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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:	Dairy UK Limited
Year ended:	31 December 2012
List No:	15882
Head or Main Office:	93 Baker street London W1U 6QQ
Website address (if available)	www.dairyUK.org
Has the address changed during the year to which the return relates?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> (Tick as appropriate)
General Secretary:	K J Hunter
Contact name for queries regarding the completion of this return:	K J Hunter
Telephone Number:	0141 942 1447
e-mail:	khunter@dairyuk.org

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

For Employers' Associations based in Scotland:
Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG



RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
370	7	0	2	379

OFFICERS IN POST

(see note 10)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

See attached list

CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
Director		R K O Kers	11 April 2012
Director	R T Wiseman		14 September 2012
Director	G A Eccles		11 April 2012

Dairy UK Limited
Y/e 31 December 2012
Officers in post at the end of the year

T D Dobbin	Director
A J Smith	Director
M Allen	Director
P Lauritzen	Director
N Kennedy	Director
R J Ward	Director
P Vernon	Director
J Haywood	Director
B Plumb	Director
J Neville	Director
K Allum	Director
L R C Edwards	Director
W G Keane	Director
R K O Kers	Director
K J Hunter	Company Secretary

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year			£	£
	INCOME			
1,232,950	From Members	Subscriptions, levies, etc		1,179,325
16,062	Investment income	Interest and dividends (gross)	10,650	
20,816		Bank interest (gross)	1,295	
		Other (specify)		
33,058		Income following restructure		
69,936	Other income	Rents received	217,500	11,945
217,500		Insurance commission		
		Consultancy fees		
		Publications/Seminars		
635,390		Miscellaneous receipts (specify) See A	699,757	
852,890				917,257
2,155,776	TOTAL INCOME			2,108,527
	EXPENDITURE			
	Administrative expenses			
1,379,199		Remuneration and expenses of staff	1,011,055	
123,780		Occupancy costs	128,037	
43,347		Printing, Stationery, Post	47,491	
		Telephones		
154,766		Legal and Professional fees	130,331	
608,270		Miscellaneous (specify) See B	666,442	
2,309,362	Other charges	Bank charges		1,983,356
52,467		Depreciation	40,104	
		Sums written off		
112,821		Affiliation fees	109,595	
		Donations		
		Conference and meeting fees		
		Expenses		
232,000		Miscellaneous (specify)		
521,600		Pension finance costs	187,000	
		Actuarial loss	4,000	
(95,800)	Taxation			340,699 (28,000)
3,132,450	TOTAL EXPENDITURE			2,296,055
(976,674)	Surplus/Deficit for year			(187,528)
942,638	Amount of fund at beginning of year			(34,036)
(34,036)	Amount of fund at end of year			(221,564)

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
	Total Income		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
Surplus (Deficit) for the year			
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
	Total Income		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
Surplus (Deficit) for the year			
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
Total Income			
Expenditure	Administrative expenses		
	Other expenditure (specify)		
Total Expenditure			
Surplus (Deficit) for the year			
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
Total Income			
Expenditure	Administrative expenses		
	Other expenditure (specify)		
Total Expenditure			
Surplus (Deficit) for the year			
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

BALANCE SHEET AS AT 31 December 2012
(see notes 19 and 20)

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Previous Year		£	£
3,192,742	Fixed Assets (as at page 11)		5,051,508
	Investments (as per analysis on page 13)		
9,925	Quoted (Market value £17,530)	9,925	
392,651	Unquoted	410,924	
402,576	Total Investments		420,849
	Other Assets		
391,736	Sundry debtors	380,219	
394,188	Cash at bank and in hand	453,975	
	Stocks of goods		
	Others (specify)		
785,924	Total of other assets		834,194
4,381,242	TOTAL ASSETS		6,306,551
(34,036)	Income and Expenditure Fund (Account)	(221,564)	
	Fund (Account)		
	Fund (Account)		
3,083,325	Revaluation Reserve	4,969,421	
	Liabilities		
	Loans		
	Bank overdraft		
40,648	Tax payable	71,872	
145,506	Sundry creditors	145,823	
172,999	Accrued expenses	252,199	
	Provisions		
972,800	Other liabilities	1,088,800	
4,381,242	TOTAL LIABILITIES		6,306,551
4,381,242	TOTAL ASSETS		6,306,551

FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
COST OR VALUATION				
At start of period	3,150,122	77,857	231,913	3,459,892
Additions during period		730	12,044	12,774
Less: Disposals during period			(1,957)	(1,957)
Revaluation	1,886,096			1,886,096
Less: DEPRECIATION:				
Total to end of period	(30,179)	(59,445)	(215,673)	(305,297)
BOOK AMOUNT at end of period	5,006,039	19,142	26,327	5,051,508
Freehold	5,000,000			
Leasehold (50 or more years unexpired)	6,039			
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET	5,006,039			

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED		
9,925	British Government & British Government Guaranteed Securities	9,925
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
9,925	TOTAL QUOTED (as Balance Sheet)	9,925
17,428	*Market Value of Quoted Investments	17,530
UNQUOTED		
	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
392,645	Unit trust investments	410,918
6	Investment in subsidiary	6
392,651	TOTAL QUOTED (as Balance Sheet)	410,924
844,231	*Market Value of Unquoted Investments	957,474

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
If YES name the relevant companies:			
COMPANY NAME Dairy Energy Savings Limited Milk Marketing Forum Limited The Dairy Council The National Dairymen's Association Limited DIAL (2004) Limited	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered) 4062424 6429418 203597 328538 5172436		
INCORPORATED EMPLOYERS' ASSOCIATIONS			
Are the shares which are controlled by the association registered in the association's name		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		
UNINCORPORATED EMPLOYERS ASSOCIATIONS			
Are the shares which are controlled by the association registered in the names of the association's trustees?		YES <input type="checkbox"/>	NO <input type="checkbox"/>
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	1,179,325		1,179,325
From Investments	11,945		11,945
Other Income (including increases by revaluation of assets)	917,257		917,257
Total Income	2,108,527		2,108,527
EXPENDITURE (including decreases by revaluation of assets)	409,959		409,959
Total Expenditure	409,959		409,959
Funds at beginning of year (including reserves)	3,049,289		3,049,289
Funds at end of year (including reserves)	4,747,857		4,747,857
ASSETS			
Fixed Assets			5,051,508
Investment Assets			420,849
Other Assets			834,194
		Total Assets	6,306,551
LIABILITIES		Total Liabilities	1,558,694
NET ASSETS (Total Assets less Total Liabilities)			4,747,857

NOTES TO THE ACCOUNTS

(see note 36)

All notes to the accounts must be entered on or attached to this part of the return.

A large, empty rectangular box with a black border, intended for the user to enter or attach notes to the accounts. The box occupies most of the page's vertical space below the instructions.

ACCOUNTING POLICIES

(see notes 37 and 38)

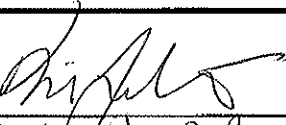
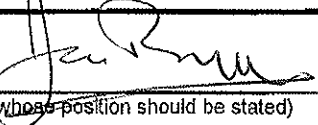
See attached



SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u> Name: <u>KIRK HOWLER</u> Date: <u>17/7/2013</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: <u>JAMES REGIER</u> Date: <u>18/7/13</u>
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Director
General

CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	✓	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	✓	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	✓	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	✓	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES		NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	✓	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 43 and 44)

YES

If "No" please explain below.

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 43)

YES

If "No" please explain below.

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in note 43)

YES

If "No" please explain below.

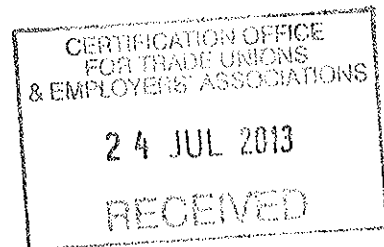
4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 45)

See attached

Note: The company prepares its accounts in accordance with the Companies Act 2006 and the statements above are consistent therewith

AUDITOR'S REPORT (continued)

Chantrey Vellacott DFK LLP audited the financial statements of the company for the year ended 31 December 2012 in accordance with the Companies Act 2006 and our report dated 16 July 2013 is attached.



Signature(s) of auditor or auditors:	<i>Chantrey Vellacott DFK LLP</i>	
Name(s):	Chantrey Vellacott DFK LLP	
Profession(s) or Calling(s):	Statutory Auditor	
Address(es):	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF	
Date:	<i>22.7.13.</i>	
Contact name and telephone number:	David James 0207 509 9000	

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.

Dairy UK Limited

Independent auditor's report to the members of Dairy UK Limited

Year ended 31 December 2012

We have audited the report and financial statements of Dairy UK Limited for the year ended 31 December 2012 which comprise the Income and expenditure account, statement of total recognised gains and losses, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 set out on page 4, the directors are responsible for the preparation of the report and 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 report and 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.

Scope of the audit of the report and financial statements

An audit involves obtaining evidence about the amounts and disclosures in the report and financial statements sufficient to give reasonable assurance that the report and 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 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 report and financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited report and financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on report and financial statements

In our opinion the report and financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its deficit 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.

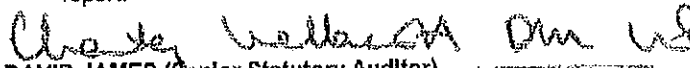
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the report and financial statements are prepared is consistent with the report and financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 report and 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; or
- the directors were not entitled to prepare the report and financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



DAVID JAMES (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

16.7.13

Chantrey Vellacott DFK LLP

Dairy UK Limited
Y/e 31 December 2012
Miscellaneous receipts

A

Co-tenants	9,471
Administration services	29,363
Packaging services	568,921
Milk Industry	4,997
Events	49,764
Cheesecoat	7,425
Commissions & sales	429
DTAS membership	12,387
MMF Administration	<u>17,000</u>
	<u>699,757</u>

Dairy UK Limited
Y/e 31 December 2012
Miscellaneous administrative expenses

B

Travelling & subsistence	69,276
Repairs & renewals	10,904
Insurances	10,618
Catering	6,136
Other office expenses	14,453
Publications	51,428
Public relations	44,495
Divisional Expenses	11,113
Packaging services	366,530
Events	43,101
Scotland office	3,564
Milk Industry magazine	2,387
Disposal of assets	(1,000)
Northern Ireland office	33,437
	<u>666,442</u>

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

1. Accounting policies

Basis of accounting

The report and financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties, and in accordance with applicable United Kingdom accounting standards.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of membership subscriptions and services provided to members.

Membership subscriptions

A membership subscription is payable either annually in advance or monthly by bankers standing order or direct debit. An additional subscription in respect of representation on the Board of the company, is payable annually in advance. For the year commencing 1 January 2012 this charge is no longer payable. An analysis of income for the year is given in note 2 below.

A Full Member of the company must give not less than one year's notice in writing of resignation from membership. Membership income is accounted for on an accruals basis.

Expenditure recovered

The office occupied by the company is shared with Dairy Energy Savings Limited, The Dairy Council and Milk Marketing Forum Limited. All expenditure relating to this building and common office services was borne initially by the company and then recharged in proportion to the benefit received by the co-tenants.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	-	over residue of lease
Plant & Machinery	-	over 3 years
Fixtures & Fittings	-	15% per annum
Motor Vehicles	-	over 4 years

Investment properties

Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually. The surplus or deficit is transferred to a revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the income and expenditure account; and
- (ii) no depreciation is provided in respect of freehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation.

Operating lease agreements

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Chantrey Velacott DHK LLP

Dalry UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

1. Accounting policies (continued)

Pension costs and other post-retirement benefits

The company previously operated defined benefit schemes, and the amount charged to the income and expenditure account in respect of pension costs and other post retirement benefits was the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from the cost. The schemes have been closed to future accrual and there is now no regular cost charged to the income and expenditure account. The interest cost and expected return on assets are included within other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the income and expenditure account in respect of pension costs and other post retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax which arises in respect of the pensions assets and liabilities is deducted from those assets and liabilities in the balance sheet.

2. Turnover

All of the company's turnover arose from activities inside the UK. The contributions of the various activities of the company are set out below:

	2012 £	2011 £
General membership subscriptions	1,147,168	1,165,039
Levy	32,157	67,911
Other activities including the Roll Container Repatriation Scheme	699,757	635,388
	<u>1,879,082</u>	<u>1,868,338</u>

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

3. Other operating income

	2012 £	2011 £
Redundancy provision	<u>—</u>	<u>33,058</u>

4. Operating deficit

Operating deficit is stated after charging/(crediting):

	2012 £	2011 £
Depreciation of owned fixed assets	40,104	52,466
Profit on disposal of fixed assets	(1,000)	(10,150)
Auditor's remuneration		
- as auditor	9,750	9,680
- for other services	8,100	4,920
Operating lease costs:		
- Property	86,340	86,340
Exceptional charge re pension scheme	<u>—</u>	<u>252,000</u>

The company's defined benefit pension scheme closed to future accrual on 11 November 2011. There was a resultant actuarial charge in the year of £Nil (2011 - £252,000) (see note 15).

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

5. Employee information

The average number of staff, including executive directors, employed by the company during the financial year can be analysed as follows:

	2012 No	2011 No
Head office	10	11
Divisional	1	2
Packaging services	4	5
	<u>15</u>	<u>18</u>

The aggregate payroll costs of the above were:

	2012 £	2011 £
Wages and salaries	836,165	838,756
Social security costs	111,695	101,686
Other pension costs	61,636	151,650
Exceptional charge re pension scheme	—	252,000
	<u>1,009,496</u>	<u>1,344,092</u>

Pension contributions totalling £52,316 (2011: £29,666) were payable to the defined contribution scheme. The balance of the pension cost relates to the defined benefit pension schemes (see note 15).

The total remuneration paid to directors for services to the company during the year was £nil (2011: £nil). £18,000 (2011: £24,000) was paid to Robert Wiseman Dairies Limited in respect of the chairman's services.

6. Income from fixed asset investments

	2012 £	2011 £
Rent receivable less expenses	<u>217,500</u>	<u>217,500</u>

7. Interest receivable

	2012 £	2011 £
Bank interest receivable	1,295	20,816
Other investment income	10,650	16,062
	<u>11,945</u>	<u>36,878</u>

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

8. Interest payable and similar charges

	2012 £	2011 £
Net finance costs in respect of defined benefit pension schemes	<u>187,000</u>	<u>232,000</u>

9. Taxation on ordinary activities

(a) Analysis of charge in the year

	2012 £	2011 £
Deferred tax:		
Origination and reversal of timing differences	<u>(28,000)</u>	<u>(95,800)</u>

(b) Factors affecting current tax charge

The tax assessed on the deficit on ordinary activities for the year is at a higher rate than the standard rate of corporation tax in the UK of 20% (2011 - 20%).

	2012 £	2011 £
Deficit on ordinary activities before taxation	<u>(211,528)</u>	<u>(550,874)</u>
Deficit on ordinary activities multiplied by rate of tax	(42,306)	(110,175)
Expenses not deductible for tax purposes	(1,568)	(1,639)
Capital allowances for period in excess of depreciation	2,540	1,982
Unrelieved tax losses	14,074	15,455
Group relief surrendered	168	140
Pension contributions	<u>27,092</u>	<u>94,237</u>
Total current tax (note 9(a))	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

As at the 31 December 2012, the company had, subject to any enquiry by HM Revenue & Customs, tax losses of £1,597,802 (2011: £1,527,431) available to carry forward against future profits of the same trade. A deferred tax asset of £319,560 (2011: £305,486) in respect of these losses has not been recognised in the financial statements because of the uncertainty as to the timing of future profits.

During the year the freehold property has been revalued to its market value of £5,000,000 (2011: £3,113,904). The potential liability to taxation which would arise if the property were disposed of at this valuation would be approximately £543,787 (2011: £244,459).

Dalry UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

10. Tangible fixed assets

	Freehold Property £	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation						
At 1 Jan 2012	3,113,904	36,218	46,608	77,857	185,305	3,459,892
Additions	-	-	12,044	730	-	12,774
Disposals	-	-	-	-	(1,957)	(1,957)
Revaluation	1,886,096	-	-	-	-	1,886,096
At 31 Dec 2012	5,000,000	36,218	58,652	78,587	183,348	5,356,805
Depreciation						
At 1 Jan 2012	-	24,139	40,595	52,820	149,596	267,150
Charge for the year	-	6,040	7,378	6,625	20,061	40,104
On disposals	-	-	-	-	(1,957)	(1,957)
At 31 Dec 2012	-	30,179	47,973	59,445	167,700	305,297
Net book value						
At 31 Dec 2012	5,000,000	6,039	10,679	19,142	15,648	5,051,508
At 31 Dec 2011	3,113,904	12,079	6,013	25,037	35,709	3,192,742

The analysis of the net book value of the property above is as follows:

	2012 £	2011 £
Freehold investment property at valuation	5,000,000	3,113,904
Short leasehold improvements	6,039	12,079
Total	5,006,039	3,125,983
Historical cost of investment property	30,579	30,579

No depreciation has been charged on the investment property. The title of the freehold investment property remains with The National Dairymen's Association Limited. The property has been recognised in these financial statements because the beneficial interest in the property was transferred to The Dalry Industry Association Limited, now Dalry UK Limited, on the merger.

The company's freehold investment property was revalued to £5,000,000 at 19 March 2013 by Lamberts Surveyors Limited on the basis of market value. The directors do not consider the valuation of the property to have been materially different at the year end.

Channey Velacot DFK LLP

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

11. Investment in subsidiaries

	Shares in subsidiary undertakings
	£
Cost	
At 1 January 2012 and 31 December 2012	<u>6</u>
Net book value	
At 31 December 2012 and 31 December 2011	<u>6</u>

At the year end the company had the following subsidiary undertakings; the figures are unaudited and subject to approval by the respective boards of directors but are not expected to change:

Dairy Energy Savings Limited, a company incorporated and registered in England, is a 100% subsidiary of the company. It was incorporated in 2000 and is limited by guarantee. It enables participating companies from the dairy sector to take advantage of a reduced rate of Climate Change Levy, subject to the achievement of energy usage targets.

Valuation under Equity Method of accounting:

	2012	2011
	£	£
Share of net assets of Dairy Energy Savings Limited	<u>75,798</u>	<u>78,702</u>
Represented by:		
1 January	78,702	67,697
Share of (loss)/profit	<u>(2,904)</u>	<u>11,005</u>
31 December	<u>75,798</u>	<u>78,702</u>

During the year Dairy UK Limited charged £43,935 (2011: £42,477) to Dairy Energy Savings Limited in relation to services provided in the year. At the year end £6,828 (2011: £6,179) was owed by Dairy Energy Savings Limited.

DIAL (2004) Limited, a company incorporated and registered in England, is a subsidiary of the company. It was incorporated in 2004. The company has not traded since incorporation and there are no plans to activate it. The company has net assets of £1.

The National Dairymen's Association Limited, a dormant company limited by guarantee, is also a subsidiary of the company. The National Dairymen's Association Limited acts as an agent for the company, because it still holds legal title to the freehold investment property (see note 10) and the investments (see note 13) disclosed in these financial statements. The beneficial interest was transferred to the Dairy Industry Association Limited, now Dairy UK Limited, on merger in 2002.

The Dairy Council, a company limited by guarantee and incorporated and registered in England is a 100% subsidiary of the company. The Dairy Council acts as an agency on behalf of the entire dairy business in Great Britain promoting the health benefits of milk and dairy products. Dairy UK Limited is a material contributor to The Dairy Council via the levy it places on its members' processing volumes in Great Britain and during the year contributions of £450,000 were collected by Dairy UK Limited (2011: £446,850) and invoiced by The Dairy Council. In addition, Dairy UK Limited paid £67,020 in the prior year to The Dairy Council to carry out a 3 year obesity research project and was charged £20,000 (2011: £20,000) for other services. Dairy UK Limited charged £Nil (2011: £33,058) to The Dairy Council in respect of the restructure of The Dairy Council and £11,040 (2011: £14,234) in relation to services provided in the year. At the year end £20,607 (2011: £21,219) was owed by The Dairy Council.

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

11. Investment in subsidiaries (continued)

Valuation under Equity Method of accounting

	2012 £	2011 £
Share of net assets of The Dairy Council	<u>66,000</u>	<u>63,911</u>
Represented by:		
1 January	63,911	86,343
Share of profit/(loss)	<u>2,089</u>	<u>(22,432)</u>
31 December 2012	<u>66,000</u>	<u>63,911</u>

Milk Marketing Forum Limited is a company incorporated and registered in England. Dairy UK holds 100% of the ordinary shares. During the year Dairy UK charged £17,000 (2011: £17,000) to Milk Marketing Forum Limited in relation to administration services. At the year end £Nil (2011: £894) was owed by Milk Marketing Forum Limited.

Milk Marketing Forum commenced trading in October 2009 and is a not for profit organisation with all income to be spent on the "Make Mine Milk" promotional campaign over its three year life, and some continuing activities.

Valuation under Equity Method of accounting

	2012 £	2011 £
Share of net assets of Milk Marketing Forum Limited	<u>1,041,592</u>	<u>819,540</u>
Represented by:		
1 January	819,540	592,173
Share of profit	<u>222,052</u>	<u>227,367</u>
31 December	<u>1,041,592</u>	<u>819,540</u>

12. Debtors

	2012 £	2011 £
Trade debtors	237,847	208,447
Amounts owed by group undertakings	28,484	28,292
Other debtors	66,675	100,639
Prepayments and accrued income	<u>47,213</u>	<u>54,358</u>
	<u>380,219</u>	<u>391,736</u>

Other debtors includes a rent deposit of £42,841 (2011 - £85,683) which is repayable at the end of the lease in 2014.

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

13. Investments

	2012 £	2011 £
Unit trust investments	410,918	382,742
Quoted fixed interest securities - Government stocks	9,925	19,828
	<u>420,843</u>	<u>402,570</u>
Aggregate market value of investments	<u>975,004</u>	<u>861,659</u>

The title of the investments remains with The National Dairymen's Association Limited. The beneficial interest was transferred to The Dairy Industry Association Limited, now Dairy UK Limited, on merger and therefore the investments are shown in these financial statements. A tax liability would arise if the investments were sold at the market value shown above. No tax is expected to be payable in the foreseeable future.

14. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	145,823	145,506
Other taxation and social security	71,872	40,648
Accruals and deferred income	252,199	172,999
	<u>469,894</u>	<u>359,153</u>

Accruals and deferred income includes £426 (2011: £3,233) payable in respect of the defined contribution pension scheme.

15. Pensions and other post retirement benefits

The Company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 December 2010 and the preliminary results have been updated to 31 December 2012 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

A Deed of Amendment and Merger was signed on 31 December 2010 to effect a merger of the National Dairymen's Association Pension and Life Assurance Scheme into the Dairy Industry Federation Pension and Life Assurance Scheme. This deed also changed the name of the scheme to the Dairy UK Limited Pension Scheme. The disclosures for 2010 and prior years reflect the combined figures for the two schemes.

The scheme closed to future accrual on 11 November 2011. Prior to this date the company paid contributions at the rate of 24.4% of pensionable salaries in respect of the Dairy Industry Federation section and 26.6% of pensionable salaries in respect of the National Dairymen section as well as certain expenses. Prior to the closure of future accrual member contributions at the rate of 7.5% of pensionable salaries were also paid. From 1 January 2012 the company's contribution is £47,000 per annum towards the scheme deficit and in addition the company pays any Pension Protection Fund levy, insurance premiums, administration, trustee and legal expenses.

The company's pension obligations in respect of the scheme are secured by a charge over the investment property up to £1,700,000.

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

15. Pensions and other post retirement benefits (continued)

The amounts recognised in the profit and loss account are as follows:

	2012 £	2011 £
Amounts charged to operating loss:		
Current service cost	–	126,000
Losses on settlements and curtailments	–	252,000
Total operating charge	–	378,000
Amounts included in other finance cost:		
Expected return on scheme assets	(476,000)	(411,000)
Interest on scheme liabilities	663,000	643,000
Other finance cost	187,000	232,000
Total charge to the profit and loss account	187,000	610,000
Actual return on scheme assets	1,517,000	1,440,000

The total operating charge is recognised in the following line items in the profit and loss account:

	2012 £	2011 £
Administrative expenses	–	378,000
Total operating charge	–	378,000

Other finance cost is included in the profit and loss account within interest payable and similar charges.

Actuarial losses of £(5,000) (2011: £(652,000)) have been recognised in the statement of total recognised gains and losses. At 31 December 2012 the cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £(615,000).

The amounts recognised in the balance sheet are as follows:

	2012 £	2011 £
Present value of funded obligations	(14,411,000)	(13,795,000)
Fair value of scheme assets	13,050,000	12,579,000
	(1,361,000)	(1,216,000)
Related deferred tax asset	272,200	243,200
Net pension liability	(1,088,800)	(972,800)

Changes in the present value of the defined benefit obligation scheme are as follows:

	2012 £	2011 £
Opening defined benefit obligation	13,795,000	12,102,000
Current service cost	–	126,000
Losses on curtailments	–	252,000
Interest on scheme liabilities	663,000	643,000
Actuarial loss	1,046,000	1,681,000
Contributions by scheme participants	–	34,000
Benefits paid	(1,093,000)	(1,043,000)
Closing defined benefit obligation	14,411,000	13,795,000

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

15. Pensions and other post retirement benefits (continued)

Changes in the fair value of scheme assets are as follows:

	2012	2011
	£	£
Opening fair value of scheme assets	12,579,000	12,017,000
Expected return on scheme assets	476,000	411,000
Contributions by employer	47,000	131,000
Contributions by scheme participants	-	34,000
Actuarial gain	1,041,000	1,029,000
Benefits paid	<u>(1,093,000)</u>	<u>(1,043,000)</u>
Closing fair value of scheme assets	<u>13,050,000</u>	<u>12,579,000</u>

The fair value of the major categories of scheme assets are as follows:

	2012	2011
	£	£
Equity	4,274,000	3,818,000
With profits insured assets	8,615,000	8,186,000
Cash	35,000	348,000
Property	126,000	227,000
Fair value of scheme assets	<u>13,050,000</u>	<u>12,579,000</u>

None of the fair values of the assets shown above include any property occupied by, or other assets used by, the company.

The principal actuarial assumptions as at the balance sheet date were:

	2012	2011
	%	%
Discount rate	4.60	5.00
Expected return on scheme assets	4.80	5.20
Rate of increase in pensions in payment	2.60	2.70
Rpi inflation	2.60	2.70
Cpi inflation	1.90	2.20

Amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
	£	£	£	£	£
Defined benefit obligation	(14,411,000)	(13,795,000)	(12,102,000)	(10,977,000)	(9,397,000)
Fair value of scheme assets	<u>13,050,000</u>	<u>12,579,000</u>	<u>12,017,000</u>	<u>11,197,000</u>	<u>9,843,000</u>
(Deficit)/surplus in the scheme	<u>(1,361,000)</u>	<u>(1,216,000)</u>	<u>(85,000)</u>	<u>220,000</u>	<u>446,000</u>
Experience adjustments on scheme liabilities (£)	<u>-</u>	<u>(333,000)</u>	<u>75,000</u>	<u>76,000</u>	<u>157,000</u>
Experience adjustments on scheme assets (£)	<u>1,041,000</u>	<u>1,029,000</u>	<u>449,000</u>	<u>602,000</u>	<u>26,000</u>

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Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

15. Pensions and other post retirement benefits (continued)

The mortality assumptions adopted at 31 December 2012 imply the following life expectancies:

Male retiring at age 65 in 2012	22.7 years
Female retiring at age 65 in 2012	24.7 years
Male retiring at age 65 in 2032	24.9 years
Female retiring at age 65 in 2032	27.1 years

The long term expected rate of return on cash is determined by reference to bank base rates at the balance sheet date for the year commencing 1 January 2011 and with no reference to UK long dated government bond yields for the year commencing 1 January 2012. The long-term expected return on the insurance contracts is determined by reference to the UK long dated government and corporate bond yields in at the balance sheet date. The long term expected rate of return on equities is based on the rate of return of bonds with an allowance for out-performance.

The best estimate of contributions to be paid by the company to the scheme for the period commencing 1 January 2013 is £47,000. Expenses and ppf levies are payable in addition.

16. Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2012	2011
	£	£
Operating leases which expire:		
Within two to five years	<u>86,210</u>	<u>86,210</u>

The company's offices are occupied under a lease for a period of 11 years expiring in the year 2014.

17. Company limited by guarantee

Dairy UK Limited is a company limited by guarantee and has no share capital. In the event of winding up, each member will be required to contribute up to £10 to the assets of the company.

18. Revaluation reserve

	2012	2011
	£	£
Balance brought forward	3,083,325	2,968,521
Revaluation of fixed assets	<u>1,886,096</u>	<u>114,804</u>
Balance carried forward	<u>4,969,421</u>	<u>3,083,325</u>

Dairy UK Limited

Notes to the report and financial statements

Year ended 31 December 2012

19. Income and expenditure account

	2012 £	2011 £
Balance brought forward	(34,036)	942,638
Deficit for the financial year	(183,528)	(455,074)
Defined pension benefit scheme	(4,000)	(521,600)
Balance carried forward	<u>(221,564)</u>	<u>(34,036)</u>

20. Notes to the cash flow statement

Reconciliation of operating loss to net cash outflow from operating activities

	2012 £	2011 £
Operating deficit	(253,973)	(573,252)
Depreciation	40,104	52,466
Profit on disposal of fixed assets	(1,000)	(10,150)
Increase in debtors	(4,372)	(42,114)
Increase/(decrease) in creditors	110,741	(112,496)
Provision for service cost of defined benefit pension scheme	-	378,000
Defined benefit pension scheme contributions paid	(47,000)	(131,000)
Net cash outflow from operating activities	<u>(155,500)</u>	<u>(438,546)</u>

Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase/(decrease) in cash in the period	59,787	(236,162)
Cash used to increase/decrease liquid resources	18,273	(754)
	<u>78,060</u>	<u>(236,916)</u>
Change in net funds	78,060	(236,916)
Net funds at 1 January 2012	796,758	1,033,674
Net funds at 31 December 2012	<u>874,818</u>	<u>796,758</u>

Analysis of changes in net funds

	At 1 Jan 2012 £	Cash flows £	At 31 Dec 2012 £
Cash in hand and at bank	394,188	59,787	453,975
Current asset investments	402,570	18,273	420,843
Net funds	<u>796,758</u>	<u>78,060</u>	<u>874,818</u>

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