



first milk

'the farmers' business'



**EXECUTIVE SUMMARY
REVIEW OF THE YEAR
2020/2021**

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Summary



Turnover up 6%
to almost
£300m



Net profit up 24% at
£5.6m



£7.8m
capital investment in
the year



Bank borrowings
stable at
£33m



£14.4m
capital investment
announced for FY22



More than
90%
of members satisfied
with First Milk
performance



93%
of members signed up
to First4Milk Pledge



90%
say First Milk provides
long-term security



Member Premium
increased to
0.5ppl
from April 20



Head Office functions
now permanently
working remotely



Lake District Biogas
acquired, supplying
biogas to the
National Grid



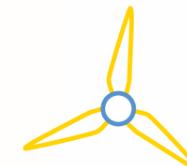
More than
60
million litres recruited
into membership in the
year - more than 250m
litres over last three years



World-leading
soil carbon project
established with
Agricarbon



Target to sequester
100,000t
of carbon in soil each
year by 2025



Committed to
Net Zero by
2040
at the latest



Target to reduce farm
carbon footprints by
50%
by 2035



Chairman's statement

CHRIS THOMAS



90%
would recommend
First Milk to other
farmers



More than
90%
of members satisfied
with First Milk
performance



90+%
say it is important
to be part of a
co-operative

Introduction

Despite the global pandemic that has impacted us all over the last year, I'm pleased to report that in the year ending March 31, 2021 First Milk has continued to perform in line with expectations, delivering solid progress for our members.

Our planned capital investment programme has continued, enabling us to secure operational capability and drive productivity and capacity, and we have continued to strengthen our commercial partnerships, supporting our customers through a time of rapidly changing consumer demand.

Governance

Our 2020 AGM saw the reappointment of Carl Ravenhall as non-executive director and myself as non-executive chairman. First Milk's rules require that all directors retire by rotation. As notified in last year's Annual Report, our longstanding farmer director and vice-chairman, Jim Baird, retired from the Board at the AGM and I would once again take the opportunity to thank Jim for his huge contribution to the

business over many years. The AGM saw the appointment of Mike Smith as a new farmer-director, as well as the appointment of existing farmer director, Robert Craig, to the position of vice-chairman.

Post year end, Robert was required to stand for re-election by rotation and was unopposed, so has been re-appointed as a farmer director for a further term of two years, subject to ratification by members at the AGM. Robert will also continue to serve as vice-chairman.

In addition, Carl Ravenhall is coming to the end of his three terms as a non-executive director, and will retire from the board on 31 October. I would like to thank Carl for all his hard work and input into First Milk over many years and wish him all the best for the future. Carl's retirement creates a vacancy on the board for a non-executive director and I am pleased to report that we have appointed Michael Fletcher. Michael will take office on 1 November and accordingly his appointment will be subject to ratification at the 2022 AGM.

During the period, we also held contested Member Council elections. A vacancy arose on the Member Council due to Mike Smith becoming a farmer director and moving on to the Board. In addition, three Council positions became vacant by rotation, with Willie Campbell, Jessica Mills and Christine Kelsall all seeking re-election. After the election, we were pleased to welcome Willie, Jessica and Christine back to Council, along with Alan Trainer, a member from Lanarkshire. I would like to welcome Alan to the Council and look forward to working with him and all the Council members, as they continue to represent member views as an integral part of the governance of the co-operative.

Our ability to meet with members has been hampered in the last twelve months as a result of the COVID-19 restrictions, but the Member Council and Executive have continued to hold member meetings virtually to maintain member involvement and engagement, and these meetings have been well attended. We look forward to returning to face-to-face meetings as circumstances allow.

"Our planned capital investment programme has continued, enabling us to secure operational capability and drive productivity and capacity, and we have continued to strengthen our commercial partnerships, supporting our customers through a time of rapidly changing consumer demand."

Outlook

The COVID-19 crisis has impacted on all elements of society and has accelerated some of the change that we were already seeing in food markets in terms of consumer expectations around sustainability and transparency.

With the evolution of our First4Milk sustainability programme, as well as our ongoing investment in capacity and productivity, First Milk remains well placed to serve our customer partners, as we work together to deliver dairy prosperity.

Undoubtedly, we face the same global challenges as all other organisations, but as we work together to adapt and decarbonise our supply chain, leveraging our co-operative values and exploring new opportunities, I am confident that we will continue to deliver value for our members.

I would like to take this opportunity to thank our members, Council, colleagues and the Board for their commitment and drive during the last year and look forward to continuing to work together.



90+%
satisfied with First
Milk's milk price



90%
say First Milk
provides long-term
security

CEO's statement

SHELAGH HANCOCK



A year dominated by COVID-19

The last twelve months has seen a set of circumstances unlike any that we could have imagined, as we have all had to adjust to the impact of living through a global pandemic. On top of this, we have also had the ongoing saga of Brexit, with uncertainty about our future trading relationship with the EU that continued right up until the 31 December deadline.

Like many businesses, our priority over the last year has been to keep our colleagues and members safe whilst maintaining our operational continuity. It has been a year of challenge – changing our working practices to adopt social distancing and regular sanitisation – whilst adapting to rapid shifts in consumer demand as a result of widespread lockdowns.

I would like to start by recognising the hard work and dedication of every single person working in First Milk and on First Milk members' farms during these unprecedented times. The combined effort of all staff and members has seen us deliver our business plan, continue to drive productivity improvements and deliver our capital plans, all whilst maintaining

and enhancing our customer relationships. This would simply not have been possible without the commitment of our key workers and members, as well as the support from our suppliers, contractors and hauliers.

As part of our focus on colleague safety and wellbeing during the pandemic, we have introduced some new initiatives around mental health, including having mental health first aiders across the business, and launching a programme with the charity, Mates in Mind, to raise awareness and promote positive mental wellbeing. We have also continued our fundraising activity, this year supporting the Mental Health Foundation in their invaluable work during the pandemic.

The pandemic has also prompted us to review our working practices. To protect staff, we were obliged to close our main office during the first lockdown last year, with staff in head office functions moving to working from home. Using technology, we were able to work effectively throughout the period, and this stimulated a review of working practices that resulted in us announcing the downsizing of the office in Paisley, with our head office functions now permanently working remotely. We maintain a small

administrative hub, which remains our registered office, but this development has helped us streamline central overheads, lowering costs and reducing environmental impact by reducing commuting. It has also delivered more flexible working practices for our colleagues.

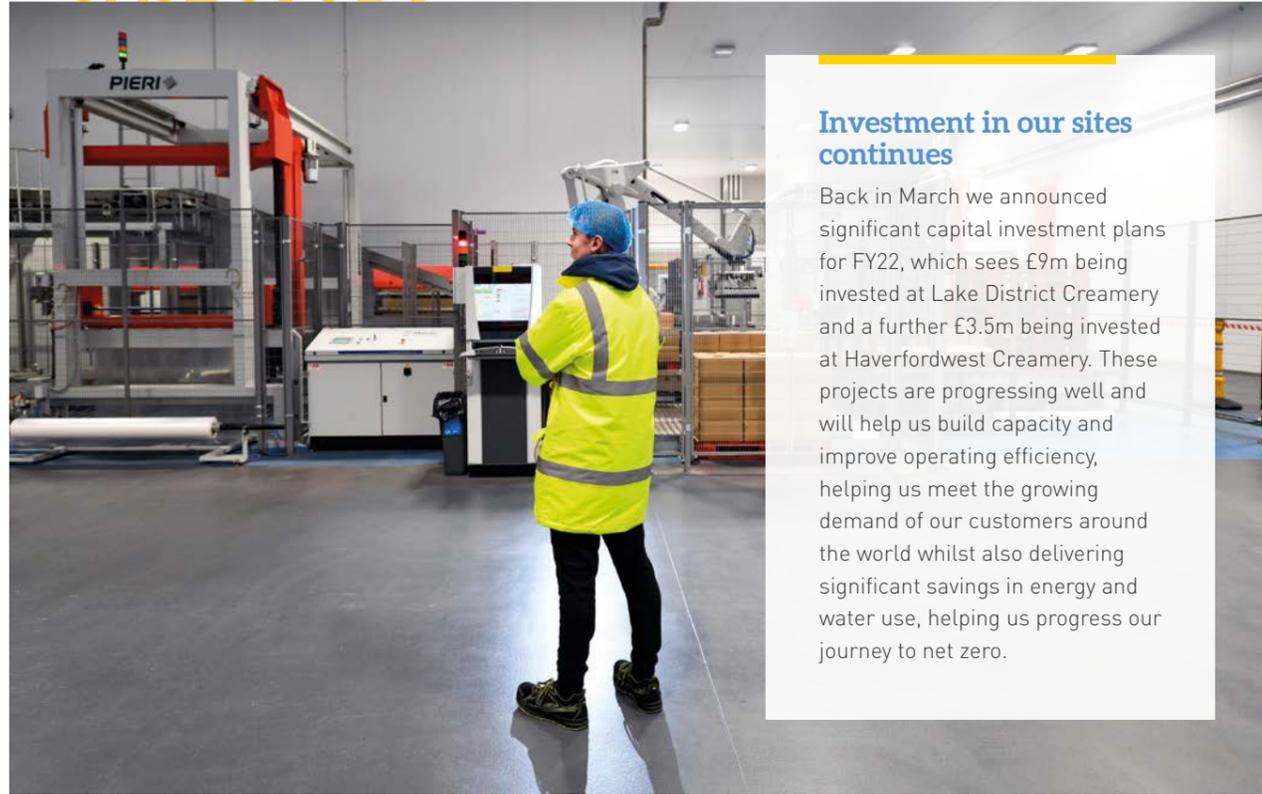
Growth and investment

As you'd expect, our focus has remained on delivering for our commercial partners during the period and we have seen growth from many customers as a direct result of the COVID-19 pandemic. The various lockdowns during 2020 resulted in consumption moving into the home and away from foodservice sectors. This benefited retail sales, with strong volume growth in cheese of 15.4%, backed up by value growth of 1.0% in the 52 weeks ending January 24, 2021 (Source AHDB). This led to increased demand for cheddar from our largest customer, Ornuo Foods, who supply the UK retail sector.

This growth has not been limited to the domestic market. Despite the uncertainty around trade with the EU in the early part of the year, and the additional administrative burden of exporting in the latter part, combined with the disruption to international trade

“Like many businesses, our priority over the last year has been to keep our colleagues and members safe whilst maintaining our operational continuity.”

CASE STUDY



Investment in our sites continues

Back in March we announced significant capital investment plans for FY22, which sees £9m being invested at Lake District Creamery and a further £3.5m being invested at Haverfordwest Creamery. These projects are progressing well and will help us build capacity and improve operating efficiency, helping us meet the growing demand of our customers around the world whilst also delivering significant savings in energy and water use, helping us progress our journey to net zero.

during the COVID-19 pandemic, we have continued to grow our export cheese volumes, with sales continuing to more than 26 countries across the globe.

We also saw volume growth in our raw milk sales, with Nestlé benefitting from increased in-home demand of their chocolate and beverage products, as well as McQueen's Dairy benefitting from a surge in demand for doorstep deliveries. Due to our customer mix, we were not affected significantly from the drop off in foodservice demand, so we have been able to deliver growth through the year, even in these unusual circumstances.

But, whilst our focus has inevitably been on managing the short-term impact of the pandemic, our attention has also

remained on the future, as we work to build long-term resilience for the benefit of our farmer member owners.

Our goal remains to deliver stability and maximise returns to our members for the long-term. Our capital investment plans have continued, with the completion of investment in a new rapid chill store and improvements to milk processing facilities at our Lake District Creamery, as well as a combined heat and power plant at Haverfordwest. At the end of the period, we also announced a further £14.4m capital investment in the coming year, taking our investment in operational efficiency and capacity to £30m since 2018. Overall, this programme of capital work will deliver capacity increases of around 20 per cent, taking

the capacity of our sites to around 40,000 tonnes each. It will also deliver operational stability, whilst improving efficiency and environmental footprint.

In addition, at the start of the year, we completed the acquisition of the Lake District Biogas business. This operates an anaerobic digester on a site adjacent to our Lake District Creamery, supplying biogas to the national grid, as well as managing our effluent facilities and utilising whey permeate from the creamery as the feedstock for biogas production. This acquisition was important to ensure operational continuity at the Lake District Creamery site, securing our effluent treatment and providing the opportunity to leverage the closed-loop production of energy from renewable sources to help

CASE STUDY



Supporting mental health

We all know that the last twelve months have been challenging as we've lived through the COVID-19 pandemic. To help support our colleagues, we've introduced an Employee Assistance Programme through BUPA, and have also undertaken mental health training, establishing a network of mental health first aiders across the business. On top of this, we've also managed to raise more than £5,000 for the Mental Health Foundation through a challenge which saw colleagues collectively walk, cycle, swim and run more than 6,000 miles over a two-week period.

us drive the decarbonisation of cheese processing at this site.

Alongside this continued investment in facilities, we have also been investing in developing our people capability. We have strengthened our people resource and have put in place a clear focus on learning and development, whilst also focusing on embedding a culture throughout the business that empowers people to drive success.

A leader in dairy sustainability

We have also been concentrating on delivering value for our customers by ensuring we provide what matters to them – from product quality to customer service and sourcing standards.

To this end, we have been developing our First4Milk programme to ensure we become a leader in dairy sustainability. Consumers are increasingly interested in where their food comes from, how it is produced, and its environmental impact. Research we commissioned from YouGov showed that 76 per cent of UK adults are

concerned about climate change, with almost one-third (29 per cent) taking environmental factors into account when choosing food. Of particular relevance to First Milk is that 33% of UK adults think that dairy farming and the production of dairy foods significantly contributes to climate change, with almost two-thirds (63 per cent) saying they are concerned about the welfare of dairy cows in the UK, and 78 per cent most preferring to buy milk and dairy products guaranteed to come from cows that have access to pasture/ the outdoors. This reinforces the importance of these areas in the future and strengthens our commitment to sustainability.

That's why it has been so heartening to see 93 per cent of our members sign up to our First4Milk Pledge, guaranteeing cows access to pasture for a minimum of 120 days a year, whilst committing members to antibiotic stewardship and no needless on-farm euthanasia, and I would like to thank all members who have signed up for their commitment to the Pledge,

which gives us a fantastic foundation for the future.

We know that we live in a time of change, something that the COVID-19 pandemic has only accelerated. We face global challenges and a climate emergency. Consumers realise that rapid change is needed and are increasingly turning to companies to be the leading force of change on environmental and ethical issues. But companies can't achieve change on the scale that's required by working alone – the task we face is too big and the supply chains we are part of are too complex. That's why we need to lead in this area, to strengthen our partnerships with customers and work together to deliver commercial success in a new era of conscious consumption and supply chain transparency.

As part of this, we are openly sharing our sustainability journey, and you can see our latest progress in this area in the sustainability section of this report.



More than
60
million litres recruited into membership in the year – more than 250m litres over last three years



£3.2m
in Member Premium paid out in April 2021



76%
of UK adults concerned about climate change

Delivering stability and progress for members

Each year we undertake a member survey to ensure that we understand member perceptions about their co-operative and the wider industry. It is great to see that more than 90 per cent of our members are satisfied with First Milk's performance and the milk price and believe that First Milk provides long-term security for their farming business. But we do not rest, as we know that we need to do more.

The restrictions of the last year have meant that we have been unable to hold our normal member meeting roadshows or farmhouse meetings, but we have adapted to the situation to deliver these virtually, with excellent attendance and engagement from members.

Except for our net pension liability, we continue to strengthen our underlying balance sheet and saw active share trading on the Asset Match trading platform, with nearly 2.9m shares traded in the year. We have also continued to deliver stability in milk price despite the volatile marketplace. We have further evolved our milk payment schedules to reflect member feedback, with all members being paid on a manufacturing contract from April 1, 2021 to ensure that the value of milk constituents is properly rewarded. Over the last year, our member milk price has increased by 1.5ppl including the 0.25ppl increase to the Member Premium, which resulted in a £3.2m payout to members in April 2021.

Our membership also continues to grow, with almost 60m litres of additional milk coming into full membership over the last twelve months, either from strategic recruitment or a transfer from direct supply, as well as year-on-year growth from our core membership.

Looking forward...

Over the last year, we have delivered promising progress in line with our plans and our vision remains clear – we are working together to deliver dairy prosperity.

First Milk is well-placed to deliver this vision, as we explore opportunities that leverage our strengths and add mutual value. Our capital investment programme continues, as outlined above, with significant spend at our Lake District Creamery in the coming twelve months, which will transform operational efficiency and capacity, whilst further improving product quality. Ongoing investment at our Haverfordwest Creamery, as well as at Lake District Biogas, will further enhance operational performance at these sites, future-proofing our operational capabilities.

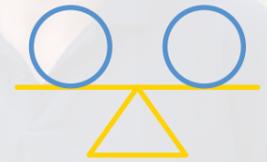
At the end of the year, we also announced significant developments to our First4Milk programme, which see us commit to achieving net zero by 2040 at the latest, as well as the launch of an ambitious regenerative agriculture programme. Our aim is to regenerate the earth every day, to enrich life and nourish future generations. We are confident that through the adoption of regenerative principles, and with the prevalence of grazing in our milk pool, members can be part of the climate solution, rather than part of the problem. Soil carbon capture – sequestration – is something that has been talked about for some time but there is a lack of robust data on the sequestration potential on commercial UK dairy farms. That's why our world-leading project with Agricarbon to accurately measure soil carbon is so important, as it will enable us to prove the positive benefits of regenerative agriculture as we work together to decarbonise dairy.



Team walked, ran and cycled a combined
6,628
miles to raise funds for the Mental Health Foundation



£30m
invested since 2018



Delivered stability in milk prices, in a volatile market



93%
of members signed up to First4Milk Pledge



Mental Health First Aiders trained across the business



Lake District Biogas acquired, supplying biogas to the National Grid



Head Office functions now permanently working remotely

But as well as being the right thing to do, taking our environmental responsibilities seriously is also a commercial imperative. Consumer attitudes are changing, and dairy is in the spotlight around concerns over environmental footprint and animal welfare. As such, we must adapt to enable consumers to continue to enjoy the great taste and nutrition of dairy, without any associated climate or animal welfare concerns.

We are not out of the woods with the COVID-19 pandemic either, despite the promising progress with the vaccination programme across the UK, so we must remain vigilant, protecting our colleagues and members and maintaining business continuity to ensure that we deliver our ambitious plans for the future.

As already stated, we would not have made the progress we have to date without the continued commitment and hard work of all First Milk colleagues, who have continued to deliver for our members and I would like to extend my grateful thanks to them all.

I'd like to end by thanking my Board colleagues, our Member Council representatives, Executive team and,

most of all, our members, for all their support and I look forward to continuing to work together to deliver dairy prosperity.

Sustainability report

“This is a time for action and, as a co-operative business, we are committed to working together with industry partners, leading by example and championing regenerative agriculture to transform the environmental position of dairy, by treating climate change as the emergency that it undoubtedly is. Together, we’ll regenerate the earth every day to enrich life and nourish future generations.”
 Mark Brooking, Sustainability Director.

The COVID-19 pandemic has dominated the last twelve months but, if anything, it has brought the future forward in terms of society’s focus on sustainability, particularly around the environment and climate change.

We have continued to make good progress on our existing First4Milk sustainability commitments, as outlined in this report. In particular, our First4Milk Pledge, which was launched at the end of our previous financial year, has progressed well, with 93 per cent of our members voluntarily signing the Pledge and committing to providing their cows with 120 days access to pasture each year for a minimum of 6 hours a day during the grazing season, as well as committing to sharing health and welfare data, further improving antibiotic stewardship, and guaranteeing that no healthy animal will ever be needlessly euthanised on farm.

But whilst we have made good progress on our sustainability initiatives to date, we believe we need to go further, faster. Dairy farming and food manufacturing are seen as carbon-intensive activities, and we know that this is coming under increasing scrutiny. As a result, at the end of the year, we announced ambitious new commitments, with a pledge to deliver net zero by 2040 at the latest.

These bold plans saw us set out our ambition to be a leader in dairy sustainability, driving the decarbonisation of our dairy supply chain from our members’ farms through our logistics operations and processing.

These recent changes include:

- A commitment to net zero carbon emissions by 2040 at the latest, with a target to reduce carbon footprint at farm level by 50% by 2030 and achieve net zero in milk transport and processing by 2035.
- A target to sequester 100,000 tonnes of CO₂ per annum on members’ farms by 2025.
- A target to increase milk from forage by 10 per cent by 2025 to reduce members’ reliance on imported feeds.
- The aim for all transport and processing activity to be using renewable fuel sources by 2030.
- The intention to reduce antibiotic use by a further 10 per cent by 2025.



Target to reduce farm carbon footprints by

50%
by 2035



Target to sequester

100,000t
of carbon in soil each year by 2025



Committed to Net Zero by

2040
at the latest

CASE STUDY



Recognised as a leader in climate ambition...

Back in June we were delighted when our Chief Executive, Shelagh Hancock, and our Sustainability Director, Mark Brooking, were invited to No. 10 Downing Street to meet the Prime Minister and support the launch of the Government’s ‘Together for Our Planet’ campaign. This is intended to encourage UK businesses to commit to net zero targets. The event provided the perfect opportunity to showcase our leadership in this area and explain to Boris Johnson and Andrew Griffith, UK Net Zero Business Champion, the role that our dairy farmer owners are taking in being part of the solution to the climate emergency.

These new commitments will see us build on our existing activity at our processing sites, which has seen us successfully drive down carbon emissions in recent years. Our major new focus will be on working with our members on the adoption of regenerative agricultural practices to enhance and quantify soil carbon sequestration.

This project has already started, with pioneering activity with our partner, Agricarbon, supported by Nestlé, to establish a comprehensive and scientifically-robust carbon baseline for First Milk farms. This initiative – the first of its kind in the world – uses state-of-the-art machinery designed for NASA to use on Mars to carry out intensive soil carbon analysis at a fraction of the usual cost. The project sees high intensity, field-by-field soil carbon stock quantified across 40

farms initially, with the intention to extend this to 100 farms by the end of 2022. We see this as critical to the successful delivery of our commitment to sequester 100,000t of CO2 per annum by 2025.

To help inform the regenerative practices that our farmer members implement on their own farms, we'll be holding a series of regenerative agriculture workshops across the country during 2021, with support from the Farm Carbon Toolkit.

In this report, we've outlined our progress on our broad sustainability commitments as an update on last year's report. We have changed the way we are reporting carbon emissions so that moving forward we will transparently report our absolute emissions, expanded across Scope 1, 2 and where possible Scope 3, with



explanatory notes. This will ensure full disclosure of our baseline emissions and total transparency about our progress towards net zero over the coming years. We have also signed up to the SME Climate Hub, which is recognised by the UK Government's Together for our Planet initiative, which provides an independent commitment to transparency in this area.



Our initiatives around people have had to be delivered in a way that remained COVID-safe over the last twelve months, but whilst the implementation has been different, we continue to make good progress against our commitments.

Our Next Generation programme has continued to expand. In 2019, around 120 young people were taking part. Our Area Managers used the 2020 Farm Business Reviews as an opportunity to encourage further young people on our members' farms to get involved and we are pleased to report that we now have more than 200 members registered in the programme. Our target for 2025 is to have 20% of member businesses involved in some way by that point, and we are ahead of that target already.

26 Next Generation participants are also part of the Nestlé supply group, and they submitted 42 vlogs about activity on their farms, which were shared throughout the First Milk and Nestlé businesses helping to drive awareness. They also engaged in 311 online chats through a WhatsApp chat group, with 22 attendees attending virtual First Milk meetings. During a year where circumstances have made it harder for young people to engage with others their own age across rural communities, this has been valuable.

In addition to our Next Generation programme, we have also launched a Women in Agriculture initiative. This has seen the development of five groups across the country over the last year. The groups involve 72 participants from 65 farms. Throughout 2020 they have taken part in 1,166 online chats, 51 vlogs and blogs and shared 103

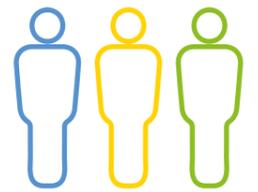
photos/videos of their farms and families. Many have commented how much they have enjoyed engaging with other women who are integral to the running of dairy farms from around the country.

When it comes to our colleagues, we have accelerated our people agenda in the last year, expanding our Human Resources team. We have also worked on developing our culture, agreeing the behaviours that are expected to deliver that culture and launching these across the business. We have strengthened our focus on Learning and Development, and, although hampered by the restrictions arising from COVID-19, we delivered some dairy development training at our Haverfordwest Creamery, and Tamaki training at Lake District Creamery. We also have an individual at Haverfordwest who is now in year 2 of their Food and Drink Apprenticeship.

During the year we also implemented a 'lunch and learn' programme, providing an informal approach to learning about key topics for colleagues across the business.

Recognising the additional pressures that the last year has brought, we continued to celebrate success across the business with our Gold Star Award programme for colleagues.

To ensure colleagues could access additional support, we also launched an Employee Assistance Programme in partnership with BUPA to provide free, confidential support and counselling to employees and their families. We also agreed a 3-year partnership with Mates in Mind to raise awareness of mental health across the business, whilst promoting mental wellbeing. What's more, thirteen of our colleagues are now accredited Mental Health First



More than
200
participants in
Next Generation
Programme



More than
70
participants in new
Women in Agriculture
groups



Strengthened focus on
learning and development
for our people

“Our Next Generation programme has continued to expand, and we now have more than 200 members taking part.”

Aiders, and our Head Office functions have all completed mental health awareness training. We have also conducted two colleague wellbeing surveys during the year.

Clearly, a major part of our people agenda is the health and safety of our colleagues. During the year, we improved on our already good performance, reducing accidents at our sites by a further 33 per cent, whilst delivering a 9 per cent increase in cheese volume produced. The COVID-19 pandemic added considerable pressure on health and safety at work, particularly with additional contractors on site as a result of our capital works, yet this has

been managed well, with very low infection and absence rates across the business.

One of our People commitments is about being a good neighbour and raising funds for charity. Because of the importance of good Mental Health, our charity of the year was the Mental Health Foundation, and we launched a specific initiative to raise funds for this worthwhile cause. With large group activities curtailed due to COVID-19 we undertook the First Milk Distance Challenge, which saw around 100 individuals come together virtually over a two-week period to run, walk, cycle and swim an amazing 6,628 miles – the equivalent distance from First Milk’s

Glasgow office to the top of Mount Everest, via the Lake District and Haverfordwest Creameries. This was completed in just 11 days – three days ahead of schedule, with six of the team clocking up more than 200 miles each in that period. In addition, thirteen teams of five from Haverfordwest undertook a challenge to travel the distance from Haverfordwest to Glasgow – some 420 miles - in the quickest time, with two teams smashing it and completing it within two weeks. Overall, we raised more than £5,000 for the Mental Health Foundation in the year and have nominated them as our charity of the year for FY22 as well in recognition of the importance of mental health during the pandemic.

CASE STUDY



UK consumers motivated by environmental factors

First Milk commissioned a YouGov consumer omnibus survey in March 2021 that showed that three-quarters (76%) of consumers are concerned about climate change, with almost one-third (29%) taking environmental factors into account when choosing food. What’s more, more than three-quarters of UK adults would most prefer to buy milk and dairy products that are guaranteed to come from cows that have access to pasture/the outdoors (78%) and almost two-thirds (63%) say they are concerned about the welfare of dairy cows in the UK. This reinforces the relevance of our First4Milk Pledge and net zero 2040 commitments and means that First Milk is well placed for the future.



Animal health and welfare

Animal welfare remains an important consideration, with research commissioned by First Milk through YouGov in March 2021 showing that almost two-thirds of UK adults are concerned about the welfare of dairy cows in the UK, and 78 per cent saying that they would most prefer to buy milk and dairy products guaranteed to come from cows that have access to pasture and the outdoors.

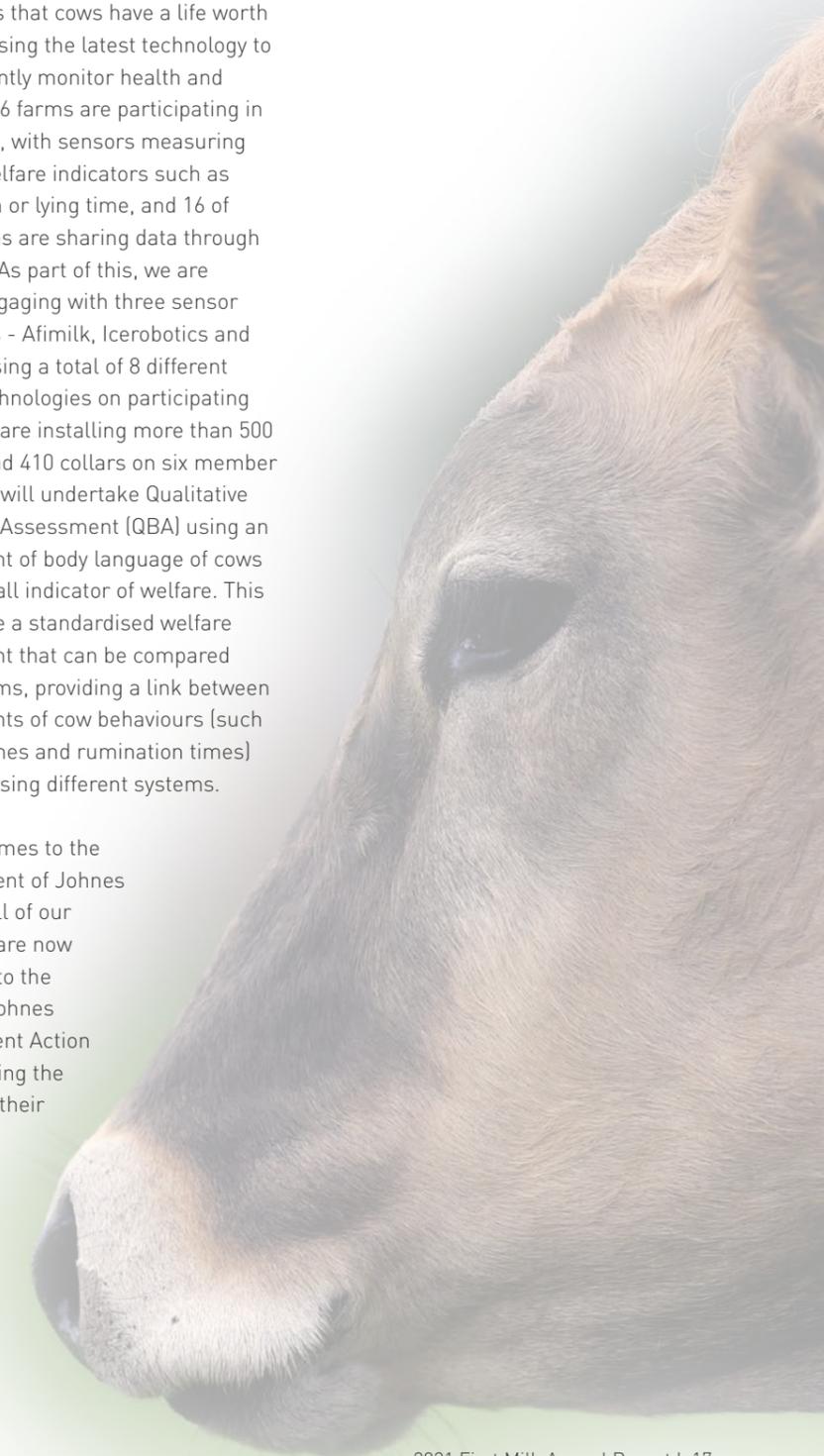
With that in mind, the fact that 93 per cent of First Milk members have signed up to our First4Milk Pledge demonstrates our collective commitment to delivering high welfare dairy products. We believe that this number will continue to grow, as the benefits to First Milk are realised by more of our members.

One of our commitments in this area is around the development of an automated health and welfare index. Our First4Milk app continues to be popular, with 438 members using the app and almost 600 accessing the information via our website. As well as accessing useful health and welfare and production data using this service, members are able to upload photographs and documents to demonstrate compliance with the First4Milk Pledge, with almost 1,000 uploads in the period.

In addition to the app, we are a project partner in a government-funded Innovate UK project along with Nestle, McQueens, SRUC and University of

Strathclyde. This 18-month feasibility study looks to identify the best sensor technologies to deliver a verifiable automated health and welfare index on farm. The project mission statement is “Demonstrating to dairy customers and consumers that cows have a life worth living, by using the latest technology to independently monitor health and welfare.” 26 farms are participating in the project, with sensors measuring positive welfare indicators such as rumination or lying time, and 16 of these farms are sharing data through the cloud. As part of this, we are actively engaging with three sensor companies - Afimilk, Icerobotics and Allflex – using a total of 8 different sensor technologies on participating farms. We are installing more than 500 leg tags and 410 collars on six member farms and will undertake Qualitative Behaviour Assessment (QBA) using an assessment of body language of cows as an overall indicator of welfare. This will provide a standardised welfare assessment that can be compared across farms, providing a link between assessments of cow behaviours (such as lying times and rumination times) recorded using different systems.

When it comes to the management of Johnes Disease, all of our members are now signed up to the National Johnes Management Action plan, tackling the disease in their herds with guidance from their vets.



Farm Business Reviews

The team were unable to visit our members' farms for much of the period due to COVID-19 restrictions on travel. During last summer and autumn, however, when travel was allowed, the team completed 444 reviews, equating to 63 per cent of member farms. During this period, we prioritised those farms who had not been visited recently, or any farms where issues needed to be resolved. The data collected from these FBRs has continued to inform business

policy decisions and enable us to promote our members' business.

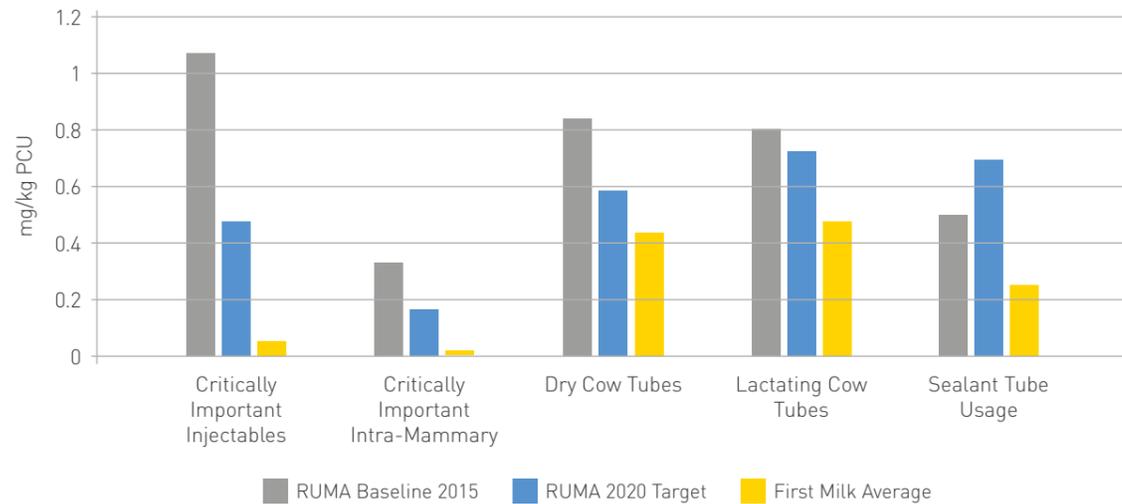
Antibiotic stewardship

We are committed to ensuring that antibiotics are used responsibly on members' farms. We launched our Antibiotic Stewardship programme in December 2019, and this was a significant development in our ability to monitor and report on antibiotic use within First Milk herds. The scheme is supported with funding from both

Morrisons and Nestlé, with the scheme being operated on our behalf by Kingshay. It works by collating data of medicine purchase records via veterinary practices serving our members.

To the end of March 2021, 83 per cent of First Milk members have participated in the programme and a summary of the analysed data is shown below:

Breakdown of Categories



As this shows, First Milk's average antimicrobial use is well below RUMA 2020 targets, with particularly low use of critically important antimicrobials.



Average antibiotic use on First Milk farms is

26%

less than the RUMA2020 target



As already mentioned, we take our responsibilities for protecting and enhancing the environment very seriously and have extended our commitments in this area during the period.

Minimising CO2e emissions

As part of our new commitment to achieve absolute net zero carbon equivalent emissions by 2040 at the latest, we have committed to reporting this data annually. In line with SECR

requirements, we are reporting data across the following areas:

- **Scope 1** – direct emissions from owned or controlled sources
- **Scope 2** – indirect emissions from the generation of purchased energy
- **Scope 3** – indirect emissions not included in Scope 2 that occur in the value chain.

As part of our commitment to transparency, we have signed up to the SME Climate Hub, and will be disclosing our progress towards our net zero 2040 target.

First Milk Emissions Summary FY21

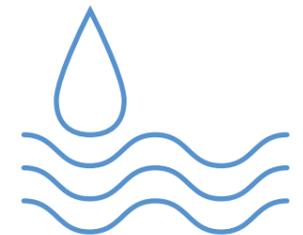
Emissions Sources	FY 21	%
Scope 1 Tonnes CO2e		
Natural Gas	16,257	1.8%
Refrigerant Gases	700	0.1%
Company Cars	24	0.0%
Scope 2 Tonnes CO2e		
Electricity	2,316	0.3%
Scope 3 Tonnes CO2e		
*On-farm emissions	863,158	95.8%
Road Freight (milk)	8,627	1.0%
Electricity T&D and Gas WTT Losses	2,503	0.3%
Road Freight (out-bound products)	1,944	0.2%
Process Chemicals	1,746	0.2%
Packaging	977	0.1%
Haverfordwest ETP	888	0.1%
Leased Assets - Cheese Storage	608	0.1%
Ingredients	403	0.0%
Road Freight (in-bound materials)	246	0.0%
Mains Water	150	0.0%
Employee Commuting	69	0.0%
Waste Disposal	10	0.0%
Total CO2e Emissions	900,624	100%

*Based on the analysis of 75 farms which represent 13% of all milk by weight.

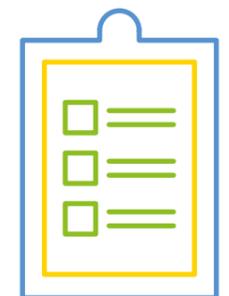


Aim for all transport and processing to be using renewable fuel by

2030



Improving water quality through unique nutrient offset partnerships with farmers



Committed to transparent annual disclosure of carbon emissions

It has not been possible to include all Scope 3 emissions due to the availability of credible data, in particular in relation to cheese ingredients such as annatto, rennet and starter cultures. In addition, the emissions related to major capital projects in the period were not available. It is worth noting that the carbon impact from Lake District Biogas has been excluded this year as it was acquired during FY21 and we are not yet in a position to report verifiable data. However emissions data for LDB will be reported in future years.

In terms of an overall summary, our CO2e emissions were made up as follows:

Emissions Sources	FY 21 (Tonnes)	%
Scope 1	16,980	1.9%
Scope 2	2,316	0.3%
Scope 3 (on-farm)	863,158	95.8%
Scope 3 (non-farm)	18,170	2.0%
Total CO2e Emissions	900,624	100.0%

Overall, in FY21 our carbon intensity ratio was 0.03093 kg CO2e per kg of milk. We intend to seek external assurance of carbon emissions in future years.

As can be seen in the data above, the majority of our carbon emissions fall into Scope 3 and come from on-farm emissions. As outlined in the introduction to the sustainability report, we have recently launched our plan to encourage every member to submit a regenerative farming action plan to us during 2021. At our online member meetings and follow-up farmhouse discussion groups we have been very encouraged by the level of member engagement. We know that healthy soils are the foundation to healthy life, and we are working with a number of partners to ensure our members have access to first class information and advice in this area.

As part of this, we have launched a project with Agricarbon to accurately determine soil carbon levels on First Milk farms. So far, this has focused on completing extensive soil sampling on 10 member farms. All stratification work and mapping is now complete, and sampling is also complete on 7 out of 10 farms. A roll out to a further 30 farms has been commissioned and will be carried out during 2021.

Whilst this will be a major focus area moving forward, we are, of course, also actively exploring and implementing ways to reduce emissions across our business operations, including at our processing sites and in our transport operations, as we race to zero emissions.



World-leading soil carbon project established with Agricarbon



10km
of new hedges planted



Farm roadshows planned to help support adoption of regenerative agriculture principles



95.8%
of carbon emissions are on-farm



CASE STUDY

A world first!

In March 2021 we launched a pioneering soil carbon capture project – the first of its kind in the world – with Nestlé and Agricarbon. The project, which establishes a comprehensive and scientifically robust soil carbon baseline for First Milk farms, is using state-of-the-art machinery designed originally for NASA to use on its Mars mission to carry out intensive soil carbon analysis at a fraction of the usual cost. The approach allows soil carbon sequestration to be quantified over time to support the net zero ambitions of First Milk farmers and customers. As part of our First4Milk net zero commitments, we've committed to sequestering an additional 100,000t of carbon each year by 2025 through the adoption of regenerative action plans and having robust, scientifically validated soil carbon data is absolutely critical to this.

Regenerating the earth every day to enrich lives and nourish future generations



Livestock integration



Minimise soil disturbance



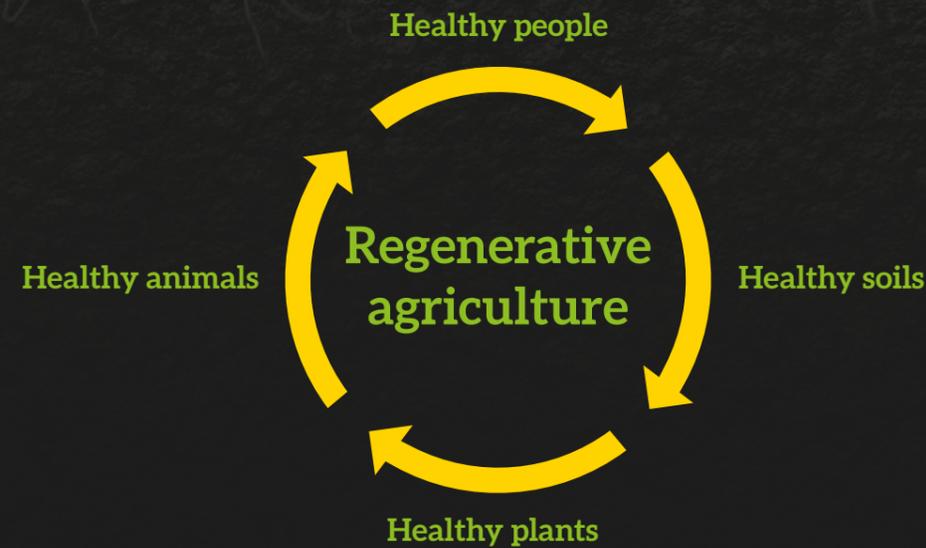
Protect soil surface



Encourage plant diversity



Maintain living roots



Reducing energy and water use and reducing waste to landfill

We have previously committed to targeting an annual 3% relative reduction in energy and water use at our processing sites, which combines into a 65% relative reduction in CO2e, a 40% relative reduction in energy and a 30% relative reduction in water use by 2025 against 2008 baseline. Our CO2e target has now been overtaken by our commitment to net zero by 2040, but we will continue reporting progress against our initial target until 2025.

A good energy performance in FY21 was assisted by increased utilisation of the sites and the result of key investments that have increased energy efficiency, including heat recovery equipment at Lake District Creamery, which has increased the energy efficiency of pasteurisation. During the year, we have also installed a new Rapid Chill Store at Lake District Creamery, although this was commissioned later in the year so has not shown an impact on energy use in this financial year. In addition, the start of the use of carbon desktop software at Lake District Creamery has helped highlight and harness energy monitoring and reduction targeting.

When it comes to CO2e emissions, it should be noted that the figures below include Scope 1 and 2 emissions from the production sites at Haverfordwest and Lake District Creameries but excludes associated company cars and refrigerant losses. All CO2e conversion figures for electricity and gas have been backdated to 2008 to fully align with GOV.uk guidelines, whereas previously one constant conversion figure had been used. This does not change the energy use data from previous years but does alter the CO2e calculated number for each year, which ensures accuracy and consistency in our reporting.

Our food waste plan is on track although we lost some traction in the year, which will be addressed moving forward through an increased focus in this area.

Our water use reduced during the year but is still behind 2008 baseline figure, as 2008 was a particularly efficient year in this respect. Water recovery (water extracted from milk) has increased significantly in the last year – up at 40% recovery at Haverfordwest and 18% and Lake District Creamery, but process changes since 2008, including the introduction of duplex pasteurisation, changes to whey processing and the installation of larger equipment does put pressure on overall water consumption. Given these changes, further work is required to see if we can achieve our original targets, or whether the targets need to be revised.

Waste to landfill has been significantly reduced during FY21, with Haverfordwest achieving zero food waste to landfill and overall rates of only 0.03%.



Zero food waste to landfill achieved at Haverfordwest in FY21

FY21 Results*		FY20 Performance		FY20 v 2008 Base Year Comparison		
Metric	Unit	Target Reduction Year on Year	Actual Reduction	Target 2025	Actual E/O FY21	Comment
Energy Efficiency	kWhr per kg milk	3%	-2%	40%	31%	On track but work to do
CO2e	kgCO2e per kg Milk	3%	4%	65%	64%	On track
Food waste	kg COD per kg Milk	3%	1%	40%	36%	On track
Water Use	m³ per kg Milk	3%	1%	30%	-12%	See above
Waste to Landfill	% of cheese production	-	-	0	0.03%	See above

*The above figures include all of Haverfordwest and Lake District Creamery production

Protecting watercourses

Our long-established nutrient offset programme around our Haverfordwest Creamery continues to deliver improvements in water quality in the local area. 33 farms continue to take part in this initiative and as a group they have achieved much greater potential savings in nutrient losses than the Creamery has actually discharged.

The tables below show the nitrates, phosphates and sediment discharged by the Creamery, as well as outlining the potential savings achieved on farm during 2020.



New nutrient offset programme launched at Lake District Creamery



2650

trees planted by farmers in the Nestlé supply group

Discharge volume for period 1st December 2019 to 30th November 2020 (m³)	Ammonium-N Discharge for period 1st December 2019 to 30th November 2020 (kg)	Phosphate Discharge for period 1st December 2019 to 30th November 2020 (kg)	Total Suspended Solids Discharge for period 1st December 2019 to 30th November 2020 (kg)
486,566	48	343	1299

Farmscoper output for Farm group (33 farms)	Nitrate-N	Phosphorus	Solids
Potential farm reduction (kg)	30,241	1,245	152,644

Based on the ongoing success of this programme, we have recently launched a similar scheme with members around the Lake District Creamery. So far, 17 members have agreed to take part and their initial nutrient audits are ongoing, with 15 already completed.

Enhancing the natural habitat

First Milk members in our Nestlé supply groups continue to undertake habitat improvement activity, as part of our contribution to the delivery of the Nestlé UK Milk Plan. During 2020 this included new interventions that delivered:

- 10,521 metres of new hedge planting achieved.
- 805 metres of hedge laying.
- 947 metres of stone wall restoration
- 8,419 metres of protecting vulnerable watercourses
- 7,385 metres of protecting replanted hedgerows
- 1,350 metres of fencing farm woodland
- 1.6ha of new woodland planting (approx. 2560 trees)

Recognising success

Unfortunately, during 2020 it has not been possible to complete our Responsible Farming Awards, as judges were unable to visit the farms due to COVID-19 travel restrictions. All members on the shortlist for 2020 will be re-entered for the 2021 awards.

How our First4Milk sustainability activity matches the UN Sustainable Development Goals

Whilst some of the UN Sustainable Development goals are not directly relevant to our business activity, our First4Milk programme closely maps to the following goals:

- 2 Zero Hunger** – by promoting sustainable agriculture through our First4Milk programme we are securing future food supply to meet the growing global demand arising from growing population numbers.


- 3 Good Health and Wellbeing** – we are supporting mental health at work and in the community through our fundraising activity for the Mental Health Foundation and our partnership with Mates in Mind.

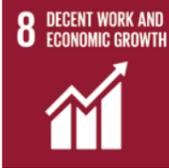

- 4 Quality Education** – by offering apprenticeships and personal development opportunities for colleagues, we are promoting lifelong learning and supporting the development of meaningful and rewarding careers. Our Next Generation programme is also supporting the development of young farmers, helping them become more resilient.


- 5 Gender equality** – our Women in Agriculture group is supporting and encouraging women to get more involved in dairy farming businesses and in the governance of our co-operative. We also monitor gender pay to ensure we act to drive equality among colleagues.



- 6 Clean water and sanitation** – our unique nutrient offset programmes at Haverfordwest and at our Lake District Creamery are helping protect the natural water supplies of Pembrokeshire and Cumbria.


- 8 Decent work and economic growth** – our investment of more than £30m over the last three years, as well as our commitment to securing a better future for our colleagues and our farmer members ensures that we'll deliver long-term prosperity and employment in rural areas.


- 9 Industry, innovation and infrastructure** – we are investing to ensure that our food manufacturing facilities are resilient, energy and water efficient and meet the highest production standards.


- 12 Responsible consumption and production** – we are working hard to reduce the environmental impact of dairy farming and milk processing, reducing the carbon footprint, energy and water use, eliminating food waste and reducing plastic use.



- 13 Climate action** – our First4Milk commitments see us make a bold commitment to achieving net zero by 2040 at the latest, with significant reductions in emissions from farm and processing activity before that.


- 15 Life on land** – our commitment to rolling out regenerative agricultural action plans with all our members will ensure we protect and enhance the natural habitats in which we operate, promoting biodiversity.


- 17 Partnerships for the goals** – we know that we can't make real progress on sustainability by working alone. That's why we are partnering with our farmer members, our suppliers and customers, and other industry contacts to drive our sustainability agenda further, faster.

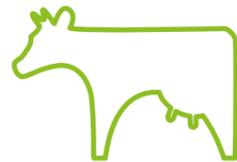


First Milk farmers



53

years old on average



156

cows in the herd



65%

have a successor in place



94%

graze for 5 months of the year or more



60%

plan to be milking more cows in 3 years time



More than

60

million litres recruited into membership in the year - more than 250m litres over last three years



CFO's statement

GREG JARDINE

In the year ended 31 March 2021 we continued to deliver stability in milk price while delivering strongly across the key financial metrics, growing turnover and operating profits, increasing our capital investment and maintaining bank borrowings at the same level as last year.

Financial highlights

	2021	2020
Group turnover	£299.5m	£282.8m
Operating profit (before exceptional items)	£8.1m	£7.5m
Net profit for the year	£5.6m	£4.5m
Net bank borrowings	£33.0m	£33.1m
Capital investment across all our sites	£7.8m	£5.3m
Total group capital and reserves	£38.1m	£39.8m



3 year

capital expenditure delivers capacity increase of 20%



£7.8m

capital investment in the year



Turnover up 6% to almost

£300m

Turnover

Despite a global pandemic, sales for 2020-2021 increased by 6% to £300m through volume growth in all areas of the business. Sales of cheddar in the UK to our largest customer Ornuu Foods, who supply the retail sector, benefited as a direct result of the COVID-19 pandemic and consumption moving into the home. We also continued to grow our export cheese volumes during a year where we saw uncertainty related to a trade agreement with the EU and additional administrative requirements after an agreement was in place. We saw some smaller fresh milk customers exposed to the foodservice sector reduce their volumes during the year, however, we saw our overall volume to fresh milk

customers grow. Nestlé's chocolate and beverage products benefited from in-home demand while a surge in demand for doorstep deliveries benefited McQueen's Dairy.

Profitability

Our operating profit of £8.1m was consistent at 2.7% of turnover. Our strategic objective is to invest in our business for the future and deliver above market total returns to our farmer members, primarily through milk price. At the end of March 2021 our 12 month rolling averages Milk Price Index (MPI) which tracks our milk price against competitors stood at 103.5%. At the start of the year we acquired Lake District Biogas for a nominal sum. The business had been



in administration and loss making. While it has continued to be loss making since we acquired it, the acquisition was key to ensure operational stability at the Lake District Creamery site, as it manages our effluent and utilises whey by-products from the creamery as the raw material for biogas production. Further capital investment is planned for 2021-2022 to bring stability and improve financial performance. Sales volume growth, detailed above, along with strong operational efficiencies and a solid business performance ensured we continued to deliver our operating profit and provide stability in milk price. The improvement in net profit relative to operating profit year on year is due to higher exceptional costs, related to the closure of the Scottish creameries, in the prior year.

Exceptional Items

In the year to 31 March 2021 we incurred, and have separately disclosed, three items considered to be non-recurring and exceptional in nature. The net charge (pre-tax) of these items was £65k.

The Board is of the opinion that the nature and materiality of these items makes it appropriate to classify these as 'exceptional' and this provides a more useful presentation of the underlying performance. This presentation is consistent with the way that financial performance is measured and reported to the Executive Team and to the Board and assists in providing a meaningful analysis of our operating profits.

Sale of Campbeltown and Arran Creameries (£0.6m credit, net of legal fees)

During the year we disposed of the sites of the former creameries at Campbeltown and Arran, both sites had been written down in a previous financial year.

Lake District Biogas Goodwill write-off (£0.3m charge)

The acquisition of the net liabilities of £0.3m in Lake District Biogas for a nominal sum created goodwill, however, as the business was loss making in the financial year we have made the decision to write this goodwill off in the financial year instead of carrying it on the balance sheet.

Guaranteed Minimum Pension benefits (£0.2m charge)

£0.2m charge relating to past service costs in respect of the equalisation of guaranteed minimum pension ("GMP") benefits. On 20 November 2020 there was a further High Court ruling which has provided clarification on the obligations of pension plan trustees to equalise past transfer values.

Member Investment

Members contributed £0.5m to the business in the year to 31 March 2021 through the retention of 0.5 pence per litre until they reach their capital targets. The Asset Match share trading platform provides members with an alternative to the 0.5ppl retention and the opportunity to buy shares to reach their targets and throughout the year we continued to witness active share trading on the platform. In the year to March 2021, £0.3m of New Preference shares held by former members were cancelled as they were not sold within the three-year period following termination of membership. At the end of the year Member Capital stood at £76.7m compared to £76.5m the previous year.

Capital investment

During the year, we increased our capital expenditure across the business with £7.8m invested (2020: £5.3m). At Haverfordwest we completed the combined heat and power plant turning gas into electricity used on site.



At Lake District Creamery we installed a new energy efficient rapid chill store and palletiser and in the last quarter work commenced to milk processing improvements and replacement of cheese blockformers.

Our capital investment programme continues in 2021-22, where £14.4m will be invested at Lake District Creamery, Haverfordwest and Lake District Biogas increasing production capacity, delivering operational stability, improving efficiencies and our environmental footprint.

Interest

On 6 April 2020 we renewed our long-term debt arrangement with Wells Fargo, extending the facility through to 31 July 2024 and increasing the maximum facility available from £62 million to £74 million. The amount available is dependent on the value of stock and debtors and is based on a percentage draw-down specified in the facility agreement, and a term loan on our fixed assets.

Net finance charges totalled £2.0m, with £1.6m paid to the Wells Fargo debt facility and £0.4m related to finance costs associated with the pension deficit.

The constituent elements of the interest charged to the profit and loss account comprised:

	2021 Group	2020 Group
Bank loans, overdrafts and revolving facilities	£1.2m	£1.4m
Bank arrangement fees	£0.4m	£0.3m
Pension scheme net finance costs	£0.4m	£0.6m
Total Finance Costs	£2.0m	£2.3m

Balance sheet, cash flow and net debt

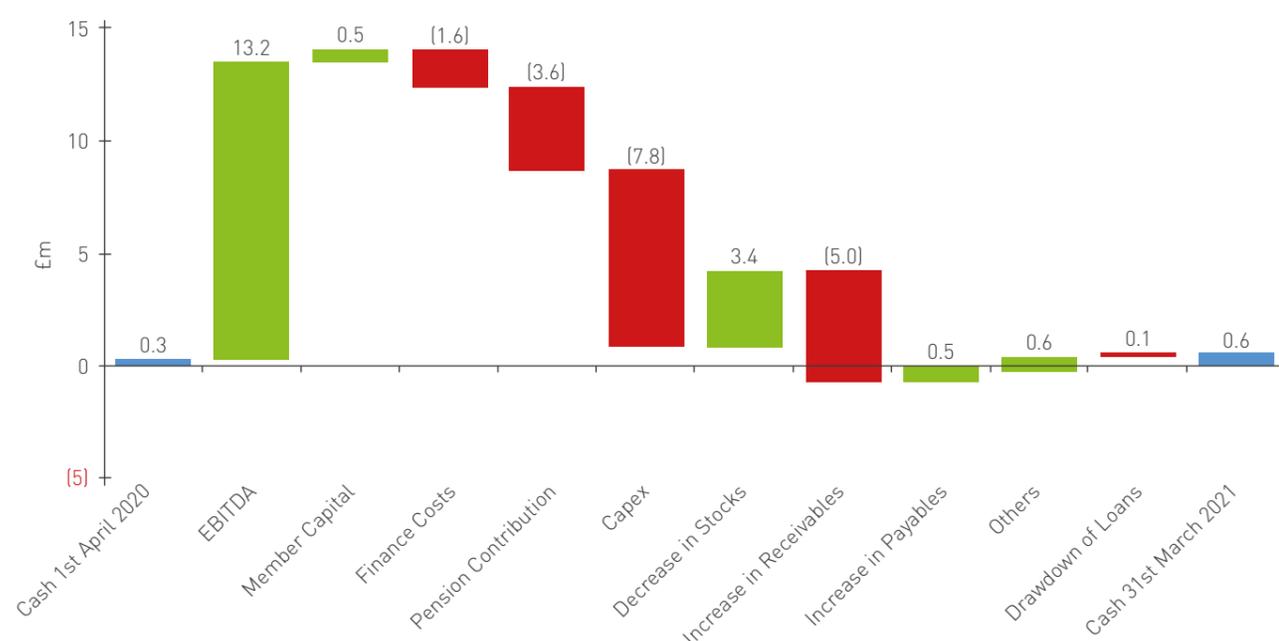
As a result of a £5.4m net increase in our pension liabilities (see below) our Group's balance sheet weakened slightly, with net assets falling by £1.8m to £38.1m. Excluding the change in pension liability we saw net assets increase by £3.6m through capital expenditure being ahead of depreciation and the continued profitable growth of the business.

The cash earnings (EBITDA) within our operating profit of £13.2m, together with £0.5m from member capital proceeds, generated enough cash to allow us to service our various commitments. EBITDA in the graph overleaf is defined as operating profit of £8.1m adding back non-cash depreciation of £4.8m charged to the profit and loss plus non-cash exceptional costs relating to the write off of LDB Goodwill and GMP pension equalisation costs and cash income relating to the sale of the Scottish creameries.

Cash was then required to make payments towards the pension deficit reduction agreements (£3.6m), invest at our creameries (£7.8m) and pay bank interest (£1.6m). The net inflow before working capital requirements was £0.6m.

Working capital consumed £1.1m during the year, £4.5m consumed

Cash flow for year ended 31 March 2021



by receivables and payables was partially offset by £3.4m released due to lower stock levels with the remaining Scottish stocks sold out throughout the year. We only carry the necessary stock levels to fulfil committed future sales needs.

Our member premium was increased to 0.5ppl (from 0.25ppl) for all litres consigned in the year to 31 March 2021 for fully paid-up members and was paid out post year-end, on 20th April 2021, the average payment per member was just over £4,800.

Other income of £0.6m relates to the sale proceeds from the Scottish creameries.

Net Debt was maintained at the same level as last year at £33.0m.

Pensions

The Group operates a defined contribution scheme, a Stakeholder Group Pension Plan with Standard Life. All employees have access to the stakeholder plan under which the company contributions are charged to the Profit and Loss Account as they fall due each year. Contributions to the defined contribution scheme charged to the profit and loss account in the year ended 31 March 2021 were £0.5m (2020: £0.5m).

In addition, First Milk Limited operates the Scottish Milk Limited Retirement Benefits Plan, and also participates in The Milk Pension Fund, an industry scheme in which all participating employers report only their share of assets, liabilities and obligations while legally holding joint and several liabilities for the scheme as a whole. Both schemes are closed to accrual of benefits.

In the year to 31 March 2021, total contributions of £2.4m, including contingent contributions relating to 2020 performance were paid to the Scottish Milk Limited Retirement Benefits Plan, while contributions of £1.3m were paid to the Milk Pension Fund.

During the year our total pension liabilities (net of deferred tax assets) increased from £1.5m to £6.9m. This was due primarily to the reversal of the benefit we experienced last year where a temporary increase in credit spreads, caused by market uncertainty stemming from the COVID-19 pandemic, resulted in the net deficit in the Scottish Scheme and the net surplus in the Milk Fund at 31 March 2020 being somewhat better than expected. The actuarial losses recognised in the year were £9.7m.

Profit and loss account

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	Group	Group
	£'000	£'000
Turnover - continuing operations	299,468	282,803
Less: share of joint ventures' turnover		(1,957)
Total turnover	299,468	280,846
Cost of sales	(283,167)	(264,186)
Gross profit	16,301	16,660
Administrative expenses		
- Recurring	(8,219)	(9,176)
- Exceptional items	65	(643)
	(8,154)	(9,819)
Operating profit - continuing operations	8,147	6,841
Share of operating profit in joint ventures - continuing operations	-	458
Profit before interest	8,147	7,299
Finance income	54	31
Finance costs	(2,003)	(2,316)
Profit before taxation	6,198	5,014
Tax on profit	(600)	(518)
Profit / (loss) for the financial year	5,598	4,496

Balance sheet

AS AT 31 MARCH 2021

	2021	2020
	Group	Group
	£'000	£'000
Fixed Assets		
Property, plant and equipment	37,371	32,432
Total fixed assets	37,371	32,432
Current assets		
Inventories	46,835	50,230
Trade and other receivables	32,590	24,936
Cash and cash equivalents	570	290
	79,995	75,456
Trade and other payables amounts falling due within one year	(38,671)	(66,078)
Net current assets	41,324	9,378
Total assets less current liabilities	78,695	41,810
Trade and other payables amounts falling due after more than one year	(32,118)	(142)
Total net assets employed excluding pension liability	46,577	41,668
Pension liability	(8,513)	(1,833)
Net assets	38,064	39,835
Capital and reserves		
Called up share capital	76,699	76,483
Profit and loss reserve	(38,635)	(36,648)
Total capital and reserves	38,064	39,835

Statement of cash flow for the year

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	Group	Group
	£'000	£'000
Net cash inflow / (outflow) from operating activities	8,446	15,051
Taxation paid	-	(329)
Net cash generated from / (used in) operating activities	8,446	14,722
Cash flow from investing activities		
Finance income	54	31
Purchase of property, plant and equipment	(7,813)	(5,264)
Proceeds from sales of Creameries	655	-
Acquisition of FFW Fast Forward Ltd net of cash	-	(815)
Acquisition of Lake District Biogas Ltd net of cash	153	-
Repayment of grant	(194)	-
Net cash used in investing activities	(7,145)	(6,048)
Cash from financing activities		
Finance costs	(1,685)	(1,396)
Net proceeds from members	521	721
Increase / (repayment) of loans	143	(8,485)
Net cash (used in) / generated from financing activities	(1,021)	(9,160)
Net increase / (decrease) in cash and cash equivalents	280	(486)
Cash and cash equivalents at the beginning of the year	290	776
Cash and cash equivalents at the end of the year	570	290

The Board

AS AT 31 MARCH 2021



1 Robert Craig FARMER DIRECTOR

Robert is a partner in three dairy farms. He is past county chairman of Cumbria NFU and a Nuffield scholar. In 2012, he became chairman of Penrith & the Border Conservative Association and in 2013 he jointly won the Farmers Weekly Dairy Farmer of The Year Award. Robert is also a trustee of RABDF.

2 Chris Thomas CHAIRMAN

Chris Thomas became First Milk chairman on 1 August, 2018. Chris has a strong track record of successful leadership in the food and dairy sectors, having held senior executive and non-executive positions across a range of businesses including Tulip UK, Adelle Foods, Bakkavor, St. Ivel, PepsiCo and Mars. He is currently non-executive Chairman of G's Convenience Foods and Street Eats Food Ltd and a non-executive director of Espersen.

3 Mike Smith FARMER DIRECTOR

Mike farms in partnership with his brother, Peter, at Pelcomb Farm near Haverfordwest. The 650-acre farm runs a 450-cow autumn block calving herd. Mike has previously Chaired the Welsh Assembly Dairy Strategy Group and been a member of its Dairy Task Force.

4 Shelagh Hancock CHIEF EXECUTIVE

Shelagh joined First Milk as chief executive in April 2017. She has over 25 years' experience in the food and agricultural supply sectors. She held a number of senior executive positions including managing director at Medina Dairy and milk business unit director at farmer-owned co-operative Milk Link.

5 Carl Ravenhall NON-EXECUTIVE DIRECTOR

Carl was latterly managing director of Muller Wiseman Dairies. Prior to that in a dairy career that spans more than 25 years, he held a number of senior executive roles including managing director of Milk Link's cheese business, and MD of Adams Foods.

6 Brian Mackie NON-EXECUTIVE DIRECTOR

Brian has held a range of international chief financial officer roles in a number of large businesses; Starbev/Molson Coors Europe, Maxxium Worldwide and Cott Corporation. He has also had international responsibility for IT, Legal, Human Resources, and Commercial Operations during his career. Brian also has Non-Exec Board roles with Ypeople and The Gypsy Hill Brewing Company.

7 Greg Jardine CHIEF FINANCIAL OFFICER

Greg joined First Milk in 2010 and held several senior management and executive roles in finance and commercial before being appointed as Chief Financial Officer and joining the Board in September 2017. Greg has more than 15 years dairy experience, having previously worked for Lactalis McLelland as Industrial Finance Director.



Member Council

AS AT 31 MARCH 2021



Séan Rickard
INDEPENDENT
CHAIRMAN



Louise Davies
COUNCIL
MEMBER



Christine Kelsall
COUNCIL
MEMBER



David Walker
COUNCIL
MEMBER



Jessica Mills
COUNCIL
MEMBER



Scott Calderwood
COUNCIL
MEMBER



Willie Campbell
COUNCIL
MEMBER



Alan Trainer
COUNCIL
MEMBER

Role of the Member Council

The roles of the Council include:

- Holding the Board to account on behalf of the Members
- Approving the annual budget, business plan and company strategy
- In consultation with the Board, recommending candidates for the role of the chair and vice chair for election by Members at AGM
- In consultation with the Board, approving the nomination process for Independent Non-Executive Directors and Farmer Non-executive Directors
- Provide a communication channel between Members and the business.
- Setting the remuneration of the Non-Executive Directors

“In the year ended 31 March 2021 we continued to deliver stability in milk price while delivering strongly across the key financial metrics, growing turnover and operating profits, increasing our capital investment and maintaining bank borrowings at the same level as last year.”



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