

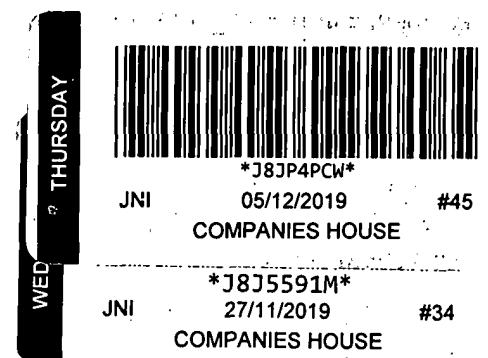
LACPATRICK DAIRIES (NI) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

**84 Northumberland Road
Ballsbridge
Dublin 4**

**Duignan Carthy O'Neill Limited
Chartered Accountants
Registered Auditors**



LACPATRICK DAIRIES (NI) LIMITED

COMPANY INFORMATION

Directors	Michael Collins (resigned 26 September 2018) Gabriel D'Arcy (resigned 26 September 2018) Dermot Farrell (appointed 13 May 2019) Tom Griffin (appointed 13 May 2019) Andrew McConkey (appointed 26 September 2018) Peter Sheridan (appointed 13 May 2019) Robert Smyth Skelton (appointed 26 September 2018)
Company secretary	Tom Griffin (appointed 13 May 2019) Emma Birrell (resigned 13 May 2019)
Registered number	NI632764
Registered office	18 Creamery Road Coleraine BT52 2NE
Independent auditors	Duignan Carthy O'Neill Limited Chartered Accountants & Registered Auditors 84 Northumberland Road Ballsbridge Dublin 4

LACPATRICK DAIRIES (NI) LIMITED

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LACPATRICK DAIRIES (NI) LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Principal Activities

LacPatrick Dairies (NI) Limited ('the company') is a company registered in Northern Ireland and is a wholly owned subsidiary of LacPatrick Co-Operative Society Limited a society registered in the Republic of Ireland, a registered co-operative under the Industrial and Provident Societies Acts 1893 to 2018. The principal activities of the company include the manufacturing, selling and distribution of various dairy products for the retail, food service and food ingredient service sectors to both domestic and international markets. The company collects milk from members and suppliers across the geographical region of Ulster.

The directors have identified the following as the perceived risks and uncertainties facing the company over the next twelve months:

Pricing structure

The company operates in a sector where it is susceptible to the bargaining power of its customers. Dairy markets will have some volatility going forward and the company's customers may apply pressure on it to address its pricing structure. However, the directors are of the opinion that the situation is being appropriately managed.

Financial risk management

Key financial risks are reviewed on an ongoing basis by the board of directors and management of the company. The company does not trade in financial instruments nor does it enter into any leveraged derivative transactions. The key financial risks are interest rate, liquidity, credit and currency, all of which are managed by Lacpatrick Dairies Co-operative Society Limited in its role of managing all aspects of working capital for Lacpatrick Dairies (N.I.) Limited. The consolidated financial statements of Lacpatrick Dairies Co-Operative Society Limited are available at Coolshannagh, Co. Monaghan.


Foreign currency risk

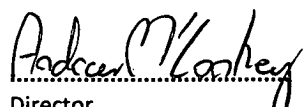
The Company is exposed to foreign currency risk as its costs are denominated in Sterling (£) & Euro (€) where as its sales are denominated in Euro (€) & US Dollars (\$) as well as Sterling. This risk is mitigated through prudent financial management policies managed at group level.

Post balance sheet events

On 5 March 2019, regulatory approval for the merger of the Society and Lakeland was received from the Competition and Markets Authority (UK) and from the Competition and Consumer Protection Commission (Ireland). The merger was effective from 1 April 2019.

This report was approved by the board and signed on its behalf.


.....
Director
ROBERT SMYTH SKELTON
Date: 22 November, 2019


.....
Director
ANDREW MCCONKEY

LACPATRICK DAIRIES (NI) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Background

The company came into being on the 3rd August 2015 when the entity previously registered as Ballyrashane Co-Operative Society Limited was re-incorporated as LacPatrick Dairies (NI) Limited. This company subsequently merged with Town of Monaghan Co-Operative Agricultural and Dairy Society Limited on 3rd September 2015 to form LacPatrick Co-Operative Society Limited. The company is 100% a subsidiary of LacPatrick Co-Operative Society Limited. On the 1st January 2016 the business assets and liabilities of TMC Dairies (NI) Limited, a fellow subsidiary of LacPatrick Co-Operative Society Limited, were transferred to LacPatrick (NI) Limited. All Northern Ireland business of Ballyrashane Co-Op and TMC Dairies (NI) Limited now operate as LacPatrick Dairies (NI) Limited.

Principal activity

The principal activity of the company during the year is the processing of milk, milk products, energy and the manufacture of milk powder at its plants in Ballyrashane in Co. Londonderry and Artigarvan in Co. Tyrone.

Business review

The company's business operations and results thereof, are set out fully in the attached financial statements and strategic report.

LACPATRICK DAIRIES (NI) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Results and dividends

The loss for the year, after taxation, amounted to £3,746,971 (2017 - profit £4,161,441).

The directors are aware of the operating results for the company during the period under review. No dividends have been proposed or paid.

Directors

The directors who served during the year were:

Michael Collins (resigned 26 September 2018)
Gabriel D'Arcy (resigned 26 September 2018)
Andrew McConkey (appointed 26 September 2018)
Robert Smyth Skelton (appointed 26 September 2018)

No director had or has had any shareholding or interest in the company.

Political contributions

During the year the company made no political donations.

Future developments

The Lacpatrick Co-operative society has successfully merged with Lakeland Dairies Co-operative Society on April 1, 2019.

Research and development activities

The company continues to incur expenditure on research and development to design and implement new and improved milk powdered products, AD energy plant outputs and new butter products.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is Company policy wherever practicable to provide continuing employment under normal terms and conditions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

On 5 March 2019, regulatory approval for the merger of the Society and Lakeland was received from the Competition and Markets Authority (UK) and from the Competition and Consumer Protection Commission (Ireland). The merger was effective from 1 April 2019.

LACPATRICK DAIRIES (NI) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditors

The auditors, Duignan Carthy O'Neill incorporated their practice during the year and acts in accordance with Section 485 of the Companies Act 2006.

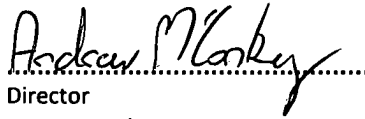
This report was approved by the board on *22 NOVEMBER, 2019* and signed on its behalf.



.....

Director

ROBERT SMYTH SKELTON



.....

Director

ANDREW MCCONKEY

LACPATRICK DAIRIES (NI) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LACPATRICK DAIRIES (NI) LIMITED

Opinion

We have audited the financial statements of LacPatrick Dairies (NI) Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

LACPATRICK DAIRIES (NI) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LACPATRICK DAIRIES (NI) LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

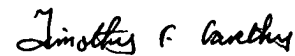
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

LACPATRICK DAIRIES (NI) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LACPATRICK DAIRIES (NI) LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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.



Timothy F. Carthy (Senior Statutory Auditor)

for and on behalf of

Duignan Carthy O'Neill Limited

Chartered Accountants

Registered Auditors

84 Northumberland Road

Ballsbridge

Dublin 4

Date: 22 NOVEMBER, 2019

LACPATRICK DAIRIES (NI) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	7	270,023,694	223,841,024
Cost of sales and production overheads		(263,526,423)	(211,364,160)
Gross profit		6,497,271	12,476,864
Selling & distribution costs		(8,089,126)	(6,558,408)
Administrative expenses		(2,791,773)	(2,285,044)
Other Operating Income	8	507,714	185,690
Operating (loss)/profit	9	(3,875,914)	3,819,102
Exceptional charges		507,006	(884,655)
(Loss)/profit on ordinary activities before interest		(3,368,908)	2,934,447
Interest Receivable	13	2,538	-
Interest Payable And Similar Expenses	14	(869,437)	(723,817)
(Loss)/profit before tax		(4,235,807)	2,210,630
Tax on (loss)/profit	15	488,836	1,950,811
(Loss)/profit for the financial year		(3,746,971)	4,161,441

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.


The notes on pages 12 to 28 form part of these financial statements.


LACPATRICK DAIRIES (NI) LIMITED
REGISTERED NUMBER: NI632764

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible Fixed Assets	16	59,475,019	60,273,173
Fixed Asset Investments	17	117,353	54,595
Investment Property	18	163,691	163,691
		<u>59,756,063</u>	<u>60,491,459</u>
Current assets			
Stocks	19	9,076,402	20,324,058
Debtors More Than One Year	20	3,112,211	2,622,875
Debtors Within One Year	20	20,680,730	23,335,983
Cash At Bank And In Hand	21	-	1,644
		<u>32,869,343</u>	<u>46,284,560</u>
Creditors: Amounts Falling Due Within One Year	22	(71,266,671)	(73,683,731)
Net current liabilities		<u>(38,397,328)</u>	<u>(27,399,171)</u>
Total assets less current liabilities		<u>21,358,735</u>	<u>33,092,288</u>
Creditors: Amounts Falling Due After More Than One Year	23	(2,057,792)	(25,706,025)
Net assets		<u><u>19,300,943</u></u>	<u><u>7,386,263</u></u>
Capital and reserves			
Called up share capital	27	78,695	78,695
Other Reserves	28	5,996,410	6,606,073
Capital contribution	28	15,661,651	-
Profit And Loss Account	28	(2,435,813)	701,495
		<u><u>19,300,943</u></u>	<u><u>7,386,263</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Director 
ROBERT SMYTH SKELTON
Date: 21 NOVEMBER, 2019

Director 
ANDREW MCCONKEY

The notes on pages 12 to 28 form part of these financial statements.

LACPATRICK DAIRIES (NI) LIMITED

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

	Called up share capital	Other reserves	Capital Contribution	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	78,695	6,240,274	-	(3,094,147)	3,224,822
Comprehensive income for the year					
Profit for the year	-	-	-	4,161,441	4,161,441
Other movement	-	975,462	-	(975,462)	-
Transfer between reserves	-	(609,663)	-	609,663	-
At 1 January 2018	78,695	6,606,073	-	701,495	7,386,263
Comprehensive income for the year					
Loss for the year	-	-	-	(3,746,971)	(3,746,971)
Capital contribution	-	-	15,661,651	-	15,661,651
Transfer between reserves	-	(609,663)	-	609,663	-
At 31 December 2018	78,695	5,996,410	15,661,651	(2,435,813)	19,300,943

The notes on pages 12 to 28 form part of these financial statements.

LACPATRICK DAIRIES (NI) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(3,746,471)	4,161,441
Adjustments for:		
Depreciation of tangible assets	3,011,098	2,005,059
Profit on disposal of tangible assets	(367,000)	-
Amortisation of grants	(126,318)	(73,416)
Interest paid	869,437	723,817
Taxation charge	-	(125,031)
Decrease/(increase) in stocks	11,247,656	(12,160,872)
Decrease/(increase) in debtors	3,442,223	(5,807,666)
(Increase) in amounts owed by groups	(1,565,528)	(20,078,355)
Increase in creditors	1,642,155	8,456,626
Increase/(decrease) in provisions	180,351	(105,413)
Net fair value losses/(gains) recognised in P&L	5,546	(17,334)
Corporation tax (paid)/received	(500)	125,031
Other income received	(17,994)	(112,274)
Provision for deferred tax	(489,336)	(1,825,780)
Net cash generated from operating activities	14,085,319	(24,834,167)
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,211,092)	(11,508,219)
Proceeds of sale of tangible fixed assets	367,000	-
Governments grants received	860,705	-
Income from investments	17,994	112,274
Net cash from investing activities	(965,393)	(11,395,945)
Cash flows from financing activities		
Bank loan drawdown	-	10,990,187
Repayment of loans	(1,076,858)	-
Interest paid	(869,437)	(723,817)
Net cash used in financing activities	(1,946,295)	10,266,370
Net increase/(decrease) in cash and cash equivalents	11,173,631	(25,963,742)
Cash and cash equivalents at beginning of year	(29,090,549)	(3,126,807)
Cash and cash equivalents at the end of year	(17,916,918)	(29,090,549)
Cash and cash equivalents at the end of year comprise:		
Bank overdrafts (Note 21)	(17,916,918)	(29,090,549)

LACPATRICK DAIRIES (NI) LIMITED

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

1. General information

The company came into being on the 3rd August 2015 when the entity previously registered as Ballyrashane Co-Operative Society Limited was re-incorporated as LacPatrick Dairies (NI) Limited. This company subsequently merged with Town of Monaghan Co-Operative Agricultural and Dairy Society Limited on 3rd September 2015 to form LacPatrick Co-Operative Society Limited ('LacPatrick Co-Op'). The company is 100% a subsidiary of LacPatrick Co-Op. On the 1st January 2016 the company purchased the business assets of TMC Dairies (NI) Limited, a fellow subsidiary of LacPatrick Co-Op based in Artigarvan Co. Tyrone. All the Northern Ireland businesses of LacPatrick Co-Op now operate under this one company.

On April 1, 2019 the LacPatrick Group successfully merged with Lakeland Dairies.

2. Merger with Lakelands

In October 2018, shareholders of both LacPatrick Co-operative Dairy Society Limited ('Lacpatrick') and Lakeland Dairies Co-Operative Society ('Lakeland'), approved a merger of their businesses. This merger has been since approved by the competition authorities in both Northern Ireland and the Republic of Ireland and came into effect on 1 April 2019. Under the terms of the merger, the Lacpatrick shareholders have received shares in the new merged entity equivalent to 27% of the total.

3. Going Concern

These financial statements are prepared on the going concern basis. The directors are aware that the Company has endured a difficult year, resulting in after-tax losses in excess of £3.7 million, cash flow problems and restriction of the Company's banking facilities. However, as a result of the merger agreement with Lakeland, agreed in October 2018 and which came in to effect on 1 April, 2019, Lacpatrick has received significant financial support from Lakeland.

The directors are confident that on completion of the merger, the combined Lacpatrick and Lakeland businesses will have sufficient financial resources to allow both to trade successfully into the future.

4. BREXIT

The final outcome of the decision of the United Kingdom to leave the European Union ('Brexit') is still uncertain. Given the location and nature of the Company's operations, it will be impacted more than most businesses. There is a risk that cross border movements of raw materials and finished goods would be delayed if there are border controls and access to markets made uncompetitive by tariffs.

The Company benefits from being part of a larger group that should allow it to mitigate some of the negative impacts of Brexit.

Nonetheless, a negative Brexit outcome represents a risk to the Company's business and will need to be carefully managed. The directors are satisfied that the Company will continue to operate as a going concern.

LACPATRICK DAIRIES (NI) LIMITED

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

5. Accounting policies

5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

5.2 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

LACPATRICK DAIRIES (NI) LIMITED

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

5. Accounting policies (continued)

5.2 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%	
Plant and machinery	-	5%	- 10%
Motor vehicles	-	20%	
Fixtures and fittings	-	20%	-33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

5.3 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

5.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

5.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

5.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

LACPATRICK DAIRIES (NI) LIMITED

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

5. Accounting policies (continued)

5.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

5.8 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

LACPATRICK DAIRIES (NI) LIMITED

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

5. Accounting policies (continued)

5.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

5.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

5.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

5.12 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

5.13 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

5.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

5.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

LACPATRICK DAIRIES (NI) LIMITED

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

5. Accounting policies (continued)

5.16 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

5.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

5.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

LACPATRICK DAIRIES (NI) LIMITED

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

6. Judgments in applying accounting policies and key sources of estimation uncertainty

The directors consider the following estimates and assumptions below to be the most important estimates and judgments.

Going Concern

The directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the company was unable to continue as a going concern.

Impairment of Trade Debtors

The company trades with a large and varied number of customers on credit terms. Some debts due will not be paid through the default of a small number of customers. The company uses estimates based on historical experience and current information in determining the level of debts for which an impairment charge is required. The level of impairment required is reviewed on an ongoing basis.

Impairment of Stocks

The company holds stocks at the financial year end date. The directors are of the view that an adequate charge has been made to reflect the possibility of stocks being sold at less than cost. However, this estimate is subject to inherent uncertainty.

Useful Lives of Tangible and Intangible Fixed Assets

Long lived assets comprising primarily of property, plant and machinery, motor vehicles and fixture and fittings represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation and amortisation charge for the financial year.

7. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Liquid milk (including intercompany)	78,395,501	74,475,646
Butter	101,478,638	75,938,018
Milk powder	78,734,763	61,158,204
Other	11,414,792	12,269,156
	<u>270,023,694</u>	<u>223,841,024</u>

LACPATRICK DAIRIES (NI) LIMITED

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

8. Other operating income

	2018 £	2017 £
Other operating income	1,000	23,626
Government grants receivable	126,319	73,416
Sundry income	13,395	88,723
Profit/(loss) on disposal of tangible fixed assets	367,000	(75)
	<u>507,714</u>	<u>185,690</u>

9. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	3,011,098	2,005,059
Other operating lease rentals	43,369	26,175
Fees paid to auditor for the audit of financial statements	23,219	23,219
Fees paid to auditor for taxation services	2,300	2,300
Fees paid to auditor for other services	20,555	11,781
	<u>3,099,531</u>	<u>2,068,534</u>

10. Exceptional items

	2018 £	2017 £
Foreign exchange adjustments	<u>(507,006)</u>	<u>884,655</u>

11. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages & Salaries	7,539,268	6,386,112
Cost of defined contribution scheme	<u>241,447</u>	<u>287,154</u>

LACPATRICK DAIRIES (NI) LIMITED

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

The average monthly number of employees, including the directors, during the period was as follows:

	2018	2017
	No.	No.
Administration	48	36
Butter Production	36	31
Dairy Production	44	46
Milk Powder Production	35	22
AD Plant	4	4
Intake	12	20
Environmental and quality	3	3
Laboratory	19	23
Depot	7	7
Other	41	37
	249	229

12. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	21,581	90,135

13. Interest receivable

	2018	2017
	£	£
Bank and other interest receivable	2,538	-

14. Interest payable and similar expenses

	2018	2017
	£	£
Bank interest payable	869,437	723,817

LACPATRICK DAIRIES (NI) LIMITED

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

15. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	-
Adjustment in respect of previous periods	500	(125,031)
Deferred tax		
Origination and reversal of timing differences	(489,336)	(1,825,780)
Taxation on loss on ordinary activities	(488,836)	(1,950,811)

Factors affecting tax charge for the year

The tax for the year is the same as (2017 - *the same as*) the standard rate of corporation tax in the UK of 20% (2017: 20%).

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	(4,235,807)	2,210,630
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2017 - 20%)	(847,161)	442,126
Effects of:		
Expenses not deducted for tax purposes	(18,450)	19,308
Capital allowances for year in excess of depreciation	(369,727)	(461,434)
Tax losses carried forward	1,235,338	-
Adjustments to tax charge in respect of prior periods	500	(125,031)
Deferred tax charge	(489,336)	(1,825,780)
Total tax charge for the year	(488,836)	(1,950,811)

LACPATRICK DAIRIES (NI) LIMITED

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

16. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2018	24,897,209	39,268,573	2,007,937	174,628	66,348,347
Additions	650,000	1,541,316	3,000	16,776	2,211,092
Disposals	-	-	(9,500)	-	(9,500)
At 31 December 2018	25,547,209	40,809,889	2,001,437	191,404	68,549,939
Depreciation					
At 1 January 2018	1,606,897	2,382,323	1,998,741	87,213	6,075,174
Charge for the year on owned assets	906,082	2,051,293	3,808	49,915	3,011,098
Disposals	-	-	(11,352)	-	(11,352)
At 31 December 2018	2,512,979	4,433,616	1,991,197	137,128	9,074,920
Net book value					
At 31 December 2018	23,034,230	36,376,273	10,240	54,276	59,475,019
At 31 December 2017	23,290,312	36,886,250	9,196	87,415	60,273,173

LACPATRICK DAIRIES (NI) LIMITED

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

17. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2018	54,595
Revaluations	(5,546)
Transfer between classes	68,304
At 31 December 2018	<u>117,353</u>

18. Investment property

	Freehold investment property £
Valuation	
At 1 January 2018	<u>163,691</u>

The investment property is a freehold residential property at 74 Creamery Road, Coleraine, N.I., BT52 2NE. The property is an ancillary to the activities of the company and is rented to a third party. The property was valued by Audrey McShaw, MRICS of Savills Belfast office in March 2015. The directors believe there has been no material changes in the value since that date.

19. Stocks

	2018 £	2017 £
Stocks - raw materials & stock room	1,962,225	2,127,467
Stocks - finished goods & packaging	7,114,177	18,196,591
	<u>9,076,402</u>	<u>20,324,058</u>

A provision is made against stocks considered obsolete or unusable to state the items at net realisable value. The total of such writedowns at year end were £Nil.

LACPATRICK DAIRIES (NI) LIMITED

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

20. Debtors

		2018 £	2017 £
Due after more than one year			
Deferred tax asset & deferred liability		3,112,211	2,622,875
		<hr/>	<hr/>
		2018 £	2017 £
Due within one year			
Trade debtors		18,980,907	21,997,356
Amounts owed by group companies	29	1,037,477	-
Other debtors		575,808	1,287,427
Prepayments and accrued income		86,538	51,200
		<hr/>	<hr/>
		20,680,730	23,335,983
		<hr/>	<hr/>

21. Cash and cash equivalents

		2018 £	2017 £
Bank and cash balances		-	1,644
Bank overdrafts		(17,916,918)	(29,092,193)
		<hr/>	<hr/>
		(17,916,918)	(29,090,549)
		<hr/>	<hr/>

22. Creditors: Amounts falling due within one year

		2018 £	2017 £
Bank overdrafts		17,916,918	29,092,193
Bank loans		24,349,264	1,043,502
Trade creditors		13,613,233	26,476,368
Amounts owed to group companies	29	-	16,189,702
Other taxation and social security		165,791	155,567
Other creditors		7,152,267	205,205
Accruals and deferred income		8,069,198	521,194
		<hr/>	<hr/>
		71,266,671	73,683,731
		<hr/>	<hr/>

All loans between groups companies are considered to be unsecured non-interest bearing and repayable on demand.

LACPATRICK DAIRIES (NI) LIMITED

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

23. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans	-	24,382,620
Government grants received	2,057,792	1,323,405
	<u>2,057,792</u>	<u>25,706,025</u>

Bank loans payable wholly later than five years £nil (2017 £13,236,280)

Security

As security for the above loans Danske Bank held fixed charges over the following properties at year end :

Creamery Road
BT52
Coleraine

47 Berryhill Road
BT82 0HN
Artigarvan, Strabane

At year end Danske Bank also holds a fixed charge over the book debts of the company and an intercompany cross guarantee in favour of LacPatrick Co-operative Society Limited. The financing and security arrangement changed in 2019 as a result of the merger with Lakelands (Note 2) and a similar charge over the assets is now held by Bank of Ireland.

24. Government grants

	2018 £	2017 £
Grant Liabilities acquired on incorporation	1,323,405	1,396,821
Grant received during the year	860,706	-
Amortised during the year	(126,319)	(73,416)
	<u>2,057,792</u>	<u>1,323,405</u>

Ballyrashane Co-Op received significant capital grant aid in previous years which is amortised over the same period as the capital asset to which it is originally offered. LacPatrick Dairies (NI) Limited as its successor has a contingent liability in respect of government grants received if it does not comply with the terms of each grant.

LACPATRICK DAIRIES (NI) LIMITED

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

25. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit & Loss	-	1,644
Financial liabilities		
Financial assets that are debt instruments measured at amortised cost	20,291,733	22,300,720
Financial liabilities measured at cost	71,100,880	(97,910,784)
	<u>91,392,613</u>	<u>(75,610,064)</u>

Financial assets measured at fair value through profit or loss comprise cash in bank.

Financial assets that are debt instruments comprise trade debtors, other debtors and intercompany loans.

Financial liabilities measured at amortised cost comprise bank overdrafts, bank loans, trade creditors, other creditors, accruals and deferred income.

26. Deferred taxation

	2018 £
At beginning of year	2,622,875
Charged to profit or loss	489,336
At end of year	<u><u>3,112,211</u></u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Tax losses carried forward	4,673,292	3,683,917
Accelerated capital allowances	(443,006)	241,406
Provisions	21,243	18,767
Fixed assets	(1,139,318)	(1,321,215)
	<u>3,112,211</u>	<u>2,622,875</u>

LACPATRICK DAIRIES (NI) LIMITED

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

27. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
78,695 (2017 - 78,695) Ordinary shares of £1.00 each	<u>78,695</u>	<u>78,695</u>

28. Reserves

Other reserves

The reserve consists of the re-statement of fixed assets to market value on the adoption of FRS102.

Capital Contribution

During the year an intercompany loan was converted into capital.

Profit and loss account

The profit and loss account represents cumulative gains and losses recognised in the profit and loss account, net of transfers to/from other reserves or dividends paid.

29. Related party transactions

The company purchased significant quantities of products to include milk inputs from other LacPatrick group companies and on occasion sells excess milk volumes back to group companies. All purchases and sales with group companies are undertaken at market values and no profit or loss is received by the company. In addition various group management, financial and operation tasks are undertaken and funded by LacPatrick Dairy Limited at a group level. No charge is recorded for such work.

The following were the group company balances at year end:

	2018 £	2017 £
Trading account due from/(to) LacPatrick Dairies Limited	1,037,477	(528,051)
Loan due (to) LacPatrick Dairies Limited	-	(15,661,651)
	<u>1,037,477</u>	<u>(16,189,702)</u>

In 2018 the loan of £15,661,651 was converted into capital.

LACPATRICK DAIRIES (NI) LIMITED

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

30. Key management remuneration

Key management includes the Directors and Committee Members. The compensation paid or payable to group key management for employee services is shown below:

	2018 £	2017 £
Salaries and other short term benefits	<u>292,205</u>	<u>564,760</u>

31. Controlling party

LacPatrick Dairies (NI) Limited is a 100% subsidiary of LacPatrick Co-Operative Society Limited, a society registered in the Republic of Ireland under the Industrial and Provident Societies Acts, 1893 to 2018.

32. Post balance sheet events

On 5 March 2019, regulatory approval for the merger of the Society and Lakeland was received from the Competition and Markets Authority (UK) and from the Competition and Consumer Protection Commission (Ireland). The merger was effective from 1 April 2019.