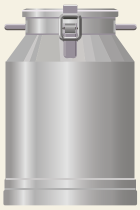
dairygold

Golden Valleys, Growing Naturally

Annual Report and Financial Statements 2018

KEY HIGHLIGHTS

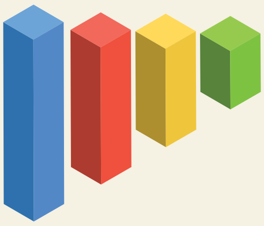


MILK VOLUME
1.34
BILLION LITRES

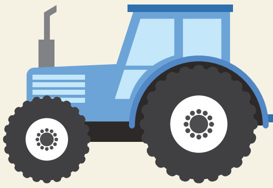
OPERATING PROFIT
€28.9
MILLION

EMPLOYEES **1,252**

CUMULATIVE INVESTMENT
€188.7
MILLION
OVER THE LAST 5 YEARS

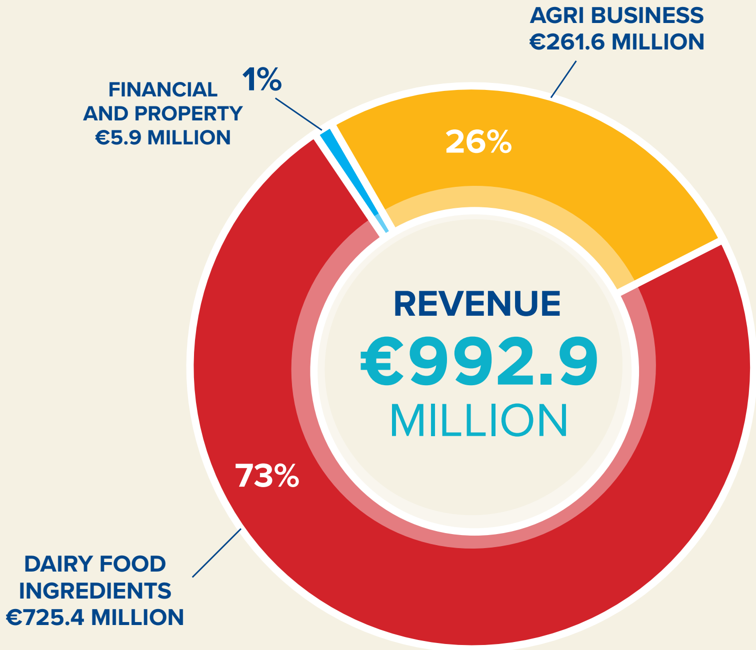


SHAREHOLDERS



6,944

NET ASSET VALUE
€337.9
MILLION



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CHAIRMAN'S STATEMENT

The extreme weather conditions in 2018 caused significant challenges for both our Members and the Society. I am pleased to say the Society responded positively, including supporting milk and grain prices and introducing a range of support initiatives.

John O'Gorman, Chairman Dairygold.

2018 was a challenging year for Members, as extreme weather conditions in both spring and summer impacted fodder supplies across the country. After an early start to the 2017 winter feeding season, brought about by storm Ophelia, we were hit by Storm Emma and the arctic conditions which prevailed in March, which brought many parts of the country to a standstill. However, through the hard work and dedication of Members, Dairygold's staff and supply chain partners, the impact was significantly reduced.

To address the challenges that the year brought, the Society supported milk and grain prices and introduced a range of initiatives to support Members, including fodder imports, reduced product pricing, feed rebates and a range of flexible financing options for those who were faced with cash flow challenges.

Against this difficult backdrop, the Society delivered a satisfactory financial performance and commenced its Phase II Post Quota Primary Processing Investment Programme.

The team effort to clear the way for milk collections in March 2018.

Milk Supply

This decade has seen immense growth in the Dairy Industry and the Society has seen its milk volumes grow by circa 500 million litres to 1.34 billion litres in 2018, an increase of circa 60%, while milk solids have increased by 70% in that period, with normalised lactation prevailing again. Despite the challenging weather, our Milk Suppliers' production volumes for 2018 reached 1.34 billion litres, up 2.7% on 2017, a record for the Society.

The Society paid a strong price for milk in 2018, with a quoted price of 31.8 cent per litre, which equates to a milk price of 36.1 cent per litre based on quality and sustainability bonuses and on the average Dairygold Milk Supplier's milk solids of 3.53% Protein and 4.17% Butter Fat.

The milk price paid included price support in excess of €15 million to minimise the impact of lower market returns and support Members as their costs increased.

A new Fixed Milk Price Scheme was launched which commenced in 2019. The Scheme is designed to offer all Milk Suppliers a voluntary option to manage milk price volatility and deliver price certainty on a fixed volume of their milk supply. The scheme follows the success of the Society's three previous Fixed Milk Price Schemes in 2016, 2017 and 2018. The Scheme will operate from 1 March 2019 to 30 November 2021.

Milk Quality

As a food producer, Dairygold's success is inextricably linked to the quality of our ingredients. The Society's Milk Suppliers are recognised, both nationally and internationally, for producing top quality milk. Our grass based milk production, based in the fertile Golden Valleys of Munster, means our farm operations are already some of the most sustainable in the world.

In May 2018, Dairygold Suppliers Kevin and Bernie Downing from Whitechurch, Co. Cork were declared overall winners at the Dairygold Milk Quality Awards for consistently supplying the best quality milk to the Society throughout 2017.

Phase II Post Quota Primary Processing Investment Programme

Dairygold's Milk Suppliers have invested significantly at farm level to seize the potential of the post quota era. Milk Suppliers' ambition for growth and expansion remains strong with Dairygold's milk volumes forecasted to increase to 1.65 billion litres by 2023.

Based on the projected growth by our Suppliers, the Society committed to an investment of €130 million to ensure that processing capacity is in place to process Members' milk up to 2023. This investment is underway across three significant projects; the Dairygold/TINE SA development in Mogeely, the Demineralised Whey Powder expansion at our Castlefarm Dairy Complex in Mitchelstown and expanding milk evaporation and drying at the Nutritionals Campus in Mallow.

The Mogeely investment will facilitate and advance our commercial partnership with TINE SA. In April 2018, the Society welcomed An Bord Pleanala's decision to grant permission for the project, which centres around state-of-the-art Jarlsberg® cheese production facilities. The Society's investment in this project will provide a Brexit-proof route to market for locally produced milk.

Agri Business

Over the course of 2018, the Society supported its Members through the Fodder Crisis with the introduction of various initiatives including sourcing fodder, improved product pricing, rebates on feed and optional interest free credit.

The Society organised a series of "Fodder Budgeting" workshops which took place throughout August 2018. The Society put in place a €10 per tonne rebate on all purchases of feed and provided interest free credit to all Members on feed and fertiliser purchased over the summer months.

In 2018, the Society also negotiated lower-cost loans and credit facilities with Bank of Ireland for the benefit of Milk Suppliers who required credit facilities for their farm businesses. These measures worked alongside the existing Extended Credit and Loyalty Reward Schemes.

Winners of Milk Quality Awards, Kevin and Bernie Downing, Tom Carr, Farm Manager and Maeve O'Connor, Dairygold Milk Advisor.

Various initiatives, leveraged by the Society's buying power, achieved significant cost savings for Members at farm and home level, including Zurich Insurance, Top Oil Fuel Cards, the Milk Bulk Tank Incentive Scheme and Bulk Feed Bin Offers. These were communicated to Members in July 2018 in the Buy For and Member Benefit Schemes booklet.

Grain Harvest

2018 was a very challenging year for grain growers, with the late spring and the extended drought period leading to a significant reduction in yields. In response to the challenges experienced during the year, the Society leveraged its financial strength to pay a top grain price delivering on the Society's commitment to pay a leading price.

The solidarity shown by the tillage farmer's with the livestock sector, by growing catch crops to help alleviate the worst of the fodder deficit was greatly appreciated. Indeed the initiative shown by Dairygold in putting livestock farmers together with tillage farmers to contract grow maize crops proved very successful.

Lombardstown Mill

During 2018, our milling operation was stretched to its maximum capacity for a prolonged period of time, during which we struggled to meet the very high standard of service which we strive to achieve. However, it was not for the want of effort from all involved. I would like to acknowledge the staff of Lombardstown Mill, the Area Sales Managers, Truck drivers and all who worked so hard to try and meet the unprecedented demand.

We have carried out an "end to end" review of operations, and have commenced a programme to increase the capabilities and enhance the services at Lombardstown Mill to ensure the Mill can sustainably cater for the growing volume demand and expertise required by its customers.

In 2018, Dairygold made a significant investment with the opening of its Agri Business Analytical Services Laboratory at Lombardstown Mill. This is a best in class facility equipped with the latest technology. In June 2019, the newly refurbished Agri Centre of Excellence in Lombardstown will see all Agri Business employees, including Retail head office personnel, operate from this one central location to provide an enhanced service to customers and bring improved efficiencies to the business.

Winners of the Bord Bia Sustainability Awards, Trevor and Olive Crowley, Dairygold, Tara McCarthy, Bord Bia CEO and Dan McSweeney, Bord Bia Chairman.

Retail

In 2017, the Society announced a €11.5 million investment in its retail store network over a three-year period. The investment decision followed a full review of the Society's 39 retail store network and online services which varied significantly in size and operation. The five new store builds are now at various stages of development with the New Inn store having opened in March 2019 and Mogeely store opening in the coming months. 11 stores have already been upgraded with seven more planned for 2019. As part of the resulting integration programme, four stores were integrated into neighbouring branches in 2018 and three more are planned for 2019.

Sustainability and Support Initiatives

Your Board acknowledges that sustainability is critical to Members in achieving their on farm ambitions. As an agri-based business, we are directly influenced by weather events and climate change, proven by the challenging weather conditions experienced in 2018. To address this critical sustainability agenda, the Society has initiated or participated in the following schemes, programmes and initiatives:

- Since January 2018, 100% of the Society's milk can be traced to Bord Bia's Sustainable Dairy Assurance Scheme (SDAS) certified farms.
- The Society launched its Leanfarm Programme in February 2018 and engaged with 546 farmer members throughout 2018, surpassing the original target of 450. Over 93% of farms observed significant benefits by using lean principles with improvements in farm safety, better resource efficiency and time-saving as well as reduced stress and physical labour.
- In 2019, the Society has increased its Quality and Sustainability bonus payment by 0.15 cent per litre to 0.65 cent per litre with the introduction of the Milk Supplier Sustainability Bonus. It is designed to help Suppliers improve the sustainability of their enterprises through milk recording and herd health programmes. Identifying the most productive cows and taking the appropriate action, will help to improve the economic and environmental sustainability of their enterprises.
- The Society is continuing the Dairygold/Teagasc Joint Programme for a further three years, until 2021, following the success of the previous three-year programme in helping boost farm performance. The Programme aims to provide practical advice to maximise farmers' profitability and sustainability. The Programme involves a €1 million investment by the Society. This brings the total amount invested by the Society in knowledge transfer events to €7 million since its collaboration with Teagasc began in 1993.
- 2018 was the fourth year of the Dairygold/Irish Cancer Society Pink Partnership which has seen €20,500 raised in support of the Irish Cancer Society. Farmers once again showed huge support in 2018, embracing the Wrap It Pink campaign during a challenging silage season. Almost €70,000 has been contributed to the Irish Cancer Society to date through this initiative.
- The Society is participating in the national Agricultural Sustainability Support and Advisory Programme (ASSAP) launched in September 2018. The ASSAP programme is an innovative collaboration between Government and Industry that aims to identify and evaluate 'Priority Areas for Action' on water quality in river catchment areas around the country, over 4 years.

In December 2018, Dairygold Milk Suppliers, Trevor and Olive Crowley were awarded the Bord Bia National Sustainable Producer Award for Reduced Carbon Footprint. The Crowleys proved the benefits of sustainable farming by lowering their on-farm carbon footprint.

Farm Safety

The number of on-farm fatalities and serious accidents in Ireland is a major concern for the Society and it continues to engage in a number of initiatives to support safer farming for its Members and their families as part of the Leanfarm Programme and the Dairygold/Teagasc Joint Programme.

Pictured at Dairygold's donation to the Irish Cancer Society are Gillian Foley, Retail Marketing Manager, Dairygold, John O'Carroll, Head of Retail, Dairygold, Claire Bowman, Corporate Partnerships Manager, Irish Cancer Society and John O'Gorman, Dairygold Chairman.

Again, I urge all Members to stay safe and be mindful of the risks to themselves and their families from their farming practices. I encourage Members to visit the HSA website which provides useful tools and advice on assessing and improving farm safety practices.

Gateway

In November 2018, Dairygold launched a new and improved online services portal called Gateway. Phase I offers Members and customers access to an extensive suite of milk supply and trading information, a feed and fertiliser ordering system and an online accounts payment mechanism.

It is proposed to extend the services offered by Gateway to include more transactions with the Society, with the aim of enhancing services and reducing paper-based transactions, such as equity-based transactions.

Mitchelstown Centenary

The Society is planning for the Mitchelstown Co-Operative centenary, which occurs in 2019 and will be celebrated in late September. It is important to recognise and celebrate our heritage and Members have been invited to contribute suggestions and memorabilia to support the celebration.

Member Training

It is very important, that Members actively participate and contribute to the Societies activities and to encourage participation. Dairygold operates various initiatives to support Members' involvement.

One such initiative is Dairygold's Member Up-Skilling Programme, which is designed to increase Members' understanding of the Dairy Industry, markets and policies as well as increasing their awareness of Dairygold, its operations and governance. The programme is accredited by ICOS Skillnet. It is open to all Members and I would encourage anyone who has an interest in gaining a better understanding of their Co-Op to participate in this very informative programme. The next programme will be run in Quarter 4 2019.

Dairygold also runs educational tours for Board and Committee Members to understand how the Dairy Industry operates in other geographies. In 2018, 50 Members from the Regional Committees and Board visited France, where they attended SIAL, one of the world's leading food trade exhibitions. They also visited a dairy co-operative processing facility and local farms.

I would like to take this opportunity to pay tribute to the Regional and General Committees for their work and dedication in ensuring that both Board and management are aware of, and focused on our Members' issues at all times. Their contribution to the governance of the Society is greatly appreciated.

Board and Management

I wish to acknowledge the Dairygold Board for their support and guidance over the year. 2018 brought many challenges, which the Board dealt with in a very professional manner, which served the long-term strategic interests of Members. I would especially like to thank my Vice Chairman, Edmund Lynch, for his support and guidance during the year.

I would like to thank Donal Buckley, who having served the permitted term of 10 years stepped down from the Board, for his valuable contribution to the Society over that time. I would like to welcome Donal's replacement, Donal Shinnick and look forward to his contribution to the Board.

I want to express the Board's appreciation for our Chief Executive, Jim Woulfe, for his unwavering commitment, leadership and guidance and also his senior management team and all employees for their input and dedication to the Society throughout 2018.

I would like to thank Eamonn Looney, who retired from the Society in 2018, for his dedication, contribution and commitment, especially during his 16 years as Company Secretary and to wish his successor Ann Fogarty, every success in her new role.

Finally, I thank all Members and customers for their continued loyalty and support.

Conclusion

Despite a very difficult year, particularly from a weather perspective, the Society delivered a satisfactory financial performance and continued its capital investment programme, while supporting its Members' milk and grain prices and introducing significant support measures.

Given all the challenges which 2018 brought, it is a testament to the resilience and capabilities of our Milk Suppliers, that the record milk volumes witnessed in 2017 have been exceeded once again in 2018 and highlights their milk production growth ambition.

I am looking forward to the progression of the investment programme to meet Members' milk production ambitions and working with the Board and management in progressing the Society's overall strategy.

John O'Gorman

John O'Gorman
Chairman Dairygold

PHASE II POST QUOTA PRIMARY PROCESSING INVESTMENT PROGRAMME

Dairygold/TINE SA development in Mogeely.

Dairygold/TINE SA development in Mogeely.

Expanding milk evaporation and drying at the Nutritionals Campus in Mallow.

Demineralised Whey Powder Expansion in Castlefarm Dairy Complex in Mitchelstown.

CHIEF EXECUTIVE'S REPORT

Despite extreme weather events which had significant implications for Members and the Society, Dairygold delivered a satisfactory financial performance in 2018 and commenced its Phase II Post Quota Primary Processing Investment Programme.

Jim Woulfe, CEO Dairygold.

2018 was a year of extreme weather events, which had significant implications for Members and the Society, particularly impacting the financial performance of both. The Society, against a back drop of lower dairy market returns compared to 2017, responded, by utilising its financial position to support both milk and grain prices, while still delivering a satisfactory financial performance.

The Society committed to an investment of €130 million in Phase II Post Quota Primary Processing, to meet the ongoing ambition of its milk producing Members who continue to increase their milk production. The Industry must deal with the uncertainty of Brexit as well as continuing to manage environmental challenges to ensure the Dairy Industry can sustainably realise its ambition.

The business generated a turnover of €992.9 million, reflecting a 2.8% increase compared with 2017, and delivered an operating profit for the year of €28.9 million. The operating profit was €3.5 million lower than 2017, after providing in excess of €15 million in farm gate price supports to Milk and Grain Suppliers compared to 2017.

The Society invested a total of €58.7 million in capital projects over the year, driven primarily by the commencement of its Phase II Post Quota Primary Processing Investment Programme. The year-end net bank debt of €111.4 million, which was €31.8 million higher than 2017, remains at a modest level based on the size of the organisation and the level of profitability being generated. At year-end, the net asset value of the business was €337.9 million.

Dairy Markets

Dairy market returns were lower in 2018 compared to 2017, which was reflected in the Society's average quoted milk price of 31.8 cent per litre, a decrease of 1.5 cent per litre on 2017. This equates to a milk price of 36.1 cent per litre based on quality and SDAS bonuses and on the average Dairygold Milk Supplier's milk solids of 3.53% Protein and 4.17% Butter Fat.

In 2018, dairy commodity prices once again exhibited volatility which is now commonplace. Product returns increased significantly from the start of the year, peaking mid-year, driven mainly by the increase in butter returns and declining from August as butter returns weakened. Dairygold paid a higher milk price versus the market return, especially in the earlier and later parts of the year.

The lower market returns versus 2017 were driven by a reduction in protein product prices, which were under continuous pressure against the backdrop of the overhang of EU powder stocks in intervention in 2018, thankfully these stocks now have been sold out of intervention. Butter and cheese returns were also marginally lower on average.

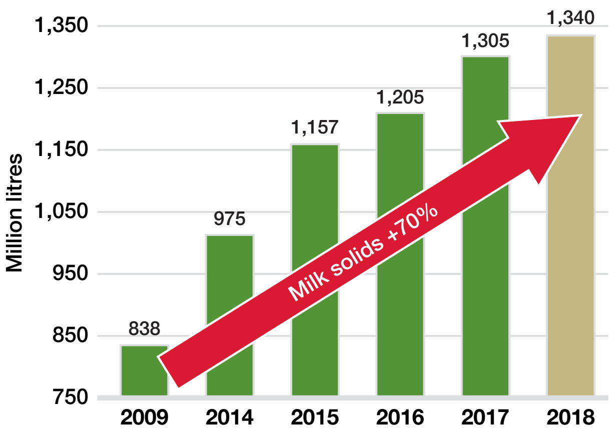
Pictured are Jim Woulfe (Dairygold), Hanne Refsholt (TINE), Halvor Rognstad (TINE) and Michael Collins (Dairygold) at the Dairygold/TINE SA development in Mogeely.

Global dairy demand grew at circa 1.0% compared to 2017, with the majority of the growth in dairy deficit regions such as Asia, the Middle East and North Africa, but growth was slower than previous years. Global dairy supply growth was also slower than previous years, with EU, USA and Australia all experiencing negative or balanced growth with only New Zealand of the main exporting countries having growth in excess of 2%. The impact of weaker demand on returns was therefore not as severe.

Irish Operations

Milk Volume Growth

Dairygold Milk Volume Growth (2009 - 2018) (Own Milk Suppliers)



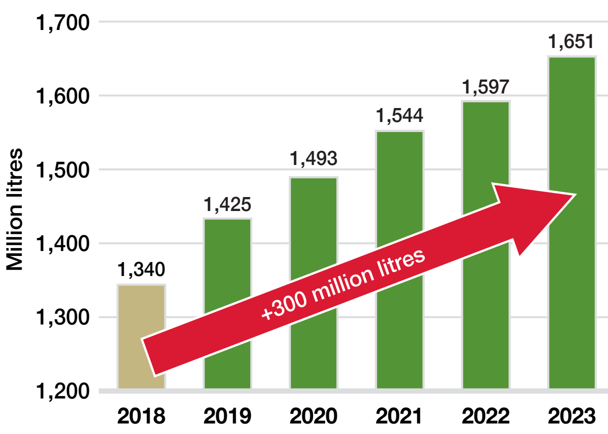
Milk Supply in 2018 was 1,340 million litres, an increase of 2.7% (35 million litres) on 2017. Milk volumes were negatively impacted by the weather events in the spring and summer when a significant fall off in volumes versus 2017 was experienced, but from September onwards milk supply picked up significantly in more favourable weather conditions.

Dairygold's milk supply has increased by circa 60% from 2009 to 2018, with milk solids increasing by circa 70%.

Phase II Post Quota Primary Processing Investment Programme

Dairygold Milk Suppliers are projected to increase milk production by an additional 23% to circa 1,650 million litres by 2023, requiring the Society to increase its peak processing capacity by circa eight million litres per week, thereby maintaining a grass based milk production system.

Dairygold Milk Volume Forecast (2019 - 2023) (Own Milk Suppliers)



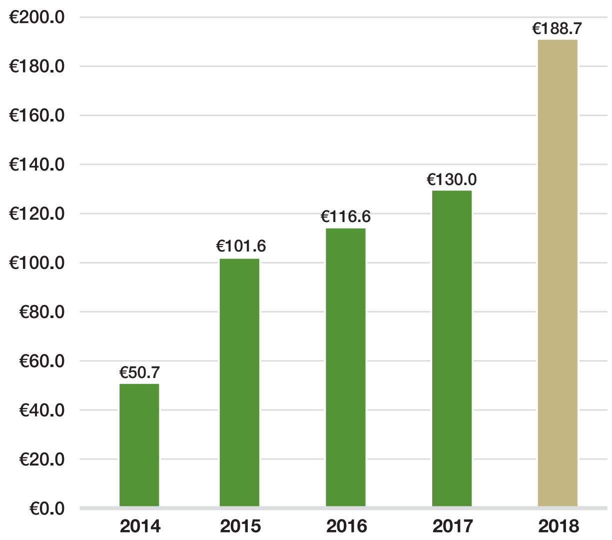
A number of options were considered to increase processing capacity and to facilitate the commercial collaboration with TINE SA in Mogeely.

The objective is to maximise the commercial return from existing and new milk and the associated by-products, through optimising market returns, making the appropriate level of investment in processing capacity, providing product mix flexibility, while minimising risk and maintaining prudent debt levels.

The considered and agreed plan will see a €130 million investment to enhance the cheese manufacturing infrastructure in Mogeely, to increase the whey processing capacity at the Castlefarm Dairy Campus, Mitchelstown and to install another evaporator and drying system at the Nutritionals Campus in Mallow. The investment in the new dryer releases a dryer at Castlefarm Dairy Complex to produce Demineralised Whey Powder.

It is planned that the enhanced Mogeely cheese infrastructure will be fully operational for Quarter 1 2020, with both the milk powder investment in Mallow and whey investment in Castlefarm being fully operational for the peak milk supply period in 2020.

Cumulative investment €million over the last five years



The €130 million investment increases the weekly milk processing capacity to cater for milk supply up to and including 2023, utilises the spare cheese processing capacity, provides a better product mix and improved flexibility and provides a Brexit contingency.

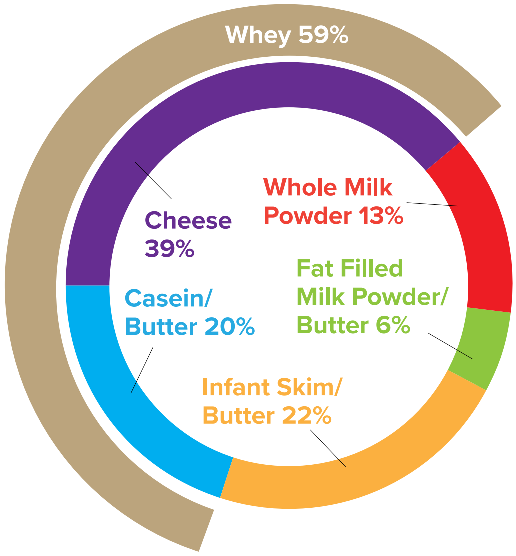
This investment is challenging from a financial return perspective but is necessary to fulfill the commitment to process all our Milk Supplier Members milk.

A future consideration for the next phase of primary processing investment, has to be the funding model and who finances it, the Society and/or the Members whose ambition is for further growth in milk production.

Commercial & Innovation

There has been continued growth of ingredient sales volumes, as dairy expansion continues. This required Dairygold to continue to enhance its market presence and develop its product portfolio to meet customer needs and maximise returns.

2018 Product Portfolio (milk utilisation)



Meeting customers and showcasing our ambitious and innovative work in the food ingredients and nutritional sectors during 2018 was a key focus for the organisation. Dairygold exhibited at a number of strategic global food industry exhibitions including Gulfood in Dubai, Food Ingredients China (FIC) and China International Import Expo (CIIE) in Shanghai, China.

Innovation, both internally and externally through research and development partnerships with Irish Universities and research organisations, plays a critical role in the development of customised products for leading global strategic customers.

Alice Quirke, Dairygold Commercial pictured at CIIE, Shanghai, 2018.

The marketing of Dairygold's products through unique selling points highlighting their provenance and sustainability credentials, is critical to maximising their return in the market. Dairygold has developed a number of strategies including branding product under Glenor.

The ongoing volatility in market returns highlights the importance of pursuing a value-added strategy to capitalise on the long-term growth opportunities in global dairy demand.

Overseas Operations

The Society's Cheese Ingredients businesses in the UK and Germany both had another successful year, performing in line with expectations, with strong sales volumes and margin delivery. The businesses provide an increasingly important key route to market and added value opportunities for cheese manufactured at the Society's Mitchelstown and Mogeely facilities.

Whilst both businesses operate in an extremely competitive sector, their reputation for quality, good service and innovation helps differentiate them from the competition and enhances their strong relationships with key customers in the industrial and food service sectors.

Brexit potentially poses significant challenges for the UK business, particularly from a continuity of supply and a market performance perspective. Management plans are in place to mitigate these risks and ensure the sustainability of the business model.

The growth strategy for our UK business has identified significant future opportunities but delivery will require considerable investment. This investment decision is on hold until there is clarity regarding Brexit and its implications.

Brexit

Dairygold processes circa 300 million litres of milk into cheese for the UK market annually. A hard Brexit, with WTO tariffs would equate to an additional cost of circa €50 million.

Dairygold is focused on Brexit preparedness, working with industry partners to highlight the significant implications for the Irish dairy sector, developing alternative routes to market and product diversification options, securing the continuity of cheese supply for the UK business and preparing from an operational perspective.

At the time of writing, Brexit remains as unclear as ever, which has caused considerable uncertainty for the organisation. Ireland needs a Brexit deal that is as similar as possible to the existing trade arrangements within the EU. Even if a comprehensive Free Trade Agreement is negotiated and agreed, it will not be comparable to EU Single Market membership due to additional administration burdens, health and veterinary certification, customs procedures, transport and logistics delays, supply chain adjustments, regulatory divergence and competitor pressures.

Members of the Dairygold Sales and Marketing team pictured at the Mallow Nutritionals Campus with delegates from Bord Bia's Marketplace.

Italian Alfalfa loaded for delivery to a Dairygold customer.

No level of planning would insulate any EU organisation, trading with or through the UK, against the implications and consequences of a hard or no deal Brexit. That is why it is critical, no matter what the final outcome of the negotiations, that there is a sufficient transition period, to fully prepare for the future trading relationship between the EU and UK. Even then, the Dairy Industry will suffer serious consequences in the event significant tariffs apply.

Agri Business

The extreme weather experienced in 2018 had a major influence on the activity in the Agri Business. The significant challenges experienced at farm level, due to the highly abnormal weather patterns, resulted in the introduction of a number of significant initiatives by the business to help support Members.

The extremely late spring resulted in a lack of fodder at farm level. Dairygold adopted a leadership position by importing the first fodder in April, to help alleviate the situation. The expertise and relationships developed during the 2013 fodder crisis allowed the Society to quickly implement support measures. Over 7,000 tonnes of fodder was imported and distributed across the Dairygold catchment area to those most in need.

The late spring was followed by an extended period of drought, leading to a further deterioration in fodder stocks at farm level. The business introduced a number of additional measures during this time, including “Fodder Budgeting” workshops and a special range of fodder extender rations. Our Agri Business offered extended credit facilities, rebates on compound feed and also initiated additional imports of fodder from the UK and Europe to ensure that sufficient supplies would be available, bringing the total fodder sourced to in excess of 20,000 tonnes.

The fodder shortages led to record levels of demand for compound feed in 2018. Lombardstown Mill operated at maximum capacity for a significant part of the year.

This demand for feed placed extraordinary pressure on all aspects of the supply chain, from production to sales and supporting functions and the individuals involved are to be commended for their contribution and commitment.

An investment has been made in the Mill, to increase capacity for the 2019 season. The longer-term investment needs of the Mill are being assessed, to ensure the business can respond to future increasing volumes in a sustainable manner.

Grain growers also experienced a very difficult year which saw spring sowing running very late and in turn the drought leading to significant reductions in yields. However, the quality of the grain harvest was excellent. The grain growers were boosted by a grain supply deficit across Europe, which increased market returns. The prices for 2018 were the highest paid by Dairygold since 2012. The prices were circa 40% higher than 2017, reflecting the market dynamics and delivering on the Society’s commitment to pay a leading price for grain.

The Retail business recorded a strong performance in 2018, with sales increasing 6% over 2017. Retail’s considerable range of products was well placed to provide essential inputs to farmer customers during the unseasonal weather conditions, with the long dry summer also generating significant sales in gardening, DIY and household products.

The Store Investment Plan, launched in 2017, continues with a number of major refurbishments completed. The Plan offers a modern, progressive, customer focused, sustainable store network, providing a best-in-class retail experience. The enhanced and expanded retail store offering will also be supported by an efficient product delivery service. The five new store builds are now at various stages of development with the New Inn store having been opened in March 2019 and the Mogeely store opening in April. Eleven stores have already been upgraded with seven more planned for 2019. Four stores were integrated into existing businesses in 2018, with three more planned for 2019.

Dairygold is investing a total of circa €17 million in the Agri Business, comprising the Store Investment Plan, the upgrade of the Mill, Laboratory and the establishment of a Centre of Excellence in Lombardstown.

Newly built Co-Op Superstore in New Inn, Co. Tipperary.

Sustainability

This past decade has seen a Dairy Industry renaissance with significant investment, growth and ambition for further growth. The investment and the growth, have and will continue to positively impact across rural Ireland and the overall Irish economy.

While the sector faces significant challenges and uncertainties, such as Brexit, the sustainability/ environmental agenda is the one challenge which we can and must significantly influence.

Realising the industry's ambition, requires absolute clarity and a clear pathway to address the environmental challenges. Farmers' environmental interaction is complex and varied including carbon emissions, green house gas emissions, air quality, water quality and biodiversity.

The industry has to act now, through a focused and co-ordinated national strategy, with a clear template being provided to the farming community to achieve sustainable growth.

Dairygold is very focused on sustainability and has introduced a number of significant initiatives from the farm to customers as outlined on page 16.

In addition, our customers and global markets have raised the bar on transparency, accountability and traceability. Our sustainability strategy is evolving, incorporating industry trends, global standards and sound practices. As members of the internationally-recognised, Dairy Sustainability Framework (DSF), Dairygold has incorporated eleven key pillars into its farm sustainability agenda. Dairygold is proud to be an Origin Green member, using the charter to communicate its performance.

Non-Core Assets

The Society's strategy for its non-core assets is to maximise their value and to divest of these at the appropriate time to facilitate investment in higher margin value added business.

Commercial Property Portfolio

The Society's Corporate Strategy for its commercial property portfolio, valued at circa €51 million is to maximise its value and divest of it, where appropriate. This is being achieved by optimising zoning and planning for development opportunities, commercialising sales opportunities and increasing rental income, as appropriate.

In this regard, an agreement was reached with University College Cork, for the sale of the Trinity Quarter Property for €17.25 million (formerly known as Brooks Haughton Builders Providers, consisting of a 1.44 acre site) in Cork City. The Society is progressing a number of other significant opportunities, within the Portfolio including Creamfields (Kinsale Road, Cork), Ilminster (Somerset, UK) and Mallow, Co Cork.

Financial Assets

Despite following a planned divestment programme the Society's financial portfolio in 2018 decreased by circa 40% to circa €20.5 million. The Society experienced significant losses in its holdings of Aryzta AG and IPL Plastics plc. Dairygold, over the past decade, has disposed of circa 70% of its holding in Aryzta AG. Dairygold monitors the performance of its financial assets in conjunction with its Investment Managers and pursues an investment strategy which includes diversification, where appropriate.

Pensions

The Society has completed a significant de-risking programme of its 2010 Defined Benefit Plan. In 2018, the Society's Defined Benefits Plan closed to future accrual from 31 March 2018, following a review which determined that the Plan was no longer appropriate to provide a sustainable pension for employees. All active employee members moved to a new Defined Contribution Scheme.

These active employee members were given the option to avail of an Enhanced Transfer Value (ETV), to switch their accrued benefit from the Defined Benefit Plan to the new Defined Contribution Plan. Circa 200 members carrying approximately 50% of the liability (€54.5 million) transfered, which generated a pension settlement gain of €8.2 million, which has been reflected in the Society's operating profit.

This ETV has also been made available to deferred members of the Defined Benefit Plan and is currently been finalised.

Subsidiaries, Joint Ventures and Associates

Munster Cattle Breeding Group had a very successful year with growth across all sectors of the business. Its culture of operational excellence and continuous improvement ensures that the company meets customer needs in the most effective way. The business continues to focus on delivering value to its farmer customers through an inclusive herd health offering.

Malting Company of Ireland Limited, jointly owned with Glanbia plc, had a successful year with strong sales. The business provides a route to market for premium Irish barley and customers place significant value in the quality and provenance of the Malting Company's products.

Co-Operative Animal Health Limited (CAHL) is also jointly owned by the Society and Glanbia and focuses on providing competitive veterinary and nutritional products. It had a successful year in delivering value to our farmer Members.

Pictured at the launch of the Co-Op Superstores Munster Hurling League 2019 at Co-Op Superstores Raheen Limerick are Jim Woulfe, CEO Dairygold with L-R Jordan Conway, Kerry, Stephen Bennett, Waterford, Seamus Callanan, Tipperary, Seamus Harnedy, Cork, Sean Finn, Limerick and Conor Cleary, Clare.

People

The Society recognises that a key enabler to the delivery of its growth strategy is the talent, capability and experience of its people.

2018 saw continued investment in our people, through learning and development programmes across the organisation, investment in our Graduate Programme, continuing to adopt a culture of continuous improvement and the recruitment of key individuals to enable the Society to deliver its strategy.

The Society has developed a number of bespoke accredited people talent development programmes, targeting front line to senior managers in the organisation.

However, the current labour market is operating at almost full employment which is challenging for the Society from a cost, retention and talent attraction perspective.

In response to these challenges, Dairygold has continued to develop various retention initiatives, including succession planning, personal development plans and employee recognition, together with promoting the benefits of working with Dairygold.

Strategic Direction

For the Dairy Business, the ongoing and key focus is on delivering higher margin returns, via both organic and acquisition investments, in the areas of Nutritionals, Protein and Cheese. In line with commitments made, we will continue to operate to the mandate of ensuring that the appropriate processing capacity is in place to process all Members' milk.

For the Agri Business, the key focus is the continued development of a partnership based approach, to maximise profitability on farm, with a clear focus on delivering competitive prices, best in class service and availability of top quality products and services.

Thank You

On a personal level, I want to thank the Members of the Board and the General and Regional Committees for their input and support during 2018. I would like to particularly thank our Chairman, John O'Gorman and Vice Chairman, Edmund Lynch for their ongoing advice and support.

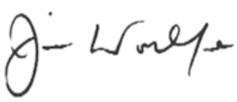
I would also like to thank recently retired executives Eamonn Looney and Sean O'Sullivan for their support and contribution throughout their many years of service and I wish them both a happy and healthy retirement with their families.

I want to thank all our customers for their loyalty to the Society, all our Shareholders and our Milk and Grain Suppliers, for their ongoing contribution to the success of the Society.

Finally, I wish to thank my management colleagues and employees in every part of the business for their effort and commitment throughout the last year and look forward to a busy and positive year for our stakeholders and the organisation in 2019.

Conclusion

With further growth and investments on the horizon, the Society continues to work closely with our Members so that together we can focus on our key goal to maximise returns for them, both now and into the future. Despite the challenges at farm level over the last year, Dairygold remains in a very strong position for continued growth and success. We will continue to focus on solid and strategic investments.



Jim Woulfe
CEO Dairygold

SUSTAINABILITY

OUR **2018** PERFORMANCE

Dairygold-Teagasc Joint Programme

In November, Minister for Agriculture, Food and the Marine, Michael Creed TD, launched a new joint farm development programme between Dairygold and Teagasc aimed at assisting Members to maximise their profitability and sustainability at farm level. This programme, runs to 2021 and follows on from the success of the previous programme which saw over 8,500 people attend Public and Special Interest Events held over a three-year period.

Origin Green

Dairygold is a founder and certified member of Origin Green and successfully completed its 2014 - 2016 Plan. The current Plan (2017 - 2019) contains targets for carbon, energy, water, waste, biodiversity, raw material sustainability, staff development, health and nutrition, with the business focused on delivering our commitments by 2019.

Leanfarm

Leanfarm, Ireland's first on-farm Lean Programme was launched in February 2018 by Minister for Agriculture, Food and the Marine, Michael Creed TD. Leanfarm extends Lean manufacturing principles to the farm and helps drive continuous improvement and efficiency. It has immediate benefits for time management, farm safety, greater output and a better work-life balance for farmers and their families.

Leading the way for Sustainable Farming

Dairygold Members, Trevor and Olive Crowley were winners of this years' Bord Bia Sustainability Awards in the 'Reduced Carbon Footprint' section. They farm with the help of their son Gavin and daughters Alice and Katlyn in Lissarda Co. Cork. They milk 138 cows on their 72 Ha farm. Their carbon footprint reduced from 1.33 to 0.79 Kg CO_2e/Kg FPCM over the last 3 years.

Agricultural Sustainability and Support Advisory Programme (ASSAP)

Dairygold is an active participant in the ASSAP, an innovative Government led initiative which seeks to work in collaboration with industry and the farm organisations to help farmers reduce their impact on water courses. The programme's 30 dedicated advisors will work with farmers nationally operating close to water courses.

Carbon Trust

In 2018, Dairygold engaged with the Carbon Trust to develop and embed business environmental metrics, used to measure, monitor and improve plant operational efficiencies.

Dairy Sustainability Framework

The Dairy Sustainability Framework (DSF) is an internationally recognised global framework for improving sustainability in the Dairy Industry. Dairygold has aligned its sustainability objectives to the 11 sustainability criteria identified by the Framework.

100% of Dairygold Milk Suppliers SDAS certified

3,000 tonnes in greenhouse gas emissions savings maintained per annum

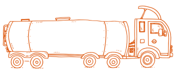
10% target for reduction in production related food waste at Clonmel Road Cheddar Plant by 2019

OUR **2018** PERFORMANCE

FARM

- 100% of our milk processed can be traced to Sustainable Dairy Assurance Scheme (SDAS) certified farms.
- All milk collections are locally sourced within ± 100 km of milk processing factories.
- 6 Dairygold farms selected for pilot biodiversity augmentation project.
- 33 Dairygold farms successfully implemented pilot Soil Fertility and Nutrient Management Programme.
- Dairygold farms record 4% more days on grass than the national average.
- On-Farm sustainability and animal welfare programmes in place.
- Our Milk Advisory Team work closely with our Milk Suppliers assessing and advising on milk quality, environmental stewardship and economic sustainability.

SUPPLY CHAIN



- Successfully embedded business environmental metrics for carbon, energy, water and waste across all operational sites.
- Over 3,000 tonnes of carbon savings from biogas generated from the anaerobic digester at Mitchelstown.
- Aiming to reduce production related food waste, to fulfil target to divert waste to landfill by 10% at Clonmel Road Cheddar Plant by 2019.
- Sustaining globally recognised Food Safety Certifications across all our manufacturing sites.
- North Cork Bee-Keepers have successfully placed hives on site at Ballyvorisheen (Origin Green – biodiversity).
- New state of the art laboratory opened to support our soil testing and farm fertility initiatives.
- Established responsible sourcing criteria for upstream Suppliers.
- All Retail stores will have LED lighting fitted to replace current internal and external lighting. All heating systems are also being upgraded.

PEOPLE

- Fostering a culture of learning and development.
- In 2018, 102 staff completed Leadership and Management Development training.
- 829 health and safety training places delivered.
- 136 staff received Lean/Continuous training.
- Wellbeing services provided to staff.

COMMUNITY

- Dairygold's Sports and Social team engaged employees to fundraise €6,871 for a national cancer charity and a local organisation that fights homelessness.
- Students from local schools participated in A Day in the Life at Dairygold, an annual event engaging young students to cultivate career ambition and develop soft skills.
- Wrap it Pink: €20,500 raised in support of the Irish Cancer Society.
- Sponsorship of the Co-Op Superstores Munster Hurling League and various farm events and local community initiatives.

€20,500

raised for the Irish Cancer Society through Wrap it Pink

102

staff completed Leadership and Management Development Training in 2018

FINANCIAL OVERVIEW

2018 was a challenging year for the Society and its Members, but despite these challenges, the Society delivered a satisfactory financial performance, with an operating profit of €28.9 million.

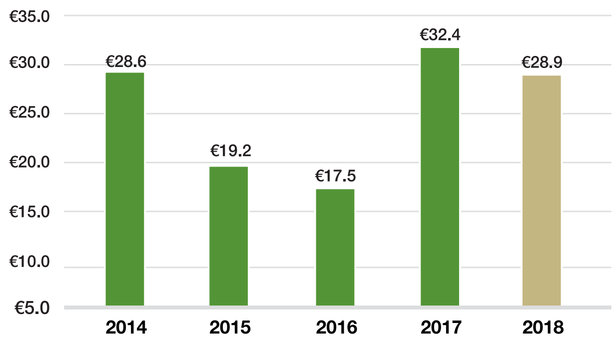
Consolidated Income Statement

Turnover in 2018 was €992.9 million (2017: €965.5 million), an increase of €27.4 million. The Agri business turnover was up €41.4 million year-on-year to €261.6 million, driven by higher feed sales volumes resulting from unfavourable weather conditions for grazing and the shortage of fodder, with retail sales also increasing year-on-year. However, there was a decrease in the Dairy business turnover of €7.9 million to €725.4 million. The Dairy business turnover was negatively impacted by lower dairy market returns during the year, while there was an increase in sales volumes, driven by an increase in milk volumes of 2.7%.

The overall operating profit was €28.9 million (2017: €32.4 million), a reduction of €3.5 million. While the business benefited from increased milk volumes, the Society supported its Milk Suppliers during the year by paying a leading milk price. The operating profit benefited from a number of one offs in excess of €10.0 million including a pension settlement gain of €8.2 million.

The operating profit for Dairygold Food Ingredients Limited was negatively impacted year-on-year by a reduction in margin due to the milk price paid versus the dairy market returns as the Society committed to supporting Members by in excess of €15.0 million compared to 2017, primarily due to the adverse weather conditions.

Operating Profit €million



The share of joint ventures' and associates' performance delivered an operating profit of €0.5 million in 2018 (2017: €0.4 million).

The net interest charge was €5.6 million (2017: €5.9 million), with the decrease primarily driven by a decrease in margin and interest rates.

The profit after tax for the financial year of €9.2 million (2017: €21.5 million), a reduction of €12.3 million, reflected a reduced operating profit of €3.5 million and a negative movement in the value of financial assets year-on-year of €15.5 million partially offset by a decrease in the taxation charge of €5.3 million, a decrease in restructuring costs of €1.0 million, a decrease in net interest payable of €0.3 million and an increase in the share of joint ventures and associates of €0.1 million.

2018

FINANCIAL HIGHLIGHTS

- → Delivered an operating profit of **€28.9 million**, after paying a leading milk price throughout the year.
- → Turnover increased by **€27.4 million** to **€992.9 million.**
- → The net bank debt of **€111.4 million**, an increase of **€31.8 million** from 2017, gave a net bank debt to adjusted EBITDA ratio of **2.28:1.**
- → The Society's net asset value increased by **€2.4 million** to **€337.9 million.**
- → **Invested a net of €58.7 million of cash, primarily in capital expenditure.**

Consolidated Statement of Financial Position

In 2018, the net asset value of the Society increased by €2.4 million to €337.9 million (2017: €335.5 million). The increase primarily reflected the profit for the financial year of €9.2 million and net shares issued of €2.8 million partially offset by negative movements related to the pension scheme of €8.2 million, share interest and dividends of €1.2 million and negative exchange differences on translation of subsidiary undertakings of €0.2 million.

Fixed assets of €375.7 million (2017: €312.9 million) comprising of intangible assets, tangible assets, investment properties and financial assets increased by €62.8 million, as a result of:

- capital expenditure investment of €94.5 million primarily relating to €79.1 million of the Phase II Post Quota Primary Processing Investment of €130.0 million;
- an increase in investment property assets' valuation of €5.0 million; and
- an increase in the investments in joint ventures and associates of €0.4 million.

These increases were partially offset by:

- depreciation, amortisation and impairment charges of €21.0 million;
- a decrease in financial assets of €15.3 million; and
- disposals of tangible assets of €0.8 million.

Net current assets less creditors falling due after more than one year, resulted in a liability of €35.7 million (2017: asset of €36.0 million), a decrease of €71.7 million primarily as a result of:

- an increase in provisions, accruals and deferred income of €40.3 million to €135.2 million (2017: €94.9 million);
- an increase in bank overdrafts and invoice discounting and a decrease in cash at bank and in hand of €39.8 million to a liability of €37.4 million (2017: asset of €2.4 million); and
- an increase in trade creditors of €23.0 million to €42.4 million (2017: €19.4 million).

These increases were partially offset by:

- an increase in stock of €13.4 million to €157.7 million (2017: €144.3 million);
- an increase in debtors of €12.7 million to €123.0 million (2017: €110.3 million);
- other decreases in creditors falling due within one year of €2.7 million to €14.2 million (2017: €16.9 million); and
- a decrease in creditors falling due after more than one year of €2.6 million to €87.2 million (2017: €89.8 million).

The capital grants' liability of €6.8 million (2017: €7.9 million) decreased by €1.1 million as result of the amortisation credit for the year.

The deferred tax liability of €7.6 million (2017: €5.9 million) increased by €1.7 million year-on-year.

The consolidated statement of financial position at 31 December 2018 reflected a pension asset of €12.2 million (2017: €0.5 million). The positive movement was driven by a decrease in the liabilities of €59.7 million, partially offset by a decrease in assets of €48.0 million.

The share capital increased by €2.8 million to €93.5 million (2017: €90.7 million), reflecting shares issued of €3.7 million, partially offset by shares redeemed of €0.9 million.

The profit and loss account reserve decreased by €1.6 million to €237.3 million (2017: €238.9 million) reflecting the negative movements related to the pension scheme of €8.2 million, share interest of €1.2 million, a transfer to the bonus reserve of €0.8 million increasing the bonus reserve to €2.8 million and negative exchange differences on translation of subsidiary undertakings of €0.2 million partially offset by the profit for the financial year (excluding non-controlling interests) of €8.8 million.

Consolidated Statement of Cash Flows

The decrease of €2.4 million in cash and cash equivalents to €nil, together with an increase in bank overdrafts and invoice discounting of €37.4 million offset by a reduction in bank loans of €8.0 million, reflects the overall increase in net bank debt of €31.8 million in 2018.

The net bank debt of €111.4 million (2017: €79.6 million) increased by €31.8 million, resulting from:

- → The investment in the business of €58.7 million (2017: €13.4 million) increased by €45.3 million from the prior year as a result of an increase in capital expenditure (net of grants) of €46.0 million offset by an increase in disposal of tangible fixed assets of €0.7 million;
- → A difference of €18.3 million (2017: €0.3 million) between payments and current service pension cost and payments;
- → Payments of €8.8 million (2017: €4.8 million) to cover net finance costs, taxation, equity financing and share interest; and
- → Non-cash movements of €5.2 million (2017: €4.4 million) included in EBITDA in relation to revaluation of investment properties and foreign exchange differences.

These were partially offset by:

- → EBITDA of €48.6 million (2017: €52.8 million);
- → Decrease in working capital requirement of €6.7 million (2017: increase of €26.1 million), resulting primarily by an increase in creditors of €29.5 million partially offset by an increase in debtors of €9.4 million and stock of €13.4 million; and
- → Member funding receipts of €3.9 million (2017: €5.3 million) in relation to revolving fund receipts of €5.6 million and loan note repayments of €1.7 million.

The Society's long-term borrowings are subject to financial covenants calculated in accordance with the facility agreements with the Society's lenders. The Society's net bank debt to adjusted EBITDA ratio was 2.28:1.

Pension

The consolidated statement of financial position at 31 December 2018 reflected a pension asset of €12.2 million (2017: €0.5 million). The positive movement was driven by a decrease in the liabilities of €59.7 million partially offset by a decrease in assets of €48.0 million.

In 2017 a decision was taken by the Board to close the Dairygold Co-Operative Society Limited Pension Plan 2010 ('Plan') to future accrual with effect from 31 March 2018. This meant that active employees of the Plan no longer accrued service to the Plan beyond that date. As part of the decision to close the Plan to future service, active employees of the Plan were provided with the option to accept an Enhanced Transfer Value (ETV) to transfer their accrued pension under the Plan to a new DC Plan. A significant number of active employees accepted the ETV offer, with a reduction in liabilities of circa €54.5 million.

The result of the ETV for the financial year ended 31 December 2018 includes a settlement gain of €8.2 million. An ETV offer for deferred members was also initiated in 2018 with a closing date in 2019.

The Pension Strategy implemented by the Society to close the Plan to futue accrual and implement an ETV has de-risked the Society Balance Sheet.

Member Funding

Member Funding was introduced in 2013 as part of the Society's overall funding strategy to support the delivery of its business growth ambitions. Total Member Funding (including accrued interest) at year-end 2018 was €21.3 million (2017: €16.9 million). This is made up of €1.2 million (2017: €2.8 million) in loan notes and €20.1 million (2017: €14.1 million) in the revolving fund. Revolving fund contributions recommenced in 2017 based on milk price. In 2018 the Society repaid €1.7 million of loan notes to Members. In 2019 the Society will repay €0.5 million of loan notes to Members including interest of €0.09 million. The repayments of the revolving fund will commence in 2020.

Non-Core Assets

Financial Assets

The Society's investment portfolio includes investments which are managed in conjunction with a third party investment manager. The market value of quoted financial assets decreased by €14.9 million to €20.5 million (2017: €35.4 million) including Aryzta AG at €2.7 million (€0.96 per share), FBD plc at €0.4 million (€8.24 per share), IPL Plastics plc (formally One51 plc) at €5.7 million (€6.41 per share) as at 31 December 2018 and an investment portfolio of €11.7 million. The decrease in the quoted financial assets was driven by the fall in the Aryzta AG share price following two profit warnings in the first half of 2018. Over the years, Dairygold has diversified circa 70% of its holdings in Aryzta AG.

Property

The Society, as at 31 December 2018, holds circa €51.0 million of non-core property assets. The primary focus is to maximise the value from these properties for the Society, through a combination of developmental, rental and commercialisation opportunities, which the Society is actively pursuing and delivering on. A key highlight for the Society, was reaching an agreement, with University College Cork, for the sale of the Trinity Quarter Property (formerly known as Brooks Haughton Builders Providers, consisting of a 1.44 acre site) for €17.25 million in Cork City.

Conclusion and Outlook

The Society delivered a satisfactory financial performance, while supporting Members, against a backdrop of adverse weather conditions. It has committed to significant capital investment as part of the Phase II Post Quota Primary Processing expansion, with significant cash commitments to be made. The business, therefore, needs to deliver a strong level of profitability in 2019. The Society continues to invest in its future, by developing existing and new products, increasing processing capacity and improving efficiency, identifying new customers and routes to market and developing its people, to sustainably maximise returns to its Members and deliver on its Strategy.

DIRECTORS, OFFICERS, COMMITTEES

AND OTHER INFORMATION

BOARD OF DIRECTORS

John O'Gorman
CHAIRMAN

Edmund C. Lynch
VICE CHAIRMAN

Patrick Clancy

Maurice Curtin

Thomas Feeney

Dan Flinter

Annette Flynn

Richard Hinchion

Sean MacSweeney

Gerard O'Dwyer

John O'Sullivan

Donal Shinnick

Jim Woulfe
CHIEF EXECUTIVE

Ann Fogarty
GROUP COMPANY SECRETARY

Board Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities in compliance with the highest standards of corporate governance. The committees and their membership are detailed below. All committees of the Board have written terms of reference, which are reviewed regularly, dealing with their role and authority delegated by the Board. The Group Company Secretary acts as Secretary to each of these committees.

Audit Committee

The Audit Committee comprises Ms. Annette Flynn (Chairman), Messrs. Patrick Clancy, Richard Hinchion and John O'Sullivan. The Chief Executive, Chief Financial Officer, Head of Internal Audit, other Directors, Senior Management and representatives of the external auditor may be invited to attend all or part of any meeting.

The role and responsibilities of the Audit Committee are set out in its written terms of reference and include:

- monitoring the integrity of the financial statements for the Group and reviewing significant financial reporting judgements contained therein before submission to the Board;
- monitoring and reviewing the operation and effectiveness of the Internal Audit function;
- considering and making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and their terms of engagement;
- approving the remuneration of the external auditor for statutory audit work and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted. Reviewing the extent of any non-audit services and related fees;
- assessing annually the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- reporting to the Board on the operation of the Society's system of internal control and risk management, making any recommendations to the Board thereon;
- monitoring and reviewing the statutory audit of the Society and its subsidiaries' statutory financial statements;
- reviewing the arrangements by which Employees of the Society may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that these arrangements allow for a proportionate and independent investigation of such matters and appropriate follow up action; and
- reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

The key activities undertaken by the Audit Committee during 2018 under its terms of reference were as follows:

Financial Reporting

The Audit Committee reviewed the statutory financial statements of the Society before submitting them to the Board of Directors for approval. This review focused on, but was not limited to, changes in accounting policies and practices, key judgement areas, the going concern assumption and compliance with accounting standards.

Risk Management and Control

The Board have overall responsibility for ensuring the Society's risk management framework is appropriate. The Audit Committee reviewed the risk registers and risk management systems of the Society on a rolling basis during 2018. The Committee recommended that the Society's principal risks be presented to the Board for review. The Board reviewed the principal risks facing the Society and provided feedback which was incorporated into the registers. The Committee also considered Internal Audit reports which formed part of the annual work plan approved by the Audit Committee.

During the year, the Audit Committee approved the "Policy for Risk Management". The purpose of the policy is to ensure that risks to the Society's strategic plan are identified, analysed and managed so that they are maintained to acceptable levels. In addition, the policy included a "Risk Appetite Statement".

Internal Audit

The Audit Committee reviewed the effectiveness of the Internal Audit function including its terms of reference, resources, experience and expertise. It approved the annual Internal Audit plan ensuring its alignment with the key risks facing the Society. It reviewed the output from the Internal Audit programme during the year considering its reports which detailed any significant control issues, notable findings and Managements' action plans to remediate any identified issues.

Tim Healy, Head of Dairy Operations, Adrian Beatty, Head of Human Resources, Conor Galvin, Head of Dairy Commercial and Business Development and Liam O'Flaherty, Head of Agri Business.

External Audit

The Audit Committee considered the independence and objectivity of the external auditor and approved their remuneration. The approach and scope of the audit work to be undertaken by the auditor which included planned levels of materiality, key risk and judgement areas were also reviewed. The Committee approved the terms of engagement for the audit. Subsequently, the Committee reviewed the findings of the auditor, assessed the effectiveness of the audit process and the external audit's management letter together with Managements' responses.

A formal policy is in place governing the use of the external audit firm for non-audit services in line with best practice. The aim of the policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the auditor. The policy of the Society is that the services of the auditor may be used for non-audit services provided that those services are not in conflict with auditor independence.

Audit Committee Performance

During the year the Audit Committee undertook an overall self-assessment review of their effectiveness and performance. This review was to identify strengths or weaknesses and to ensure that these are addressed.

The Committee is dedicated to the ongoing education of its members including regulatory updates and induction training for all new members of the Committee during the year.

Acquisition and Investments Committee

The Acquisition and Investments Committee comprises Mr. John O'Gorman (Society Chairman), Mr. Edmund C. Lynch (Society Vice Chairman), Mr. Dan Flinter (Chairman of the Remuneration Committee), Ms. Annette Flynn (Chairman of the Audit Committee) and Mr. John O'Sullivan (Board Nominee).

The Chairman of the Board acts as Chairman of the Acquisition and Investments Committee. The role and responsibilities of the Acquisition and Investments Committee are set out in its written terms of reference. The principal responsibilities of the Committee are to:

→ document the Society's acquisition and investments policies as approved by the Board and review these policies on an on-going basis to assess their effectiveness and recommend changes to the Board.

→ review and consider proposals from Management in relation to significant acquisitions, investments, disposals and capital expenditure to:

- ensure that the proposed transaction and/or expenditure is consistent with the Society's strategic objectives;
- evaluate and understand the implications and risks associated with any proposal that constitutes a significant acquisition of, or merger with, or investment in, another commercial entity;
- understand the financial implications regarding the funding of a proposed acquisition and any subsequent resulting acquisitions and capital investments;
- understand the financing of projected working capital requirements;
- ensure the necessary financial, legal, commercial, technical, safety and personnel due diligence has been undertaken, considered and challenged;
- understand and evaluate any likely regulatory consequences;
- evaluate and understand the consequences of any proposal that constitutes a significant disposal of a business or asset of the Society or its subsidiaries;
- understand the proposed communication plan with regard to all Members, Employees, Suppliers, Customers and other Stakeholders in both the Society and the acquired or disposed business or businesses;
- keep up to date with and be fully informed about strategic issues and commercial changes affecting the Society and the markets in which it operates;
- recommend to the Board as to whether any proposed transaction, investment or capital expenditure should be approved, amended or declined. The final decision rests with the Board; and
- investigate and consider any other matter as requested by the Board.

Michael Harte, Chief Financial Officer, Ann Fogarty, Group Company Secretary and Jim Woulfe, CEO Dairygold.

Remuneration Committee

The Remuneration Committee comprises Messrs. Dan Flinter (Chairman), John O'Gorman (Society Chairman), Edmund C. Lynch (Society Vice Chairman) and Thomas Feeney (Board Nominee). The role and responsibilities of the Remuneration Committee are set out in its written terms of reference. The principal responsibilities of the committee are to:

- determine the policy for the remuneration of the Chief Executive, Group Company Secretary and Direct Reports of the Chief Executive as well as the Society's policy on remuneration and/or expenses payable to members of the Board, members of the Regional Committees, General Committee and members of any sub-committee established from time to time;
- review and sanction new or amended salaries, performance related pay, retirement benefit and/or other benefits for Senior Executives of the Society whose remuneration is to be determined by the committee; and
- agree the policy and/or procedures for authorisation of claims for expenses of Senior Executives, the Board and members of the Regional Committees, General Committee and any other sub-committee established from time to time.

Rules Committee

The Rules Committee comprises Messrs. John O'Gorman (Society Chairman), Edmund C. Lynch (Society Vice Chairman), Maurice Curtin and Sean MacSweeney (Board Nominees). The principal responsibilities of the committee are to:

- review the rules of the Society on a periodic basis to ensure they are consistent in their application and aligned to the Society's strategic objectives;
- advise and make recommendations in conjunction with the General Committee, as necessary, to the Board of the Society with regard to any alterations or amendments required to the rules; and
- make recommendations on policy matters, to the Board of the Society, in relation to the implementation of the rules.

Other information

Registered Office

Clonmel Road,
Mitchelstown,
Co. Cork.
P67 DD36

Independent Auditor

PricewaterhouseCoopers,
Bank Place,
Limerick.

Principal Bankers

Allied Irish Banks plc
Bank of Ireland Group plc
HSBC Bank plc
Rabobank Ireland plc
Ulster Bank Ireland DAC

Solicitors

Arthur Cox
McCann FitzGerald

Senior Leadership Team

Chief Executive
Jim Woulfe

Group Company Secretary
Ann Fogarty

Chief Financial Officer
Michael Harte

Head of Dairy Operations
Tim Healy

Head of Dairy Commercial and Business Development
Conor Galvin

Head of Agri Business
Liam O'Flaherty

Head of Human Resources
Adrian Beatty

Head of Quality and Regulatory Compliance
Paddy Hannan

GENERAL COMMITTEE

Mitchelstown

Mr. Patrick Clancy
Mr. Robert Drake
Mr. Thomas Feeney
Mr. John A. Fox
Mr. Michael Gowen
Mr. Jeremiah Linehan
Mr. Martin O'Doherty
Mr. Patrick O'Keeffe
Ms. Mary Twomey-Casey
Mr. Don Whelan

East Cork

Mr. Patrick D. Lehane
Mr. Edmund C. Lynch
Mr. Sean O'Brien
Mr. Barry O'Connor
Mr. Patrick O'Donovan
Mr. Timothy O'Leary
Mr. John O'Sullivan
Mr. Maurice Smiddy

Mallow

Mr. Donal Buckley
Mr. Michael Duane
Mr. John Fitzgerald
Mr. John Hedigan
Mr. John Kenny
Mr. Finian Magner
Mr. Fintan McSweeney
Mr. Timothy McSweeney
Mr. Michael O'Hanlon
Mr. Andrew O'Keeffe
Ms. Elizabeth Sheehan
Mr. Donal Shinnick
Mr. Peter Twomey

Limerick

Mr. Maurice Curtin
Mr. Vincent Griffin
Mr. William Hickey
Mr. Daniel Hogan
Mr. Roger Keogh
Mr. James Lynch
Mr. Gerard O'Dwyer
Mr. Michael Reidy
Mr. David Woulfe

Mid-Cork

Mr. Patrick Ahern
Mr. John Bernard
Mr. Donal Creedon
Mr. Jerome Desmond
Mr. Brendan Hinchion
Mr. Richard Hinchion
Mr. John Joe Kelleher
Mr. Sean MacSweeney
Mr. Don McSweeney
Mr. Michael Murphy
Mr. Michael J. Murphy
Mr. Daniel P. O'Donovan
Mr. Patrick O'Driscoll
Mr. Bertie O'Leary
Mr. Cornelius O'Riordan

Tipperary

Mr. Matthew McEniry
Mr. Eamonn Morrissey
Mr. John O'Gorman
Mr. Joseph Tobin
Mr. Michael Tuohy

REGIONAL COMMITTEES

AGHABULLOGUE/RYLANE
Mr. Patrick Ahern
Mr. Edward Twomey

AHADILLANE
Mr. Donal Barrett
Mr. Patrick Sexton

ALLENSBRIDGE/ DROMTARIFFE
Mr. Cornelius Murphy
Mr. Damien Murphy

ANGLESBORO
Mr. William Bourke

ANNACOTTY/ BIRDHILL/ KILLALOE
Mr. Michael Caplis
Mr. Sean Hynes
Mr. Laurence McNamara

ARAGLEN
Mr. Thomas Feeney
Mr. Patrick O'Donoghue

ARDAGH/OLD MILL
Mr. Denis Hayes
Mr. David Woulfe

ARDFINNAN
Mr. Shane Mason

BALLINAMONA
Vacancy

BALLINDANGAN
Mr. Martin O'Doherty
Mr. Patrick O'Keeffe

BALLINGEARY
Mr. Sean O'Sullivan

BALLINHASSIG
Mr. James Crowley
Mr. Michael J. Murphy

BALLYCLOUGH
Mr. Donal Buckley
Mr. Martin O'Brien
Mr. Andrew O'Keeffe

BALLYHOOLY
Mr. William Leahy
Mr. Jeremiah Linehan

BALLYLOOBY
Mr. Stephen Keating
Mr. Eamonn Morrissey

BALLYMAKEERA
Mr. Daniel Hallissey
Mr. Bertie O'Leary

BALLYPOREEN
Mr. Patrick Clancy
Mr. James Conway

BALLYRICHARD/COBH
Mr. Anthony Barry
Mr. Andrew Bird
Ms. Ann Moore
Mr. Patrick O'Donovan
Ms. Martina O'Neill
Mr. Thomas Russell

BAWNMORE
Mr. Cornelius O'Riordan

BENGOUR
Mr. Patrick O'Driscoll

BERRINGS/DRIPSEY
Mr. Denis B. O'Mahony
Mr. John Walsh

BLACKABBEY/KILDIMO
Mr. Patrick O'Brien
Mr. Seamus O'Riordan
Mr. Michael Reidy

BOHERLAHAN
Mr. Joseph Tobin
Mr. Michael Tuohy

BUNRATTY
Mr. James Lynch
Mr. Kevin McInerney

BUTTEVANT/TEMPLEMARY
Mr. Daniel Broe
Mr. Donal Shinnick
Mr. Ian Wharton

CAHIR
Mr. Thomas Marnane
Mr. Michael Tobin

CAPPAMORE
Mr. Sean Meehan

CARRIGALINE
Mr. John Bernard
Mr. Thomas Casey
Mr. Patrick Foott
Vacancy

CARRIGNAVAR
Mr. Laurence Crowley

CASTLETOWNROCHE/ KILLAVULLEN
Mr. Thomas Barry
Mr. Henry Fitzgerald
Mr. Finian Magner

CAUM/MACROOM
Mr. Michael Murphy

CHURCHTOWN/LISCARROLL
Mr. John Hedigan
Mr. Michael Mangan

CLOGHEEN
Mr. John O'Gorman
Vacancy

CLONDROHID
Mr. Finbarr O'Connell
Mr. Stephen Roche

CLOVERFIELD/CORELISH
Mr. John A. O'Dea

COACHFORD/KILCOLMAN
Mr. Dan Dennehy
Mr. Denis Finnegan

C.M.P.
Mr. Timothy Cashman
Mr. John Kingston
Mr. Patrick D. Lehane
Mr. James Murphy
Mr. Donal O'Brien
Mr. Timothy O'Leary
Mr. John O'Sullivan

CORROGHURM/ MITCHELSTOWN
Mr. Patrick Condon
Mr. Martin Fox
Mr. David Kent Jnr.
Mr. Eamonn O'Brien
Mr. Don Whelan

COURTBRACK
Mr. Mitchell Hayes
Mr. Timothy McSweeney

DARRAGH
Mr. James Condon

DONERAILE
Mr. Michael Duane
Ms. Elizabeth Sheehan

DONOUGHMORE
Mr. Liam Buckley
Mr. Fintan McSweeney

DROMBANNA
Mr. Michael Clohessy
Mr. William Hickey
Mr. John O'Brien

GALBALLY
Mr. Michael Donovan

GARRYSPILLANE
Mr. John P. Tobin
Vacancy

GLANWORTH
Mr. Denis Joyce
Ms. Mary Twomey-Casey

GLOSHA/ REARCROSS
Mr. Roger Keogh

GRANAGH/MILTOWN
Mr. Vincent Griffin
Mr. Gerard Kennedy

HOLLYFORD
Mr. Vincent Carr

HOSPITAL/KILTEELY/ SARSFIELD
Mr. Patrick Hanley
Mr. Liam O'Carroll

INCHIGEELA/TEERGAY
Mr. Donal Creedon

KILBEHENNY
Mr. William O'Doherty
Mr. Martin Russell

KILCORNEY
Mr. John Browne
Mr. Mark Leader

KILDORRERY
Mr. Robert Drake
Mr. John Walsh

KILLOWEN/MOSSGROVE
Mr. John Canty
Mr. Don McSweeney

KILLUMNEY
Mr. Jerome Desmond
Mr. Thomas M. Griffin

KILNAMARTYRA
Mr. Brendan Hinchion
Mr. Jerry O'Riordan

KILROSS
Mr. Arthur Barlow
Mr. Daniel Hogan

KILWORTH
Mr. John Clancy
Mr. Michael Gowen

KNOCKADEA
Mr. John A. Fox
Vacancy

KNOCKLONG/ GORMANSTOWN
Mr. Geoffrey Walsh

LISSARDA
Mr. Richard Hinchion
Mr. Sean MacSweeney

LOMBARDSTOWN
Mr. Frank O'Connor
Mr. Michael O'Hanlon
Mr. Peter Twomey

MALLOW
Mr. Colman Cronin
Mr. John Kenny

MILLSTREET/BALLYDALY
Mr. Diarmuid Corkery
Vacancy

MOGEELY
Mr. John Dunne
Mr. Liam Lane
Mr. Edmund C. Lynch
Mr. Patrick Millerick
Mr. Denis O'Brien
Mr. Sean O'Brien
Mr. Maurice Smiddy

MOURNEABBEY
Mr. Derry Cronin
Mr. John Fitzgerald

MUSKERRY
Mr. Daniel P. O'Donovan

NEWMARKET-ON-FERGUS
Mr. Kieran Woods

NORTH TIPPERARY
Mr. Michael Darcy

OOLA
Mr. Gerard O'Dwyer

OUTRATH
Mr. Matthew McEniry
Mr. Martin Moloney
Mr. John O'Donnell
Mr. Garry Prendergast
Mr. Thomas Ryan

PARK
Mr. Robin Buckley
Mr. Matthew Hurley
Mr. Barry O'Connor
Mr. Michael J. Riordan

RATHDUFF
Mr. John Aherne
Mr. Teddy Buckley

RUSHEEN
Mr. Sean Corkery

SHINAUGH
Mr. Felix O'Neill

SHOUNLARAGH/TOGHER
Mr. Donal O'Donovan

TEMPLEMARTIN
Mr. Michael P. Murphy

TERELTON/TOAMES
Mr. John Joe Kelleher
Vacancy

TOURNAFULLA/ MEENAHELA
Mr. Denis Aherne
Mr. Maurice Curtin
Mr. Donal Fitzgerald

Statement of Board Responsibilities

The Industrial and Provident Societies Acts, 1893 to 2014, require the Board to provide for the preparation of financial statements, in accordance with accounting standards generally accepted in Ireland including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102), for each financial year which gives a true and fair view of the state of affairs of the Society and of the result of the Society for that period. In preparing those financial statements, the Board shall cause:

- suitable accounting policies to be selected and applied consistently;
- reasonable and prudent judgements and estimates to be made;
- the financial statements to be prepared on a going concern basis.

The Board confirms that it has complied with the above requirements in preparing the financial statements. In accordance with Rule 63 of the Society's rules, the Board shall cause proper books of account and records to be kept as are necessary to give a true and fair view of the Society's business and affairs. The Board is also responsible for safeguarding the assets of the Society and shall cause reasonable steps to be taken to provide adequate protection in this regard.

On behalf of the Board:

John O'Gorman
Chairman

19 March 2019

Edmund C. Lynch
Vice Chairman

19 March 2019

Independent Auditor's Report

to the Members of Dairygold Co-Operative Society Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dairygold Co-Operative Society Limited group financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 31 December 2018 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law).

We have audited the financial statements, included within the Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independent Auditor's Report

to the Members of Dairygold Co-Operative Society Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Directors for the financial statements

As explained more fully in the Statement of Board Responsibilities set out on page 30, the Board of Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: **https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.**

This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the group's members as a body in accordance with section 14 of the Industrial and Provident Societies Act 1893 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Industrial and Provident Societies Act, 1893 reporting

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the parent society balance sheet showing the receipts and expenditure, funds and effects of the society, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Limerick
28 March 2019

Consolidated Income Statement

for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
TURNOVER	2	**992,887**	965,525
Cost of sales		**(790,934)**	(762,753)
Gross Profit		**201,953**	202,772
Operating costs		**(158,703)**	(153,725)
Grant amortisation		**1,198**	1,796
Intangible asset amortisation		**(1,250)**	(2,104)
Depreciation		**(19,335)**	(19,920)
Change in fair value of investment properties		**4,993**	3,583
Operating Profit before Restructuring Costs	3	**28,856**	32,402
Restructuring costs	4	**-**	(957)
Operating Profit after Restructuring Costs		**28,856**	31,445
Share of gains of joint ventures		**488**	341
Share of gains of associates		**34**	25
PROFIT on ordinary activities before investment income, interest and taxation		**29,378**	31,811
Net (loss)/profit in financial assets at fair value through profit and loss	5	**(14,982)**	492
Interest payable and similar charges	6	**(5,926)**	(6,096)
Interest receivable and similar income	6	**327**	220
PROFIT on ordinary activities before taxation		**8,797**	26,427
Taxation credit/(charge) on profit on ordinary activities	8	**430**	(4,933)
PROFIT after taxation		**9,227**	21,494
Attributable to:			
Non-controlling interests	27	**421**	490
Owners of the parent entity		**8,806**	21,004
PROFIT for the financial year		**9,227**	21,494

The above results are derived from continuing operations.

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

19 March 2019

Edmund C Lynch

Edmund C. Lynch
Vice Chairman

19 March 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
PROFIT for the financial year		**9,227**	21,494
Share of joint ventures' reserves movements	*11*	**4**	(31)
Share of associates' reserves movements	*12*	**2**	-
Exchange differences on translation of subsidiary undertakings		**(256)**	(1,011)
(Loss)/return on plan assets (excluding amounts included in net interest cost)	*23*	**(10,651)**	13,523
Experience gains/(losses) arising on pension scheme liabilities	*23*	**2,035**	(1,097)
Changes in assumptions underlying the present value of pension scheme liabilities	*23*	**1,912**	(5,809)
Deferred tax associated with movement on defined benefit pension scheme	*22*	**(1,462)**	(852)
Total other comprehensive (expense)/income		**(8,416)**	4,723
Total comprehensive income for the year		**811**	26,217
Total comprehensive income for the year attributable to:			
Non-controlling interests	*27*	**421**	490
Owners of the parent entity		**390**	25,727
		811	26,217

Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	2018 €'000	2017 €'000
FIXED ASSETS			
Intangible assets	9	**3,682**	4,254
Tangible assets	10	**296,863**	223,799
Investment properties	10	**43,793**	38,577
Financial assets:			
Investments in joint ventures	11	**6,426**	6,035
Investments in associates	12	**444**	411
Other investments	13	**24,518**	39,833
		375,726	312,909
CURRENT ASSETS			
Stocks	14	**157,713**	144,317
Debtors	15	**122,983**	110,304
Cash at bank and in hand	29	**-**	2,352
		280,696	256,973
CREDITORS falling due within one year	16	**(229,140)**	(131,161)
NET CURRENT ASSETS		**51,556**	125,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**427,282**	438,721
CREDITORS falling due after more than one year	17	**(87,232)**	(89,839)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	21	**(6,752)**	(7,950)
Deferred taxation	22	**(7,568)**	(5,935)
NET ASSETS excluding pension asset		**325,730**	334,997
PENSION ASSET	23	**12,168**	473
NET ASSETS		**337,898**	335,470
CAPITAL AND RESERVES			
Share capital	24	**93,504**	90,663
Bonus reserve	26	**2,750**	2,000
Profit and loss account	26	**237,336**	238,848
EQUITY attributable to the owners of the parent entity		**333,590**	331,511
Non-controlling interests	27	**4,308**	3,959
TOTAL CAPITAL EMPLOYED		**337,898**	335,470

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

19 March 2019

Edmund C Lynch

Edmund C. Lynch
Vice Chairman

19 March 2019

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Notes	Share capital €'000	Bonus reserve €'000	Profit and loss account €'000	Shareholders' equity €'000	Non-controlling interests €'000	Total equity €'000
At 1 January 2017		**88,980**	**1,000**	**214,087**	**304,067**	**3,554**	**307,621**
Profit for the year				21,004	21,004	490	21,494
Other comprehensive income				4,723	4,723		4,723
Total comprehensive income for the year		-	-	25,727	25,727	490	26,217
Share interest	25			(403)	(403)		(403)
Dividends paid	27					(85)	(85)
Issue of ordinary shares including conversions	24	3,492			3,492		3,492
Shares redeemed	24	(1,357)			(1,357)		(1,357)
Shares cancelled	24	(452)		437	(15)		(15)
Transfer from profit and loss account to bonus reserve			1,000	(1,000)	-		-
At 31 December 2017		**90,663**	**2,000**	**238,848**	**331,511**	**3,959**	**335,470**
Profit for the year				8,806	8,806	421	9,227
Other comprehensive expense				(8,416)	(8,416)		(8,416)
Total comprehensive income for the year		-	-	390	390	421	811
Share interest	25			(1,142)	(1,142)		(1,142)
Dividends paid	27					(72)	(72)
Issue of ordinary shares including conversions	24	3,707			3,707		3,707
Shares redeemed	24	(876)			(876)		(876)
Reinstatement of previously cancelled shares	24	10		(10)	-		-
Transfer from profit and loss account to bonus reserve			750	(750)	-		-
At 31 December 2018		**93,504**	**2,750**	**237,336**	**333,590**	**4,308**	**337,898**

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Net cash inflow from operating activities	28	**26,913**	21,577
Investing activities			
Payments to acquire intangible fixed assets		**(681)**	(363)
Payments to acquire tangible fixed assets		**(59,120)**	(13,452)
Payments to acquire financial fixed assets		**(6,266)**	(11,819)
Receipts on disposals of tangible fixed assets		**769**	88
Receipts on disposals of financial fixed assets		**6,593**	12,191
Net cash flow from investing activities		**(58,705)**	(13,355)
Financing activities			
Decrease in long term loans		**(8,000)**	(8,000)
Increase in bank overdrafts and invoice discounting		**37,357**	-
Movement in net bank debt		**29,357**	(8,000)
Equity share interest paid		**(1,142)**	(1,182)
Dividends paid to non-controlling interests	27	**(72)**	(85)
Interest paid		**(5,301)**	(5,382)
Interest received		**11**	-
Issue of share capital	24	**3,707**	3,492
Redemption of shares	24	**(719)**	(971)
Redemption of convertible stock	19	**-**	(1)
Repayment of loan notes		**(1,700)**	-
Revolving fund		**5,631**	5,292
Redemption of loan stock	20	**(332)**	(302)
Net cash flow from financing activities		**29,440**	(7,139)
(Decrease)/increase in cash and cash equivalents		**(2,352)**	1,083
Cash and cash equivalents at 1 January		**2,352**	1,269
Cash and cash equivalents at 31 December	29	**-**	2,352

Statement of Accounting Policies

The significant accounting policies adopted by the Society are summarised below. They have been applied consistently throughout the year.

General information and basis of accounting:

Dairygold Co-Operative Society Limited is a society registered in Ireland under the Industrial and Provident Societies Acts, 1893 to 2014. The registered office is Clonmel Road, Mitchelstown, Co. Cork.

The financial statements have been prepared in accordance with accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Industrial and Provident Societies Acts, 1893 to 2014.

The financial statements have been prepared in compliance with Financial Reporting Standard 102 ("FRS 102").

The financial statements are prepared under the historical cost convention modified to include certain items at fair value.

The Society's functional currency and presentational currency is considered to be euro. This is the currency of the primary economic environment that the Society operates in.

Basis of Consolidation:

The consolidated financial statements incorporate:

a) the financial statements of Dairygold Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2018;

b) the Society's share of the results and post-acquisition reserves of joint ventures and associates as reported in the latest audited financial statements. This is to 31 December 2017 for these joint ventures and associates;

c) any material adjustments for joint ventures (arising between the date of their latest financial statements as above and the year end of the Society) and consequently Co-Operative Animal Health Limited and Malting Company of Ireland Limited results are incorporated to 31 December 2018; and

d) any material differences between the Society's accounting policies and that of its joint ventures and associates where required.

The results of subsidiaries, joint ventures and associates acquired or disposed of are included in or excluded from the financial statements from the effective date of acquisition or disposal.

The interests of non-controlling shareholders in subsidiary companies reflect their proportion of the net assets of the relevant subsidiaries.

The results of overseas subsidiary companies are translated into euros at the average rate for the year. The assets and liabilities of overseas subsidiary companies have been consolidated at the rate of exchange on the consolidated statement of financial position date. Exchange differences arising on the translation of the opening statement of financial position of overseas subsidiary companies together with differences in exchange rates on the translation of the income statement are recognised in the consolidated statement of comprehensive income.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going Concern:

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive's Report together with the Financial Overview. The Society's forecasts and projections taking account of possible changes in trading performance show that the Society should be able to operate within the level of its current facilities.

The Society meets its day to day working capital requirement through banking facilities in place which were extended in December 2018. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue Recognition:

Turnover is measured at the fair value of the consideration received/receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Society recognises turnover when the amount can be reliably measured, when it is probable that future economic benefit will flow to the Society and when specific criteria have been met for each of the Society's activities.

Turnover from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers and accumulated experience. Rebates and discounts are recorded in the same period as the original turnover.

The timing of recognition of service turnover equals the timing of when the services were rendered.

Property sales are recognised when unconditional contracts of sale of the properties are in place, no significant obligations are remaining and the resulting receivable is collectable.

Statement of Accounting Policies

The Society rents out a number of properties and turnover comprises revenues from property letting exclusive of value added tax and discounts. Rental income is recognised in the consolidated income statement in the period to which it relates.

When the expected receipt of turnover is deferred beyond normal credit terms, then it is discounted back to its present value.

Dividends are recognised when the right to receive payment is established.

Share Trading:

Accounting for Transactions

Investment transactions are initially accounted for on the trade date at transaction price. Subsequently, they are measured at fair value through profit and loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Investment Income and Expenses

Dividends are recognised as income on the dates that securities are first quoted "ex-dividend" to the extent information thereon is reasonably available to the Society. Interest income is recognised by the Society on an accruals basis. Income from quoted companies is stated gross of withholding tax.

Financial Instruments:

The Society has chosen to apply the provisions of Section 11 and 12 of FRS 102 to account for all of its financial instruments.

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Financial Assets and Liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the consolidated statement of financial position when and only when, there exists a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Statement of Accounting Policies

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit and loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial assets to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value with changes in fair value recognised through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Equity Instruments

Equity instruments issued by the Society are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Convertible Loan Notes

The convertible loan notes issued by the Society are classified as financial liabilities in accordance with the substance of the contractual arrangement.

Derivative Financial Instruments

The Society uses forward foreign currency contracts to reduce exposure to foreign exchange risk and not for speculative purposes. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Financing Costs:

Financing costs are amortised in equal annual instalments over the term of the relevant financing facility.

Discount Factor:

When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability or asset. The risks specific to the liability shall be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation.

Intangible Assets and Amortisation:

Costs incurred on the acquisition of computer software are capitalised as intangible assets, as are costs directly associated with developing computer software programmes. Computer software costs recognised as assets are written off over their estimated useful lives by equal annual instalments at the following annual rates:

Computer software	7.5% - 33.3%

Intangible fixed assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

Tangible Fixed Assets and Depreciation:

Tangible fixed assets are carried at cost less accumulated depreciation. Cost comprises the purchase price including legal and brokerage fees, import duties, any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, including non-refundable purchase taxes after deductions made for discounts and rebates. Own costs are capitalised where relevant and where the criteria for capitalisation is met.

Depreciation is calculated to write off the cost of tangible fixed assets less estimated residual value, other than freehold land and tangible fixed assets in the course of construction, over their estimated useful lives by equal annual instalments at the following annual rates:

Buildings	2.0% - 10.0%
Plant and machinery	6.6% - 33.3%
Motor vehicles	12.5% - 25.0%

Statement of Accounting Policies

Tangible fixed assets in the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when they are commissioned and available for use.

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of its fair value less costs to sell and its value in use). Fair value less costs to sell is defined as the amount obtainable from the sale of an asset in an arms length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those to be realised on its eventual disposal. Repairs, maintenance and minor inspection costs are expensed as incurred.

Development Assets

Development fixed assets held for their development potential or sale, are valued at historical cost, less depreciation and any impairment. Development assets principally comprise of land.

Investment Properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value annually with any change recognised in the consolidated income statement.

Retirement of Assets

The fixed asset register is reviewed to identify assets that are no longer in use. These assets are retired from the fixed asset register on an on-going basis.

Derecognition of Assets

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated income statement.

Leased Assets:

Assets held under finance leasing arrangements that transfer substantially all the risks and rewards of ownership are capitalised in the consolidated statement of financial position at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and the asset's useful life. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the consolidated income statement so as to produce a constant periodic charge on the remaining balance of the liability.

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor.

Rentals in respect of operating leases are charged in the consolidated income statement on a straight line basis over the lease term.

Financial Fixed Assets:

Associated and Joint Venture Undertakings

An associate undertaking is an entity, being neither a subsidiary nor a joint venture, in which the Society has a significant interest in the equity capital and over which it is able to exercise significant influence. Joint venture undertakings are those undertakings in which the Society has a joint interest in the equity capital and over which it jointly exercises control. The Society's interests are stated at cost, plus its share of post-acquisition reserves, less provision for permanent diminution in value.

Joint ventures and associates are accounted for using the equity method. The Society's share of the profits or losses of joint ventures and associates are included in the consolidated income statement. The Society's interests in their net assets are included as fixed asset investments in the consolidated statement of financial position at an amount representing the Society's share of the fair values of the net assets at acquisition plus the Society's share of post-acquisition retained profits or losses.

Unquoted Financial Assets

Investments in unquoted financial assets are those in which the Society does not exercise a significant or participating interest. The Society's interest in these undertakings is stated at cost, less provision for diminution in value.

A provision is made for impairment in value, particularly in the case where impairment is evidenced by losses crystallised post year end. This is reassessed on a yearly basis.

Stocks:

Stocks are valued at the lower of cost and estimated selling price less costs to sell. Stocks are recognised as an expense in the financial year in which the related revenue is recognised.

Cost in the case of raw materials, goods for resale and expense stocks comprise the purchase price including transport and other directly attributable costs less discounts and rebates receivable. These are valued on a first-in, first-out basis.

Cost in the case of work-in-progress and finished goods comprises direct material and labour costs and an appropriate proportion of manufacturing overhead based on normal production levels. These are valued using the weighted average cost formula.

Statement of Accounting Policies

Estimated selling price less costs to sell represents the estimated selling price less costs to completion and all appropriate holding, selling and distribution expenses.

Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation:

Current tax, including Irish corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Society intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred Taxation:

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the consolidated statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is provided on fair value adjustments in respect of non-trading quoted shares and investment properties.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is considered that it is more likely than not that there will be suitable future taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date.

Deferred tax liabilities are recognised for timing differences arising from investments in associates, except where the Society is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

The tax expense or income is presented in the same component of the consolidated income statement or the consolidated statement of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Capital Grants:

Grants receivable in respect of tangible fixed assets are included in the financial statements when the amounts have been ascertained and are released to the consolidated income statement in equal annual instalments over the expected useful lives of the relevant assets.

Revenue Grants:

Revenue based grants are accounted for in the year in which the related expenditure is incurred and are dealt with directly through the consolidated income statement.

Provisions:

A provision is recognised when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are charged against the profits of the Society, reviewed at each consolidated statement of financial position date and adjusted to reflect current best estimate. Where material, provisions are discounted.

Contingencies:

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is possible but not probable that the entity will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Research and Development:

Expenditure on research and development is written off to the consolidated income statement in the year in which it is incurred. Research and development tax credits are recognised on an accruals basis in the tax charge in the consolidated income statement.

Foreign Currencies:

Foreign currency transactions entered into by entities during the year have been translated at the foreign exchange rates at the time of these transactions.

Monetary assets and liabilities arising in foreign currencies have been translated at the foreign exchange rates at the consolidated statement of financial position date.

Exchange differences have been included in the consolidated income statement for the year, with the exception of exchange differences on monetary items receivable from or payable to a foreign operation for

Statement of Accounting Policies

which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in the consolidated statement of comprehensive income.

Employee Benefits:

Short Term Benefits

Short term benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits are recognised as an expense in the financial year in which employees provide the related service. The Society operates a variable pay scheme for employees. An expense is recognised in the consolidated income statement when the Society has a present legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

Long Term Benefits

The Society operates an incentive plan for certain members of the Executive Management Team based upon the achievement of business performance objectives over a three year period. An expense is recognised in the consolidated income statement when the Society has a present legal or constructive obligation in place to make payments as a result of past events and a reliable estimate of the obligation can be made.

Defined Benefit Pension Plan

The Society operates a defined benefit pension plan for certain employees. The asset recognised in the consolidated statement of financial position in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the end of each financial year.

The present value of the defined benefit obligation is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in euro and that have terms approximating the estimated period of the future payments ('discount rate').

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the relevant period, the cost of the plan introductions, benefit changes, settlements and curtailments. These are included as part of staff costs. The net interest cost is charged to the consolidated income statement and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit asset) are recognised in the consolidated statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained at least triennially and are updated at each financial position date.

Defined Contribution Plan

The Society operates a defined contribution plan for employees. A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the Society in independently administered funds.

For defined contribution pension schemes the amounts charged to the consolidated income statement in respect of pension costs and other post-retirement benefits, are the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

Where the Society is a participating employer in a multi-employer defined benefit pension scheme and its share of the underlying assets and liabilities cannot be identified on a consistent and reasonable basis, the scheme is accounted for as a defined contribution scheme.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty:

In the application of the Society's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Statement of Accounting Policies

Critical Judgements in Applying the Society's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Society has made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

a) Revaluation of Investment Properties

The Society carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Society engaged independent professional commercial property consultants to determine the fair value at 31 December 2018. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

b) Defined Benefit Scheme

The cost of the defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country.

The Society made the decision only to pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation. Further details are given in note 23.

c) Accounting for Brexit Implications

Since the Referendum Vote in June 2016, negotiations have been taking place between the UK and EU to agree on the terms of a Withdrawal Agreement to allow the UK to orderly exit from the EU, with an appropriate transition period, whereby the UK would still operate within EU rules, while a final agreement on the future relationship is agreed.

A Withdrawal Agreement has been negotiated, but to date this has not been ratified by the UK Parliament. As a result, there are still a number of different potential outcomes, including:

1) approval of the Withdrawal Agreement;

2) an extension of Article 50 to allow further negotiation;

3) the UK leaving the EU with no deal; or

4) a second referendum.

The Board has considered the uncertainty surrounding the potential outcome, no adjustments have been recognised in the financial statements for the year ended 31 December 2018 to reflect an adverse Brexit outcome and the Board believes that there would not be any material impact on financial statements for the year ended 31 December 2018 from an adverse outcome.

Key Sources of Estimation Uncertainty

The following estimates have had the most significant effect on amounts recognised in the financial statements:

a) Discount Factor in Calculating Present Values

A discount factor is used in the calculation of the present value of some of the assets and liabilities. This discount factor is based on management's estimation of the market rate of interest for similar assets/liabilities.

b) Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that the Society will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Statement of Accounting Policies

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

c) Stock

Included in note 3 is the impairment of stock recognised as an expense. This includes provision for obsolete, slow moving or defective stock items and adjustments to reflect the net realisable value of stock where appropriate. Estimated selling price less costs to sell represents the Society's best estimate of the realisable value that will be achieved in the market less costs in relation to completion and all appropriate holding, selling and distribution expenses.

d) Useful Economic Lives of Intangible and Tangible Fixed Assets

The useful economic lives of intangible and tangible assets are key assumptions concerning the future at the reporting date. The useful economic lives and the residual values are reviewed annually. They are amended when necessary to reflect current estimates based on technological advancement, future investment, economic utilisation and physical condition of the assets. See notes 9 and 10 for the carrying amount of intangible and tangible assets.

e) Deferred Taxation

Management estimation is required to determine the amount of the deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 22.

Notes to Financial Statements

for the year ended 31 December 2018

1. Financial management

The conduct of its ordinary business operations necessitates the Society holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity and cash flow risk and credit risk. The Society's approach is to centrally manage these risks against comprehensive policy guidelines, which are summarised below.

The Society does not engage in holding or issuing speculative financial instruments or derivatives. The Society finances its operations by a mixture of retained profits, short to medium-term committed borrowings, member funding and short-term uncommitted borrowings. The Society borrows in a number of currencies at floating rates of interest and uses derivatives where appropriate to generate the desired effective currency profile. Risk management, other than price risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates the financial risks in close cooperation with the Society's business units. The Board provides principles for overall risk management covering areas such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. For further details regarding the Society's financial instruments, see note 34.

Market risk

(a) Currency risk

Although the Society is based in Ireland with the euro as the functional currency, it has geographic investment and operating exposures outside the eurozone. As a result, currency movements, particularly movements in the sterling/euro exchange rate and US dollar/euro exchange rate, can affect the Society's consolidated statement of financial position and consolidated income statement. The Society also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Group Treasury assists the Society's entities in managing their foreign exchange risk against their functional currency. Society entities are required to hedge material foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis, using appropriate currency derivative instruments.

Between 31 December 2018 and 1 January 2019, if the euro had weakened/strengthened by 5% against the US dollar and sterling with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar and sterling denominated hedged trade receivables.

(b) Interest rate risk

The Society's objective in relation to interest rate management is to minimise the impact of interest costs in order to protect reported profitability. This is achieved by determining a strategy against a number of policy guidelines in consultation with our professional advisors, which focus on:

(a) the amount of floating rate indebtedness anticipated over such a period; and

(b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability.

The Society borrows at floating rates of interest and constantly reviews the resulting exposure to interest rate fluctuations.

(c) Price risk

The Society is exposed to share price risk because of investments held by the Society in listed and unlisted shares on the consolidated statement of financial position. The Acquisition and Investments Committee has a role in monitoring and managing this risk. The impact of a 5% increase or decrease in listed equity prices at year end would have resulted in a €1.0 million gain/loss (2017: €1.8 million gain/loss).

The Society's objective is to minimise Commodity price risk. Price risk management strategies include, entering in to Fixed Price Milk Schemes with its Milk Suppliers with back to back arrangements with customers, index linked contracts with customers and limited use of futures contracts.

Notes to Financial Statements

for the year ended 31 December 2018

1. Financial management (continued)

(d) Liquidity and cash flow risk

The Society's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve the continuity of funding, the Society's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. This means that at any time the lenders providing facilities in respect of the finance requirements are committed up to the date of renewal of such facilities. For further details regarding the Society's borrowing facilities, see note 18.

(e) Credit risk

Credit risk is managed on a Society wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Society's credit risk management policy in relation to trade receivables involves continuously assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and credit risk is covered by credit insurance.

Capital risk management

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated based on equity as shown in the consolidated statement of financial position which amounted to €337.9 million (2017: €335.5 million).

In order to maintain or adjust the capital structure, the Society may adjust the amount of share interest paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt.

The Society monitors debt on the basis of interest cover and debt to EBITDA ratios. At 31 December 2018, the Society's net bank debt/adjusted EBITDA ratio was 2.28 times (2017: 1.50 times), which is deemed by management to be satisfactory. Adjusted EBITDA for the purpose of financing ratios is as per the Society's financing agreements.

Notes to Financial Statements

for the year ended 31 December 2018

2. Turnover

	2018 €'000	2017 €'000
Turnover: group and share of joint ventures'	**1,017,580**	988,276
Less: share of joint ventures' turnover	**(24,693)**	(22,751)
Group turnover	**992,887**	965,525
Geographical analysis by destination:		
Ireland	**341,804**	313,085
United Kingdom	**208,317**	256,000
Rest of Europe	**310,819**	247,078
Rest of World	**131,947**	149,362
	992,887	965,525
Principal activities by class of business:		
Food ingredients	**725,429**	733,314
Agri business	**261,598**	220,262
Financial and property	**5,860**	11,949
	992,887	965,525
Analysis of turnover by catogery:		
Sale of goods	**972,762**	939,532
Rendering of services	**13,962**	13,657
Others including sale of shares and property activities	**6,163**	12,336
	992,887	965,525

3. Operating profit before restructuring costs

	2018 €'000	2017 €'000
Operating profit before restructuring costs is stated after charging/(crediting):		
Pension settlement and curtailment gain - Note 23	**(8,219)**	(1,896)
Research and development expenditure	**2,095**	1,513
Foreign exchange (gain)/loss	**(550)**	1,814
Amortisation of intangible assets - Note 9	**1,250**	2,104
Depreciation of tangible fixed assets - Note 10	**19,335**	19,920
Impairment of plant and machinery (included in operating costs) - Note 10	**-**	150
Impairment of land and buildings (included in operating costs) - Note 10	**348**	-
Impairment of development assets (included in operating costs) - Note 10	**47**	-
Capital grants amortisation - Note 21	**(1,198)**	(1,796)
Cost of stock recognised as an expense	**790,934**	762,753
Impairment of stock recognised as an expense - Note 14	**18,100**	17,500

Notes to Financial Statements

for the year ended 31 December 2018

4. Restructuring costs

	2018 €'000	2017 €'000
Restructuring costs	-	957

The restructuring costs are associated with the integration and right-sizing of retail store operations and the alignment of work practices throughout the Retail Division.

5. Net (loss)/profit in financial assets at fair value through profit and loss

	2018 €'000	2017 €'000
(Loss)/profit on shares measured at fair value - Note 13	(14,982)	492

6. Finance costs

	2018 €'000	2017 €'000
Interest payable and similar charges:		
Bank interest payable and similar charges	(5,803)	(5,835)
Net interest payable and similar charges relating to pension - Note 23	-	(93)
Unwinding of the discount factor for provisions	(72)	(106)
Share of joint ventures' net interest payable	(51)	(62)
	(5,926)	(6,096)
Interest receivable and similar income:		
Bank interest receivable	11	-
Net interest receivable and similar income relating to pension - Note 23	134	-
Unwinding of the discount factor for receivables	182	220
	327	220

7. Payroll costs

	2018 Number	2017 Number
The weekly average number of employees:		
Dairygold Food Ingredients	708	671
Dairygold Agri Business	544	532
	1,252	1,203
	€'000	€'000
Payroll costs comprise:		
Wages and salaries	60,033	59,845
Social welfare costs	6,225	5,727
Other retirement benefit costs - Note 23	6,051	5,706
Pension settlement and curtailment gain - Note 23	(8,219)	(1,896)
	64,090	69,382

Notes to Financial Statements

for the year ended 31 December 2018

8. Taxation credit/(charge) on profit on ordinary activities

Tax credit/(charge) included in the consolidated income statement	2018 €'000	2017 €'000
Corporation tax:		
Irish tax	**1,173**	(2,307)
Foreign tax	**(654)**	(816)
	519	(3,123)
Prior year provision movement:		
Irish tax	**135**	(75)
Foreign tax	**-**	(21)
	135	(96)
Tax credit/(charge)	**654**	(3,219)
Share of joint ventures' tax	**(53)**	(65)
Total corporation tax	**601**	(3,284)
Deferred tax charge - Note 22:		
Origination and reversal of timing differences	**(171)**	(1,649)
Total tax	**430**	(4,933)

Tax charge relating to items recognised in the consolidated statement of comprehensive income

The tax charge is made up as follows:

Deferred tax associated with movement on the defined benefit pension scheme - Note 22	**(1,462)**	(852)

Reconciliation of tax credit/(charge)

The tax assessed for the year is different from the standard rates of corporation tax in the Republic of Ireland for the financial year ended 31 December 2018 of 12.5% (2017: 12.5%). The differences are explained as follows:

Profit on ordinary activities before taxation	**8,797**	26,427
Tax on profit on ordinary activities at standard Irish corporation tax rate	**(1,100)**	(3,303)
Effects of:		
Expenses allowable for tax purposes	**807**	189
Research and development tax credits	**50**	150
Excess capital allowances over depreciation	**171**	76
Income subject to higher tax rates (non-trading income)	**(149)**	(193)
Non taxable income	**6**	4
Losses brought forward	**1,099**	437
Share of joint ventures' tax	**(53)**	(65)
Income tax	**(11)**	(12)
Adjustments in respect of previous periods	**135**	(96)
Higher tax rates (overseas)	**(354)**	(471)
Deferred tax - origination and reversal of timing differences	**(171)**	(1,649)
Taxation credit/(charge) on profit on ordinary activities	**430**	(4,933)

Notes to Financial Statements

for the year ended 31 December 2018

9. Intangible assets

Software Development Costs	**2018 €'000**	2017 €'000
Cost		
At 1 January	**24,593**	24,563
Additions	**681**	363
Disposals	**-**	(333)
At 31 December	**25,274**	24,593
Amortisation		
At 1 January	**20,339**	18,573
Charged during the year	**1,250**	2,104
Disposals	**-**	(333)
Translation adjustment	**3**	(5)
At 31 December	**21,592**	20,339
Net Book Value		
At 31 December	**3,682**	4,254

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for the year ended 31 December 2018

10. Tangible assets

	Land & buildings €'000	Development assets €'000	Plant & machinery €'000	Motor vehicles €'000	Construction in progress €'000	Total €'000
Cost						
At 1 January 2017	183,037	2,152	243,587	6,409	1,809	436,994
Additions	5,426	113	4,947	262	2,058	12,806
Impairment	-	-	(150)	-	-	(150)
Disposals	(84)	(71)	(21,394)	(62)	-	(21,611)
Transferred (to)/from investment properties	(6,380)	4,430	-	-	-	(1,950)
Transferred from CIP	199	-	933	-	(1,132)	-
Translation adjustments	(152)	-	(429)	(1)	-	(582)
At 31 December 2017	182,046	6,624	227,494	6,608	2,735	425,507
Additions	4,864	527	4,643	610	82,962	93,606
Impairment	(348)	(47)	-	-	-	(395)
Disposals	(2,007)	(8)	(1,067)	(55)	-	(3,137)
Transferred from CIP	571	-	1,250	-	(1,821)	-
Translation adjustments	(34)	-	(110)	-	-	(144)
At 31 December 2018	**185,092**	**7,096**	**232,210**	**7,163**	**83,876**	**515,437**
Depreciation						
At 1 January 2017	47,898	-	151,010	4,786	-	203,694
Charged during year	5,108	-	14,130	682	-	19,920
Disposals	(79)	-	(21,384)	(60)	-	(21,523)
Translation adjustments	(67)	-	(316)	-	-	(383)
At 31 December 2017	52,860	-	143,440	5,408	-	201,708
Charged during year	5,363	-	13,397	575	-	19,335
Disposals	(1,243)	-	(1,071)	(55)	-	(2,369)
Translation adjustments	(18)	-	(82)	-	-	(100)
At 31 December 2018	**56,962**	**-**	**155,684**	**5,928**	**-**	**218,574**
Net Book Value						
At 31 December 2018	**128,130**	**7,096**	**76,526**	**1,235**	**83,876**	**296,863**
At 31 December 2017	**129,186**	**6,624**	**84,054**	**1,200**	**2,735**	**223,799**

Included in disposals for the year are retirements of fixed assets which are no longer in use, with a net book value of €nil (2017: €nil). These assets had a total cost and related accumulated depreciation of €1.1 million (2017: €22.0 million).

Notes to Financial Statements

for the year ended 31 December 2018

10. Tangible assets (continued)

Investment Properties	2018 €'000	2017 €'000
Valuation		
At 1 January	**38,577**	32,628
Additions	**223**	416
Transfer from tangible assets	**-**	6,380
Transfer to tangible assets	**-**	(4,430)
Revaluations	**4,993**	3,583
At 31 December	**43,793**	38,577

Investment properties are stated at open market value at 31 December 2018. The Directors have taken appropriate independent advice from Power Property, professional commercial property consultants and have taken into account general market indicators when considering the valuation of investment property assets at 31 December 2018. Investment properties held abroad were valued by local valuers in previous years with the requisite knowledge in local industry. These valuations, along with general market conditions in the locality were reviewed by Power Property at 31 December 2018. The appropriateness of such valuations have been considered by the Society and it is satisfied that the valuation of investment properties located abroad are materially correct at 31 December 2018.

11. Investments in joint ventures

	2018 €'000	2017 €'000
Share of net assets - 1 January	**5,891**	5,708
Share of net results	**383**	214
Share of joint ventures' reserves movements	**4**	(31)
Share of net assets - 31 December	**6,278**	5,891
Loans to joint ventures - Note 31	**148**	144
Balance	**6,426**	6,035

The joint ventures have been included in the financial statements at cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends received.

Details of the joint ventures are included in Note 33 to these financial statements.

12. Investments in associates

	2018 €'000	2017 €'000
Share of net assets - 1 January	**411**	390
Share of net results	**31**	21
Share of associates' reserves movements	**2**	-
Balance - 31 December	**444**	411

The associates have been included in the financial statements at cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends received.

Details of the associate is included in Note 33 to these financial statements.

Notes to Financial Statements

for the year ended 31 December 2018

13. Other investments

	2018 €'000	2017 €'000
Unquoted		
Shares at cost - 1 January	**407**	395
Additions	**5**	12
Shares at cost - 31 December	**412**	407
Quoted		
Shares at fair value - 1 January	**35,387**	34,462
Additions	**5,612**	11,621
Disposals	**(5,525)**	(11,188)
(Decrease)/increase in fair value quoted shares	**(14,982)**	492
Shares at fair value - 31 December	**20,492**	35,387
Loan Stock		
Loan stock at fair value - 1 January	**4,039**	4,697
Redemptions net of additions	**(601)**	(869)
Unwinding of the discount factor	**176**	211
Loan stock at fair value - 31 December	**3,614**	4,039
Total	**24,518**	39,833

In the opinion of the Board of Directors, the value of the unquoted investments is not less than that shown above.

Fair value in respect of the quoted financial assets was determined with reference to the quoted market price at the reporting date. Where quoted prices were unavailable, the price for a recent transaction for an identical asset was referenced in determining fair value.

The loan stock refers to unconverted loan stock received from Ornua based on the Society's trading activity with it.

14. Stocks

	2018 €'000	2017 €'000
Raw materials	**16,893**	12,676
Finished goods	**117,246**	111,617
Goods for resale	**17,682**	14,835
Expense stocks	**5,892**	5,189
	157,713	144,317

There is no material difference between the above amounts and the replacement cost of stocks.

The amount expensed in the year in respect of stocks, whereby the estimated selling price less costs to sell was lower than the cost, was €18.1 million (2017: €17.5 million).

Notes to Financial Statements

for the year ended 31 December 2018

15. Debtors

	2018 €'000	2017 €'000
Trade debtors	**81,406**	79,679
Other debtors	**6,158**	7,426
Derivative financial instruments - Note 34	**-**	122
Prepayments and accrued income	**25,081**	19,254
Amounts due from related parties	**1,298**	1,371
Corporation tax	**3,434**	-
VAT	**5,606**	2,452
	122,983	110,304

The invoice discounting facility of €70 million is secured on certain trade debtors. All debtor values are shown in the consolidated statement of financial position at their gross value.

The Society, through the use of a debtor factoring arrangement, has transferred substantially all of the credit risk and derecognised €22.1 million (2017: €23.1 million) of trade debtors at year-end.

16. Creditors falling due within one year

	2018 €'000	2017 €'000
Bank loans - Note 18	**8,000**	8,000
Bank overdrafts and invoice discounting	**37,357**	-
Loan notes (including interest accrued) - Note 18	**512**	1,691
Trade creditors	**42,340**	19,421
Derivative financial instruments - Note 34	**12**	-
Provisions, accruals and deferred income	**135,245**	94,919
Amounts due to related parties	**3,024**	2,183
Corporation tax	**69**	2,533
PAYE and PRSI	**2,286**	2,066
Loan stock - Note 20	**295**	348
	229,140	131,161

17. Creditors falling due after more than one year

	2018 €'000	2017 €'000
Bank loans - Note 18	**66,000**	74,000
Loan notes (including interest accrued) - Note 18	**625**	1,093
Revolving fund (including interest accrued) - Note 18	**20,143**	14,091
Corporation tax	**-**	69
Convertible stock - Note 19	**218**	218
Loan stock - Note 20	**246**	368
	87,232	89,839

Notes to Financial Statements

for the year ended 31 December 2018

18. Loans

	2018 **€'000**	2017 €'000
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years:		
Bank loans falling due within one year	**8,000**	8,000
Bank loans falling due between one and two years	**8,000**	8,000
Bank loans falling due between two and five years	**58,000**	66,000
Loan notes (including interest accrued) falling due within one year	**512**	1,691
Loan notes (including interest accrued) falling due greater than one year	**625**	1,093
Not wholly repayable within five years:		
Revolving fund (including interest accrued)	**20,143**	14,091
	95,280	98,875

The above loans are repayable as follows:	**Bank Loans €'000**	**Loan Notes €'000**	**Revolving Fund €'000**
Year ending 31 December 2019	8,000	512	
Year ending 31 December 2020	8,000	625	3,994
Year ending 31 December 2021	8,000		4,114
Year ending 31 December 2022	8,000		650
Year ending 31 December 2023	42,000		
Year ending 31 December 2024			5,360
Year ending 31 December 2025			6,025
	74,000	**1,137**	**20,143**

Bank Loans

The Society has entered into bank guarantees on behalf of its subsidiaries. The amounts guaranteed at the consolidated statement of financial position date were €74 million (2017: €82 million) and they are secured by fixed and floating charges on the assets of the Society and its subsidiaries.

The interest rate applying to the bank loans is EURIBOR plus a margin of between 1.5% to 3.1%.

The terms of the bank loans restrict the Society from making significant acquisitions or disposals without the consent of the banks.

Loan Notes

Members were offered the opportunity to invest on a voluntary basis in a loan note. The scheme commenced in 2013 and ran for three years. Members who subscribed to the loan note will be repaid their investment in full plus accumulated interest on the fifth anniversary of their investment. The interest rate applying to the loan note is 3 month EURIBOR plus 4%. Interest is accrued on an annual basis.

During 2018, there was a repayment of loan notes of €1.7 million.

Revolving Fund

The revolving fund is a compulsory mechanism by which Milk Suppliers contribute to the funding of the Society with monies contributed repaid in full, together with accumulated interest when the period expires. Contributions will be made over seven years from 2013 to 2019, with a maximum of sixty monthly deductions over the seven year period. The interest rate applying to contributions is 3 month EURIBOR plus 2.5%. Interest is accrued on an annual basis.

Members funding contributions were discontinued in 2015 and 2016 in accordance with scheme terms and conditions.

Notes to Financial Statements

for the year ended 31 December 2018

19. Convertible stock

	2018 €'000	2017 €'000
At 1 January	**218**	219
Stock redeemed	**-**	(1)
At 31 December	**218**	218

'A' convertible stock can be converted into ordinary shares based on conditions set out in the rules of the Society and subject to agreements at the time of the stock issue.

20. Loan stock

	2018 €'000	2017 €'000
At 1 January	**716**	632
Arising on share redemption - Note 24	**157**	386
Loan stock repayment	**(332)**	(302)
At 31 December	**541**	716
Falling due within one year - Note 16	**295**	348
Falling due after more than one year - Note 17	**246**	368

21. Capital grants

	2018 €'000	2017 €'000
At 1 January	**7,950**	9,746
Credited to consolidated income statement	**(1,198)**	(1,796)
At 31 December	**6,752**	7,950

Grants of €18,775,000 (2017: €18,775,000) which have been received under agreements between the Society, its subsidiaries, Enterprise Ireland and the European Agricultural Guidance and Guarantee Fund may become repayable should certain circumstances set out in the agreements occur.

Notes to Financial Statements

for the year ended 31 December 2018

22. Deferred taxation

	2018 €'000	2017 €'000
At 1 January	**5,935**	3,434
Charged to consolidated income statement - Note 8	**171**	1,649
Charged to consolidated statement of comprehensive income - Note 8	**1,462**	852
At 31 December	**7,568**	5,935
An analysis of the deferred tax balance is as follows:		
Timing differences	**2,008**	2,663
Unutilised tax losses	**-**	(1,084)
Tax on increase in market value of quoted shares	**417**	2,186
Tax on revaluation of investment properties	**3,622**	2,111
Tax on defined benefit pension surplus	**1,521**	59
At 31 December	**7,568**	5,935

The Society had an unrecognised deferred tax asset of €811,000 (2017: €809,000) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

23. Pension asset

Dairygold Pension Schemes

The Society operates and contributes to a number of externally funded defined benefit and defined contribution pension schemes in Ireland.

Dairygold Co-Operative Society Limited Pension Plan 2010 ('Plan')

The Plan was established as a result of the merger of four defined benefit pension plans sponsored by the Society. The accounting calculations reported herein relate to this Plan and are based on accounting policies, actuarial methods and assumptions which are consistent with the requirements of FRS 102 and were selected by the Society having taken advice from Mercer who are the Society's professional pension service providers.

The cash contributions payable to the Plan are determined from a full actuarial valuation undertaken by the Scheme Actuary at intervals not exceeding three years. The last such valuation of the Plan was undertaken as at 1 January 2016 in accordance with generally accepted actuarial principles and assumptions. The principal assumptions used in the valuation of accrued liabilities were that investment return would exceed future general salary inflation by 2.25% per annum and pension increases by 0.25% per annum in respect of existing pensioners and 1.0% per annum in respect of future pensioners. At the effective date of that valuation, the value of the assets was €276 million which was sufficient to cover approximately 101.5% of the benefits that had accrued to Members, after allowing for future expected increases in pensionable remuneration. The valuation report is not available for public inspection.

In 2017 a decision was taken by the Board to close the Dairygold Co-Operative Society Limited Pension Plan 2010 to future accrual with effect from 31 March 2018. This has meant that active members of the Plan no longer accrue service in the Plan beyond that date. Accordingly, accrued benefits will no longer be linked to pensionable salary growth in the period to retirement and instead it will increase at a rate of CPI + 0.5% subject to a minimum of 2.5% for the first two years, 2% for the following 5 years and will increase in line with CPI thereafter. A maximum rate of 4% in any year will apply throughout the period.

As part of the decision to close the Plan to future service, active members of the Plan were provided with the option to accept an Enhanced Transfer Value (ETV) to transfer their accrued pension under the Plan to a new DC Plan. A significant number of active members accepted the ETV offer. A number of key management personnel were among those who accepted the ETV offer and in circumstances where the transfer value reached the Standard Fund Threshold or Personal Fund Threshold, the enhanced portion of the transfer value (€0.9m) was paid directly to the individuals subject to normal taxation deductions. In November 2018, the ETV offer was extended to deferred members of the Plan with the offer open until 14 February 2019. A number of deferred members had accepted the ETV offer by 31 December 2018.

Notes to Financial Statements

for the year ended 31 December 2018

23. Pension asset (continued)

The result of the Dairygold Co-Operative Society Limited Pension Plan 2010 for the financial year ended 31 December 2018 includes a settlement gain of €8.219m arising on the ETV exercise completed in respect of the active members in 2018. No settlement gain or loss is expected to arise in respect of the deferred members who have exercised the ETV offer option before 31 December 2018. Since the year end the ETV offer for deferred members closed on 14 February 2019 with a significant number of deferred members accepting the offer by the closing date. Any settlement gains or losses arising on the ETV's accepted since the year end will be recognised in the financial statements for the year ended 31 December 2019.

The main financial assumptions employed in the accounting valuation as at 31 December are:

	2018	2017
Inflation rate increase	**1.50%**	1.65%
Deferred pension revaluation	**1.40%***	1.55%*
Pension payment increase	**1.40%**	1.55%
Discount rate	**2.10%**	2.20%

*For a period of 7 years from 31 March 2018 for members who are current employees, revaluation each year will be statutory revaluation plus 0.50% subject to a minimum of 2.50% for the first two years and 2.00% for the remaining 5 years. A maximum rate of 4.00% will apply throughout the period.

Interest income on plan assets:

Interest income on plan assets for 2018 have been determined using an interest rate of 2.20% (2017: 1.90%) which is derived from the discount rate from the previous year end.

Discount rate assumption:

In setting the discount rate, as with all other assumptions, the Society obtained independent actuarial advice from Mercer. The discount rate is set by reference to the yield on high (AA rated) quality bonds denominated in euro with duration equivalent to the duration of the liabilities.

Mercer has advised that the discount rate selected of 2.10% (2017: 2.20%) reflects the market yield on high quality corporate bonds at 31 December 2018. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of FRS 102.

Discretionary benefits assumption:

The Society made the decision only to pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation.

Mortality assumptions:

Membership of the Society's pension plan is too small to allow a statistical analysis of mortality experience suitable for facilitating a scheme specific projection of future experience. In the circumstances, standard mortality tables have been employed. These tables include allowance for projected future improvements in mortality rates.

The assumption adopted in the accounting calculations is consistent with Mercer's best practice. This assumption would be regarded by Mercer to be best estimate and is in line with its assumption adopted by many Irish public limited companies.

The assumed life expectations on retirement at age 65 are noted below.

Weighted average life expectancy:	**As at 31 December 2018**		As at 31 December 2017	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.5**	**24.3**	22.3	24.2
Members age 45 (life expectancy from age 65)	**24.2**	**26.2**	24.0	26.0

Notes to Financial Statements

for the year ended 31 December 2018

23. Pension asset (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	% Impact on scheme liabilities
Discount rate	Increase by 0.50%	Decrease by 8.0%
Rate of inflation	Increase by 0.50%	Increase by 9.0%
Rate of salary growth**	Increase by 0.50%	N/A
Rate of mortality	Members live for 1 year longer	Increase by 3.7%

**A decision was made to close the Plan to future accrual with effect from 31 March 2018. This means that active members in the Plan no longer accrue service in the plan after that date and accrued benefits are no longer linked to pensionable salary growth in the period to retirement. As accrued benefits are no longer linked to pensionable salary growth the Scheme Liability calculation is no longer dependent on the salary growth assumption.

Plan assets

The weighted average asset allocation at the year end was as follows:	**2018**	2017
Equities and other growth assets	**37.3%**	45.6%
Bonds	**51.4%**	45.0%
Properties and infrastructure	**11.1%**	9.3%
Cash	**0.2%**	0.1%
	100.0%	100.0%

The plan assets have not been invested in any of the Society's own financial instruments nor in properties or other assets used by the Society.

The overall surplus in the scheme at 31 December is:

	2018 €'000	2017 €'000
Equities and other growth assets	**96,488**	140,071
Bonds	**133,119**	138,161
Properties and infrastructure	**28,659**	28,477
Cash	**684**	280
Fair value of assets	**258,950**	306,989
Present value of scheme liabilities	**(246,782)**	(306,516)
Closing pension asset	**12,168**	473

The amounts included within operating profit of the consolidated income statement for the year are as follows:

	2018 €'000	2017 €'000
Cost arising from employee service in the reporting period	**1,396**	3,767
Gain on curtailments/changes	**-**	(1,233)
Gain on settlements	**(8,219)**	(663)
Administrative expenses	**1,402**	648
Total (credited)/charged within operating profit	**(5,421)**	2,519

Included within the administrative expenses of €1,402,000 is €793,000 of costs associated with the closure of the pension scheme to future accrual which took effect on 31 March 2018.

Notes to Financial Statements

for the year ended 31 December 2018

23. Pension asset (continued)

The amounts included within finance charges of the consolidated income statement for the year are as follows:

	2018 €'000	2017 €'000
Interest income on plan assets	**6,273**	5,513
Interest on past service scheme liabilities	**(6,139)**	(5,606)
Net interest receivable/(payable) and similar income/(charges) relating to pension	**134**	(93)

The analysis of amounts recognised in the consolidated statement of comprehensive income are as follows:

	2018 €'000	2017 €'000
(Loss)/return on plan assets (excluding amounts included in net interest cost)	**(10,651)**	13,523
Experience gains/(losses) arising on the pension scheme liabilities	**2,035**	(1,097)
Changes in assumptions underlying the present value of scheme liabilities	**1,912**	(5,809)
Remeasurement (losses) and gains recognised in other comprehensive income	**(6,704)**	6,617

Movement in pension scheme assets:	2018 €'000	2017 €'000
Value at 1 January	**306,989**	293,501
Return on assets	**6,273**	5,513
(Loss)/return on plan assets (excluding amounts included in net interest cost)	**(10,651)**	13,523
Employer contributions	**12,844**	2,814
Plan participants' contributions	**310**	1,229
Benefit payments and expenses	**(56,815)**	(9,591)
Value at 31 December	**258,950**	306,989

Movement in pension scheme liabilities:	2018 €'000	2017 €'000
Value at 1 January	**(306,516)**	(299,847)
Cost (excluding interest):		
(i) Cost arising from employee service in the reporting period	**(1,396)**	(3,767)
(ii) Gain on curtailments/changes	**-**	1,233
(iii) Gain on settlements	**8,219**	663
Interest expense	**(6,139)**	(5,606)
Cash flows		
(i) Benefit payments from plan assets	**8,532**	7,329
(ii) Participant contributions	**(310)**	(1,229)
(iii) Insurance premiums for risk benefits	**494**	495
(iv) Settlement payments	**46,387**	1,119
Remeasurements		
(i) Effect of the changes in the assumptions	**1,912**	(5,809)
(ii) Effect of experience adjustments	**2,035**	(1,097)
Value at 31 December	**(246,782)**	(306,516)

Notes to Financial Statements

for the year ended 31 December 2018

23. Pension asset (continued)

Irish Co-Operative Societies Pension Scheme

The Society also participates in an industry wide Irish Co-Operative Societies Pension Scheme. This is a multi-employer defined benefit scheme. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Society is accounting for the pension scheme as if it were a defined contribution scheme in accordance with FRS 102. The charge in the consolidated income statement in respect of this plan was €139,000 (2017: €160,000).

The last Actuarial Funding Certificate and Funding Standard Reserve Certificate for the Scheme was completed as at 1 December 2016. These certificates confirmed that the Scheme satisfied both the Funding Standard and Funding Standard Reserve requirements at that effective date.

Defined Contribution Schemes

Following the closure of the Defined Benefit Plan on 31 March 2018 to future service, the active members of this Plan began contributing to the Defined Contribution Plan from 1 April 2018. The total cost of the Defined Contribution Pension Schemes was €3,114,000 (2017: €1,131,000).

Pension Cost

The total pension credited to the operating profit was (€2,168,000) (2017: cost of €3,810,000) which comprised of a credit of (€5,421,000) (2017: cost of €2,519,000) in respect of the defined benefit pension scheme, as noted on page 60, and a cost of €3,253,000 (2017: cost of €1,291,000) in respect of the defined contribution schemes (which includes €139,000 (2017: €160,000) regarding the Irish Co-Operative Pension Scheme noted above). Valuations have been performed in accordance with the requirements of FRS 102, as at 31 December 2018. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

24. Share capital

Ordinary shares of €1 each	**2018 €'000**	2017 €'000
Issued and fully paid		
At 1 January	**90,663**	88,980
Shares issued	**3,707**	3,492
Shares redeemed	**(876)**	(1,357)
Shares cancelled - in accordance with Rule 14	**-**	(15)
Reinstatement of previously cancelled shares - in accordance with Rule 15	**10**	-
Shares cancelled - in accordance with Rule 15	**-**	(437)
At 31 December	**93,504**	90,663

	2018 €'000	2017 €'000
Cash paid	**(719)**	(971)
Arising as loan stock - Note 20	**(157)**	(386)
Shares redeemed	**(876)**	(1,357)

From 2013 onwards, the Society has accelerated the payment of the value of shares redeemed, whereby the value of shares redeemed up to €10,000 or 40% of such value, if greater, is paid in cash in that year. The balance is transferred to a loan stock account, which is being paid in equal installments over the following three years.

In common with other Societies incorporated under the Industrial and Provident Societies Acts, 1893 to 2014, the Society does not have an authorised share capital. The Society rules make provision for the issue of shares at the discretion of the Board and for the issue of convertible stock and loan stock. Any issues have taken place at par.

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for the year ended 31 December 2018

24. Share capital (continued)

Minimum Shareholding

Since January 2013, all Milk Suppliers are required to acquire and maintain a minimum shareholding in the Society of 4.0 cent per litre of milk supply (4,000 shares per 100,000 litres of milk supply). A shareholding monthly deduction of 0.5 cent per litre is charged to Milk Suppliers whose shareholding is below the threshold based on their previous calendar years milk supply.

A Milk Supplier is not required to make a contribution to Minimum Shareholding when the Dairygold quoted milk price is less than 30.0 cent per litre (VAT inclusive), in any given month.

25. Share interest

	2018 €'000	2017 €'000
Share interest paid @ 1.25% (2017 : 1.25%)		
Ordinary share capital	**(1,142)**	(1,112)
Release of a provision	**-**	709
	(1,142)	(403)

The Board has recommended that share interest of 1.25% be paid on the share capital and loan stock in issue at 31 December 2018. This will amount to €1,186,000 (2017: €1,142,000) and is subject to approval at the Annual General Meeting.

26. Reserves

The profit and loss account reserve represents the cumulative profits and losses of the Society.

The transfer from the profit and loss account reserve to the bonus reserve is in accordance with Rules 77 and 78 of the Society, which allows for the establishment of a reserve from which allocations of fully paid-up bonus shares in the Society may be made.

27. Non-controlling interests

	2018 €'000	2017 €'000
At 1 January	**3,959**	3,554
Profit after tax	**421**	490
Dividends paid	**(72)**	(85)
At 31 December	**4,308**	3,959

Notes to Financial Statements

for the year ended 31 December 2018

28. Reconciliation of operating profit to net cash inflow from operating activities

	2018 €'000	2017 €'000
Operating profit before restructuring costs	**28,856**	32,402
Amortisation of intangible assets	**1,250**	2,104
Depreciation	**19,335**	19,920
Impairment of tangible fixed assets	**395**	150
Capital grants amortisation	**(1,198)**	(1,796)
EBITDA	**48,638**	52,780
Profit on the revaluation of investment properties	**(4,993)**	(3,583)
Present valuing of turnover	**182**	52
Difference between current service pension cost and payments made	**(18,265)**	(295)
Cash related to restructuring	**-**	(133)
Working capital movements		
Increase in stocks	**(13,396)**	(11,928)
Increase in debtors	**(9,395)**	(16,628)
Increase in creditors	**29,514**	2,439
Foreign exchange differences	**(209)**	(813)
Taxation		
Corporate income tax paid	**(5,163)**	(314)
Net cash inflow from operating activities	**26,913**	21,577

29. Cash and cash equivalents

	2018 €'000	2017 €'000
Cash and bank balances	**-**	2,352

30. Commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €80,024,429 (2017: €13,563,603).

At the year end the Society had forward purchase commitments for certain raw materials amounting to €59,295,340 (2017: €48,870,018) which are not provided for in the financial statements.

31. Related party transactions

The Society's related parties, as defined by FRS 102, the nature of the relationships and the extent of transactions with them are summarised below. The Society views key management personnel, Directors, close members of their family and companies controlled by them, joint venture undertakings, associate undertakings and non-wholly owned subsidiaries as related parties under the standard.

The Society purchases goods and services from its joint ventures and associates and sells goods and services to its joint ventures and associates on standard commercial terms. The purchases from and sales to the joint ventures and associates during 2018 amounted to €12,450,000 (2017: €10,558,000) and €5,583,000 (2017: €4,816,000) respectively. The trading balances outstanding by and to the Society amounted to €2,707,000 (2017: €1,792,000) and €476,000 (2017: €455,000) respectively at the year end. The Society has provided a loan of €148,000 (2017: €144,000) to its joint venture, Malting Company of Ireland Limited.

Notes to Financial Statements

for the year ended 31 December 2018

31. Related party transactions (continued)

The Society purchases and sells goods and services from and to a non-wholly owned subsidiary, Munster Cattle Breeding Group Limited and its subsidiaries, on standard commercial terms. During 2018, the purchases from and sales to Munster Cattle Breeding Group Limited and its subsidiaries amounted to €nil (2017: €8,000) and €404,000 (2017: €595,000) respectively. The trading balances outstanding by and to the Society amounted to €65,000 (2017: €16,000) and €33,000 (2017: €121,000) respectively at the year end.

In the ordinary course of business, the Society trades on standard commercial terms with some key management and Directors (including close family members) in their capacity as farmers, and with companies which are considered related to the Society by virtue of common Directors and close family members of some management and/or Directors having control or joint control over these companies. The aggregate level of purchases from and sales to these related parties during the year amounted to €19,841,000 (2017: €18,341,000) and €7,819,000 (2017: €9,007,000) respectively. The trading balances outstanding by and to the Society amounted to €317,000 (2017: €391,000) and €823,000 (2017: €916,000) respectively at the year end. No specific reserve has been required in 2018 (2017: €nil) for bad or doubtful debts in respect of amounts owed by these related parties. A son of one of the Directors of the Society is employed by the Society in the Agri Division on standard terms of employment for that Division. Also, a brother of one of the Directors of the Society is employed by the Society in the Dairy Food Ingredients Division on standard terms of employment for that Division.

Directors and close family members of the Society, in aggregate, had loan note balances of €91,000 (2017: €137,000) and revolving fund balances of €159,000 (2017: €119,000) owing to them at the year end, both inclusive of accrued interest. During the year, loan note balances of €51,000 were repaid to Directors and close family members of the Society on their scheduled repayment date.

Payments made by the Society to the pension schemes are included in Note 23. No amounts were prepaid or owing to the schemes at the end of the year.

During the year certain members of key management personnel accepted the ETV offer made to all active members of the Defined Benefit Pension Plan to transfer to a new Defined Contribution Plan, the impact of which is disclosed in Note 23 of the accounts.

Key Management Personnel Remuneration

The following sets out the key management remuneration of €3,344,000 (2017: €3,328,000) analysed between the Senior Leadership Team and the Board of Directors.

	2018 Number	2017 Number
Senior Leadership Team	**9**	8
	€'000	€'000
Basic salaries	**1,862**	1,642
Performance related pay	**203**	548
Other emoluments	**203**	199
Employer's PRSI	**246**	268
Employer's pension and retirement fund contributions	**407**	248
	2,921	2,905

	2018 Number	2017 Number
Board of Directors	**12**	12
	€'000	€'000
Directors' fees	**423**	423

The Performance related pay in 2018 was reduced to reflect the challenging Dairy market.

Notes to Financial Statements

for the year ended 31 December 2018

32. Contingent liabilities

Certain sales to Ornua are based on "on account" prices and are subject to adjustment when the prices are finally agreed. Provision is made as and when required for future deficits in the product categories.

The Society has guaranteed the liabilities for the financial year ended 31 December 2018 of its Irish subsidiaries and as a result they are exempted from filing their individual financial statements under the provisions of Section 357 of the Companies Act, 2014.

33. Principal operating subsidiaries, joint ventures and associates

Subsidiaries	**Country of incorporation**	**% Holding**	**Activity**
Agricola Properties Limited	Ireland	100.0%	Property
Dairygold Agri Business Limited	Ireland	100.0%	Procuring, distributing and retailing of agri and non agri supplies and farm inputs
Dairygold Deutschland Handlesgesellschaft mbH	Germany	100.0%	Sales & distribution
Dairygold Finance Designated Activity Company	Ireland	100.0%	Finance company
Dairygold Food Ingredients Limited	Ireland	100.0%	Dairy ingredients
Dairygold Food Ingredients (U.K.) Limited	U.K.	100.0%	Dairy ingredients
Munster Cattle Breeding Group Limited	Ireland	66.0%	AI and farm services
Watfore Limited	Ireland	100.0%	Property

Joint Ventures	**Country of incorporation**	**% Holding**	**Activity**
Co-Operative Animal Health Limited	Ireland	50.0%	Farm services
Malting Company of Ireland Limited	Ireland	50.0%	Malting

Associates	**Country of incorporation**	**% Holding**	**Activity**
National Cattle Breeding Centre Limited	Ireland	20.0%	AI services

The Companies and Societies operate principally in the countries of incorporation. Only the principal operating subsidiaries are listed above. The names and addresses of the registered offices of all the subsidiaries, joint ventures and associates are available from the Group Company Secretary of Dairygold Co-Operative Society Limited.

Notes to Financial Statements

for the year ended 31 December 2018

34. Financial instruments

The carrying value of the financial assets and liabilities are summarised by category below:

	2018 €'000	2017 €'000
Financial assets		
Measured at fair value through profit or loss		
Investments in listed equity instruments - Note 13	**20,492**	35,387
Forward foreign currency contracts - Note 15	**-**	122
Debt instruments measured at amortised cost		
Convertible loan stock - Note 13	**3,614**	4,039
Measured at undiscounted amounts receivable		
Trade debtors - Note 15	**81,406**	79,679
Amounts due from related undertakings - Note 15	**1,298**	1,371
Equity instruments measured at cost less impairment		
Investments in unlisted equity instruments - Note 13	**412**	407
Financial liabilities		
Measured at fair value through profit or loss		
Forward foreign currency contracts - Note 16	**(12)**	-
Measured at amortised cost		
Bank overdrafts and invoice discounting - Note 16	**(37,357)**	-
Bank loans - Note 18	**(74,000)**	(82,000)
Revolving fund - Note 18	**(20,143)**	(14,091)
Loan notes - Note 18	**(1,137)**	(2,784)
Loan stock - Note 20	**(541)**	(716)
Convertible stock - Note 19	**(218)**	(218)
Measured at undiscounted amounts payable		
Trade and other creditors - Note 16	**(42,340)**	(19,421)
Amounts due to related parties - Note 16	**(3,024)**	(2,183)

The Society enters into forward foreign currency exchange contracts to mitigate the exchange rate risk for certain foreign currency sales. At 31 December 2018, the outstanding contracts all mature within 5 months (2017: 8 months) of the end of the financial year. The Society is committed to sell US$3,156,000 (2017: US$6,335,000) and £181,000 (2017: £2,809,000) and receive a fixed euro amount.

The forward foreign currency exchange contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

The fair values of the assets and liabilities held at fair value through profit and loss in the consolidated statement of financial position date are determined using quoted prices.

The Society's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018 €'000	2017 €'000
Interest income		
Total interest income for financial assets at amortised cost - Note 6	**182**	220
Fair value losses and gains		
On financial assets (including listed investments) measured at fair value through profit and loss - Note 13	**(14,982)**	492

Notes to Financial Statements

for the year ended 31 December 2018

35. Future operating lease income

	2018 €'000	2017 €'000
The total future minimum lease receipts under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	**76**	25
- between one and five years	**1,864**	921
- after five years	**9,188**	10,512
At 31 December	**11,128**	11,458

36. Restatement of comparatives

Certain prior year figures included within the financial statements and related notes are reclassified to ensure comparability with the current year presentation.

37. Approval of financial statements

The financial statements were approved for issue and signed by the Board of Directors on 19 March 2019.

Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

Five Year Consolidated Income Statement

	2018 €'000	2017 €'000	2016 €'000	2015 €'000	2014 €'000
TURNOVER	**992,887**	965,525	756,065	784,869	848,394
OPERATING PROFIT	**28,856**	32,402	17,456	19,213	28,627
Share of joint ventures	**488**	341	293	(260)	17
Share of associates	**34**	25	11	32	(40)
Exceptional items	**-**	(957)	(1,213)	-	2,563
Net (losses)/gains in financial assets at fair value through profit and loss	**(14,982)**	492	(3,642)	(4,274)	5,501
Net interest payable	**(5,599)**	(5,876)	(6,051)	(5,477)	(4,445)
PROFIT before taxation	**8,797**	26,427	6,854	9,234	32,223
Taxation	**430**	(4,933)	(921)	(946)	(5,335)
PROFIT after taxation	**9,227**	21,494	5,933	8,288	26,888
Non-controlling interests	**(421)**	(490)	(311)	(442)	(449)
PROFIT for the financial year	**8,806**	21,004	5,622	7,846	26,439

Five Year Consolidated Statement of Financial Position

	2018 €'000	2017 €'000	2016 €'000	2015 €'000	2014 €'000
Net Assets Employed:					
Fixed assets	**375,726**	312,909	317,710	333,259	331,759
Stocks	**157,713**	144,317	132,389	129,250	116,370
Debtors	**122,983**	110,304	94,187	107,676	98,390
Creditors	**(205,015)**	(139,000)	(128,408)	(144,901)	(152,639)
Net bank debt	**(111,357)**	(79,648)	(88,731)	(96,160)	(71,621)
Capital grants	**(6,752)**	(7,950)	(9,746)	(9,894)	(8,768)
Deferred taxation liability	**(7,568)**	(5,935)	(3,434)	(3,771)	(2,203)
Pension asset/(liability)	**12,168**	473	(6,346)	66	(15,152)
	337,898	335,470	307,621	315,525	296,136
Financed by:					
Shareholders' funds	**333,590**	331,511	304,067	312,214	293,097
Non-controlling interests	**4,308**	3,959	3,554	3,311	3,039
TOTAL CAPITAL EMPLOYED	**337,898**	335,470	307,621	315,525	296,136

Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

Five Year Consolidated Cash Flow

	2018 €'000	2017 €'000	2016 €'000	2015 €'000	2014 €'000
EBITDA:					
Operating profit	**28,856**	32,402	17,456	19,213	28,627
Amortisation of intangible assets	**1,250**	2,104	3,085	2,831	2,736
Depreciation	**19,335**	19,920	20,082	20,597	17,150
Impairment of tangible fixed assets	**395**	150	-	-	-
Grants	**(1,198)**	(1,796)	(1,614)	(1,402)	(1,428)
EBITDA	**48,638**	52,780	39,009	41,239	47,085
Investments	**(58,705)**	(13,355)	(15,015)	(50,933)	(50,692)
Working capital	**6,723**	(26,117)	1,608	(6,495)	(3,879)
Finance costs	**(5,290)**	(5,382)	(5,951)	(5,223)	(4,974)
Equity share interest paid	**(1,142)**	(1,182)	(1,386)	(1,275)	(1,141)
Equity financing	**2,584**	2,133	(2,285)	(994)	299
Member funding	**3,931**	5,292	-	1,430	4,336
Taxation paid	**(5,163)**	(314)	(1,296)	(1,908)	(3,696)
Other	**(23,076)**	(3,959)	(3,247)	(1,249)	956
(Decrease)/increase in cash in the year	**(31,500)**	9,896	11,437	(25,408)	(11,706)
Non cash movements	**(209)**	(813)	(4,008)	869	999
Movement in net debt	**(31,709)**	9,083	7,429	(24,539)	(10,707)
Net bank debt at 1 January	**(79,648)**	(88,731)	(96,160)	(71,621)	(60,914)
NET BANK DEBT AT 31 DECEMBER	**(111,357)**	(79,648)	(88,731)	(96,160)	(71,621)

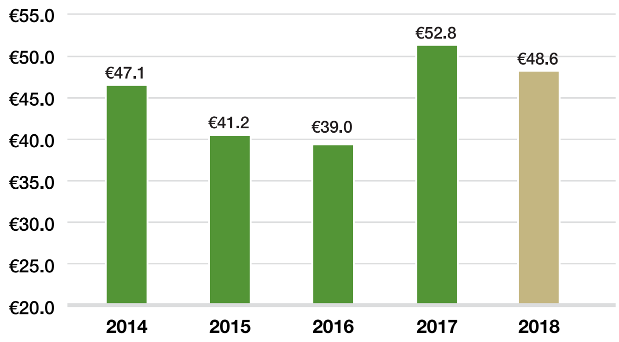
Analysis of net bank debt

	At 1 January 2018 €'000	Cash flow €'000	Non cash movement €'000	At 31 December 2018 €'000
Cash and bank balances	2,352	(2,143)	(209)	-
Bank overdrafts and invoice discounting	-	(37,357)	-	(37,357)
Bank loans due within one year	(8,000)	-	-	(8,000)
Bank loans due after one year	(74,000)	8,000	-	(66,000)
	(79,648)	(31,500)	(209)	(111,357)

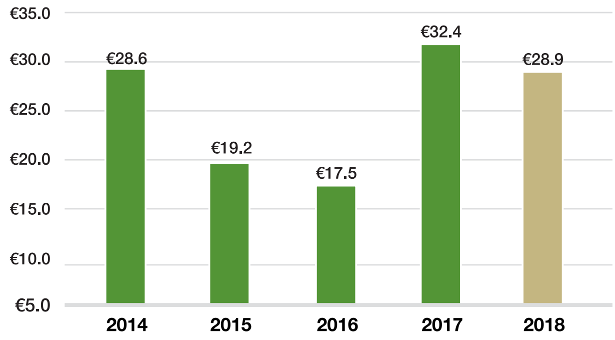
Financial Performance Overview

(Supplementary information not covered by the Independent Auditor's Report)

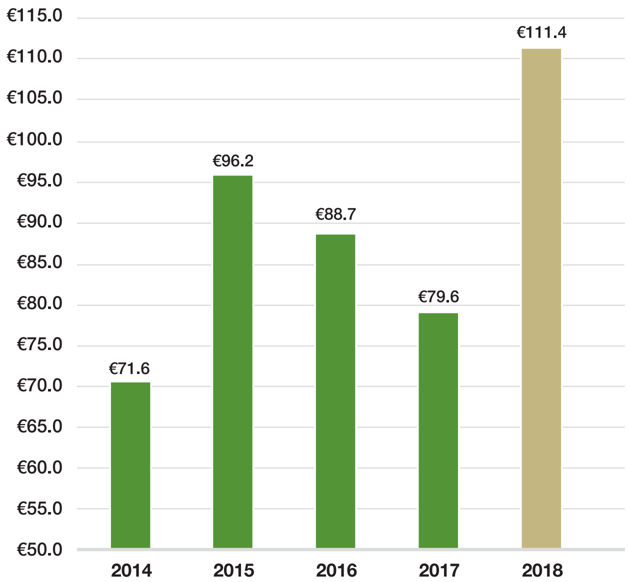
EBITDA €million



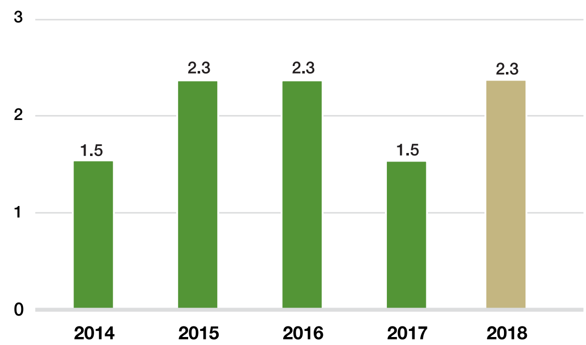
Operating Profit €million



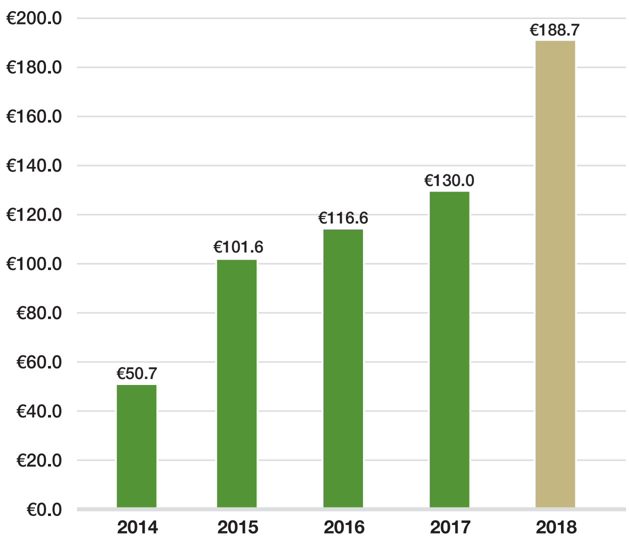
Net Bank Debt €million



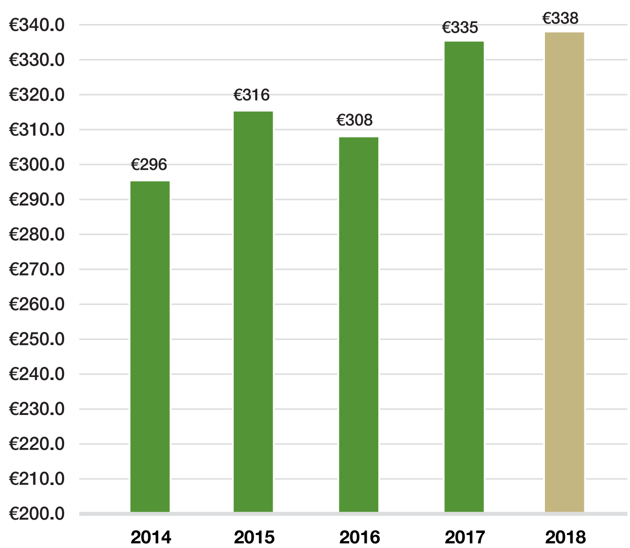
Net Bank Debt: EBITDA



Cumulative investment €million over the last five years



Net Asset Value €million



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