	(5.6)
	1.6	5.4

The effective pre-exceptional rate of tax on Group profit before tax is 14.0% (2014: 14.6%). The effective tax rate continues to be below the headline rate of UK corporation tax due to the property profit income stream, on which the tax charges are sheltered by brought forward capital losses or roll-over relief. The higher proportion of property profits this year has reduced the effective rate of tax but we expect the effective tax rate to increase next year.

* UK corporation tax rate reduced to 21% from April 2014. A further 1% reduction has been enacted, taking the rate to 20% from April 2015. Owing to the availability of brought forward trading tax losses, the Group did not expect any taxable profits to arise before 1 April 2015, accordingly deferred tax was provided on all temporary differences in the prior year, as well as the current year, at 20%.

Consolidated other comprehensive income	2015 £m	2014 £m
Deferred income tax related to items charged to other comprehensive income		
Pension deferred tax movement taken directly to reserves	(1.7)	(8.7)
Valuation of financial instruments	(0.2)	0.3
Tax credit	(1.9)	(8.4)

There were no income tax or deferred tax amounts charged to changes in equity in the year ended 31 March 2015 (2014: nil).

The numbers

6 Tax expense continued

Deferred income tax

Deferred income tax at 31 March 2015 and 2014 relates to the following:

Deferred tax liability	2015 £m	2014 £m
Accelerated depreciation for tax purposes	**(29.5)**	(28.0)
Financial instruments valuation	**–**	(0.1)
Goodwill and intangible assets	**(8.5)**	(8.0)
	(38.0)	(36.1)

Deferred tax asset		
Government grants	**1.6**	1.9
Share-based payments	**0.1**	0.1
Pensions	**16.0**	17.9
Financial instruments valuation	**0.1**	–
Other	**9.1**	4.8
	26.9	24.7
Net deferred tax liability	**(11.1)**	(11.4)

The Company has a deferred tax asset of £0.2 million at 31 March 2015 (2014: £0.2 million asset). This relates to temporary differences in respect of financial instruments valuations.

The movement on the net deferred tax balance is shown below:

	2015 £m	2014 £m
Opening net deferred tax liability	**(11.4)**	(14.6)
Charge to income statement	**(1.6)**	(5.2)
Credit to other comprehensive income	**1.9**	8.4
Closing net deferred tax liability	**(11.1)**	(11.4)

The movement on the deferred tax liability is shown below:

	Deferred tax asset/(liability)				
	Goodwill and intangible assets £m	Pensions £m	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Balances at 31 March 2014	(8.0)	17.9	(28.0)	6.7	(11.4)
(Charge)/credit to income statement: continuing operations	(0.5)	(3.6)	(1.5)	4.0	(1.6)
Credit to other comprehensive income	–	1.7	–	0.2	1.9
Balances at 31 March 2015	**(8.5)**	**16.0**	**(29.5)**	**10.9**	**(11.1)**
Balances at 31 March 2013	(9.2)	17.1	(31.7)	9.2	(14.6)
(Charge)/credit to income statement: continuing operations	1.2	(7.9)	3.7	(2.2)	(5.2)
Credit/(charge) to other comprehensive income	–	8.7	–	(0.3)	8.4
Balances at 31 March 2014	(8.0)	17.9	(28.0)	6.7	(11.4)

The Group has capital losses which arose in the UK of £34.0 million (2014: £137.5 million) that are available indefinitely for offset against future taxable gains. Deferred tax has not been recognised in respect of these losses as there is no foreseeable prospect of their being utilised. The Group has realised capital gains amounting to £39.2 million (2014: £27.6 million) for which rollover relief claims have been or are intended to be made.

7 Dividends paid and proposed

Declared and paid during the year	2015 £m	2014 £m
Equity dividends on ordinary shares:		
Final dividend for 2014: 15.4 pence (2013: 15.0 pence)	**21.0**	20.5
Interim dividend for 2015: 6.0 pence (2014: 5.9 pence)	**8.2**	8.0
	29.2	28.5

Proposed for approval at AGM (not recognised as a liability at 31 March)		
Equity dividends on ordinary shares:		
Final dividend for 2015: 15.7 pence (2014: 15.4 pence)	**21.6**	21.0

8 Earnings per share

Basic earnings/losses per share ('EPS') on profit/(loss) for the year from continuing operations is calculated by dividing profit/(loss) from continuing operations by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit from continuing operations by the weighted average number of ordinary shares outstanding during the year plus the difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the year. Note that in the circumstances where there is a basic loss per share, share options are anti-dilutive and therefore are not included in the calculation of diluted losses per share.

The shares held by the Dairy Crest Employees' Share Ownership Plan Trust ('ESOP') are excluded from the weighted average number of shares in issue used in the calculation of basic and diluted earnings per share.

To show earnings per share on a consistent basis, which in the Directors' opinion reflects the ongoing performance of the business more appropriately, adjusted earnings per share has been calculated. The computation for basic and diluted earnings per share (including adjusted earnings per share) is as follows:

	Year ended 31 March 2015			Year ended 31 March 2014		
	Earnings £m	Weighted average no of shares million	Per share amount pence	Earnings £m	Weighted average no of shares million	Per share amount pence
Basic EPS from continuing operations	**20.5**	**136.7**	**15.0**	48.8	136.5	35.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.1)**	–	1.6	(0.5)
Diluted EPS from continuing operations	**20.5**	**137.6**	**14.9**	48.8	138.1	35.3
Adjusted EPS from continuing operations						
Profit from continuing operations	**20.5**	**136.7**	**15.0**	48.8	136.5	35.8
Exceptional items (net of tax)	**29.7**	**–**	**21.7**	6.4	–	4.7
Amortisation of acquired intangible assets (net of tax)	**0.3**	**–**	**0.2**	0.3	–	0.2
Pension interest expense (net of tax)	**1.4**	**–**	**1.1**	0.2	–	0.1
Adjusted basic EPS from continuing operations	**51.9**	**136.7**	**38.0**	55.7	136.5	40.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.3)**	–	1.6	(0.5)
Adjusted diluted EPS from continuing operations	**51.9**	**137.6**	**37.7**	55.7	138.1	40.3
Basic EPS from discontinued operations	**–**	**136.7**	**–**	1.4	136.5	1.0
Effect of dilutive securities:						
Share options	**–**	**0.9**		–	1.6	–
Diluted EPS from discontinued operations	**–**	**137.6**	**–**	1.4	138.1	1.0
Basic EPS on profit for the year	**20.5**	**136.7**	**15.0**	50.2	136.5	36.8
Effect of dilutive securities:						
Share options	**–**	**0.9**	**(0.1)**	–	1.6	(0.4)
Diluted EPS on profit for the year	**20.5**	**137.6**	**14.9**	50.2	138.1	36.4

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of signing of these financial statements.

9 Remuneration of employees and key management personnel

Number of employees (continuing operations) – Group	Year ended 31 March 2015 number	Year ended 31 March 2014 number
Average number of employees:		
Production	**1,819**	1,859
Sales, distribution and administration	**2,391**	2,686
Total employees	**4,210**	4,545

Remuneration of employees, including key management personnel (continuing operations)	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Wages and salaries	**144.0**	157.0
Social security costs	**14.2**	15.2
Equity settled share-based payments expense (Note 26)	**1.7**	1.5
Pension costs (Note 20)	**6.6**	7.0
	166.5	180.7

The above costs relate to continuing operations and include amounts paid to the Company's Executive and Non-executive Directors.

Further analysis is as follows:

Directors	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Salaries and benefits	**1,424**	1,374
Bonuses	**198**	833
Fees and benefits to Non-Executive Directors	**388**	327
Emoluments	**2,010**	2,534
Severance payments	**219**	557
Employer payments to defined contribution pension scheme	**20**	39

In addition, the Executive Directors exercised options during the year. Aggregate gains made by the Directors on the exercise of these share options were £189,374 (2014: £nil). The amount of the gain relating to highest paid director was £106,048 (2014: £nil).

Highest paid director		
Salary and benefits	**666**	656
Bonus	**97**	423
Emoluments	**763**	1,079
Employer payments to defined contribution pension scheme	**–**	9

Further information relating to Directors' remuneration for the year ended 31 March 2014 is provided in the Directors' Remuneration Report on pages 45 to 62.

10 Property, plant and equipment

Consolidated 2015	Land and buildings £m	Vehicles, plant and equipment £m	Assets in the course of construction £m	Total £m
Cost				
At 1 April 2014	174.0	287.3	69.5	530.8
Additions	2.6	3.9	74.9	81.4
Disposals	(6.5)	(45.9)	–	(52.4)
Disposal of FoodTec UK Limited (Note 4)	(0.3)	(2.9)	–	(3.2)
Transfers and reclassifications	1.9	67.6	(69.5)	–
At 31 March 2015	**171.7**	**310.0**	**74.9**	**556.6**
Accumulated depreciation				
At 1 April 2014	63.7	178.5	–	242.2
Charge for the year	5.0	22.4	–	27.4
Asset impairments	3.5	5.7	–	9.2
Disposals	(3.3)	(44.2)	–	(47.5)
Disposal of FoodTec UK Limited (Note 4)	(0.3)	(2.9)	–	(3.2)
At 31 March 2015	**68.6**	**159.5**	**–**	**228.1**
Net book amount at 31 March 2015	**103.1**	**150.5**	**74.9**	**328.5**

Consolidated 2014				
Cost				
At 1 April 2013	183.4	306.5	23.6	513.5
Additions	1.6	6.3	54.9	62.8
Disposals	(12.3)	(28.0)	(5.2)	(45.5)
Transfers and reclassifications	1.3	2.5	(3.8)	–
At 31 March 2014	174.0	287.3	69.5	530.8
Accumulated depreciation				
At 1 April 2013	64.4	178.8	–	243.2
Charge for the year	5.6	23.0	–	28.6
Asset impairments	0.1	1.7	–	1.8
Disposals	(6.4)	(25.0)	–	(31.4)
At 31 March 2014	63.7	178.5	–	242.2
Net book amount at 31 March 2014	110.3	108.8	69.5	288.6

2014/15

The carrying value of property, plant and equipment within each cash-generating unit ('CGU') is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. With regard to the Dairies CGU, goodwill was fully impaired in 2011/12, however, given the low margins in this business and the challenging market conditions in 2014/15, the carrying value of property, plant and equipment within this CGU has been reviewed along with its value in use. The impairment methodology and key inputs for all CGUs are as set out in Note 11. For the Dairies CGU, consideration was taken of the future cash flows on an on-going basis and also the impact of the potential disposal of the Dairies operations to create a risk weighted value in use calculation of the CGU. The discount rate applied to the value in use calculation was 7.8% (2014: 9.3%). The key input assumptions in performing the impairment test were the profits expected from property sales, the allocation of corporate costs, the projected profit margin growth and the timing and cash consideration of any potential Dairies operations disposal. The impairment review has not indicated any required write down of carrying value of property, plant and equipment in the year ended 31 March 2015. The value in use calculations resulted in a low level of headroom compared to the carrying value and any movement in the input assumptions above could lead to an impairment.

During the year £9.2 million of assets were impaired. The Chard site is to be closed on economic grounds in the second half of 2015, a £7.8 million impairment charge has been recognised to write the assets down to nil being their net realisable value after selling costs which is lower than their value in use. In addition, £1.4 million of exceptional accelerated depreciation has been charged in relation to Hanworth (see Note 4).

2013/14

In 2013/14, the Group impaired £1.8 million of property, plant and equipment relating to the strategic review of FoodTec UK Limited (£0.3 million), the closure of Proper Welsh Milk dairy (£0.5 million) and the consolidation to a single UK spreads production site (£1.0 million). For further information see Note 4.

10 Property, plant and equipment continued

Capitalised leases included in vehicles, plant and equipment comprise:	2015 £m	2014 £m
Cost	**29.0**	31.7
Accumulated depreciation	**(22.7)**	(24.0)
Net book amount	**6.3**	7.7

11 Goodwill

	£m
Cost	
At 31 March 2013 and 31 March 2014	147.3
Disposal of FoodTec UK Limited (Note 4)	(1.7)
At 31 March 2015	**145.6**
Accumulated impairment	
At 31 March 2013 and 31 March 2014	(73.0)
Disposal of FoodTec UK Limited (Note 4)	1.7
At 31 March 2015	**(71.3)**
Net book amount at 31 March 2015	**74.3**
Net book amount at 31 March 2014	74.3

Impairment testing of goodwill

Acquired goodwill has been allocated for impairment testing purposes to four groups of cash-generating units ('CGUs'): Dairies, Spreads, MH Foods and Cheese. At March 2012 goodwill in relation to the Dairies CGU was fully impaired and the carrying value of goodwill for this CGU at 31 March 2015 is nil.

All groups of CGUs with goodwill are tested for impairment annually by comparing the carrying amount of that CGU with its recoverable amount. Recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets and strategic plans approved by senior management covering a three-year period and appropriate growth rates beyond that. The discount rate applied to the projections is 8.8% for Spreads (2014: 9.8%) and 8.9% for MH Foods and Cheese (2014: 9.4%).

Discount rates are pre-tax and calculated by reference to average industry gearing levels, the cost of debt and the cost of equity based on the capital asset pricing model and CGU-specific risk factors.

The growth rate used to extrapolate cash flows beyond the three-year period for MH Foods, Cheese and Spreads is nil (2014: 2% Cheese and MH Foods, nil Spreads).

The carrying amount of goodwill allocated to groups of CGUs at 31 March 2015 is:

MH Foods	£6.7 million	(2014: £6.7 million)
Spreads	£65.5 million	(2014: £65.5 million)
Cheese	£2.1 million	(2014: £2.1 million)

Gross margin – budgeted gross margins are based initially on actual margins achieved in the preceding year further adjusted for projected input and output price changes, volume changes, initiatives implemented and associated efficiency improvements. The budgeted margins form the basis for strategic plans, which incorporate longer-term market trends.

Discount rates – reflect management's estimate of the risk-adjusted weighted average cost of capital for each CGU.

Raw materials prices – budgets are prepared using the most up to date price and forecast price data available. This is based on forward prices in the market place adjusted for any contracted prices at the time of forecast. The key resources are milk, vegetable oils, fuel oil, diesel, gas and electricity and packaging costs.

Growth rate estimates – for periods beyond the length of the strategic plans, growth estimates are based upon published industry research adjusted downwards to reflect the risk of extrapolating growth beyond a three year time frame.

The Directors consider the assumptions used to be consistent with the historical performance of each CGU where appropriate and to be realistically achievable in the light of economic and industry measures and forecasts.

2014/15 and 2013/14

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Spreads, MH Foods and Cheese CGUs, management believes that no reasonably possible change in the above key assumptions would cause the carrying value of those units to exceed their recoverable amount.

12 Intangible assets

	Assets in the course of construction £m	Internally generated £m	Acquired intangibles £m	Total £m
Cost				
At 31 March 2013	8.3	26.3	8.7	43.3
Additions	1.1	–	–	1.1
Transfers and reclassifications	(2.9)	2.9	–	–
At 31 March 2014	6.5	29.2	8.7	44.4
Additions	1.3	–	–	1.3
Disposal	–	–	–	–
Transfers and reclassifications	(6.4)	6.4	–	–
At 31 March 2015	**1.4**	**35.6**	**8.7**	**45.7**
Accumulated amortisation				
At 31 March 2013	–	9.7	3.1	12.8
Amortisation for the year	–	3.3	0.4	3.7
At 31 March 2014	–	13.0	3.5	16.5
Disposal	–	–	–	–
Amortisation for the year	–	3.2	0.4	3.6
At 31 March 2015	**–**	**16.2**	**3.9**	**20.1**
Net book amount at 31 March 2015	**1.4**	**19.4**	**4.8**	**25.6**
Net book amount at 31 March 2014	6.5	16.2	5.2	27.9

Assets in the course of construction comprise enterprise resource planning costs and integrated business systems costs in respect of projects that are not completed as at 31 March 2015.

Internally generated intangible assets comprise software development and implementation costs across manufacturing sites, the milk&more business and Head Office.

Acquired intangibles comprise predominantly brands acquired with the acquisition of businesses. The largest component within acquired intangibles is the 'Frylight' brand acquired with the acquisition of Morehands Limited (MH Foods) in June 2011. A useful life of 15 years has been assumed for this brand, with 11 years remaining. The carrying value of the Frylight brand at 31 March 2015 is £4.5 million (2014: £4.9 million).

13 Investments

Consolidated

During the year ended 31 March 2015, the Group acquired a further 3.5% of the share capital of HIECO Limited for a consideration of £0.1 million. At 31 March 2015, the Group held 10.5% of the share capital of HIECO Limited. In addition, the Group acquired 50% of the share capital of Promovita Ingredients Limited for a consideration of £0.1 million.

Company	Share grants awarded in subsidiaries £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 April 2013	12.8	468.1	480.9
Share based payment charge in subsidiary companies	1.2	–	1.2
At 31 March 2014	14.0	468.1	482.1
Share based payment charge in subsidiary companies	0.7	–	0.7
At 31 March 2015	**14.7**	**468.1**	**482.8**

Shares in subsidiary undertakings comprise an investment in Dairy Crest Limited of £239.2 million and an investment of £228.9 million in Dairy Crest UK Limited.

Share grants awarded in subsidiaries represent the cumulative cost of the Company's grant of equity instruments, under share based payment awards, to employees of subsidiary undertakings.

At 31 March 2015 the principal subsidiary undertakings were:

	Business	Percentage of ordinary share capital held
Subsidiary undertakings and associates:		
Dairy Crest Limited	Manufacture of dairy products	100%
Philpot Dairy Products Limited	Trading in dairy products	100%
Morehands Limited	Manufacture of cooking oils	100%

The principal place of operation and country of incorporation of all subsidiary undertakings is England and Wales.

14 Investment in associates

During the year, the Group sold the remaining investment in Wexford Creamery Limited (see Note 4 and Note 29).

The share of the assets, liabilities, income and expenses of the associate at 31 March 2014 and for the year then ended, which was equity accounted for in the consolidated financial statements, were as follows:

	2015 £m	2014 £m
Current assets	–	2.2
Current liabilities	–	(1.4)
Share of net assets	–	0.8
Revenue	–	13.5
Operating costs	–	(13.2)
Result before tax	–	0.3
Tax expense	–	–
Share of net result	–	0.3

15 Inventories

	Consolidated	
	2015 £m	2014 £m
Raw materials and consumables	**30.6**	33.4
Finished goods	**169.1**	186.2
	199.7	219.6

Cheese inventories at 31 March 2015 totalled £149.2 million (2014: £167.2 million).

During the year ended 31 March 2015, £0.4 million of engineering and packaging inventories were written off following the ongoing consolidation of Clover manufacture into one site.

In April 2013 the Group granted the Trustee of the Dairy Crest Group Pension Fund a floating charge over maturing cheese inventories with a maximum realisable value of £60 million.

16 Trade and other receivables

	Consolidated		Parent Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**74.8**	104.8	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	9.9
Other receivables	**13.5**	8.4	**0.4**	0.6
Prepayments and accrued income	**7.0**	5.2	**–**	–
	95.3	118.4	**0.4**	10.5

All amounts above, with the exception of prepayments and accrued income, are financial assets.

Trade receivables are denominated in the following currencies:

	Consolidated	
	2015 £m	2014 £m
Sterling	**71.5**	96.5
Euro	**1.3**	2.0
US Dollar	**1.9**	6.2
Swiss Franc	**0.1**	0.1
	74.8	104.8

There are no material concentrations of credit risk.

Trade receivables are non interest bearing and are generally on 30-90 days' terms and are shown net of a provision for impairment. As at 31 March 2015, trade receivables at nominal value of £7.7 million (2014: £7.7 million) were impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	Consolidated	
	2015 £m	2014 £m
At 1 April	**7.7**	7.0
Net charge for the year – operating	**–**	0.8
Amounts written off	**–**	(0.1)
At 31 March	**7.7**	7.7

Bad debt provisions are principally in the Dairies' residential and mid sized commercial channels on debt over 90 days. These businesses sell product on the doorstep and to middle ground and foodservice customers. The Group has no history of bad debt with regard to sales to large multiple retailers. There were no impairment provisions on any other class of receivables at 31 March 2015 or 2014.

16 Trade and other receivables continued

At 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £m	Neither past due nor impaired £m	Past due, not impaired 30 – 60 days £m	Past due, not impaired 60 – 90 days £m	Past due, not impaired > 90 days £m
31 March 2015	**74.8**	**60.8**	**11.8**	**1.3**	**0.9**
31 March 2014	104.8	89.5	12.3	2.6	0.4

The credit quality of trade receivables is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

17 Financial assets

(i) Derivative financial instruments

Consolidated	Note	**2015 £m**	2014 £m
Current			
Cross currency swaps (cash flow hedges)		**–**	–
Forward currency contracts (cash flow hedges)	31	**–**	0.4
		–	0.4
Non-current			
Option to sell 20% holding in Wexford Creamery Limited	31	**–**	1.6
Cross currency swaps (cash flow hedges)	31	**14.7**	5.4
		14.7	7.0

Company		**2015 £m**	2014 £m
Current			
Cross currency swaps (cash flow hedges)	31	**–**	–
Non-current			
Cross currency swaps (cash flow hedges)	31	**14.7**	5.4

All derivative financial instruments are fair valued at each balance sheet date and all, with the exception in the prior year of the option to sell a 20% holding in Wexford Creamery Limited ('WCL'), comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

WCL was sold during the year and there was no material movement in the fair value of the WCL options between recognition in June 2010 and the date of disposal on 16 May 2014 (see Note 4).

18 Cash and short-term deposits

	Consolidated **2015 £m**	Consolidated 2014 £m	Parent Company **2015 £m**	Parent Company 2014 £m
Cash and short-term deposits	**50.6**	67.3	**0.2**	–

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Counterparty risk and the Group's policy for managing deposits are described in Note 30.

19 Financial liabilities

Consolidated	Note	2015 £m	2014 £m
Current			
Obligations under finance leases	31	**–**	1.8
Loan notes (at amortised cost)	31	**–**	25.3
Debt issuance costs		**–**	(0.6)
Financial liabilities – Borrowings		**–**	26.5
Cross currency swaps (cash flow hedges)		**–**	2.0
Forward currency contracts (at fair value: cash flow hedge)	31	**0.2**	–
Financial liabilities – Derivative financial instruments		**0.2**	2.0
Current financial liabilities		**0.2**	28.5
Non-current			
Obligations under finance leases	31	**–**	–
Loan notes (at amortised cost)	31	**158.2**	144.2
Bank loans (at amortised cost)	31	**105.0**	36.0
Debt issuance costs		**(0.2)**	(0.5)
Financial liabilities – Borrowings		**263.0**	179.7
Cross currency swaps (cash flow hedges)		**1.9**	6.2
Financial liabilities – Derivative financial instruments		**1.9**	6.2
Non-current financial liabilities		**264.9**	185.9

On 4 April 2014 there was a natural maturity of loan notes of €30.6 million (£27.4 million).

All derivative financial instruments are fair valued at each balance sheet date and all comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

Interest bearing loans and borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows:

		Maturity	2015 £m	Effective Interest rate at March 2015	2014 £m	Effective Interest rate at March 2014
Current						
Loan notes:	Euro swapped into £	April 2014	**–**	**–**	25.3	4.97%
Finance leases			**–**	**–**	1.8	5.18%
Debt issuance costs			**–**		(0.6)	
			–		26.5	
Non-current						
Multi-currency revolving credit facilities:						
	Sterling floating	October 2016	**105.0**	**LIBOR + 115bps**	36.0	LIBOR + 115bps
Loan notes:	US$ swapped into £	April 2016	**82.9**	**5.31%**	73.8	5.31%
	Sterling	April 2016	**10.0**	**5.27%**	10.0	5.27%
	Euro swapped into £	April 2017	**7.7**	**5.53%**	8.8	5.53%
	Sterling	April 2017	**2.8**	**5.84%**	2.8	5.84%
	US$ swapped into £	November 2018	**16.8**	**3.87%**	15.0	3.87%
	US$ swapped into £	November 2021	**38.0**	**4.52%**	33.8	4.52%
Debt issuance costs			**(0.2)**		(0.5)	
			263.0		179.7	

The Group is subject to a number of covenants in relation to its borrowing facilities which, if contravened, would result in its loans becoming immediately repayable. These covenants specify a maximum net debt to EBITDA ratio of 3.5 times and minimum interest cover ratio of 3.0 times. No covenants were contravened in the year ended 31 March 2015 (2014: None). Key covenants under the 2011 revolving credit facility and debt private placement were unchanged from existing covenants.

Details of the Group's interest rate management strategy and interest rate swaps are included in notes 30 and 31.

19 Financial liabilities continued

Company	2015 £m	2014 £m
Current		
Loan notes (at amortised cost)	–	25.3
Financial liabilities – Borrowings	–	25.3
Cross currency swaps (cash flow hedges)	–	2.0
Financial liabilities – Derivative financial instruments	–	2.0
Current financial liabilities	–	27.3
Non-current		
Loan notes (at amortised cost)	**158.2**	144.2
Bank loans (at amortised cost)	–	–
Financial liabilities – Borrowings	**158.2**	144.2
Cross currency swaps (cash flow hedges)	**1.9**	6.2
Financial liabilities – Derivative financial instruments	**1.9**	6.2
Non-current financial liabilities	**160.1**	150.4

All derivative financial instruments are fair valued at each balance sheet date and all comprise Level 2 valuations under IFRS 7: Financial Instruments – Disclosures, namely, that they are based on inputs observable directly (from prices) or indirectly (derived from prices).

Interest bearing loans and borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows:

		Maturity	2015 £m	Effective Interest rate at March 2015	2014 £m	Effective Interest rate at March 2014
Current						
Loan notes:	Euro swapped into £	April 2014	–	–	25.3	4.97%
			–		25.3	
Non-current						
Loan notes:	US$ swapped into £	April 2016	**82.9**	**5.31%**	73.8	5.31%
	Sterling	April 2016	**10.0**	**5.27%**	10.0	5.27%
	Euro swapped into £	April 2017	**7.7**	**5.53%**	8.8	5.53%
	Sterling	April 2017	**2.8**	**5.84%**	2.8	5.84%
	US$ swapped into £	November 2018	**16.8**	**3.87%**	15.0	3.87%
	US$ swapped into £	November 2021	**38.0**	**4.52%**	33.8	4.52%
			158.2		144.2	

20 Retirement benefit obligations

The Group has a defined benefit pension scheme (Dairy Crest Group Pension Fund), which is closed to future service accrual and a defined contribution scheme (Dairy Crest Group defined contribution scheme).

Defined Benefit Pension Scheme

The Dairy Crest Group Pension Fund ('the Fund') is a final salary defined benefit pension scheme, which was closed to future service accrual from 1 April 2010 and had been closed to new joiners from 30 June 2006. This pension scheme is a final salary scheme.

The Fund is administered by a corporate trustee which is legally separate from the Company. The Trustee's directors are comprised of representatives of both the employer and employees, plus a professional trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The Company and Trustee have agreed a long term strategy for reducing investment risk as and where appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets which perfrom in line with the liabilities of the plan so as to protect against inflation being higher than expected. In December 2008 and June 2009, certain obligations relating to retired members were hedged by the purchase of annuity contracts.

During the financial year the Fund has introduced a Pension Increase Exchange ('PIE') at retirement, an offer which enables members to exchange pension increases on their pensions accrued before April 1997, excluding Guaranteed Minimum Pensions ('GMP') for a higher non-increasing pension.

UK legislation requires that pension schemes are funded prudently. The most recent full actuarial valuation of the Fund was carried out as at 31 March 2013 by the Fund's independent actuary using the projected unit credit method. Full actuarial valuations are carried out triennially. This valuation resulted in a deficit of £145.0 million compared to the IAS19 deficit of £56.3 million reported at that date. The next full actuarial valuation will be carried out in 2016/17 on the 31 March 2016 position.

From October 2009, the Group has been making additional funding contributions to the scheme of £20.0 million per annum. Under the latest schedule of contributions, which was signed in March 2014, the level of contributions will reduce to £13.0 million per annum for 2014/15 and 2015/16, increasing to £16.0 million per annum in 2016/17 and £20.0 million per annum for 2017/18 through to 2019/20. These annual contributions include £2.8 million per annum of rental payments for land and buildings that are subject to a sale and leaseback agreement between the Group and the Fund as part of the schedule of contributions.

The Fund duration is an indicator of the weighted-average time until benefit payments are made. For the Fund as a whole, the duration is around 18 years reflecting the approximate split of the defined benefit obligation (including insured pensioners) between deferred members (duration of 24 years), current non-insured pensioners (duration of 15 years) and insured pensioners (duration of 11 years).

The principal risks associated with the Group's defined benefit pension arrangements are as follows:

Asset Volatility

The liabilities are calculated using the discount rate set with reference to corporate bond yields; if assets underperfom this yield, this will create a deficit. The Fund holds a significant proportion in a range of return-seeking assets which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short-term. The allocation to return-seeking assets is monitored to ensure it remains appropriate given the Fund's long terms objectives.

Changes in Bond Yields

A decrease in corporate bond yields will increase the value placed on the Fund's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the fund's bond holdings.

Inflation Risk

A significant portion of the Fund's benefit obligations are linked to inflation, and higher expected future inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in expected future inflation will also increase the deficit.

Longevity Risk

The majority of the Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in liabilities.

A contingent liability exists in relation to the equalisation of GMP. The UK Government intends to implement legislation which could result in higher benefits for some members. This would increase the defined benefit obligation of the Fund. At this stage, it is not possible to quantify the impact of this change.

20 Retirement benefit obligations continued

The following tables summarise the components recognised in the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income.

Defined benefit obligation		**2015 £m**	2014 £m
Fair value of scheme assets:	– Equities	**53.1**	45.5
	– Bonds and cash	**592.6**	523.6
	– Equity return swaps valuation*	**10.7**	3.3
	– Property and other	**106.0**	92.3
	– Insured retirement obligations	**306.8**	299.4
		1,069.2	964.1
Defined benefit obligation:	– Uninsured retirement obligations**	**(790.4)**	(714.3)
	– Insured retirement obligations	**(303.3)**	(297.4)
Total defined benefit obligation		**(1,093.7)**	(1,011.7)
Recognition of liability for unrecoverable notional surplus		**(16.9)**	(10.1)
		(1,110.6)	(1,021.8)
Net liability recognised in the balance sheet		**(41.4)**	(57.7)
Related deferred tax asset		**16.0**	17.9
Net pension liability		**(25.4)**	(39.8)

* Comprises a positive synthetic equity exposure of £155.3 million (2014: £155.7 million) and a negative LIBOR exposure of £144.6 million (2014: £152.4 million).

** Includes obligations to deferred members of £551.6 million (2014: £498.6 million) and non-insured members of £238.8 million (2014: £215.7 million).

The Group is entitled to any surplus on winding up of the Fund albeit refunds are subject to tax deductions of 35% at source. Based on the present value of committed cash contributions at 31 March 2015 and the IAS 19 valuation at that date of £24.5 million, £16.9 million would be deducted from any notional surplus returned to the Group and this has been recognised as an additional liability in accordance with IFRIC 14. However, it should be noted that cash contributions are determined by reference to the triennial actuarial valuation, not the IAS 19 valuation. The actuarial deficit is greater than that recognised under IAS 19 since liabilities are discounted by reference to gilt yields rather than high quality corporate bond yields.

Amounts recognised in consolidated income statement	**2015 £m**	2014 £m
Administration expenses	**(0.8)**	(1.0)
Past service cost	**1.8**	–
Other finance costs – pensions	**(1.8)**	(0.3)
Loss before tax	**(0.8)**	(1.3)
Deferred tax	**0.2**	0.3
Loss for the period	**(0.6)**	(1.0)

Amounts recognised in other comprehensive income	**2015 £m**	2014 £m
Return on plan assets (excluding amounts included in net interest)	**89.3**	26.8
Experience gains arising on scheme liabilities	**10.1**	4.3
Actuarial losses due to changes in the demographic assumptions	**–**	(18.0)
Actuarial losses due to changes in the financial assumptions	**(88.3)**	(63.5)
Net actuarial gain/(loss)	**11.1**	(50.4)
Movement in liability for unrecoverable notional surplus	**(6.8)**	0.8
Recognised in other comprehensive income	**4.3**	(49.6)
Related tax	**1.7**	8.7
Net actuarial gain/(loss) recognised in other comprehensive income	**6.0**	(40.9)

Actual returns on plan assets were £130.2 million (2014: £68.3 million).

20 Retirement benefit obligations continued

Movement in the present value of the defined benefit obligations are as follows:	2015 £m	2014 £m
Opening defined benefit obligation	**(1,011.7)**	(925.7)
Interest cost	**(42.7)**	(41.8)
Actuarial losses	**(78.2)**	(77.2)
Past service cost	**1.8**	–
Benefits paid	**37.1**	33.0
Closing defined benefit obligation	**(1,093.7)**	(1,011.7)

Movement in the fair value of plan assets are as follows:		
Opening fair value of scheme assets	**964.1**	869.4
Interest income on fund assets	**40.9**	41.5
Remeasurement gains on fund assets	**89.3**	26.8
Contributions by employer	**12.8**	60.4
Administration costs incurred	**(0.8)**	(1.0)
Benefits paid out	**(37.1)**	(33.0)
Closing fair value of plan assets	**1,069.2**	964.1

The Fund's assets are invested in the following asset classes (all assets have a quoted market value in an active market with the exception of property, annuity policy and cash).

Assets	2015 £m	2014 £m	2013 £m
Equities:			
United Kingdom	**49.9**	50.6	137.3
North America	**65.9**	62.8	89.3
Europe (ex UK)	**26.4**	29.1	35.8
Japan	**17.1**	15.8	34.4
Asia (ex Japan)	**9.2**	8.2	16.0
Emerging Markets	**23.7**	21.0	37.8
Global Small Cap	**16.2**	13.7	12.2
Cash/LIBOR Synthetic Equity	**(144.6)**	(152.4)	(235.5)
Emerging Market Debt[i]	**54.0**	61.2	38.4
High Yield Bonds	**–**	–	22.7
Multi Asset Credit[ii]	**62.5**	60.0	–
Insurance Linked Securities[iii]	**29.4**	24.7	–
Absolute Return Bonds[iv]	**33.1**	30.4	–
Bonds:			
Government Index Linked Gilts	**–**	–	111.4
Network Rail Index Linked Gilts	**–**	–	60.5
Corporate Bonds	**118.1**	98.0	131.8
Liability Driven Investments[v]	**224.6**	170.0	–
Annuity Policy	**306.8**	299.4	286.3
Property	**76.6**	67.6	62.5
Cash	**100.3**	104.0	28.5
Total	**1,069.2**	964.1	869.4

20 Retirement benefit obligations continued

Equities are a combination of physical equities of £53.1 million (2014: £45.5 million), a positive synthetic equity exposure of £155.3 million (2014: £155.7 million) and a negative LIBOR exposure of £144.6 million (2014: £152.4 million).

The Group does not use any of the pension fund assets.

i This is debt issued by emerging market countries denominated in the emerging market's domestic currency. The debt is almost entirely issued by governments and not by corporations. Investors benefit from higher yields on the bonds due to the additional risks of investing in emerging market countries, compared to developed countries and it is also expected that emerging market currencies will appreciate over time relative to developed countries.

ii Multi Asset Credit strategies invest globally in a wide range of credit-based asset classes which include bank loans, high yield bonds, securitised debt, emerging market debt and distressed debt of non-investment grade. The investment strategies will also allocate amounts in investment grade credit, sovereign bonds and cash for defensive reasons. The strategies are opportunistic and allocate dynamically to the best opportunities within the credit market from an asset allocation and individual security selection perspective.

iii Insurance linked securities are event-linked investments which allow investors outside the insurance industry to access insurance premiums for assuming various forms and degrees of insurance risk. The underlying risk premium is a type of investment risk where the event is linked to natural or man-made catastrophes. The premium paid to the investor represents compensation for the 'expected loss' due to the uncertainty around the size and timing of the insured event.

iv Absolute Return Bond strategies are designed to deliver a positive return in all market environments and will take advantage of numerous alpha opportunities within the fixed income universe. The objective of the strategy is to capture returns from active management in a number of areas within fixed income including interest rates, currencies, asset allocation and security selection. The strategy will have long and short positions and employ a degree of leverage. The strategies tend to have low sensitivity to the direction of interest rates and credit.

v Insight have been appointed to manage the Liability Driven Investment ('LDI') portfolio for the Fund. The objective is to hedge a proportion of the Fund's liabilities against changes in interest rates and inflation expectations by investing in assets that are similarly sensitive to changes in interest rates and inflation expectations. Insight will seek to add interest and inflation exposure to the LDI portfolio over time in line with parameters that have been set by the Trustee. Insight are permitted to use a range of swaps and gilt based derivative instruments as well as physical bonds to structure the liability hedge for the Fund. In addition, Insight are responsible for monitoring market yields against a number of pre-set yield triggers and will increase the level of hedging as and when the triggers are met.

The principal assumptions used in determining retirement benefit obligations for the Fund are shown below:

	2015 %	2014 %	2013 %
Key assumptions:			
Price inflation (RPI)	**3.1**	3.6	3.5
Price inflation (CPI)	**2.0**	2.6	2.5
Pension increases (Pre 1993 – RPI to 7%/annum)	**3.1**	3.6	3.5
Pension increases (1993 to 2006 – RPI to 5%/annum)	**3.0**	3.4	3.3
Pension increases (Post 2006 – RPI to 4%/annum)	**2.8**	3.1	3.0
Life expectancy at 65 for a male currently aged 50 (years)	**23.9**	23.8	22.6
Average expected remaining life of a 65 year old retired male (years)	**22.4**	22.3	21.7
Life expectancy at 65 for a female currently aged 50 (years)	**26.8**	26.7	25.3
Average expected remaining life of a 65 year old retired female (years)	**24.6**	24.5	24.1
Discount rate	**3.4**	4.3	4.6

The financial assumptions reflect the nature and term of the Fund's liabilities. The mortality assumptions are based on analysis of the Fund members, and allow for expected future improvements in mortality rates. It has been assumed that members exchange 25% of their pension for a cash lump sum at retirement and 30% of deferred members take the PIE option at retirement.

Sensitivity to changes in assumptions

The key assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results (excluding unrecoverable notional surplus) to these assumptions is as follows:

	Expected Expense for 15/16			
	Service Cost £m	Net Interest £m	Total P&L Charge £m	March 2015 Deficit £m
Current Figures (excluding unrecoverable notional surplus)	0.8	0.6	1.4	(24.5)
Effect of a 0.1% decrease in the discount rate	–	0.5	0.5	(16.0)
Recalculated value	0.8	1.1	1.9	(40.5)
Effect of a 0.1% increase in the inflation assumption	–	0.4	0.4	(12.0)
Recalculated value	0.8	1.0	1.8	(36.5)
Effect of a 1 year increase in life expectancy	–	1.0	1.0	(30.0)
Recalculated value	0.8	1.6	2.4	(54.5)

20 Retirement benefit obligations continued

The above sensitivities assume that, with the exception of the annuity contracts, the Fund's assets remain unchanged due to changes in assumptions, but in practice changes in market interest and inflation rates will also affect the value of the Fund's assets. The Company and Trustee have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Fund by investing in assets which perform in line with the liabilities of the Fund. In December 2008 and June 2009, certain obligations relating to retired members were fully hedged by the purchase of annuity contracts. The Fund's other investments include matching assets which protect against changes in bond yields and against inflation risk. The respective interest rate and inflation hedge ratios for these assets as at 31 March 2015 were both 26% of those obligations not covered by annuity contracts.

The Company recognises no liabilities on its balance sheet, or charges or credits in its income statement or statement of recognised income and expense in relation to the Fund. The legal sponsor of the Fund is Dairy Crest Limited.

Defined Contribution Pension Scheme

The Group has charged £6.6 million in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2015 (2014: £7.0 million). The Company has made no charge in respect of the Dairy Crest Group defined contribution scheme in the year ended 31 March 2015 (2014: nil).

21 Trade and other payables

	Consolidated		Parent Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade payables*	**100.3**	131.2	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**36.9**	–
Other tax and social security	**3.6**	4.2	**–**	–
Other creditors*	**9.7**	15.8	**–**	–
Accruals*	**54.5**	67.1	**3.1**	3.8
	168.1	218.3	**40.0**	3.8

* Financial liabilities at amortised cost.

22 Deferred income

Current	**2015 £m**	2014 £m
Grants	**1.6**	1.7

Non-current		
Grants	**6.2**	7.8

In 2010/11 two new biomass boilers were installed at the Davidstow cheese manufacturing site. Capital expenditure amounted to £3.9 million and we received cash grants of £0.8 million during the year ended 31 March 2011 and £0.2 million during the year ended 31 March 2012 from the South West of England Regional Development Agency. This grant is conditional upon certain conditions principally regarding continued use and ownership of the boilers until 29 November 2014. In the year ended 31 March 2013, £0.4 million of this grant was voluntarily repaid in order to receive annual renewable heat incentives. The conditions concerning the remaining outstanding grant are unchanged.

In 2012/13 the Group announced that it was consolidating its spreads manufacturing in to a single site at Kirkby, Liverpool. During 2012/13 the Group received a grant of £5.3 million under the Regional Growth Fund from the Department of Business, Innovation and Skills in relation to this project. This grant is conditional upon certain conditions over a five year term, principally the project being completed and creating or safeguarding the agreed number of jobs.

23 Provisions

	Onerous contracts £m	Site restructuring and rationalisation £m	Total £m
At 31 March 2013 – current	1.7	–	1.7
Utilised	(0.2)	–	(0.2)
Discount unwind	0.2	–	0.2
At 31 March 2014 – current	1.7	–	1.7
Settled on disposal	(1.7)	–	(1.7)
Charged during the year	–	3.1	3.1
At 31 March 2015 – current	**–**	**3.1**	**3.1**

Onerous contract

In June 2010, the Group disposed of 50% of the share capital of Wexford Creamery Limited ('WCL'). As part of the disposal, the Group entered into an agreement to purchase guaranteed minimum volumes of cheese from WCL for a period of five years from the date of disposal. The price paid by the Group for that cheese is determined by reference to cost plus margin. Realisations for commodity cheese fluctuate and at the date of disposal a provision of £3.6 million was charged in order to provide for the cost of the cheese purchase arrangements. On 16 May 2014, following the sale of its remaining shareholding in WCL, the remaining onerous contract provision of £1.7 million was released.

Restructuring and rationalisation of operating sites

During the year, the Group provided through exceptional operating items, decommissioning and demolition costs associated with the Spreads restructuring project and redundancy costs in relation to the closure of the Chard site.

24 Share capital

Authorised	**2015 Thousands**	2014 Thousands
Ordinary shares of 25 pence each	**240,000**	240,000

Issued and fully paid	**Thousands**	**£m**
At 31 March 2013	136,596	34.1
Issued for cash on exercise of share options	113	0.1
At 31 March 2014	136,709	34.2
Issued for cash on exercise of share options	866	0.2
Issued for cash to ESOP at par	150	–
At 31 March 2015	**137,725**	**34.4**

During the year ended 31 March 2015 1,016,309 shares were issued at a premium of £2.2 million for an aggregate consideration of £2.4 million (2014: 113,558 shares at a premium of £0.1 million for an aggregate consideration of £0.2 million). Exercises of management share options are fulfilled by the transfer of existing shares from the Dairy Crest Employees' Share Ownership Plan ('ESOP') – see note 25.

25 Notes to statement of changes in equity

Consolidated

The shares held by the ESOP are available to satisfy awards under the Company's management share option schemes (see Note 26).

At 31 March 2015 the ESOP held 90,768 shares (2014: 129,024 shares) in the Company at a cost of £0.1 million (2014: £0.6 million). The ESOP was established in August 1996 to acquire shares in the Company in order to hedge certain future obligations of the Group including shares awarded under the Company's management share option schemes. During the year the Trustee of the ESOP transferred 188,256 (2014: 1,085) shares following exercises of options and subscribed for 150,000 shares at 25 pence per share. The market value of the shares held by the ESOP, which are listed on the London Stock Exchange was £0.4 million at 31 March 2015 (2014: £0.6 million).

Other reserves – Consolidated	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Other reserves £m
At 31 March 2014	55.9	(2.1)	(1.5)	52.3
Total recognised in other comprehensive income	–	(0.9)	–	(0.9)
At 31 March 2015	**55.9**	**(3.0)**	**(1.5)**	**51.4**
At 31 March 2013	55.9	(3.0)	(1.5)	51.4
Total recognised in other comprehensive income	–	0.9	–	0.9
At 31 March 2014	55.9	(2.1)	(1.5)	52.3

The merger reserve includes the premium on shares issued to satisfy the purchase of Dairy Crest Limited in 1996. The cumulative amount of goodwill charged against the merger reserve is £86.8 million (2014: £86.8 million). The reserve is not distributable.

The hedging reserve records the gains and losses on hedging instruments, to the extent that they are effective cash flow hedges. Any gains and losses previously recorded in the hedging reserve are reclassified in profit and loss when the underlying hedged item affects profit and loss.

The translation reserve records exchange differences arising from the translation of the accounts of foreign currency denominated subsidiaries offset by the movements on loans and derivatives designated to hedge the net investment in foreign subsidiaries.

Parent Company

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The profit for the year dealt with in the accounts of the Company is £8.3 million (2014: £24.7 million) including dividends received from subsidiary companies of £8.5 million (2014: £25.3 million). Dividends paid amounted to £29.2 million (2014: £28.5 million) which, along with a debit for share-based payments of £0.4 million (2014: £0.3 million credit) resulted in a £21.3 million decrease in retained earnings (2014: £3.5 million decrease).

In 1996 the Company acquired the entire issued share capital of Dairy Crest Limited. Consideration was in the form of cash and the issue of 109.8 million ordinary shares of 25 pence each. The fair value of the shares issued was estimated as £170.2 million. The capital reserve of £142.7 million, shown in the statement of changes in equity, represents the difference between the fair value of shares issued and their nominal value of £27.5 million.

26 Share based payment plans

Group

The Group has five share option schemes in operation.

The Dairy Crest Long Term Incentive Share Plan ('LTISP')

This is a long term incentive scheme under which awards are made to Directors and senior managers consisting of the right to acquire shares for a nominal price subject to the achievement of financial targets based on (i) total shareholder returns ('TSR') over a three year period versus comparator companies and (ii) growth in adjusted basic earnings per share. From 2009, the TSR element was increased from 50% to 60% of the awards granted. The vesting period for grants made under this scheme is 3 years with an exercise period of 7 years. There were no awards granted in the year ended 31 March 2015 (2014: nil). There are no cash settlement alternatives.

Dairy Crest Sharesave Scheme

All employees are eligible to join the Dairy Crest Sharesave Scheme, which allows employees to use regular monthly savings to purchase shares. Options are granted at a discount of up to 20% of the market value of the shares. No financial performance criteria are attached to these options and they vest three years from the date of grant with an exercise period of six months. In June 2014, 1,467,484 options were granted under the Dairy Crest Sharesave Scheme at a price of 376 pence (June 2013: nil). There are no cash settlement alternatives.

Deferred Bonus Plan ('DBP')

From 2005/06, bonuses earned that are in excess of 50% of basic salary are deferred in shares (and from 2011 in share options) with a vesting period of 3 years. The only vesting condition is continuing employment. The cost of these shares is charged over 4 years (being the year the bonus was earned and the three-year vesting period) and is based on the number of shares issued (or from 2011 over which nil cost options are granted) and the share price at the date of issue. During the year ended 31 March 2015, 65,086 deferred shares were awarded in relation to the year ended 31 March 2014 (2014: nil).

26 Share based payment plans continued

The Dairy Crest Long Term Alignment Plan ('LTAP')

The LTAP replaced the LTISP in the year ended 31 March 2014. This is a long term incentive scheme under which awards are made to Directors and senior managers consisting of the right to acquire shares for a nominal price. The vesting period for grants made under this scheme is 50% of the award after 4 years and 50% after 5 years. Pre-grant performance criteria determine the amount of any initial grant after which there are no significant performance conditions prior to vesting. As such, these options are fair valued at 100% of the price at the date of the grant.

The Transformational Incentive Award ('TIA')

The TIA was granted, under the rules of the LTISP, in December 2014. The TIA is a nil price option to acquire ordinary shares subject to certain performance objectives being met in addition to continuing employment. The performance objectives relate to three categories detailed below:

1) managing the competition approval process relating to the proposed Dairies operation disposal;

2) appropriate reshaping of the Group, taking into account the competition approval process; and

3) establishing a successful future business, by reference to the development of the Group, including delivering value to shareholders.

The vesting period is three years from the date of grant. In December 2014, 236,843 shares were awarded under the TIA. There are no cash settlement alternatives.

The number of share options and weighted average exercise price for each of the principal schemes is set out as follows:

	LTAP *	TIA *	DBP *	LTISP *	Sharesave Scheme	
	number	number	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2014	337,595	–	2,875	985,198	2,994,777	276.0
Options granted during the year	380,273	236,843	65,086	–	1,467,484	376.0
Reinvested dividends	20,395	3,780	973	57,931	–	–
Options exercised during the year	–	–	–	(169,241)	(866,309)	266.3
Options forfeited during the year	(21,326)	–	–	(677,151)	(476,509)	318.2
Options outstanding at 31 March 2015	**716,937**	**240,623**	**68,934**	**196,737**	**3,119,443**	**319.3**
Exercisable at 31 March 2015	**–**	**–**	**–**	**196,737**	**62,607**	**–**
Options outstanding at 1 April 2013	–	–	–	2,000,800	3,526,048	275.4
Options granted during the year	333,953	–	2,875	–	–	–
Reinvested dividends	3,642	–	–	94,469	–	–
Options exercised during the year	–	–	–	(57,573)	(68,369)	264.4
Options forfeited during the year	–	–	–	(1,052,498)	(462,902)	273.1
Options outstanding at 31 March 2014	337,595	–	2,875	985,198	2,994,777	276.0
Exercisable at 31 March 2014	–	–	–	177,231	–	–

* The weighted average exercise price for LTAP, TIA, DBP and LTISP options is nil.

Sharesave scheme options are exercisable up to February 2018 at prices ranging from 265p to 376p (March 2014: exercisable up to September 2016 at prices ranging from 265p to 281p). LTISP options are exercisable at varying dates up to July 2022 (March 2014: July 2022). LTAP options are exercisable at varying dates up to December 2024 (March 2014: August 2023). DBP options are exercisable at varying dates up to December 2024 (March 2014: June 2023). TIA options are exercisable up to December 2024.

The remaining weighted average contractual life of options outstanding at March 2015 is 7.1 years for the LTISP, 9.1 years for the LTAP, 9.6 years for the DBP, 9.8 years for the TIA and 2.0 years for the Sharesave Scheme (2014: LTISP 8.1 years, LTAP 9.4 years, DBP 8.3 years and Sharesave Scheme 2.1 years). The weighted average share price on exercise of Sharesave options was £3.19 (2014: £2.76).

The fair value factor of the Sharesave Scheme options issued in June 2014 was 17.9% giving a fair value of £0.83 per option granted. This has been computed using a Black-Scholes option pricing model. The key assumptions used in the valuation model were expected share price volatility 22%, risk free rate of interest 1.55% and dividend yield 4.40%. The volatility assumption is based on the historical volatility of the Dairy Crest Group plc share price over a period commensurate with the expected option life, ending on the grant date of option.

The fair value of TIA options issued on 23 December 2014 was £4.91 per option granted. This has been computed using a Black-Scholes option pricing model. The key assumptions used in the valuation model were expected share price volatility 24% and a risk free rate of interest 0.85%. The volatility assumption is based on the historical volatility of the Dairy Crest Group plc share price over a period commensurate with the expected option life, ending on the grant date of option.

The Group expense arising from share option plans for the year ended 31 March 2015 was £1.7 million (2014: £1.5 million) (See Note 9).

26 Share based payment plans continued

Company

The number of share options and weighted average exercise price for each of the schemes for employees of the Company is setout as follows:

	LTAP	TIA	DBP	LTISP	Sharesave Scheme	
	number	number	number	number	number	weighted average exercise price (pence)
Options outstanding at 1 April 2014	179,857	–	2,875	406,757	9,606	281.0
Options granted during the year	201,611	236,843	65,086	–	11,966	376.0
Reinvested dividends	10,845	3,780	973	22,199	–	–
Options exercised during the year	–	–	–	(76,626)	–	–
Options forfeited during the year	–	–	–	(278,975)	–	–
Options outstanding at 31 March 2015	**392,313**	**240,623**	**68,934**	**73,355**	**21,572**	**333.7**
Exercisable at 31 March 2015	**–**	**–**	**–**	**73,355**	**–**	**–**
Options outstanding at 1 April 2013	–	–	–	777,916	12,808	281.0
Options granted during the year	177,919	–	2,875	–	–	–
Reinvested dividends	1,938	–	–	34,221	–	–
Adjustment for change of director during the year	–	–	–	(165,222)	(3,202)	–
Options exercised during the year	–	–	–	–	–	–
Options forfeited during the year	–	–	–	(240,158)	–	–
Options outstanding at 31 March 2014	179,857	–	2,875	406,757	9,606	281.0
Exercisable at 31 March 2014	–	–	–	73,609	–	–

Sharesave Scheme options are exercisable up to February 2018 at a price of 376p (March 2014: up to September 2016 at a price of 281p). LTISP options are exercisable at varying dates up to July 2022 (2014: July 2022). LTAP options are exercisable at varying dates up to December 2024 (March 2014: August 2023). DBP options are exercisable at varying dates up to December 2024 (March 2014: June 2023). TIA options are exercisable up to December 2024.

The remaining weighted average contractual life of options outstanding at March 2015 is 7.3 years for the LTISP, 9.1 years for the LTAP, 9.6 years for the DBP, 9.8 years for the TIA and 2.3 years for the Sharesave Scheme (2014: LTISP 8.1 years, LTAP 9.4 years, DBP 8.3 years and Sharesave Scheme 2.4 years). 76,626 LTISP options were exercised during the year ended 31 March 2015 (2014: nil).

The Company expense arising from share option plans for the year ended 31 March 2015 was £0.5 million (2014: £0.3 million).

27 Commitments and contingencies

The Group has entered into commercial leases on certain land and buildings, vehicles and equipment. There are no material renewal options, escalation clauses or purchase options included in the lease contracts. There are no contingent rentals or operating leases or material sub-leases. There are no significant restrictions placed upon the lessee by entering into these leases. Excluding land and buildings, these leases have an average life of between three and seven years.

During the year ended 31 March 2015, certain assets at the Severnside facility were sold for cash consideration of £1.4 million. This equipment has been leased back under an operating lease with a 5 year term. There are no purchase option clauses or any contingent lease rentals.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2015 £m	2014 £m
Within one year	**20.0**	21.0
After one year but not more than five years	**25.8**	33.0
More than five years	**13.1**	13.9

Finance leases

The Group repaid all finance lease liabilities during the year ended 31 March 2015. In the prior year, the finance leases principally comprised certain items of plant and equipment at the Davidstow site.

	2015		2014	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year			1.9	1.8
After one year but not more than two years	**–**	**–**	–	–
After two years but not more than five years	**–**	**–**	–	–
After more than five years	**–**	**–**	–	–
Total minimum lease payments	**–**	**–**	1.9	1.8
Less: amounts representing finance charges		**–**	(0.1)	–
Present value of minimum lease payments	**–**	**–**	1.8	1.8

Trading guarantees

The Group has provided guarantees and counter-indemnities which totalled £1.7 million at 31 March 2015 (2014: £4.0 million). These guarantees are made principally by Philpot Dairy Products Limited, a subsidiary company, to customers as performance bonds and to the Rural Payment Agency in relation to EU subsidies claimed.

Capital commitments

	Consolidated	
	2015 £m	2014 £m
Future capital expenditure contracted on property, plant and equipment	**21.6**	70.9

28 Related party transactions

The Group's only significant related party was its associate, Wexford Creamery Limited ('WCL'). During the period to the disposal on 16 May 2014, the Group purchased cheese at a cost of £0.5 million from WCL (2014: £6.4 million).

Compensation of key management personnel of the Group and Company	2015 £m	2014 £m
Short-term employee benefits	**2.1**	3.4
Share-based payments	**0.5**	0.3
Total compensation paid to key management personnel*	**2.6**	3.7

* Further details relating to compensation of key management personnel are set out in the Directors' Remuneration Report. This includes a description of pension arrangements and any cash supplements paid.

Key management personnel comprise Executive and Non-executive Directors of Dairy Crest Group plc. The senior management team is small and all key decisions are made by either the three Executive Directors or by the Group Board which meets regularly.

Dairy Crest Limited, a subsidiary company, incurred costs of £2.1 million (2014: £3.4 million) from the Company for the provision of management and administrative services carried out on its behalf. Dairy Crest Limited received £2.0 million (2014: £3.2 million) for the remuneration of the Company's employees which had been paid by Dairy Crest Limited.

Interest charges of £3.7 million (2014: £2.9 million) were incurred by the Company from Dairy Crest Limited on loans reflecting an interest rate of LIBOR+100 basis points. Interest income of £11.0 million (2014: £11.3 million) was received by the Company from Dairy Crest Limited on loans reflecting an interest rate of 5.3% (2014: 5.3%) and a further £0.3 million was received by the Company from Dairy Crest UK Limited on floating rate loans paying LIBOR plus margin (2014: £0.3 million). The Company paid no interest (2014: £nil) to Dairy Crest Limited on cross-currency swaps paying LIBOR and receiving EURIBOR.

29 Business combinations and disposals

Year ended 31 March 2015

Disposal of business and assets of FoodTec UK Limited

On 29 July 2014, the Group completed the sale of the business and assets of FoodTec UK Limited for a cash consideration of £1.2 million, realising a loss on disposal of £0.4 million. The carrying value of the assets sold was £1.6 million representing net working capital (£1.5 million) and tangible fixed assets (£0.1 million).

Disposal of remaining interest in Wexford Creamery Limited

On 16 May 2014, the Group completed the sale of its 30% shareholding in Wexford Creamery Limited for €3.4 million (£2.8 million), realising a gain on disposal of £0.6 million. The net carrying value at disposal was £2.2 million, comprising investment (£1.1 million), share of associate's loss (£0.3 million) and deferred consideration (£1.4 million).

Year ended 31 March 2014

Disposal of Northern Depots

As part of the ongoing rationalisation of the depot network, on 27 July 2013, the Group completed the disposal of seven depots located in the north-west of England for a cash consideration of £1.2 million. The carrying value of assets sold was £0.8 million including net working capital and fees of £0.1 million resulting in a profit on disposal of £0.3 million. The gain on disposal of these depots has been included in other income – property in the consolidated income statement.

Disposal of Discontinued Operation

£1.4 million of the original tax provision resulting from the trading of St Hubert SAS ('St Hubert') up to its disposal in August 2012 was released back to the income statement as discontinued operations. The provision for taxes crystallising as a result of the disposal is unchanged.

Acquisitions

During the year ended 31 March 2015, the Group acquired 3.5% of the share capital of HIECO Limited for a consideration of £0.1 million and acquired 50% of the share capital of Promovita Ingredients Limited for a consideration of £0.1 million (see Note 13).

30 Financial risk management objectives and policies

The objective of the treasury function, which is accountable to the Board, is to manage the Group's and Company's financial risk, secure cost-effective funding for the Group's operations and to minimise the effects of fluctuations in interest rates and exchange rates on the value of the Group's and Company's financial assets and liabilities, on reported profitability and on cash flows.

The Group's principal financial instruments comprise bank loans and overdrafts, loan notes, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions; principally cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout 2014 and 2015, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk, price risk and credit risk. Information on how these risks arise is set out below, as are the objectives, policies and processes agreed by the Board for their management and the methods used to measure each risk. Derivative instruments are used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies. The Group's accounting policies in relation to derivatives are set out in the Accounting Policies note.

Liquidity risk

The Group's objectives are:

- to ensure that forecast peak net borrowings, plus a prudent operating headroom are covered by committed facilities which mature after at least 12 months;
- to ensure that prudent headroom versus bank and loan note covenant ratios are forecast for the next three years;
- to maintain flexibility of funding by employing diverse sources of funds (eg use of non-bank markets such as private placements); and
- to avoid a concentration of facility maturities in any particular year.

The maturity analysis of Group borrowings is set out in Note 19. At 31 March 2015 the Group's total credit facilities amounted to £393.3 million (2014: £414.0 million) excluding finance leases of £nil (2014: £1.8 million) and the impact of cross-currency swaps on US Dollar and Euro loan notes of £13.9 million (2014: £2.1 million). The facilities at 31 March 2015 and 31 March 2014 consisted of:

- £170 million plus €90 million multi-currency revolving credit facility repayable at maturity in October 2016; and
- loan notes totalling £158.2 million repayable between April 2016 and November 2021.

Undrawn revolving credit facilities at 31 March 2015 amounted to £130.1 million (2014: £208.4 million). Effective headroom including cash and short term deposits amounted to £180.7 million (2014: £275.7 million).

The Group aims to mitigate liquidity risk by closely managing cash generation by its operating businesses and by monitoring performance to budgets and forecasts. Capital investment is carefully controlled, with detailed authorisation limits in place up to Executive level and cash payback criteria considered as part of the investment appraisal process. Short term and long term cash and debt forecasts are constantly reviewed and there are regular treasury updates to the Executive highlighting facility headroom and net debt performance.

Day-to-day cash management utilises undrawn revolving credit facilities, overdraft facilities and occasionally short-term money market deposits if there is excess cash.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relate primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's long term strategy is to keep between one third and three quarters of its borrowings at fixed rates of interest in the medium term. To manage this mix in a cost-efficient manner, the Group has issued fixed coupon loan notes and also enters into interest rate swaps from time to time on a portion of its floating bank borrowings, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt interest cash flow obligations. In the short-term the proportion of fixed and floating rate borrowings can go outside the long term range.

At 31 March 2015, 60% of the Group's borrowings were at a fixed rate of interest (2014: 83%). Following the maturity and repayment of loan notes in April 2014 and April 2013, the amounts drawn under revolving credit facilities have increased in 2014/15 and the fixed rate percentage of borrowings has fallen. In addition, there have been significant one-off cash flows in the year in relation to the Demineralised Whey and GOS and Spreads restructuring projects. In the medium term we expect the fixed proportion of borrowings to be in the target range.

The Group's borrowing facilities require minimum interest cover of 3.0 times.

The Group's exposure to interest rate risk is shown (by way of a sensitivity analysis) in Note 31.

Foreign currency risk

The Group has no significant operations outside the UK. However it buys and sells a small amount of goods in currencies other than Sterling. As a result the value of the Group's non-Sterling revenues, purchases, assets, liabilities and cash flows can be affected by movements in exchange rates – predominantly Euro/Sterling.

The majority of the Group's transactions are carried out in the relevant entity's functional currency and therefore transaction exposures are limited. It can be seen in Note 16 that the only significant non-Sterling debtors are in US Dollar (2015: £1.9 million) and Euro (2015: £1.3 million).

30 Financial risk management objectives and policies continued

The Group trades skimmed milk products and bulk butter mainly to customers in Europe and Central and South America. The Group also exports its own skimmed milk products, bulk butter and other branded products. The Group's policy requires foreign currency sales and purchases through Philpot Dairy Products Limited, a subsidiary company, to be hedged by foreign exchange contracts once the transaction is committed so that the margin on the transaction can be fixed.

Currency exposures on other transactions, such as certain capital expenditure denominated in a foreign currency, are hedged following approval of the project using forward foreign exchange contracts.

In 2006, 2007 and 2011 the Group issued loan notes denominated either in $US, € or £. Cross-currency swaps were implemented as required to hedge the interest and principal repayment cash flows. These have the effect of fixing the liability and coupon in Sterling. The principal amount and interest and principal payment dates on these swaps match those on the loan notes exactly and all swaps are with counterparties with strong credit ratings. There is no profit and loss exposure in relation to $US or € note debts as any retranslation impact on the profit and loss account is offset by reclassification of amounts from other comprehensive income into profit and loss.

Price risk

The Group is exposed to price risk related to certain commodities and their by-products used by the Group's businesses. The principal non-milk commodities that affect input prices for the Group are vegetable oils, gas, electricity, diesel, heavy fuel oil and crude oil by-products (used in packaging).

The Group monitors prices on an ongoing basis in order to assess the impact that movements have on profitability and to assess whether the amount of forward cover is appropriate. This includes vegetable oil contracts and energy, which is generally contracted one season in advance for both summer and winter energy but with some requirement contracted at more regular intervals.

The Group regularly reviews relevant commodity markets and levels of future cover. Fixed price contracts are only entered into with the approval of the Commodity Risk Committee comprising senior operational and finance management and external advisers.

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group only offers these terms to recognised, creditworthy third parties. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's history of bad debt losses is not significant.

The Dairies' doorstep business trades with individuals and receives cash payments on a weekly basis. Cash and debt management is a crucial part of this business and cash collection and balances due are closely monitored to ensure write-downs are minimised.

Debtor days outstanding are closely monitored throughout the year and action is taken promptly when payment terms are breached.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, trade and other debtors (excludes prepayments) and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The maximum exposure for the Group is equal to the carrying amount of these financial assets of £153.6 million (2014: £189.3 million).

All revolving credit facility borrowings are through banks with long term credit ratings of A or above. Funds temporarily surplus to business requirements are invested overnight through deposit accounts with mainstream UK commercial banks with a credit rating of A or better. The Group currently has no requirement to place deposits for a longer period, accordingly counterparty risk is considered to be acceptable. Derivative financial instruments are contracted with a range of banks with long term credit ratings of A or above to avoid excessive concentration of financial instruments with one counterparty.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate level of gearing in order to support its business and maximise shareholder value. In addition, the Group monitors its forecast net debt to EBITDA ratios in order that they are comfortably within its banking covenant requirements. The maximum net debt to EBITDA ratio for the purposes of bank covenants is 3.5 times. At 31 March 2015 the ratio of net debt to EBITDA was 1.97 times (March 2014: 1.31 times).

The Group monitors its capital structure and makes adjustments to it in the light of changes in economic conditions or changes in Group structure. Possible mechanisms for changing capital structure include adjusting the level of dividends, issuance of new shares or returning capital to shareholders. No significant changes in capital structure have been implemented in the year ended 31 March 2015 or the prior year.

The Group monitors capital using a gearing ratio, which is net debt divided by shareholders' funds. The analysis of net debt is included in Note 33. The gearing ratio at 31 March 2015 and 31 March 2014 can be analysed as follows:

	2015 £m	2014 £m
Net debt	**198.7**	142.2
Shareholders' funds	**289.8**	289.4
Gearing ratio	**69%**	49%

Dividends

Details of dividends paid and proposed during the year are given in Note 7. The dividend policy is to maintain a progressive dividend whilst seeking to maintain a level of dividend cover between 1.5 and 2.5 times. The final proposed dividend for 2014/15 is 15.7 pence up 0.3 pence from last year (2014: 15.4 pence). Total dividends paid and proposed in respect of the year ended 31 March 2015 amount to 21.7 pence (2014: 21.3 pence).

31 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of Treasury policies in Note 30.

Consolidated

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity of the Group's financial assets and liabilities that are exposed to interest rate risk. No other financial assets and liabilities, other than those shown below, are exposed directly to interest rate risk.

	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
At 31 March 2015							
Fixed rate							
Loan notes*	–	(92.9)	(10.5)	(16.8)	–	(38.0)	**(158.2)**
Forward currency contracts	(0.2)	–	–	–	–	–	**(0.2)**
Cross currency swaps	–	14.4	(1.5)	0.4	–	(0.5)	**12.8**
Floating rate							
Bank loans	–	(105.0)	–	–	–	–	**(105.0)**
Cash at bank and in hand	50.6	–	–	–	–	–	**50.6**
At 31 March 2014							
Fixed rate							
Loan notes*	(25.3)	–	(83.8)	(11.6)	(15.0)	(33.8)	(169.5)
Finance leases	(1.8)	–	–	–	–	–	(1.8)
Forward currency contracts	0.4	–	–	–	–	–	0.4
Deferred consideration	–	1.4	–	–	–	–	1.4
Cross currency swaps	(2.0)	–	5.4	(0.3)	(1.4)	(4.5)	(2.8)
Floating rate							
Bank loans	–	–	(36.0)	–	–	–	(36.0)
Option to sell 20% holding in WCL	–	–	–	–	1.6	–	1.6
Cash at bank and in hand	67.3	–	–	–	–	–	67.3

* Classified as fixed rate after taking into account the effect of interest rate swaps.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings. There is no material impact on the Group's equity resulting from movements in interest rates other than in relation to the $US/GBP and EUR/GBP cross-currency swaps used as a cash flow hedge on $US and EUR loan notes. The impact on equity is nil over the life of the instruments as these swaps comprise an effective hedge. At 31 March 2015, 60% of Group borrowings were at fixed rates of interest (2014: 83%) (see Note 30).

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes non-derivative floating rate financial instruments except those where interest rate swaps have been used as cash flow hedges. This is due to the fact that gains and losses on the hedging instrument offset losses and gains on the non-derivative floating rate financial instrument which are subject to the hedge and are matched in both profit and loss and cash terms. No non-derivative fixed rate financial instruments have profit and loss exposure due to floating rates as a result of interest rate swaps.

31 Financial instruments continued

The 2015 analysis below reflects lower reasonably possible changes in interest rates to 2014 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2014.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2015			
Sterling	+100	1.1	–
Sterling	-50	(0.5)	–
2014			
Sterling	+100	0.4	–
Sterling	-50	(0.2)	–

Equity price risk

The Group holds no listed equity investments and is not subject to equity price risk other than through the pension scheme (see Note 20).

Credit risk

There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date (see Note 30).

Liquidity risk

The Group's policy on managing its liquidity risk is set out in Note 30. The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2015 and 2014 based on contractual undiscounted payments of interest and principal.

	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
At 31 March 2015							
Loan Notes	(8.0)	(95.5)	(12.6)	(18.7)	(1.5)	(40.4)	**(176.7)**
Cross-currency swaps (on loan notes):							
payment leg	(6.5)	(73.0)	(11.4)	(18.1)	(1.6)	(38.8)	**(149.4)**
receipt leg	7.3	85.3	9.8	18.7	1.5	40.4	**163.0**
Bank loans	–	(105.0)	–	–	–	–	**(105.0)**
At 31 March 2014							
Loan Notes	(32.6)	(7.3)	(86.2)	(13.4)	(16.7)	(37.3)	(193.5)
Cross-currency swaps (on loan notes):							
payment leg	(33.3)	(6.5)	(73.0)	(11.4)	(18.1)	(40.4)	(182.7)
receipt leg	31.9	6.6	76.1	10.6	16.7	37.3	179.2
Bank loans	–	–	(36.0)	–	–	–	(36.0)
Finance leases	(1.8)	–	–	–	–	–	(1.8)

Forward currency contracts and short-term payables all mature within one year.

Fair values of financial assets and financial liabilities

The carrying amounts and the fair values of all of the Group's financial instruments that are carried in the financial statements are the same, with the exception of the loan notes. The carrying amount of the loan notes was £158.2 million and the fair value was £155.1 million. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Cross currency swaps

The notional principal amount of the outstanding $US/GBP cross currency swap contracts at 31 March 2015 was $204.4 million (£137.7 million) (2014: $204.4 million (£122.4 million)). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2015 the fixed interest rates varied from 3.863% to 5.305% (2014: 3.863% to 5.305%). Any gains / losses arising from fair value adjustments deferred in equity will reverse in the income statement (finance costs) during the next one to eight years (being the life of the swaps).

The notional principal amount of the outstanding EUR/GBP cross currency swap contracts at 31 March 2015 was €10.7 million (£7.7 million) (2014: €41.3 million (£36.5 million)). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2015 the fixed interest rates varied from 5.470% to 5.600% (2014: 4.955% to 5.600%. The loss deferred in equity will reverse in the income statement (finance costs) during the next year (being the life of the swaps).

31 Financial instruments continued

Forward currency contracts

The Group has entered into certain forward currency contracts in order to hedge the Sterling cost of currency-denominated future purchases and receipts. These forward currency purchases have been designated cash flow hedges and meet the criteria for hedge accounting. They all have a duration of less than one year and any gains or losses deferred will then be reclassified to the income statement (operating costs).

Borrowing facilities

The Group has undrawn committed long term borrowing facilities available at 31 March 2015 of £130.1 million (2014: £208.4 million) in respect of which all conditions precedent had been met at that date. Undrawn facilities expire in October 2016.

Company

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity of the Company's financial assets and liabilities that are exposed to interest rate risk. No other financial assets and liabilities, other than those shown below, are exposed directly to interest rate risk.

At 31 March 2015	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
Fixed rate							
Loan notes*	–	(92.9)	(10.5)	(16.8)	–	(38.0)	**(158.2)**
Intercompany receivables	179.8	–	–	–	–	–	**179.8**
Cross currency swaps	–	14.4	(1.5)	0.4	–	(0.5)	**12.8**
Floating rate							
Intercompany payables	(216.7)	–	–	–	–	–	**(216.7)**
At 31 March 2014							
Fixed rate							
Loan notes*	(25.3)	–	(83.8)	(11.6)	(15.0)	(33.8)	(169.5)
Intercompany receivables	168.8	–	–	–	–	–	168.8
Cross currency swaps	(2.0)	–	5.4	(0.3)	(1.4)	(4.5)	(2.8)
Floating rate							
Intercompany payables	(159.0)	–	–	–	–	–	(159.0)

* These have been classified as fixed rate after taking into account the effect of interest rate swaps.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax through the impact on floating rate borrowings. There is no impact on the Company's equity resulting from movements in interest rates other than in relation to the $US/GBP and EUR/GBP cross-currency swaps used as a cash flow hedge on $US and EUR loan notes. The impact on equity is nil over the life of the instruments as these swaps comprise an effective hedge.

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes non-derivative floating rate financial instruments except those where interest rate swaps have been used as cash flow hedges. This is due to the fact that gains and losses on the hedging instrument offset losses and gains on the non-derivative floating rate financial instrument which are subject to the hedge are matched in both profit and loss and cash terms. No non-derivative fixed rate financial instruments have profit and loss exposure due to floating rates as a result of interest rate swaps.

31 Financial instruments continued

The 2015 analysis below reflects lower reasonably possible changes in interest rates to 2014 – upside LIBOR expectations assumed last year were not realised and the assumption is that base rates will increase less than anticipated at March 2014.

	Increases/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2015			
Sterling	+100	–	–
Sterling	-50	–	–
2014			
Sterling	+100	–	–
Sterling	-50	–	–

Equity price risk

The Company holds no listed equity investments and is not subject to equity price risk.

Credit risk

The maximum exposure to credit risk is the carrying amount of financial assets.

Liquidity risk

The Company's policy on managing its liquidity risk is set out in Note 30. The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2015 and 2014 based on contractual undiscounted payments of interest and principal.

At 31 March 2015	< 1 year £m	>1 <2 years £m	>2 <3 years £m	>3 <4 years £m	>4 <5 years £m	> 5 years £m	**Total £m**
Loan Notes	(8.0)	(95.5)	(12.6)	(18.7)	(1.5)	(40.4)	**(176.7)**
Cross-currency swaps (on loan notes):							
payment leg	(6.3)	(73.0)	(11.4)	(18.1)	(1.6)	(38.8)	**(149.2)**
receipt leg	7.3	85.3	9.8	18.7	1.5	40.4	**163.0**
At 31 March 2014							
Loan Notes	(32.6)	(7.3)	(86.2)	(13.4)	(16.7)	(37.3)	(193.5)
Cross-currency swaps (on loan notes):							
payment leg	(33.3)	(6.5)	(73.0)	(11.4)	(18.1)	(40.4)	(182.7)
receipt leg	31.9	6.6	76.1	10.6	16.7	37.3	179.2

Forward currency contracts and short-term payables and accruals all mature within one year.

Fair values of financial assets and financial liabilities

The amounts and fair values of all of the Company's financial instruments that are carried in the financial statements are the same, with the exception of the loan notes. The carrying amount of the loan notes was £158.2 million and the fair value was £155.1 million.

Cross currency swaps

External

The notional principal amount of the outstanding $US/GBP cross currency swap contracts at 31 March 2015 was $204.4 million (£137.7 million) (2014: $204.4 million (£122.4 million)). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rates varied from 3.863% to 5.305% (2014: 3.863% to 5.305%). Any gains/losses arising from fair value adjustments deferred in equity will reverse in the income statement (finance costs) during the next one to eight years (being the life of the swaps).

The notional principal amount of the outstanding EUR/GBP cross currency swap contracts at 31 March 2015 was €10.7 million (£7.7 million) (2014: €41.3 million (£36.5 million)). These cross currency swaps have both legs at fixed interest rates, are designated as cash flow hedges and meet the criteria for hedge accounting. At 31 March 2014 the fixed interest rate varied from 5.470% to 5.600% (2014: 4.955% to 5.600%). The loss deferred in equity will reverse in the income statement (finance costs) during the next year (being the life of the swaps).

Borrowing facilities

The Company has undrawn committed long term borrowing facilities available at 31 March 2015 of £130.1 million (2014: £208.4 million) in respect of which all conditions precedent had been met at that date. These undrawn facilities expire in October 2016.

32 Cash flow from operating activities

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit before taxation – continuing operations	**22.1**	54.2
Finance costs and other finance income – continuing operations	**9.9**	10.4
Share of associate's net loss/(profit)	**–**	(0.3)
Profit on operations	**32.0**	64.3
Depreciation	**27.4**	28.6
Amortisation of internally generated intangible assets	**3.2**	3.3
Amortisation of acquired intangible assets	**0.4**	0.4
Exceptional items	**16.5**	(10.6)
Release of grants	**(1.7)**	(1.7)
Share based payments	**1.7**	1.5
Profit on disposal of depots	**(17.6)**	(18.2)
Difference between pension contributions paid and amounts recognised in the income statement	**(13.8)**	(59.4)
R&D tax credits	**(0.8)**	(0.2)
Realised exchange loss on early loan note repayment and translation of foreign currency balances	**0.8**	0.8
Decrease/(increase) in inventories	**15.4**	(12.0)
Decrease/(increase) in receivables	**22.8**	(20.8)
(Decrease)/increase in payables	**(51.0)**	10.2
Cash generated from/(used in) operations	**35.3**	(13.8)

No cash was generated from operations for the Company in the year ended 31 March 2015 (2014: nil).

33 Analysis of net debt

Consolidated

	At 1 April 2014 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 31 March 2015 £m**
Cash and cash equivalents	67.3	(15.9)	–	(0.8)	**50.6**
Borrowings (current)	(25.3)	25.3	–	–	**–**
Borrowings (non-current)	(180.2)	(69.0)	–	(14.0)	**(263.2)**
Finance leases	(1.8)	1.8	–	–	**–**
Debt issuance costs	1.1	–	(0.9)	–	**0.2**
	(138.9)	(57.8)	(0.9)	(14.8)	**(212.4)**
Debt issuance costs excluded	(1.1)	–	0.9	–	**(0.2)**
Impact of cross-currency swaps*	(2.2)	2.1	–	14.0	**13.9**
Net debt	(142.2)	(55.7)	–	(0.8)	**(198.7)**

	At 1 April 2013 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	At 31 March 2014 £m
Cash and cash equivalents	276.1	(208.8)	–	–	67.3
Borrowings (current)	(165.7)	159.4	(25.3)	6.3	(25.3)
Borrowings (non-current)	(182.4)	(36.0)	25.3	12.9	(180.2)
Finance leases	(5.5)	3.7	–	–	(1.8)
Debt issuance costs	1.8	–	(0.7)	–	1.1
	(75.7)	(81.7)	(0.7)	19.2	(138.9)
Debt issuance costs excluded	(1.8)	–	0.7	–	(1.1)
Impact of cross-currency swaps*	17.8	–	–	(20.0)	(2.2)
Net debt	(59.7)	(81.7)	–	(0.8)	(142.2)

* The Group has $204.4 million and €10.7 million of loan notes against which cross-currency swaps have been put in place to fix interest and principal repayments in Sterling (March 2014: $204.4 million and €41.3 million). Under IFRS, currency borrowings are retranslated into Sterling at year end exchange rates. The cross-currency swaps are recorded at fair value and incorporate movements in both market exchange rates and interest rates. The Group defines net debt so as to include the effective Sterling liability where cross-currency swaps have been used to convert foreign currency borrowings into Sterling. The £13.9 million adjustment included in the above (March 2014: £2.2 million) converts the Sterling equivalent of Dollar and Euro loan notes from year end exchange rates (£145.4 million (March 2014: £156.8 million)) to the fixed Sterling liability of £131.5 million (March 2014: £158.9 million).

On 4 April 2014 there was a natural maturity of loan notes of (€30.6 million) £27.4 million.

Company	At 1 April 2014 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 1 March 2015 £m**
Cash and cash equivalents	–	0.2	–	–	**0.2**
Borrowings (current)	(25.3)	25.3	–	–	**–**
Borrowings (non-current)	(144.2)	–	–	(14.0)	**(158.2)**
	(169.5)	25.5	–	(14.0)	**(158.0)**
Borrowings (non-current) – impact of cross-currency swaps	(2.2)	2.1	–	14.0	**13.9**
Net debt	(171.7)	27.6	–	–	**(144.1)**

	At 1 April 2013 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	At 1 March 2014 £m
Cash and cash equivalents	14.8	(14.8)	–	–	–
Borrowings (current)	(165.7)	159.4	(25.3)	6.3	(25.3)
Borrowings (non-current)	(182.4)	–	25.3	12.9	(144.2)
	(333.3)	144.6	–	19.2	(169.5)
Borrowings (non-current) – impact of cross-currency swaps	17.8	–	–	(20.0)	(2.2)
Net debt	(315.5)	144.6	–	(0.8)	(171.7)

34 Corporate information

The consolidated accounts of Dairy Crest Group plc for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the Directors on 20 May 2015 and the consolidated and Company balance sheets were signed on the Board's behalf by Mr M Allen and Mr T Atherton. Dairy Crest Group plc is a limited company incorporated in England and Wales and domiciled in the United Kingdom whose shares are publicly traded on the London Stock Exchange.

GROUP FINANCIAL HISTORY

Consolidated income statement summary – continuing operations	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Product group revenue					
Cheese	223.1	229.6	231.3	264.6	**274.4**
Spreads	183.2	211.3	194.5	177.4	**170.0**
Dairies	1,089.8	1,069.0	951.6	944.8	**881.6**
Other	6.1	4.8	4.2	4.2	**3.8**
Group	1,502.2	1,514.7	1,381.6	1,391.0	**1,329.8**
Product group profit*					
Cheese	28.0	35.5	33.1	39.3	**33.1**
Spreads	18.6	23.2	25.5	16.8	**33.8**
Dairies	27.1	10.2	9.8	18.8	**1.8**
Associate	(0.2)	(0.3)	–	0.3	**–**
Group including share of associate	73.5	68.6	68.4	75.2	**68.7**
Less: share of associate	0.2	0.3	–	(0.3)	**–**
Group	73.7	68.9	68.4	74.9	**68.7**
Amortisation of acquired intangibles	(0.3)	(0.8)	(0.4)	(0.4)	**(0.4)**
Exceptional items	(1.1)	(93.9)	(56.5)	(10.4)	**(36.3)**
Finance costs	(20.6)	(21.1)	(18.7)	(9.9)	**(8.1)**
Other finance (expense)/income – pensions	–	5.5	(3.5)	(0.3)	**(1.8)**
Share of associate net profit/(loss)	(0.2)	(0.3)	–	0.3	**–**
Profit/(loss) before tax	51.5	(41.7)	(10.7)	54.2	**22.1**
Adjusted profit before tax**	52.9	47.5	49.7	65.3	**60.6**

Balance sheet summary					
Property, plant & equipment, goodwill, intangibles and investments	800.6	713.9	375.9	391.9	**428.9**
Inventories, receivables, payables, deferred income and provisions	21.9	45.8	74.1	109.6	**116.2**
Total operating assets	822.5	759.7	450.0	501.5	**545.1**
Financial instruments excluding amounts included in net debt	5.0	0.9	1.5	2.8	**(1.3)**
Tax	(90.3)	(70.1)	(17.2)	(15.0)	**(13.9)**
Retirement obligations	(60.1)	(79.8)	(67.2)	(57.7)	**(41.4)**
Net debt	(311.6)	(336.4)	(59.7)	(142.2)	**(198.7)**
Shareholders' equity	365.5	274.3	307.4	289.4	**289.8**

Cash flow summary					
Generated from/(used in) operating activities	128.1	84.5	19.1	(13.8)	**35.3**
Fixed asset investments (net of grants)	(48.5)	(53.1)	(46.0)	(58.8)	**(80.1)**
	79.6	31.4	(26.9)	(72.6)	**(44.8)**
Interest paid	(19.8)	(23.6)	(18.0)	(14.0)	**(10.5)**
Taxation repaid/(paid)	(16.1)	(14.1)	(4.7)	2.1	**–**
Dividends paid	(25.4)	(26.5)	(27.4)	(28.5)	**(29.2)**
Purchase of businesses and investments	(0.1)	(12.3)	(0.6)	–	**(0.1)**
Other items (principally asset disposals)	7.4	20.3	354.3	30.5	**28.1**
Movement in net debt	25.6	(24.8)	276.7	(82.5)	**(56.5)**
Basic earnings/(loss) per share from continuing operations (pence)	30.1	(29.1)	(5.9)	35.8	**15.0**
Adjusted basic earnings per share from continuing operations (pence)**	29.9	28.9	29.4	40.8	**38.0**

* Profit on operations before exceptional items and amortisation of acquired intangibles.
** Before exceptional items, amortisation of acquired intangibles and pension interest.

The numbers

SHAREHOLDERS' INFORMATION

Company Registrar and Shareholder Enquiries
If you have administrative enquiries concerning your shareholdings in the Company, such as the loss of share certificates, change of address, dividend payment arrangements or amalgamation of accounts, please contact the Company's registrar by writing to, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephone on (UK) 0371 664 9266.

Calls are charged at the standard geographical rate and will vary by provider. From overseas please call +44 800 181 4706. Calls from outside the UK are charged at the applicable international rate. Lines are open 9.00am to 5.30pm Monday to Friday.

Capita also provides online facilities for shareholders to check their holdings and update their details. Registering is easy, and there is no fee involved, simply access www.dairycrestshares.com

Payment of dividends
Shareholders may arrange to have their dividends paid directly into a bank or building society account using the Bankers Automated Clearing System (BACS). Bank mandate forms are available from Capita whose details appear above or you can register your mandate details online at www.dairycrestshares.com

Low cost share dealing service
If you do not have share dealing arrangements in place, Dairy Crest has a low cost share dealing service arranged by Capita Share Dealing Services. Shareholders wishing to use the service should either visit the Capita Share Dealing website at www.capitadeal.com or call 0371 664 0445. Calls are charged at the standard geographical rate and will vary by provider. From overseas please call +44 203 367 2686. Calls from outside the UK are charged at the applicable international rate. Lines are open 8.00am to 4.30pm Monday to Friday.

Gifting shares to charity
Shareholders who have a small holding of shares on the register whereby their value makes them uneconomic to sell, may donate these shares to charity under the Sharegift Scheme – administered by the Orr Mackintosh Foundation – a registered charity. Information can be found at www.sharegift.org Telephone: 020 7930 3737.

Analysis of ordinary shareholders at 20 May 2015	**Holders Number**	**%**	**Shares**	**%**
Category				
Individuals and other holders	17,412	87.66	29,106,857	21.13
Insurance companies, pension funds, banks, nominees and limited companies	2,452	12.34	108,660,920	78.87
	19,864	100.00	137,767,777	100.00
Size of holdings				
Up to 5,000 shares	18,339	92.32	24,780,399	17.99
5,001 – 20,000 shares	1,297	6.53	9,801,177	7.11
20,001 – 100,000 shares	129	0.65	5,846,949	4.24
Over 100,000 shares	99	0.50	97,339,252	70.66
	19,864	100.00	137,767,777	100.00

General information
General information about Dairy Crest can be found on our corporate website, www.dairycrest.co.uk
Investors who have questions relating to the Group's business activities should contact:
Investor Relations, Dairy Crest Group plc, Claygate House, Littleworth Road, Esher, Surrey KT10 9PN.
Telephone: 01372 472200
e-mail: investorrelations@dairycrest.co.uk

Financial calendar

Dividends	**Final**
Ex-dividend	Thursday 2 July 2015
Record date	Friday 3 July 2015
Payment date	Thursday 6 August 2015

Group results (Anticipated)	
Half Year (Interims)	November 2015
Preliminary Announcement of 2015/16 results	May 2016
2015/16 Report and Accounts circulation	June 2016

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