dairygold

Golden Valleys, Growing Naturally

ANNUAL REPORT

AND FINANCIAL STATEMENTS

2019

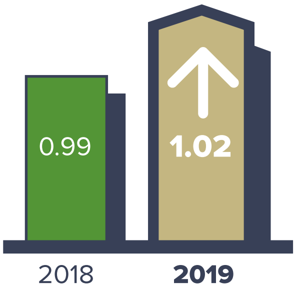
WWW.DAIRYGOLD.IE

Key Highlights

TURNOVER

€1.02

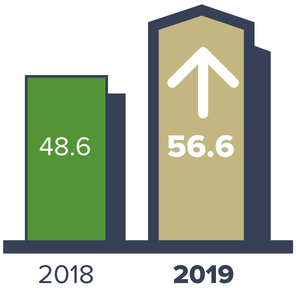
BILLION



EBITDA

€56.6

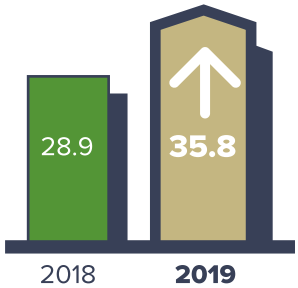
MILLION



OPERATING PROFIT

€35.8

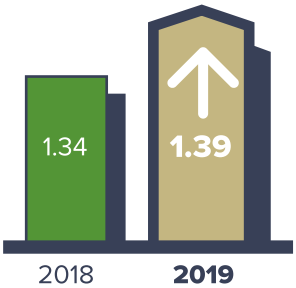
MILLION



MILK PRODUCTION

1.39

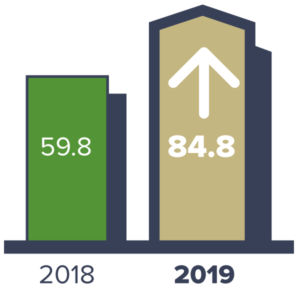
BILLION LITRES



CAPITAL INVESTMENT

€84.8

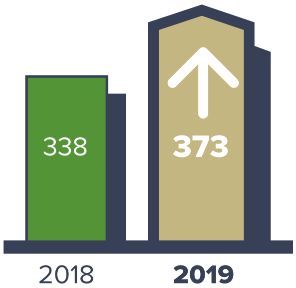
MILLION



NET ASSET VALUE

€373

MILLION



People

Attracting and retaining top talent to grow the business.

Launched B2B ingredients brand Glenor

Sustainability

On-farm carbon reduction targets set.

Contents

John O'Gorman, Chairman Dairygold.

Chairman's Statement

2019 brought a welcome return to more normal weather conditions, following the very challenging circumstances in 2018. Against this backdrop, Dairygold delivered a very strong business performance, while facilitating our Members to achieve their milk expansion ambitions.

Milk Supply

2019 was a milestone year for milk production, with Irish dairy farmers producing a record 7.95 billion litres of milk. Dairygold milk supplies were 1.39 billion litres, an increase of circa 50 million litres or an increase of 3.73% on the prior year.

Favourable weather improved grass growth which boosted fodder reserves and allowed a return to more normal feed consumption levels as compared to 2018. 2019 also saw a surge in Irish milk production driven by very strong growth in milk supplies in the first half of the year.

Returns from global dairy markets through the year continued to be varied. After a strong start to the year, prices weakened, only to strengthen again in the final quarter. The Dairygold Board sought to manage this volatility by reflecting any market increases early and delaying milk price reductions when the markets weakened.

The uplift in market returns in the final quarter was also reflected in the Dairygold Board's decision to pay a Milk Bonus of 0.5 cent per litre including VAT on all milk deliveries from Suppliers for the 2019 calendar year.

Dairygold's average milk price for the year was 34.6 cent per litre based on quality/bonus at the average Dairygold Milk Supplier's milk solids of 3.58% Protein and 4.19% Butter Fat.

As has been the case for the past four years, Dairygold offered Milk Suppliers the opportunity to avail of a Fixed Milk Price Scheme for a 3-year period. This Scheme which runs from 1 March 2020 to 30 November 2022 offers Milk Suppliers the opportunity to manage milk price volatility and deliver milk price certainty on a fixed portion of their 2020 to 2022 milk supply.

Milk being delivered to Mallow Nutritionals Campus

Milk Quality

As a food producer, Dairygold's success is inextricably linked to the quality of our ingredients. While there is significant focus on milk volume expansion, it is encouraging to see the average milk solids for the Dairygold milk supply base rising incrementally, alongside our increased volumes.

Dairygold's average constituents are well ahead of the national average with our Milk Suppliers now delivering milk with an average of 3.58% Protein and 4.19% Butter Fat. The improvement in milk solids is a testament to the excellence in farming practice across our Supplier base.

Dairygold Milk Suppliers, Edward and Breda Donovan from Cloyne, East Cork, were named overall winners of the Dairygold Milk Quality Awards which took place in May 2019. For the first time, the Awards also recognised the efforts made by Milk Suppliers in making their operations more economically and environmentally sustainable with Pat Cronin from Kilnamatyra winning the inaugural Farm Sustainability Award.

Supporting Expansion

In 2019, Dairygold processed 1.39 billion litres of milk from our Supplier base. This represents a 65% increase on the 838 million litre quota that the Society had a decade earlier. Dairygold has managed that significant expansion through a substantial capital investment programme.

Since 2009, in excess of €400 million has been invested in processing facilities across Dairygold's four sites.

These investments have enabled Dairygold Milk Suppliers to fulfil their own ambitions for on-farm expansion with all the associated benefits that it has brought. As a Co-Operative Society, Dairygold has delivered on the core commitment it made in its post quota planning back in 2012, that Dairygold would facilitate the processing of all its Members' expanded milk volumes.

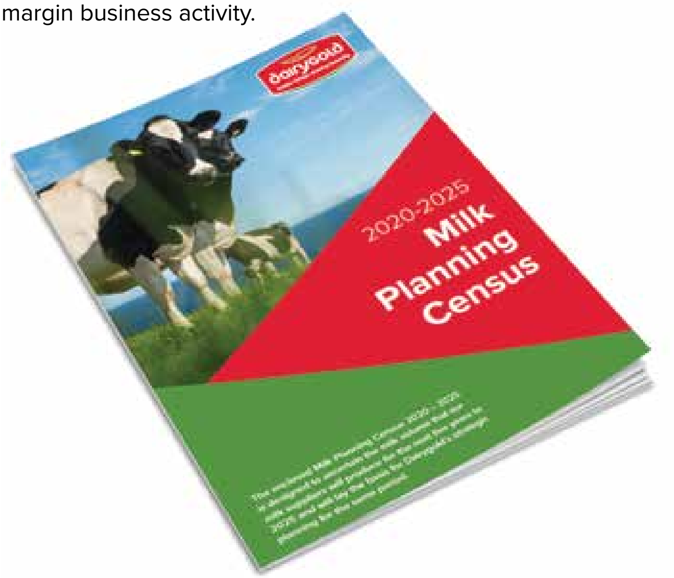
In hindsight, it is clear that Dairygold's pioneering development of the Milk Supply Agreement with forecasting at its core, was a critical element in facilitating our successful expansion. Members' milk forecasting has allowed us to determine the timing and extent of our modular investment programme bringing additional processing capacity on-stream, only when needed.

Winner of the Dairygold Milk Quality Awards, Edward Donovan, his wife Breda and their two daughters, Caoimhe and Aoife with Milk Advisor, Maeve O'Connor at their farm in Cloyne, Co. Cork

Milk Planning Census

At the time of writing, our team in Dairygold is concluding the compilation of Milk Suppliers' responses to the Dairygold *2020 – 2025 Milk Planning Census*, which seeks to record our Milk Suppliers' milk production for the next five years.

The Board and management team will monitor the situation closely as the next phase of processing investment, when needed, will be expensive. It is estimated that a capital cost of circa €12 million will be required per every extra one million litres of processing capacity in peak week. This is a significant cost, for what will ultimately be a very inefficient asset, that may only be needed to meet a six-week peak processing requirement each year. The other consideration is that ongoing investment in primary processing slows down and potentially delays other investments in higher margin business activity.



Agri Business

The Agri Business turned in a strong performance in 2019 in line with expectations. There was a reduction in feed demand compared to 2018 as more normal weather applied leading to good grass growth, which also impacted on fertiliser demand.

The 2019 grain harvest was very successful with in excess of 110,000 tonnes of grain received and the Society again leveraged its financial strength to pay a top grain price delivering on the Society's commitment to pay a leading price. We remain fully committed to our grain growers and our team are continually seeking to maximise the use of Irish cereals in our range of animal feeds.

In 2019, the Society continued its Store Investment Plan, focussed on delivering an enhanced experience for Customers. Three new store builds were concluded at New Inn, Mogeely and Ballinhassig and two commenced at Parteen and Rathduff. The majority of the store enhancement programme has been concluded and three stores were integrated into neighbouring stores.

Sustainability

At Dairygold, we believe that the dairy sector should pursue initiatives that encourage the adoption of best environmental practice. Responsible dairy expansion must be balanced and consistent with a farm's capacity to satisfy the corresponding need to ensure sustainable environmental compliance.

Dairygold is working with its Milk Suppliers to improve sustainable practices through a variety of initiatives, to deliver farm sustainability in line with the Teagasc MACC (marginal abatement cost curve). The initiatives include:

- Payment of a Quality and Sustainability bonus to encourage Suppliers to improve the sustainability of their enterprises through milk recording and herd health programmes.
- Participating in the national Agricultural Sustainability Support and Advisory Programme (ASSAP) to identify and evaluate 'Priority Areas for Action' on water quality in river catchment areas.
- Partaking in the Teagasc Soils Pilot Programme with 33 Milk Suppliers' pilot farms involved in analysis of soil testing and soil fertility to develop individual nutrient management plans (NMP).
- Continuing the Dairygold/Teagasc Joint Dairy Programme to maximise farmers' profitability and sustainability.
- Ensuring that 100% of our milk supply is from Bord Bia's Sustainable Dairy Assurance Scheme (SDAS) certified farms.
- Promoting the Society's Leanfarm Programme which helps farmer members achieve a more sustainable farm business through improved farm safety and efficiency.

Rules Review

In 2019, the Board commissioned a Rules Review Sub-Committee to carry out a comprehensive review of the Rules of the Society and to make recommendations to the Board on proposed changes, if required. Extensive engagement and consultation with a large number of stakeholders, including the Board, General and Regional Committees and wider membership has taken place, with written submissions requested and received from Members. Arising from the deliberations and recommendations from the Rules Review Sub-Committee, the Board has approved and recommends the adoption of a new Rule Book for the Society, modernising the Rule Book and incorporating a number of proposed resolutions, which are in the best interests of the Members of Dairygold. I would like to thank the Rules Review Sub-Committee and the Group Company Secretarial Team for the comprehensive Rules review undertaken. Finally, I encourage all eligible Members to attend the SGM when notified and to vote in favour of adopting the revised Rules of the Society.

Animal Welfare

The continuing expansion of the dairy herd presents significant challenges which must be addressed and managed on each dairy farm. An expanding dairy herd places a responsibility on every dairy farmer to ensure that the animal welfare standards on their individual dairy farms are upheld to the highest level.

As a large milk processor and food exporter with a key focus on international consumers, Dairygold maintains a zero-tolerance approach to animal welfare issues. Any mistreatment of animals or poor animal and calf welfare is unacceptable and will not be tolerated. In this regard and in light of the ongoing herd expansion, Dairygold has incorporated calf welfare compliance as a specific additional requirement to its 2020 Milk Purchasing Terms and Conditions for milk supply.

Society Initiatives

Gateway

Dairygold's online services portal, Gateway, offers Members and Customers a user-friendly service that is accessible on computer, tablet or mobile device. It allows users to review and manage their milk supply and trading information, feed and fertiliser ordering, view monthly statements and equity transactional data. Gateway is also a useful forum to keep up to date with the latest Society news. I would encourage all Members who haven't yet used this service to do so. Members can access Gateway by clicking on the Gateway link on the Dairygold website.

Gateway

Member Training

It is very important, that Members actively participate and contribute to the Society's activities, and to encourage involvement across the Member base. Dairygold's Member Up-Skilling Programme is designed to increase Members' understanding of the Dairy Industry including its markets and policies as well as increasing their awareness of Dairygold, its operations and governance. Following the success of previous programmes, Dairygold ran another successful Member Up-Skilling Programme in Quarter 4 of 2019.

Mitchelstown Centenary

In September, Dairygold marked the centenary of the foundation of the Mitchelstown Co-Operative Agricultural Society Limited. To mark the occasion, an in-house collection of memorabilia was curated and displayed at our Clonmel Road offices. A special centenary event was hosted and a centenary plaque was unveiled. The Society also ran an art competition with the local National Schools.

Jerry Long, ICOS President, Ann Fogarty, Group Company Secretary Dairygold, Brendan Gleeson, Secretary General DAFM, Jim Woulfe, Chief Executive Dairygold and John O'Gorman, Chairman Dairygold pictured at the event to mark the Mitchelstown Centenary

In addition, a commemorative book was commissioned, *"Mitchelstown Co-Operative Agricultural Society Ltd - A History 1919-1990"*, written by local committee member and historian John Hough. It was important to mark this historic occasion for the Society, acknowledging how far the Co-Operative has come in the past 100 years whilst recognising all the people that have brought us to this point.

Farm Safety

New figures released from the Health and Safety Authority have shown that farming remains the most dangerous sector in Ireland for the 10th year in a row. Since 2010, 208 fatalities have occurred on Irish farms. This accounts for 42% of all fatal workplace accidents since 2010. It is distressing to see a continued rise in fatalities on Irish farms.

Professor Thia Hennessey, Dean of School and Chair of Agri-Food Economics at Cork University Business School presenting certificates to the participants in the Member Up-Skilling Programme

Agri Business Centre, Lombardstown

The dangers on a farm can never be underestimated and as farmers ourselves, it is our responsibility to ensure that the appropriate farm safety practices are adopted and no matter the time of day, we are constantly aware of our surroundings and do not overlook any potential dangers nearby.

Pink Partnership

In 2019, Dairygold raised over €20,000 for the Irish Cancer Society through our Wrap It Pink, pink silage bale campaign. Following another successful year, Dairygold Members who purchased the pink silage bale wrap from our Co-Op Superstores have helped raise circa €90,000 to date for the Irish Cancer Society to fund vital breast cancer research.

Challenging Environment

The current business environment is very challenging with Brexit, Trade Wars and Dairy Alternatives all having an impact on the dairy industry.

However, we are now dealing with a much more significant global event, COVID-19, which is an ever-evolving situation, that has the potential to have a significant negative personal health and financial impact on its Members and the Society.

The Board is very focussed on maintaining business continuity, while cognisant of the safety of all its Stakeholders, including Members and Employees. I cannot stress enough the importance of following the guidelines being provided by the HSE, the Government and Dairygold, to minimise the impact of COVID-19 from both an individual and Society perspective.

Board and Management

I wish to acknowledge the Dairygold Board for their ongoing contribution and commitment. I would especially like to thank my Vice Chairman, Edmund Lynch, for his support and guidance during the year.

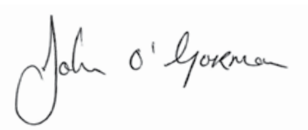
I would like to thank outgoing Directors Tom Feeney, Sean MacSweeney and John O'Sullivan for their valuable contribution to Dairygold over their time on the Board. I would also like to welcome our three new Board Members Brendan Hinchion, Fintan McSweeney and Martin O'Doherty and look forward to their contribution to the Board.

Finally, I want to express the Board's appreciation for our Chief Executive, Jim Woulfe, for his unwavering commitment, leadership and guidance and also to his Senior Leadership Team and all our Employees for their input and dedication to Dairygold throughout 2019. Finally, I thank all Members and Customers for their continued loyalty and support.

Summary

Dairygold has invested and partnered with its Milk Suppliers to deliver on the commitment to process all its Members expanded milk volumes, post quota. Over the last ten years Dairygold has supported its Milk Suppliers to increase overall milk production by 65% and in the process completely transformed its business into a world class provider of dairy ingredients for the international marketplace.

The transformation has been achieved through foresight, meticulous planning, prudent investment and effective delivery. The business is financially strong and well invested, ready for Dairygold's next phase of growth and development.



John O'Gorman
Chairman, Dairygold

PHASE II POST QUOTA PRIMARY PROCESSING INVESTMENT PROGRAMME

New NIRO 5 dryer at the Nutritionals Campus Mallow

Castlefarm Dairy Complex in Mitchelstown

Dairygold/TINE SA cheese operations in Mogeely

Jim Woulfe, CEO Dairygold.

Chief Executive's Report

Dairygold delivered a strong financial result in 2019, supported by a robust performance across our dairy and agri businesses, and property transactions. A decade of capital investment has now delivered significantly increased processing capacity and a more efficient dairy processing capability.

I am very pleased to report that Dairygold delivered a record turnover of €1.02 billion, reflecting an increase of €27.5 million (2.7%) on the prior year and an EBITDA of €56.6 million, an increase of €8.0 million (16.4%) on the prior year. The operating profit for the year of €35.8 million, reflected an increase of €6.9 million (23.9%) on the prior year.

At year-end, the net asset value of the business was €373.0 million, an increase of €35.1 million (10.4%) on the prior year. Dairygold invested a total of €84.8 million of cash in capital projects over the year. The year-end net bank debt of €157.9 million, an increase of €46.5 million (41.8%), driven by capital investment, remains at a manageable level given the scale of the organisation and the levels of profitability being generated.

Dairy Markets

Global milk supply grew by less than 0.5% during 2019. European and US milk production maintained a steady volume while production in Oceania, for the latter half of 2019, was down. The flatter global milk supply combined with modest global demand provided a reasonably balanced global market for dairy produce throughout 2019, although the year was not without volatility.

Ongoing concerns, especially in the first half of the year regarding issues like Brexit, US trade tariffs in Quarter 4 and reduced Chinese demand, caused markets to remain cautious. However, a gradual increase in Chinese imports created a more positive outlook which delivered a gradual strengthening in returns, especially in the last quarter of the year.

Milk powders performed well throughout the year, especially Skimmed Milk Powder, where the prior year's clearance of intervention stocks helped to strengthen demand. Butter markets were unpredictable, with constant price movements over the year, which resulted in weakened overall market returns.

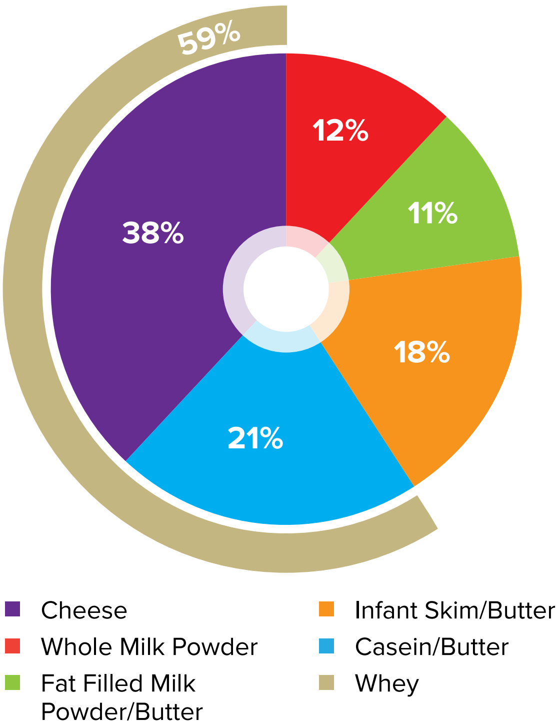
As we look forward, milk supply will continue to grow modestly in the big milk regions and this is helping to underpin a stable near-term outlook for global dairy markets. However, the Coronavirus (COVID-19) is significantly disrupting normal supply chains, especially in the world's largest dairy importer, China. Meanwhile, the ongoing US/EU trade dispute, which has already added a 25% tariff to Irish Cheese and Butter imports into the US, remains a real concern for our premium products in the year ahead.

Dairy Business

Irish Operations

In 2019, Dairygold processed 44.0 million litres during peak week, an increase of 2.8 million litres on peak week 2018. Throughout the year, Dairygold maximised the commercial return from its flexible dairy product portfolio with the overall milk utilisation shown in the following chart:

2019 Product Portfolio (milk utilisation)



We are currently concluding a €130.0 million capital investment programme which is required to deliver the increased processing capacity required to manage milk growth forecasts to 2023. This investment includes €39.0 million to provide the appropriate infrastructure for the new Jarlsberg Cheese Manufacturing facility in partnership with TINE SA in Mogeely, €32.0 million for the redevelopment of Demineralised Whey production at Castlefarm Dairy Processing Complex and €59.0 million for a new Milk Evaporator and Drier at our Nutritionals Campus in Mallow.

All developments are progressing to schedule and within budget, with validation and commissioning underway on the three sites, since January 2020.

The investment will increase the Society's peak week processing capacity by circa 8 million litres to 53 million litres depending on product mix. It provides processing capacity for all our forecasted milk volumes up to 2023 and possibly further, depending on growth in milk volumes beyond the 2023 forecast.

Mallow Nutritionals Campus

In summary, the decade has seen circa €425 million invested by Dairygold and our Strategic Partners in capital on Dairygold's manufacturing sites which includes three new Milk Powder Factories, a new Cheese Factory in Mogeely and an enhanced Cheddar Factory in Mitchelstown, along with a complete regeneration of Whey Processing. In addition to the increased processing capability, these investments have also delivered advanced technology and efficiency.

Milk Planning Census

The preliminary results of our *2020 – 2025 Milk Planning Census*, which our Milk Suppliers completed in the early part of 2020, confirm that milk volume growth will continue across the Dairygold catchment area, but it will be more measured and incremental than the growth rates we had in the first wave of post quota expansion.

As the Chairman has outlined, the next phase of milk processing expansion will be expensive. We estimate circa €12 million investment will be required per every extra one million litres of peak processing capacity.

It is imperative that Dairygold has a clear line of sight on Members' milk production intentions in order to schedule investment decisions appropriately. We are ambitious, but in order to maintain our prudent and modular approach to expansion, future milk volumes must be validated prior to any further investment.

Given that investment in primary processing ultimately diverts investment away from other value add initiatives, it is also essential that we align any future investment with the appropriate level of debt/risk. The Dairygold Board and the Senior Leadership Team will be analysing these issues and options, including appropriate funding models in order to maintain a sensible approach to future primary processing investment.

Overseas Operations

Our Overseas businesses in the UK and Germany had another successful year, performing ahead of expectations, with strong sales volumes, increased operational efficiencies and improved margin delivery. These businesses provide a strategically important route to market for Cheese manufactured at Dairygold's Mitchelstown and Mogeely facilities and equally, added value opportunities.

DFI UK supplies cheese ingredient solutions to key players in the UK's food manufacturing and food service channels through a cheese formatting facility in Crewe and a cultured dairy products business in Leeds.

The business operates in an extremely competitive sector and its reputation for product quality, excellent service and innovation insight helps differentiate it from the competition and enhances its strong relationships with key Customers in the food manufacturing and foodservice sectors.

While Brexit poses challenges, our UK business, from its position inside the UK market, is very well placed to grow market share further. Dairygold is making an investment of circa €5 million in a complete site regeneration at the Leeds facility. The investment will increase capacity and facilitate new product development through the commissioning of new, state-of-the-art production facilities. The investment will re-enforce our market leading position within cultured dairy products.

Similarly, we are evaluating opportunities for our cheese formatting operation in Crewe to increase capacity and improve efficiency.

Commercial

Maximising opportunities

Our continued growth in ingredient sales volumes has required continued enhancement of our market presence and product portfolio to meet our Customer needs and maximise returns for our Members.

Active engagement with Customers during 2019 to showcase our ambitious and innovative work in the food ingredients and nutritional sectors was a key focus for the organisation. Dairygold exhibited at a number of strategic global food industry exhibitions during 2019, including Food Ingredients Europe (FIE) in Paris, Gulfood in Dubai, China International Import Expo (CIIE) in Shanghai and Food Ingredients China (FIC), also in Shanghai.

Dairygold exhibited at Food Ingredients Europe in December 2019

In 2019, Dairygold launched a new brand identity for our Business-to-Business dairy and nutritional ingredients portfolio. The new brand, *Glenor*, the Irish word for 'Golden Valleys', reflects the nutrient rich pasture lands which are the source of our naturally nourishing and traceable ingredients. The Glenor brand will help strengthen awareness of Dairygold's sustainable, pasture-based production system across international markets.

During the year Dairygold also introduced the Pastureland logo. The Pastureland logo is our guarantee, that the dairy ingredients used in our products are made from the highest quality milk, sourced from sustainable farms where cows graze on outdoor pastures. The Pastureland guarantee will help reinforce our unique selling position in dairy ingredient markets.

Both Glenor and Pastureland are important investments in our international sales and marketing strategy to maximise sales growth and add value to our Suppliers' milk.

Glenor

pastureland
Naturally Nourishing

Agri Business

The Agri Business, incorporating animal feed, fertiliser, grain and retail, delivered a very satisfactory performance in 2019. With no notable weather extremes and good grass growth, there was a marked reduction in concentrate feed demand from the high 2018 level, while fertiliser demand was also reduced due to the excellent grass growth conditions in the spring.

The grain harvest was completed successfully and in total our grain growers delivered over 110,000 tonnes to our intake facilities. We remain fully committed to our grain growers and we employ a number of support measures for that sector.

Our Agri team are continually seeking to maximise the use of Irish cereals in our range of animal feeds and in 2019 we launched our first product using Irish only ingredients. *Gold Farm Beef* is formulated using ingredients supplied solely by Dairygold growers.

We also launched the Malting Barley Grower competition in conjunction with the Malting Company of Ireland. This showcased the superb agronomy and sustainability practices that are in place on Suppliers' farms.

The Agri Business continued its capital investment programme in 2019. This programme has seen over €17.0 million invested to enhance our services to Customers and create a strong foundation for future growth.

Our new Agri Business Centre at Lombardstown was completed in July and is now the central location for all Agri Business Employees. The centralising of all Agri Business functions will deliver greater efficiencies within the business. The Lombardstown redevelopment also included investment in the Mill to deliver increased capacity both from a production and a transport perspective. The INAB accredited Analytical Laboratory which opened on the site in 2018 is set for further growth in precise analytical testing.

In 2019, our Retail business delivered another solid performance, with an increased turnover driven by product categories such as Garden, Décor and Protective Clothing.

Our Retail Store Investment Plan (SIP) which launched in 2017 is progressing to schedule. The investment will provide a modern, customer focused store network, providing a best-in-class retail experience.

Three of our five store rebuilds have been completed at New Inn, Mogeely and Ballinhassig. Fifteen of the planned eighteen store upgrades are also completed and we remain on track to have all elements of the full SIP programme implemented by September 2020, with the exception of the Mallow and Ballinacurra locations where a number of options are still under consideration.

Pictured at the Opening Celebration of Co-Op Superstores Mogeely are Jim Woulfe; CEO Dairygold, John O'Carroll; Head of Retail at Dairygold, Helen Neville; Store Manager Co-Op Superstores Mogeely, John O'Gorman; Dairygold Chairman, Edmund Lynch, Dairygold Vice-Chairman, Liam O'Flaherty, Head of Agri Business at Dairygold and Noel McGrath; Site Manager Dairygold Agri Business Mogeely

Our Retail offering has been further enhanced by the development of three new Cafes that are operating in conjunction with Ballyseedy Cafes of Tralee. These are located at the Raheen, Midleton and Carrigaline stores.

Growth continued in 2019 for the online store, *www.coopsuperstores.ie*, which is increasingly becoming a hub for Customers to browse, to be kept informed and ultimately drive sales, both instore and online.

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.

In 2019, the Society divested of circa €20.0 million of commercial property including Trinity Quarter to UCC. The Society also achieved the rezoning of Creamfields from light industrial to residential and associated uses significantly enhancing its value.

Brexit - *unfinished business*

The Brexit concern has not alleviated and as the Brexit transition period progresses and the negotiations on the future trading relationship continues, it is critical that the future trade agreement is as close to the existing trading arrangements as possible. The business implications of a Hard Brexit are understood by all. We constantly remind the Government Authorities of the most serious consequences of an unfavorable outcome to the EU-UK trade negotiations.

COVID-19

COVID-19 is a rapidly evolving situation which has the potential to have a significant negative impact on the business, operationally, commercially and financially, with considerable challenges from farm to market being and projected to be experienced.

As part of Dairygold's Business Continuity Planning, Dairygold has established a Pandemic Response Steering Group. This Group is constantly monitoring the situation to ensure that all necessary actions and appropriate measures are being taken in the interest of securing the safety, health and wellbeing of our Employees, Suppliers, Customers, Contractors, Visitors and other key Stakeholders. Dairygold is focused on maintaining business continuity through continuing to operate the manufacturing facilities, supply chain logistics, commercial activities and administration.

Sustainability

In the past year we have witnessed growing global awareness and concern about climate change. Strong climate activism has emerged, evidenced by climate action protests in Ireland and throughout the world. Extreme situations prevailed throughout 2019, including wildfires, not alone in Australia, but in the Arctic Circle where record June temperatures caused frozen land to dry up and become highly flammable.

It is now recognised that climate change is bringing profound challenges to the natural world and causing economic and social disruption. Given the urgency of the needs, there is growing awareness that deeper systemic changes are now required.

In summer 2019, the Irish Government published the Climate Action Plan 'to tackle climate breakdown', establishing carbon reduction targets for all economic sectors, including Agriculture.

The Department of Agriculture's, Ag-Climatise, Climate and Air Roadmap outlines a series of measures that must be implemented to achieve Agriculture's mandatory target, while the recently published European Green Deal defines even more stringent targets for all sectors, including Agriculture. The forthcoming review of the Nitrates derogation and Common Agricultural Policy (CAP) reform both provide additional context and challenge.

For Dairygold to prosper in a world shaped by climate change, challenging regulations, heightened Customer expectations and radical transparency, we must play our part. Producing sustainably and efficiently is no longer optional, it is critical and key to preserving our license to operate. We must lead the way towards greater environmental respect and stewardship and facilitate achievement of our national climate, air, water quality and biodiversity targets. We must be part of the solution for the natural world now, to ensure our continuity for future generations.

For 2020 and beyond, we have re-framed our approach to sustainability, heightening our focus on the environmental pillar at farm and factory level. We are increasing our commitment to the efficient and responsible use of resources, climate action, nature and biodiversity and farming in harmony with the environment. We have established ambitious targets including:

- Become carbon neutral at farm level by 2050.
- Support our Milk Suppliers to deliver a 40% reduction in farm-based carbon intensity by 2030 (1.18KgCO_2(e)/Kg FPCM to 0.70KgCO_2(e)/Kg FPCM).
- Achieve zero waste to landfill in our factories by 2022.
- Commitment to sourcing green electricity from 2020.
- Continue to build upon soil health, nutrient planning and watercourse protection programmes already established.

We recognise that environmental protection and economic competitiveness are equal and complementary; one will not be achieved at the expense of the other. With our Co-Operative foundation and ethos, we commit to partnering with our Suppliers to meet our environmental targets, improve profitability and preserve Ireland's reputation as a world leader in grassfed dairy production.

Our People

Investment in our people is a key enabler of our overall long term business strategy. It is essential that we have a talented and capable workforce in place to drive the business and thereby enabling us to achieve our business goals.

Jim Woulfe, CEO, speaking with participants of the Advanced Leadership Development Programme

Since 2014, over one hundred third level graduates have joined the organisation, as part of our highly regarded graduate recruitment programme. These graduates are the foundation of future leaders in our organisation.

Upskilling of existing personnel is also essential to strengthening management capability into the future.

In 2019, Dairygold continued its partnership with the Irish Management Institute (IMI) and University College Cork (UCC) to offer a dedicated Diploma in High Performance Leadership.

Eleven senior staff have now embarked on an Advanced Leadership Development Programme running in conjunction with UCD Smurfit Business School, ensuring a strong pipeline of future leaders for the business.

Through investment in attracting and developing talented people, we have built a vibrant organisation with a recognised culture of performance and leadership where those with ambition can maximise their potential.

Subsidiaries, Joint Ventures and Associates

Ongoing milk expansion is having a positive impact on the performance of Munster Bovine, formerly the Munster Cattle Breeding Group. In 2019, the business underwent a corporate rebranding exercise to reflect the extended range of services it offers to farmer Customers across breeding, milk recording and herd health. It enjoyed a strong year across all service offerings and continues its focus on delivering essential services to its farmer Customers.

The Malting Company of Ireland is a joint venture with Glanbia Ireland DAC and contracts green malting barley from both Dairygold and Glanbia growers. The business had a good year, benefiting from the ongoing growth of Irish based distilleries and craft breweries who utilise genuine Irish malted barley.

Co-Operative Animal Health Limited (CAHL), which is also jointly owned by the Society and Glanbia Ireland DAC, enjoyed a strong 2019 performance providing competitive veterinary and nutritional products to farmers.

Thank You

On a personal level, I would like to thank the Members of the Board and the General and Regional Committees for their input and support during 2019. I would particularly like to thank the Chairman, John O' Gorman and Vice Chairman, Edmund Lynch for their continued advice and support.

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

Last but by no means least, I wish to thank my management colleagues and all Employees in every part of our business for their effort throughout the last 12 months.

Summary

The decade which has just ended has seen unprecedented growth in our Dairy and Agri businesses. Our capital investment programme in the dairy business has prioritised milk expansion and processing capacity which has been hugely successful in facilitating unprecedented expansion at farm level to the benefit of our Members.

The prudent investments we have made have established a world class processing base for the business, as well as strengthening our research and innovation capability. There is now a strong foundation in place from which to leverage greater product innovation and higher value processing.

Dairygold has also invested heavily in attracting the appropriate talent into the organisation and developing existing Employees, including a team dedicated to strategic development and identifying acquisition opportunities.

Dairygold is now a very well invested business across its Dairy and Agri operations. We can develop our strategic planning to 2025 and beyond, confident in the knowledge that we are building on a very solid business platform, with the assets and capability in place, to take full advantage of the growth opportunities that the Dairy and Agri sectors will offer going forward.

Jim Woulfe
CEO, Dairygold

Sustainability

Our Pillars

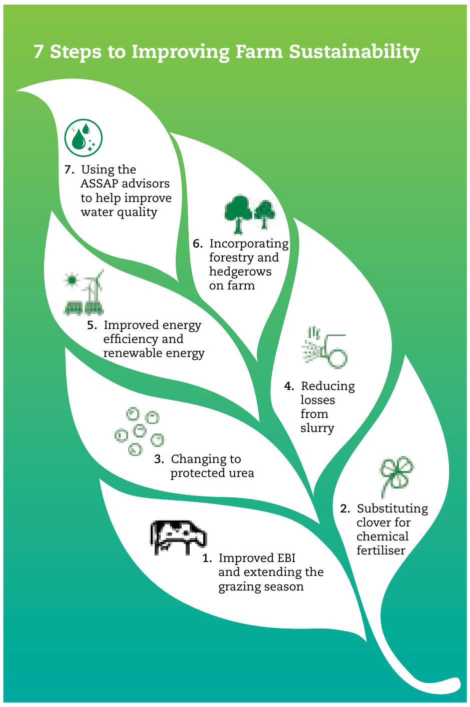
We have refreshed our approach to sustainability, designating ‘environment’ as a core pillar of our strategy.

This underpins our commitment to responsible environmental stewardship at farm and factory level and builds on our previous pioneering investments in Anaerobic Digestion (waste to energy) and CHP (combined heat and power).

Climate action and efficient material and resource use, throughout our supply chain, are central to our refreshed approach.

While amplifying our focus on the environment pillar, we will seek to enhance our economic and social impact in communities and supply chain by building on existing programmes across the marketplace, workplace and community pillars in 2020.

ENVIRONMENT MARKETPLACE WORKPLACE COMMUNITY



WE WILL ACHIEVE OUR CARBON TARGET BY DEPLOYING TEAGASC’S FARM SUSTAINABILITY PROGRAMME

Our Targets

We have established ambitious targets for 2020 and beyond.

Our approach to farm sustainability is underpinned by the Teagasc MACC (marginal abatement cost curve). In 2020 we will communicate individual farm carbon footprints and deploy our network of 9 signpost farms to showcase the pathway to achieving our targets.

In our factories we will focus on resource efficiency and environmental impact reduction.

FARM

- A 40% reduction in farm-based carbon intensity by 2030.
- Carbon neutral by 2050.
- ‘Good’ water quality in priority action areas via ASSAP.

TRANSPORT

- Trial compressed natural gas (CNG) transport in 2020.

FACTORY

- Sourcing 100% green electricity from the national grid from 2020.
- Decarbonisation pathway defined by 2022.
- 50% reduction in waste to landfill in 2020.
- Zero waste to landfill in 2022.
- Establish water and wastewater efficiency targets for 2021.
- Nature/biodiversity initiative per site by 2022.

Our **2019 Performance**

Our Farms

1. **100% of our Dairy Suppliers** are certified to the Sustainable Dairy Assurance Scheme (SDAS).
2. Payment of a **Quality and Sustainability Bonus**.
3. Implementing the **Agricultural Sustainability Support and Advisory Programme (ASSAP)**, to improve water quality in priority action areas.
4. Established the **Dairygold/Teagasc Soils Pilot,** engaging 33 of our Milk Suppliers to improve grass yield, through soil sampling and nutrient management planning.
5. Promotion of **soil testing and nutrient management** through specialist soil testing and fertiliser planning services at our Lombardstown Soil Testing Laboratory.
6. Almost 900 participants since 2017 on the **Dairygold LEANFARM** programme helping to drive improvement and efficiency.

Our Factories

1. The upgrade of Castlefarm demineralised Whey Plant ED units delivered energy savings of more than **1.2 million kWh** in **2019**.
2. Developed **carbon footprint reporting** in conjunction with the Carbon Trust.
3. Maintained **International Energy Management Standard**, ISO 50001 for the Castlefarm and Clonmel Road facilities.
4. Acquired lands adjacent to our Mitchelstown HQ for **wetland preservation** and **biodiversity enhancement**.

Our Employees

1. **14 Employees** completed the IMI/UCC Diploma in High Performance Leadership.
2. **17 Employees** completed the ICOS Management Development Programme in 2019.
3. **11 Employees** have commenced an Advanced Leadership Development Programme in conjunction with UCD Smurfit Business School.
4. **Employee Assistance Programme (EAP)** launched in conjunction with VHI.

Our Community

1. Raised circa **€90,000** to date for the **Irish Cancer Society** through our **'Wrap it Pink'** campaign.
2. Sponsorship of the **Munster GAA Senior Hurling League**.
3. Engaged in **School Business Partnership Programme** with local schools.
4. **Significant Charitable donations** and support to community initiatives.

Inaugural Dairygold Milk Quality Sustainability Award

Together with exemplary milk quality standards, Pat and Noreen Cronin deploy positive sustainability practices.

Their herd is in the top 1% for EBI. They participate in milk recording and soil testing, and principally utilise low emissions slurry spreading.

Pat and Noreen Cronin receiving their award as the overall Sustainability winners of the Milk Quality Awards from Dairygold Chairman John O'Gorman and Dairygold CEO Jim Woulfe

Financial Overview

In 2019, the Society delivered a strong financial performance, with an EBITDA of €56.6 million, up 16.5% on 2018, while investing cash of €84.8 million in Capital Expenditure and reaching a record Turnover of over €1 billion.

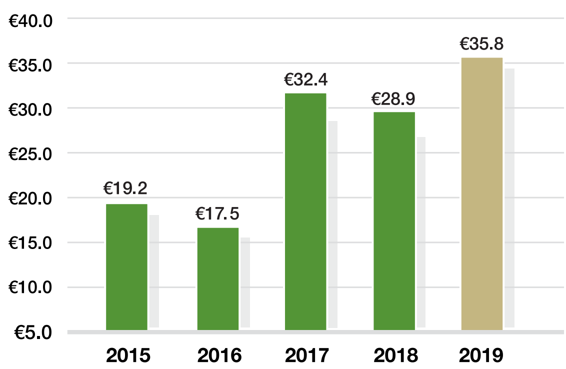
Consolidated Income Statement

Turnover in 2019 was €1,020.4 million (2018: €992.9 million), an increase of €27.5 million.

- Dairy business turnover increased by €24.2 million to €749.6 million (2018: €725.4 million) with an increase in sales volumes driven by an increase in milk volumes of 3.7%, partially mitigated by reduced market returns.
- Financial and property turnover increased by €20.5 million to €26.4 million following a number of one-off property disposals, including the sale of Trinity Quarter in 2019 for €17.3 million.
- Agri business turnover decreased by €17.2 million year-on-year to €244.4 million, driven by lower feed and fertilizer sales volumes due to the favourable weather conditions for grazing experienced in 2019 compared to the challenges of the shortage of fodder in 2018. Retail sales increased year-on-year.

The operating profit was €35.8 million (2018: €28.9 million), an increase of €6.9 million. While the business benefited from increased milk volumes and improved margin, the Society continued to pay a competitive milk price. The operating profit also benefited from property gains through sales and revaluations of circa €9.7 million.

Operating Profit €million



The share of joint ventures' and associates' performance delivered an operating profit of €0.7 million in 2019 (2018: €0.5 million).

The net interest charge was €6.6 million (2018: €5.6 million), with the increase primarily driven by an increase in bank debt levels to fund ongoing capital projects in conjunction with increased interest costs driven by bank margins charged.

The profit after tax for the financial year of €30.7 million (2018: €9.2 million), an increase of €21.5 million, reflected an increased operating profit of €6.9 million, a variance in the value of financial assets year-on-year of €16.0 million, a €0.7 million benefit from the proceeds of an insurance claim and an increase in the share of joint ventures and associates of €0.1 million. This is offset by an increase in net interest payable of €0.9 million and an increase in the taxation charge of €1.3 million.

2019

FINANCIAL HIGHLIGHTS

- Delivered an operating profit of **€35.8 million**, after paying a competitive milk price.
- Turnover increased by **€27.5 million** to **€1.02 billion.**
- The net bank debt of **€157.9 million**, an increase of **€46.6 million** from 2018, gave a net bank debt to adjusted EBITDA ratio of **2.80:1.**
- Invested **€84.8 million** (net of grants) in capital expenditure.
- The Society's net asset value increased by **€35.1 million** to **€373.0 million.**

Consolidated Statement of Financial Position

In 2019, the net asset value of the Society increased by €35.1 million to €373.0 million (2018: €337.9 million). The increase primarily reflected the profit for the financial year of €30.7 million, an improvement in pension movement of €3.6 million, net shares movement of €0.4 million and favourable exchange differences on translation of subsidiary undertakings of €1.7 million. This is partially offset by share interest and dividends of €1.2 million and movement in the share of joint ventures' and associates' reserves of €0.1 million.

Fixed assets of €412.3 million (2018: €375.7 million) comprising of intangible assets, tangible assets, investment properties and financial assets increased by a net €36.6 million, as a result of:

- capital expenditure investment of €68.2 million primarily relating to Phase II Post Quota Primary Processing Investment;
- an increase in investment property assets' valuation of €7.1 million;
- an increase in the investments in joint ventures and associates of €0.6 million;
- an increase in other investments of €1.2 million; and
- translation adjustment of €0.3 million.

These increases were partially offset by:

- depreciation, amortisation and impairment charges of €21.9 million;
- disposals of tangible assets of €18.9 million.

Net current assets less creditors falling due after more than one year, resulted in a liability of €47.0 million (2018: €35.7 million), an increase in the liability of €11.3 million primarily as a result of:

- an increase in bank debt of €46.5 million to €157.9 million (2018: €111.4 million), reflecting an increase in loans falling due after more than one year of €42.0 million and an increase in bank overdrafts and invoice discounting of €4.5 million to €41.9 million (2018: €37.4 million);
- a decrease in stocks of €5.5 million to €152.2 million (2018: €157.7 million);
- a decrease in debtors of €0.2 million to €122.9 million (2018: €123.0 million);

These variances were offset by:

- a decrease in creditors, excluding bank financing, of €40.9 million to €164.1 million (2018: €205.0 million), driven by a reduction in capital accruals.

The capital grants' liability of €9.0 million (2018: €6.8 million) increased by €2.2 million following receipt of capital grants offset by amortisation for the year. The deferred tax liability of €7.7 million (2018: €7.6 million) increased by €0.1 million year-on-year.

The consolidated statement of financial position at 31 December 2019 reflected a pension asset of €24.4 million (2018: €12.2 million). The positive movement was driven by a decrease in the pension scheme liabilities of €3.0 million and an increase in pension scheme assets of €9.2 million.

The share capital increased by €2.7 million to €96.2 million (2018: €93.5 million), reflecting shares issued of €4.3 million, including bonus shares of €2.3 million, partially offset by shares redeemed of €1.6 million.

The profit and loss account reserve increased by €33.7 million to €271.0 million (2018: €237.3 million) reflecting the profit for the financial year (excluding non-controlling interests) of €30.3 million, positive movements related to the pension scheme of €3.6 million and positive exchange differences on translation of subsidiary undertakings of €1.7 million. This is offset by share interest of €1.2 million and a transfer to the bonus reserve of €0.7 million.

Consolidated Statement of Cash Flows

The increase in bank overdrafts and invoice discounting of €4.5 million, together with an increase in bank loans of €42.0 million, reflects the overall increase in net bank debt of €46.5 million in 2019.

The net bank debt of €157.9 million (2018: €111.4 million) increased by €46.5 million, resulting from:

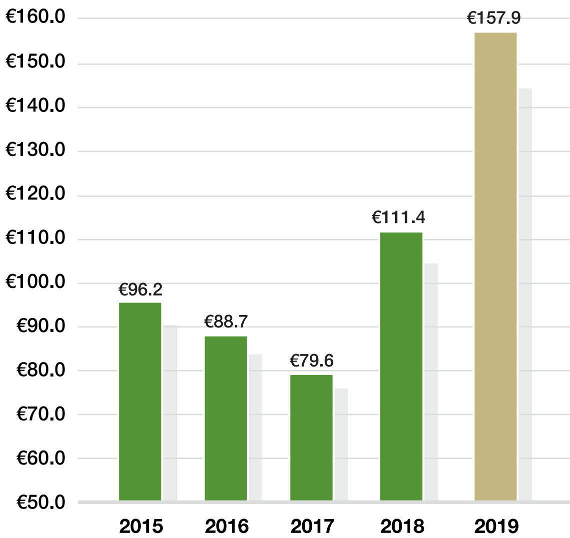
- Capital expenditure (net of grants) of €84.8 million (2018: €59.8 million);
- A difference of €6.8 million (2018: €18.3 million) between payments and current service pension cost;
- Payments of €6.3 million (2018: €8.8 million) to cover net finance costs, taxation, equity financing and share interest;
- Financial asset movements of €0.2 million (2018: a decrease of €0.3 million);
- Non-cash movements of €7.6 million (2018: €5.2 million) included in EBITDA in relation to revaluation of investment properties and foreign exchange differences; and
- An increase in working capital requirement of €21.3 million (2018: decrease of €6.7 million), resulting primarily by a decrease in creditors of €23.9 million, an increase in debtors of €2.9 million partially offset by a decrease in stock of €5.5 million;

These were partially offset by:

- EBITDA of €56.6 million (2018: €48.6 million);
- Disposal of fixed assets of €20.7 million (2018: €0.8 million);
- Cash related to exceptional items and other movements of €0.8 million (2018: €0.2 million);
- Member funding receipts of €2.4 million (2018: €3.9 million) in relation to revolving fund receipts of €2.9 million and loan note repayments of €0.5 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 2.80:1.

Net Bank Debt €million



Net bank debt has increased significantly reflecting the investment in post quota primary processing. The challenge is to deliver a strong financial performance over the next few years to ensure that the net bank debt is at a sustainable level.

Phase II Post Quota Primary Processing

Phase II Post Quota Primary Processing continued in 2019. The three year capital investment programme of circa €130.0 million commenced in the second half of 2018 to provide appropriate processing capacity, product mix flexibility and opportunity to maximise commercial returns from existing and new Partnerships and Customers. The investment is made on three Dairygold sites as follows; increased Whey processing capacity in Castlefarm Dairy Complex in Mitchelstown, installation of a new 7.5 tonne per hour drier at the Nutritionals Campus in Mallow and significant infrastructure investment. The Mogeely investment facilitates a new commercial partnership with TINE SA who have built a state of the art facility next to the Dairygold Mogeely processing plant. As at 31 December 2019, 95% of the €130.0 million had been committed and payments had been made of €107 million. Work on the capital investment programme is expected to be completed by Quarter two 2020.

Pension

The consolidated statement of financial position at 31 December 2019 reflected a pension asset of €24.4 million (2018: €12.2 million). The positive movement was driven by a decrease in the liabilities of €3.0 million and an increase in in assets of €9.2 million.

The Society offered an ETV to Deferred Members of the DB Plan (excluding Active Employees) in November 2018, with an initial closing date of 31 January 2019 which was extended to 31 March 2019. The outcome is a reduction in liabilities of €7.6 million and a benefit (settlement gain) of circa €2.2 million net of costs was generated.

The Pension Strategy, initiated in 2018 to close the Defined Benefit Plan to future accrual and to implement an ETV for both active employees and deferred members has significantly de-risked the Society's Balance Sheet.

The value of the Defined Benefit Plan liabilities decreased by circa €60.0 million from 2017, and had the liabilities assumptions remained unchanged the decrease would have been circa €90.0 million.

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 2019 was €24.2 million (2018: €21.3 million). This is made up of €0.7 million (2018: €1.2 million) in loan notes and €23.5 million (2018: €20.1 million) in the revolving fund. Revolving fund contributions ceased in 2019 following the cessation of the scheme.

In 2019 the Society repaid €0.5 million of loan notes to Members. In 2020 the Society will repay the final Loan Notes of €0.7 million. In addition, repayment of the revolving fund will commence in 2020 where the Society will repay €4.2 million to Members including interest of €0.6 million.

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 increased by €1.7 million to €22.2 million (2018: €20.5 million) including Aryzta AG at €2.9 million (€1.02 per share), FBD plc at €0.4 million (€8.70 per share), IPL Plastics plc (formally One51 plc) at €3.6 million (€5.40 per share) and an investment portfolio of €15.3 million all stated as at 31 December 2019.

Property

The Society, as at 31 December 2019, holds circa €41.3 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. Two key highlights for the Society during 2019 were the sale of the Trinity Quarter Property (formerly known as Brooks Haughton Builders Providers, consisting of a 1.44 acre site) for €17.3 million in Cork City to University College Cork and the successful re-zoning of Creamfields (formally CMP site) from light industrial use to residential and institutional uses in 2019.

Summary and Outlook

In 2019, the Society delivered a strong financial performance, paid a competitive milk price with turnover reaching over one billion euro for the first time it its history. The significant capital investment, as part of the Phase II Post Quota Primary Processing expansion continued to be delivered on time and on budget. Strong levels of profitability are required to continue into the future to maintain an appropriate debt level. The Society continues to look to the future, by developing its people, identifying new Customers and routes to market, developing new and existing products and sustainably maximising returns to its Members.

Directors, Officers, Committees

and other information

The Board of Directors


John O'Gorman - Chairman


Edmund C. Lynch - Vice Chairman


Patrick Clancy


Maurice Curtin


Dan Flinter


Annette Flynn


Brendan Hinchion


Richard Hinchion


Fintan McSweeney


Martin O'Doherty


Gerard O'Dwyer


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 (Chair), Mr. Patrick Clancy, Mr. Maurice Curtin and Mr. Martin O'Doherty. 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 Society 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 2019 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 has 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 2019. The Audit 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 Audit Committee also considered Internal Audit reports which formed part of the annual work plan approved by the Audit Committee.

Internal Audit

Internal Audit provides independent, objective, assurance and advisory services designed to add value and identify areas for improving operations. Internal Audit helps the Society accomplish its objectives by bringing a systematic, disciplined approach to evaluating the control environment and improving the effectiveness of risk management, control, and governance processes as a result.

The Head of Internal Audit is responsible for managing the Internal Audit function and reports directly to the Audit Committee. The Head of Internal Audit holds regular meetings with the Chair of the Audit Committee and has access to the Chair as required.

On an annual basis, Internal Audit performs a risk assessment to determine the appropriate audit scope for the Society.

Based on this assessment, a risk based annual Internal Audit plan is developed and presented to the Audit Committee for approval. The Audit Committee 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 Management's action plans to remediate any identified issues.

In order to comply with the Chartered Institute of Internal Auditors (CIIA) standards an independent External Quality Assessment (EQA) should be completed at least every 5 years. The Audit Committee commissioned an independent review of the Internal Audit function which assessed compliance with the CIIA standards and its overall maturity level.

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 Audit Committee approved the terms of engagement for the audit. Subsequently, the Audit Committee reviewed the findings of the auditor, assessed the effectiveness of the audit process and the external audit's management letter together with Management's 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

The Audit Committee is dedicated to the ongoing education of its members including regulatory updates and induction training for all new members of the Audit 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 (Chair of the Audit Committee) and Mr. Richard Hinchion (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.

Remuneration Committee

The Remuneration Committee comprises Mr. Dan Flinter (Chairman), Mr. John O'Gorman (Society Chairman), Mr. Edmund C. Lynch (Society Vice Chairman) and Mr. Patrick Clancy (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 Mr. John O'Gorman (Society Chairman), Mr. Edmund C. Lynch (Society Vice Chairman), Mr. Maurice Curtin and Mr. Brendan Hinchion (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.

In 2019, the Rules Committee of four Board Members, was expanded to include twelve additional General Committee Members, two from each of the six regions, to form the 'Rules Review Sub Committee 2019-2020', with the objective of reviewing the current Rules of the Society and bringing forth Rules resolutions for consideration and adoption by Members at the forthcoming SGM. The 'Rules Review Sub Committee 2019-2020' in consultation with the Group Company Secretarial Team, Senior Management, ICOS and the Society's legal advisors have conducted a comprehensive Rules Review process and the resulting proposed Rules resolutions are in the best interests of the Society and its Members.

Senior Leadership Team

Jim Woulfe
Chief Executive

Ann Fogarty
Group Company Secretary

Michael Harte
Chief Financial Officer

Tim Healy
Head of Dairy Operations

Conor Galvin
Head of Dairy Commercial and Business Development

Liam O'Flaherty
Head of Agri Business

Adrian Beatty*
Head of Human Resources

Paddy Hannan
Head of Quality and Regulatory Compliance

* *Not in the above photo.*

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

General Committee

Mallow

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

Mitchelstown

Mr. William Bourke
Mr. John Clancy
Mr. Patrick Clancy
Mr. Robert Drake
Mr. John A. Fox
Mr. Jeremiah Linehan
Mr. Martin O'Doherty
Mr. Patrick O'Keeffe
Ms. Mary Twomey-Casey
Mr. Don Whelan

Mid-Cork

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

Tipperary

Mr. Matthew McEniry
Mr. Martin Moloney
Mr. Eamonn Morrissey
Mr. John O'Gorman
Mr. Joseph Tobin

East Cork

Mr. Timothy Cashman
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. Maurice Smiddy

Limerick

Mr. Maurice Curtin
Mr. Vincent Griffin
Mr. Roger Keogh
Mr. Gerard Kennedy
Mr. James Lynch
Mr. Patrick O'Brien
Mr. Gerard O'Dwyer
Mr. Michael Reidy
Mr. David Woulfe

Regional Committees

AGHABULLOGUE/ RYLANE
Mr. Patrick Ahern
Mr. Edward Twomey

AHADILLANE
Mr. Donal Barrett
Mr. Patrick Sexton

ALLENSBRIDGE/ DROMTARIFFE
Mr. Damien Murphy
Vacancy

ANGLESBORO
Mr. William Bourke

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

ARAGLEN
Mr. Patrick O'Donoghue
Mr. P.J. O'Donoghue

ARDAGH/OLD MILL
Mr. David Woulfe
Vacancy

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. Joseph Morrissey
Mr. Patrick O'Donovan
Ms. Martina O'Neill

BAWNMORE
Mr. Cornelius O'Riordan

BENGOUR
Mr. Patrick O'Driscoll

BERRINGS/DRIPSEY
Mr. Bernard 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. John Casey
Mr. Thomas Marnane

CAPPAMORE
Mr. Sean Meehan

CARRIGALINE
Mr. John Bernard
Mr. Thomas Casey
Mr. Noel Dempsey
Mr. Patrick Foott

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
Mr. John F. Walsh

CLONDROHID
Mr. Finbarr O'Connell
Mr. Stephen Roche

CLOVERFIELD/ CORELISH
Mr. John A. O'Dea

COACHFORD/ KILCOLMAN
Mr. Dan Dennehy
Mr. Patrick Long

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. Frank O'Mahony

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. Patrick Bermingham
Mr. Michael Clohessy
Mr. John O'Brien

GALBALLY
Mr. Michael Donovan

GARRYSPILLANE
Mr. Morgan Murphy
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
Vacancy
Vacancy

KILCORNEY
Mr. Leonard Leader
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
Vacancy

KILWORTH
Mr. John Clancy
Mr. Michael Gowen

KNOCKADEA
Mr. John W. Coughlan
Mr. John A. Fox

KNOCKLONG/ GORMANSTOWN
Mr. Patrick Halpin

LISSARDA
Mr. Richard Hinchion
Mr. Sean MacSweeney

LOMBARDSTOWN
Mr. Michael O'Hanlon
Mr. Patrick O'Sullivan
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
Vacancy

MUSKERRY
Mr. Daniel P. O'Donovan

NEWMARKET-ON-FERGUS
Mr. Kieran Woods

NORTH TIPPERARY
Mr. James Kennedy

OOLA
Mr. Gerard O'Dwyer

OUTRATH
Mr. Matthew McEniry
Mr. Martin Moloney
Mr. John O'Donnell
Mr. Gary 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. James Hurley

SHOUNLARAGH/ TOGHER
Mr. Donal O'Donovan

TEMPLEMARTIN
Mr. Michael P. Murphy

TERELTON/TOAMES
Mr. Gerard O'Leary
Vacancy

TOURNAFULLA/ MEENAHELA
Mr. Francis J Collins
Mr. Maurice Curtin
Mr. Brendan Reidy

Statement of Board Responsibilities

The Industrial and Provident Societies Acts, 1893 to 2018, 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

John O'Gorman
Chairman

13 March 2020

Edmund C Lynch

Edmund C. Lynch
Vice Chairman

13 March 2020

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 2019 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 2019;
- 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 cash flow statement 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 Auditors' 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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' 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.

Independent Auditor’s Report

to the Members of Dairygold Co-Operative Society Limited

Reporting on other information (continued)

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
Chartered Accountants and Registered Auditors
Limerick
24 March 2020

Consolidated Income Statement

for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
TURNOVER	2	**1,020,398**	992,887
Cost of sales		**(800,898)**	(790,934)
Gross Profit		**219,500**	201,953
Operating costs		**(170,401)**	(158,703)
Grant amortisation		**1,151**	1,198
Intangible asset amortisation		**(1,204)**	(1,250)
Depreciation		**(20,437)**	(19,335)
Change in fair value of investment properties		**7,142**	4,993
Operating Profit before Exceptional Items	3	**35,751**	28,856
Exceptional items	4	**737**	-
Operating Profit after Exceptional Items		**36,488**	28,856
Share of gains of joint ventures		**623**	488
Share of gains of associates		**36**	34
PROFIT on ordinary activities before investment income, interest and taxation		**37,147**	29,378
Net profit/(loss) in financial assets at fair value through profit and loss	5	**978**	(14,982)
Interest payable and similar charges	6	**(7,073)**	(5,926)
Interest receivable and similar income	6	**488**	327
PROFIT on ordinary activities before taxation		**31,540**	8,797
Taxation (charge)/credit on profit on ordinary activities	8	**(881)**	430
PROFIT after taxation		**30,659**	9,227
Attributable to:			
Non-controlling interests	27	**327**	421
Owners of the parent entity		**30,332**	8,806
PROFIT for the financial year		**30,659**	9,227

The above results are derived from continuing operations.

On behalf of the Board:

John O'Gorman
Chairman

13 March 2020

Edmund C. Lynch
Vice Chairman

13 March 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
PROFIT for the financial year		**30,659**	9,227
Share of joint ventures' reserves movements	11	**84**	4
Share of associates' reserves movements	12	**(3)**	2
Exchange differences on translation of subsidiary undertakings		**1,666**	(256)
Return/(loss) on plan assets (excluding amounts included in net interest cost)	23	**29,828**	(10,651)
Experience gains arising on pension scheme liabilities	23	**4,768**	2,035
Changes in assumptions underlying the present value of pension scheme liabilities	23	**(29,509)**	1,912
Deferred tax associated with movement on defined benefit pension scheme	22	**(1,528)**	(1,462)
Total other comprehensive income/(expense)		**5,306**	(8,416)
Total comprehensive income for the year		**35,965**	811
Total comprehensive income for the year attributable to:			
Non-controlling interests	27	**327**	421
Owners of the parent entity		**35,638**	390
		35,965	811

Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	2019 €'000	2018 €'000
FIXED ASSETS			
Intangible assets	9	**4,737**	3,682
Tangible assets	10	**339,233**	296,863
Investment properties	10	**35,145**	43,793
Financial assets:			
Investments in joint ventures	11	**7,014**	6,426
Investments in associates	12	**473**	444
Other investments	13	**25,732**	24,518
		412,334	375,726
CURRENT ASSETS			
Stocks	14	**152,239**	157,713
Debtors	15	**122,844**	122,983
Cash at bank and in hand		**-**	-
		275,083	280,696
CREDITORS falling due within one year	16	**(194,129)**	(229,140)
NET CURRENT ASSETS		**80,954**	51,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**493,288**	427,282
CREDITORS falling due after more than one year	17	**(127,920)**	(87,232)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	21	**(9,019)**	(6,752)
Deferred taxation	22	**(7,729)**	(7,568)
NET ASSETS excluding pension asset		**348,620**	325,730
PENSION ASSET	23	**24,393**	12,168
NET ASSETS		**373,013**	337,898
CAPITAL AND RESERVES			
Share capital	24	**96,174**	93,504
Bonus reserve	26	**1,244**	2,750
Profit and loss account	26	**271,016**	237,336
EQUITY attributable to the owners of the parent entity		**368,434**	333,590
Non-controlling interests	27	**4,579**	4,308
TOTAL CAPITAL EMPLOYED		**373,013**	337,898

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

13 March 2020

Edmund C Lynch

Edmund C. Lynch
Vice Chairman

13 March 2020

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	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 2018		**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**
Profit for the year				30,332	30,332	327	30,659
Other comprehensive income				5,306	5,306		5,306
Total comprehensive income for the year		-	-	35,638	35,638	327	35,965
Share interest	*25*			(1,185)	(1,185)		(1,185)
Dividends paid	*27*					(56)	(56)
Issue of ordinary shares including conversions	*24*	1,978			1,978		1,978
Shares redeemed	*24*	(1,587)			(1,587)		(1,587)
Reinstatement of previously cancelled shares	*24*	23		(23)	-		-
Transfer from profit and loss account to bonus reserve			750	(750)	-		-
Transfer from bonus reserve to share capital	*24*	2,256	(2,256)	-			-
At 31 December 2019		**96,174**	**1,244**	**271,016**	**368,434**	**4,579**	**373,013**

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Net cash inflow from operating activities	28	**22,476**	26,913
Investing activities			
Payments to acquire intangible fixed assets		**(2,256)**	(681)
Payments to acquire tangible fixed assets		**(85,938)**	(59,120)
Payments to acquire financial fixed assets		**(6,170)**	(6,266)
Receipts on disposals of tangible fixed assets		**2,867**	769
Receipts on disposals of financial fixed assets		**5,950**	6,593
Receipts on disposals of investment properties		**17,848**	-
Capital grants received	21	**3,418**	-
Net cash flow from investing activities		**(64,281)**	(58,705)
Financing activities			
Increase/(decrease) in long term loans		**42,000**	(8,000)
Increase in bank overdrafts and invoice discounting		**4,577**	37,357
Movement in net bank debt		**46,577**	29,357
Equity share interest paid		**(1,185)**	(1,142)
Dividends paid to non-controlling interests	27	**(56)**	(72)
Interest paid		**(6,431)**	(5,301)
Interest received		**9**	11
Issue of share capital	24	**1,978**	3,707
Redemption of shares	24	**(1,172)**	(719)
Redemption of convertible stock	19	**(1)**	-
Repayment of loan notes		**(472)**	(1,700)
Revolving fund		**2,841**	5,631
Redemption of loan stock	20	**(283)**	(332)
Net cash flow from financing activities		**41,805**	29,440
Decrease in cash and cash equivalents		**-**	(2,352)
Cash and cash equivalents at 1 January		**-**	2,352
Cash and cash equivalents at 31 December		**-**	-

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 2018. 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 2018.

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 2019;

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 2018 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 2019; 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. However, as outlined in Note 36, the evolving COVID-19 situation since the year end could potentially have a significant negative impact on the Society. The Society is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. As part of these arrangements the Society is working with other key players in the sector sharing experiences and developing potential processing contingencies. The Society has also engaged with its Banking Syndicate with a view to putting in place additional working capital facilities for 2020.

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.

Statement of Accounting Policies

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.

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).

Statement of Accounting Policies

(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).

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.

Statement of Accounting Policies

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%

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.

In addition, the Society assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

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.

Statement of Accounting Policies

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.

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.

Cash and cash equivalents:

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents includes amounts that are readily available for use by the Society (but excludes certain cash balances held by non-wholly owned subsidiaries where the Society does not have ready access to this cash). Bank overdrafts are shown within borrowings in current liabilities. Cash in hand and bank overdrafts balances are netted where a right of offset exists. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

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.

Statement of Accounting Policies

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 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.

Statement of Accounting Policies

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.

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 2019. 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 inflation 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.

Statement of Accounting Policies

c) Accounting for Brexit Implications

The United Kingdom ("UK") left the European Union ("EU") on 31 January 2020, which saw the UK leave the EU institutions but remain under most EU rules during the transition period until 31 December 2020. Negotiations are taking place to agree the future trading relationship.

The Board has decided that, as the existing relationship continues while the future trading relationship is being negotiated, no adjustments have been recognised in the financial statements for the year ended 31 December 2019.

d) Accounting for COVID-19

The Board has considered the uncertainty surrounding the potential outcome of the COVID-19 virus and believe this will not result in any negative impact on the financial results and balances for the year ended 31 December 2019. Consequently, no adjustments have been recognised in the financial statements for the year ended 31 December 2019.

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. 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 2019

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 33.

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 2019 and 1 January 2020, 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.

Notes to Financial Statements

for the year ended 31 December 2019

1. Financial management (continued)

(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 €1.1 million gain/loss (2018: €1.0 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 limit use of futures contracts.

(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 €373.0 million (2018: €337.9 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 2019, the Society's net debt/adjusted EBITDA ratio was 2.80 times (2018: 2.28 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 2019

2. Turnover

	2019 €'000	2018 €'000
Turnover: group and share of joint ventures'	**1,046,202**	1,017,580
Less: share of joint ventures' turnover	**(25,804)**	(24,693)
Group turnover	**1,020,398**	992,887
Geographical analysis by destination:		
Ireland	**350,482**	341,804
United Kingdom	**186,684**	208,317
Rest of Europe	**321,204**	310,819
Rest of World	**162,028**	131,947
	1,020,398	992,887
Principal activities by class of business:		
Food ingredients	**749,599**	725,429
Agri business	**244,399**	261,598
Financial and property	**26,400**	5,860
	1,020,398	992,887
Analysis of turnover by catogery:		
Sale of goods	**978,236**	972,762
Rendering of services	**15,537**	13,962
Others including sale of shares and property activities	**26,625**	6,163
	1,020,398	992,887

3. Operating profit before exceptional items

	2019 €'000	2018 €'000
Operating profit before exceptional items is stated after charging/(crediting):		
Research and development expenditure	**2,130**	2,095
Foreign exchange gain	**(1,452)**	(550)
Amortisation of intangible assets - Note 9	**1,204**	1,250
Depreciation of tangible fixed assets - Note 10	**20,437**	19,335
Impairment of plant and machinery (included in operating costs) - Note 10	**5**	-
Impairment of land and buildings (included in operating costs) - Note 10	**310**	348
Impairment of development assets (included in operating costs) - Note 10	**60**	47
Capital grants amortisation - Note 21	**(1,151)**	(1,198)
Pension settlement & curtailment gain - Note 23	**(2,265)**	(8,219)
Cost of stock recognised as an expense	**800,898**	790,934
Impairment of stock recognised as an expense - Note 14	**2,300**	18,100

Notes to Financial Statements

for the year ended 31 December 2019

4. Exceptional items

	2019 €'000	2018 €'000
Insurance proceeds relating to damage to fixed assets	**737**	-

The €737,000 gain is the excess of the insurance proceeds over the net book value of the asset as at 31 December 2019.

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

	2019 €'000	2018 €'000
Profit/(loss) on shares measured at fair value - Note 13	**978**	(14,982)

6. Finance costs

	2019 €'000	2018 €'000
Interest payable and similar charges:		
Bank interest payable and similar charges	**(6,961)**	(5,803)
Unwinding of the discount factor for provisions	**(66)**	(72)
Share of joint ventures' net interest payable	**(46)**	(51)
	(7,073)	(5,926)
Interest receivable and similar income:		
Bank interest receivable	**9**	11
Net interest receivable and similar income relating to pension - Note 23	**318**	134
Unwinding of the discount factor for receivables	**161**	182
	488	327

7. Payroll costs

	2019 Number	2018 Number
The weekly average number of employees:		
Dairygold Food Ingredients	**752**	708
Dairygold Agri Business	**521**	544
	1,273	1,252

	€'000	€'000
Payroll costs comprise:		
Wages and salaries	**64,071**	60,033
Social welfare costs	**6,504**	6,225
Other retirement benefit costs - Note 23	**5,931**	6,051
Pension settlement and curtailment gain - Note 23	**(2,265)**	(8,219)
	74,241	64,090

Notes to Financial Statements

for the year ended 31 December 2019

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

Tax (charge)/credit included in the consolidated income statement	**2019 €'000**	2018 €'000
Corporation tax:		
Irish tax	**(1,164)**	1,173
Foreign tax	**(758)**	(654)
	(1,922)	519
Prior year provision movement:		
Irish tax	**(248)**	135
	(248)	135
Tax (charge)/credit	**(2,170)**	654
Share of joint ventures' tax	**(78)**	(53)
Total corporation tax	**(2,248)**	601
Deferred tax credit/(charge) - Note 22:		
Origination and reversal of timing differences	**1,367**	(171)
Total tax	**(881)**	430

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	**(1,528)**	(1,462)

Reconciliation of tax (charge)/credit

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 2019 of 12.5% (2018: 12.5%). The differences are explained as follows:

Profit on ordinary activities before taxation	**31,540**	8,797
Tax on profit on ordinary activities at standard Irish corporation tax rate	**(3,943)**	(1,100)
Effects of:		
Expenses allowable for tax purposes	**1,560**	807
Research and development tax credits	**284**	50
Excess capital allowances over depreciation	**744**	171
Income subject to higher tax rates (non-trading income)	**(229)**	(149)
Non taxable income	**15**	6
Losses brought forward	**(4)**	1,099
Share of joint ventures' tax	**(78)**	(53)
Income tax	**(13)**	(11)
Adjustments in respect of previous periods	**(248)**	135
Higher tax rates (overseas)	**(336)**	(354)
Deferred tax - origination and reversal of timing differences	**1,367**	(171)
Taxation (charge)/credit on profit on ordinary activities	**(881)**	430

Notes to Financial Statements

for the year ended 31 December 2019

9. Intangible assets

Software Development Costs	2019 €'000	2018 €'000
Cost		
At 1 January	**25,274**	24,593
Additions	**2,256**	681
Disposals	**(225)**	-
At 31 December	**27,305**	25,274
Amortisation		
At 1 January	**21,592**	20,339
Charged during the year	**1,204**	1,250
Disposals	**(225)**	-
Translation adjustment	**(3)**	3
At 31 December	**22,568**	21,592
Net Book Value		
At 31 December	**4,737**	3,682

Notes to Financial Statements

for the year ended 31 December 2019

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 2018	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
Additions	18,614	540	13,535	790	32,231	65,710
Impairment	(310)	(60)	(5)	-	-	(375)
Disposals	(4,166)	(1,404)	(2,898)	(239)	-	(8,707)
Transferred from CIP	10,308	-	25,351	-	(35,659)	-
Translation adjustments	295	-	672	-	-	967
At 31 December 2019	**209,833**	**6,172**	**268,865**	**7,714**	**80,448**	**573,032**
Depreciation						
At 1 January 2018	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
Charged during year	5,963	-	13,942	532	-	20,437
Disposals	(2,741)	-	(2,861)	(239)	-	(5,841)
Translation adjustments	113	-	516	-	-	629
At 31 December 2019	**60,297**	**-**	**167,281**	**6,221**	**-**	**233,799**
Net Book Value						
At 31 December 2019	**149,536**	**6,172**	**101,584**	**1,493**	**80,448**	**339,233**
At 31 December 2018	**128,130**	**7,096**	**76,526**	**1,235**	**83,876**	**296,863**

Included in disposals for the year are retirements of fixed assets which are no longer in use, with a net book value of €nil (2018: €nil). These assets had a total cost and related accumulated depreciation of €4.5 million (2018: €1.1 million).

Notes to Financial Statements

for the year ended 31 December 2019

10. Tangible assets (continued)

Investment Properties	2019 €'000	2018 €'000
Valuation		
At 1 January	**43,793**	38,577
Additions	**277**	223
Disposals	**(16,067)**	-
Revaluations	**7,142**	4,993
At 31 December	**35,145**	43,793

Investment properties are stated at open market value at 31 December 2019. 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 2019. 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 2019. The appropriateness of such valuations has been considered by the Society and it is satisfied that the valuation of investment properties located abroad are materially correct at 31 December 2019.

11. Investments in joint ventures

	2019 €'000	2018 €'000
Share of net assets - 1 January	**6,278**	5,891
Share of net results	**500**	383
Share of joint ventures' reserves movements	**84**	4
Share of net assets - 31 December	**6,862**	6,278
Loans to joint ventures - Note 30	**152**	148
Balance	**7,014**	6,426

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 32 to these financial statements.

12. Investments in associates

	2019 €'000	2018 €'000
Share of net assets - 1 January	**444**	411
Share of net results	**32**	31
Share of associates' reserves movements	**(3)**	2
Balance - 31 December	**473**	444

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 32 to these financial statements.

Notes to Financial Statements

for the year ended 31 December 2019

13. Other investments

	2019 €'000	2018 €'000
Unquoted		
Shares at cost - 1 January	**412**	407
Additions	**5**	5
Shares at cost - 31 December	**417**	412
Quoted		
Shares at fair value - 1 January	**20,492**	35,387
Additions	**5,664**	5,612
Disposals	**(4,944)**	(5,525)
Increase/(decrease) in fair value quoted shares	**978**	(14,982)
Shares at fair value - 31 December	**22,190**	20,492
Loan Stock		
Loan stock at fair value - 1 January	**3,614**	4,039
Redemptions net of additions	**(645)**	(601)
Unwinding of the discount factor	**156**	176
Loan stock at fair value - 31 December	**3,125**	3,614
Total	**25,732**	24,518

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

	2019 €'000	2018 €'000
Raw materials	**13,143**	16,893
Finished goods	**117,516**	117,246
Goods for resale	**16,369**	17,682
Expense stocks	**5,211**	5,892
	152,239	157,713

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 €2.3 million (2018: €18.1 million).

Notes to Financial Statements

for the year ended 31 December 2019

15. Debtors

	2019 €'000	2018 €'000
Trade debtors	**81,023**	81,406
Other debtors	**4,413**	6,158
Derivative financial instruments - Note 33	**138**	-
Prepayments and accrued income	**27,484**	25,081
Amounts due from related parties	**4,734**	1,298
Corporation tax	**307**	3,434
VAT	**4,745**	5,606
	122,844	122,983

Amounts falling due after more than one year included above are:

	2019 €'000	2018 €'000
Trade debtors	**1,025**	-
	1,025	-

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 €26.4 million (2018: €22.1 million) of trade debtors at year end.

16. Creditors falling due within one year

	2019 €'000	2018 €'000
Bank loans - Note 18	**8,000**	8,000
Bank overdrafts and invoice discounting	**41,934**	37,357
Loan notes (including interest accrued) - Note 18	**665**	512
Revolving fund (including interest accrued) - Note 18	**4,178**	-
Trade creditors	**37,077**	42,340
Derivative financial instruments - Note 33	**-**	12
Provisions, accruals and deferred income	**97,497**	135,245
Amounts due to related parties	**2,166**	3,024
Corporation tax	**-**	69
PAYE and PRSI	**2,294**	2,286
Loan stock - Note 20	**318**	295
	194,129	229,140

Notes to Financial Statements

for the year ended 31 December 2019

17. Creditors falling due after more than one year

	2019 €'000	2018 €'000
Bank loans - Note 18	**108,000**	66,000
Loan notes (including interest accrued) - Note 18	**-**	625
Revolving fund (including interest accrued) - Note 18	**19,348**	20,143
Convertible stock - Note 19	**217**	218
Loan stock - Note 20	**355**	246
	127,920	87,232

18. Loans

	2019 €'000	2018 €'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	**100,000**	58,000
Loan notes (including interest accrued) falling due within one year	**665**	512
Loan notes (including interest accrued) falling due greater than one year	**-**	625
Not wholly repayable within five years:		
Revolving fund (including interest accrued)	**23,526**	20,143
	140,191	95,280

The above loans are repayable as follows:	**Bank Loans €'000**	**Loan Notes €'000**	**Revolving Fund €'000**
Year ending 31 December 2020	8,000	665	4,178
Year ending 31 December 2021	8,000		4,308
Year ending 31 December 2022			680
Year ending 31 December 2023	100,000		-
Year ending 31 December 2024			5,622
Year ending 31 December 2025			5,821
Year ending 31 December 2026			2,917
	116,000	**665**	**23,526**

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 €116 million (2018: €74 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.

Notes to Financial Statements

for the year ended 31 December 2019

18. Loans (continued)

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 2019, there was a repayment of loan notes of €0.5 million.

Revolving Fund

The revolving fund was 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 were 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 was 3 month EURIBOR plus 2.5%. Interest was accrued on an annual basis.

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

19. Convertible stock

	2019 €'000	2018 €'000
At 1 January	**218**	218
Stock redeemed	**(1)**	-
At 31 December	**217**	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

	2019 €'000	2018 €'000
At 1 January	**541**	716
Arising on share redemption - Note 24	**415**	157
Loan stock repayment	**(283)**	(332)
At 31 December	**673**	541
Falling due within one year - Note 16	**318**	295
Falling due after more than one year - Note 17	**355**	246

21. Capital grants

	2019 €'000	2018 €'000
At 1 January	**6,752**	7,950
Received during the year	**3,418**	-
Credited to consolidated income statement	**(1,151)**	(1,198)
At 31 December	**9,019**	6,752

Grants of €22,193,000 (2018: €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 2019

22. Deferred taxation

	2019 €'000	2018 €'000
At 1 January	**7,568**	5,935
(Credited)/charged to consolidated income statement - Note 8	**(1,367)**	171
Charged to consolidated statement of comprehensive income - Note 8	**1,528**	1,462
At 31 December	**7,729**	7,568

An analysis of the deferred tax balance is as follows:		
Timing differences	**1,308**	2,008
Unutilised tax losses	**(467)**	-
Tax on increase in market value of quoted shares	**265**	417
Tax on revaluation of investment properties	**3,574**	3,622
Tax on defined benefit pension surplus	**3,049**	1,521
At 31 December	**7,729**	7,568

The Society had an unrecognised deferred tax asset of €810,000 (2018: €811,000) 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 full actuarial valuations undertaken by the Scheme Actuary at intervals not exceeding three years. The last such valuation of the Plan was undertaken as at 1 January 2019 in accordance with generally accepted actuarial principles and assumptions. The principal assumptions used in the valuation of liabilities were that investment return would vary over time with an average return of circa 1.99% per annum and this would on average exceed pension increases and revaluation for deferred members by circa 0.24% per annum. At the effective date of that valuation, the value of the assets was €242 million which was sufficient to cover approximately 100.9% of the benefits that had accrued to Members. 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.

The cost relating to defined benefit plans for the fiscal year ending 31 December 2019 includes a settlement credit of €2,265,000 due to an enhanced transfer value (ETV) exercise completed for former employees over Q4 2018 and into 2019. The settlement credit is in respect of those members that exercised the option to transfer after 31 December 2018. Those members in this exercise that committed to the offer before 31 December 2018 were recognised in the previous years accounts. This settlement credit is net of the operational expenses incurred in running the project.

Notes to Financial Statements

for the year ended 31 December 2019

23. Pension asset (continued)

The cost of the defined benefit plans for the fiscal year ending 31 December 2018 includes a settlement credit of €8,219,000 arising on the ETV exercise completed in respect of the active members in 2018.

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

	2019	2018
Inflation rate increase	**1.40%**	1.50%
Deferred pension revaluation	**1.35%***	1.40%*
Pension payment increase	**1.35%**	1.40%
Discount rate	**1.30%**	2.10%

*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 2019 have been determined using an interest rate of 2.10% (2018: 2.20%) 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 1.30% (2018: 2.10%) reflects the market yield on high quality corporate bonds at 31 December 2019. 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 2019**		As at 31 December 2018	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.5**	**24.4**	22.5	24.3
Members age 45 (life expectancy from age 65)	**24.3**	**26.3**	24.2	26.2

Notes to Financial Statements

for the year ended 31 December 2019

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 8.3%
Rate of inflation	Increase by 0.50%	Increase by 8.7%
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:	**2019**	2018
Equities and other growth assets	**30.9%**	37.3%
Bonds	**58.2%**	51.4%
Properties and infrastructure	**10.8%**	11.1%
Cash	**0.1%**	0.2%
	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:

	2019 €'000	2018 €'000
Equities and other growth assets	**82,852**	96,488
Bonds	**156,138**	133,119
Properties and infrastructure	**28,916**	28,659
Cash	**233**	684
Fair value of assets	**268,139**	258,950
Present value of scheme liabilities	**(243,746)**	(246,782)
Closing pension asset	**24,393**	12,168

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

	2019 €'000	2018 €'000
Cost arising from employee service in the reporting period	**492**	1,396
Gain on settlements	**(2,265)**	(8,219)
Administrative expenses	**693**	1,402
Total credited within operating profit	**(1,080)**	(5,421)

Notes to Financial Statements

for the year ended 31 December 2019

23. Pension asset (continued)

The cost relating to defined benefit plans for the fiscal year ending 31 December 2019 includes a settlement credit of €2,265,000 due to an enhanced transfer value (ETV) exercise completed for former employees over Q4 2018 and into 2019. The settlement credit is in respect of those members that exercised the option to transfer after 31 December 2018. Those members in this exercise that committed to the offer before 31 December 2018 were recognised in the previous years accounts. This settlement credit is net of the operational expenses incurred in running the project, which totalled €547,000.

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

	2019 €'000	2018 €'000
Interest income on plan assets	**4,237**	6,273
Interest on past service scheme liabilities	**(3,919)**	(6,139)
Net interest receivable and similar income relating to pension	**318**	134

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

	2019 €'000	2018 €'000
Return/(loss) on plan assets (excluding amounts included in net interest cost)	**29,828**	(10,651)
Experience gains arising on the scheme liabilities	**4,768**	2,035
Changes in assumptions underlying the present value of scheme liabilities	**(29,509)**	1,912
Remeasurement gains and (losses) recognised in other comprehensive income	**5,087**	(6,704)

Movement in pension scheme assets:	**2019 €'000**	2018 €'000
Value at 1 January	**258,950**	306,989
Return on assets	**4,237**	6,273
Return/(loss) on plan assets (excluding amounts included in net interest cost)	**29,828**	(10,651)
Employer contributions	**5,740**	12,844
Plan participants' contributions	**-**	310
Benefit payments and expenses	**(30,616)**	(56,815)
Value at 31 December	**268,139**	258,950

Notes to Financial Statements

for the year ended 31 December 2019

23. Pension asset (continued)

Movement in pension scheme liabilities:	**2019 €'000**	2018 €'000
Value at 1 January	**(246,782)**	(306,516)
Cost (excluding interest):		
(i) Cost arising from employee service in the reporting period	**(492)**	(1,396)
(ii) Gain on settlements	**2,265**	8,219
Interest expense	**(3,919)**	(6,139)
Cash flows		
(i) Benefit payments from plan assets	**6,964**	8,532
(ii) Participant contributions	**-**	(310)
(iii) Insurance premiums for risk benefits	**492**	494
(iv) Settlement payments	**22,467**	46,387
Remeasurements		
(i) Effect of the changes in the assumptions	**(29,509)**	1,912
(ii) Effect of experience adjustments	**4,768**	2,035
Value at 31 December	**(243,746)**	(246,782)

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 €107,000 (2018: €139,000).

The last Actuarial Funding Certificate and Funding Standard Reserve Certificate for the Scheme were completed as at 1 July 2017. 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.

Pension Cost

The total pension cost to the operating profit was €3,666,000 (2018: credit of (€2,168,000)) which comprised of a credit of (€1,080,000) (2018: credit of (€5,421,000)) in respect of the defined benefit pension scheme, as noted above, and a cost of €4,746,000 (2018: cost of €3,253,000) in respect of the defined contribution schemes (which includes €107,000 (2018: €139,000) 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 2019. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

Notes to Financial Statements

for the year ended 31 December 2019

24. Share capital

Ordinary shares of €1 each	**2019 €'000**	2018 €'000
Issued and fully paid		
At 1 January	**93,504**	90,663
Shares issued	**1,978**	3,707
Transfer from bonus reserve to share capital	**2,256**	-
Shares redeemed	**(1,587)**	(876)
Reinstatement of previously cancelled shares - in accordance with Rule 15	**23**	10
At 31 December	**96,174**	93,504

	2019 €'000	2018 €'000
Cash paid	**(1,172)**	(719)
Arising as loan stock - Note 20	**(415)**	(157)
Shares redeemed	**(1,587)**	(876)

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 instalments over the following three years.

In common with other Societies incorporated under the Industrial and Provident Societies Acts, 1893 to 2018, 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.

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

	2019 €'000	2018 €'000
Share interest paid @ 1.25% (2018 : 1.25%)		
Ordinary share capital	**(1,185)**	(1,142)
	(1,185)	(1,142)

The Board has recommended that share interest of 1.25% be paid on the share capital and loan stock in issue at 31 December 2019. This will amount to €1,220,000 (2018: €1,185,000) and is subject to approval at the Annual General Meeting.

Notes to Financial Statements

for the year ended 31 December 2019

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.

During the year, the Board initiated the transfer of 2.3 million shares from the bonus reserve to share capital.

27. Non-controlling interests

	2019 €'000	2018 €'000
At 1 January	**4,308**	3,959
Profit after tax	**327**	421
Dividends paid	**(56)**	(72)
At 31 December	**4,579**	4,308

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

	2019 €'000	2018 €'000
Operating profit before exceptional items	**35,751**	28,856
Amortisation of intangible assets	**1,204**	1,250
Depreciation	**20,437**	19,335
Impairment of tangible fixed assets	**375**	395
Capital grants amortisation	**(1,151)**	(1,198)
EBITDA	**56,616**	48,638
Profit on the revaluation of investment properties	**(7,142)**	(4,993)
Profit on disposal of investment properties	**(1,781)**	-
Present valuing of turnover	**140**	182
Difference between current service pension cost and payments made	**(6,820)**	(18,265)
Cash related to exceptional items	**737**	-
Working capital movements		
Decrease/(increase) in stocks	**5,474**	(13,396)
Increase in debtors	**(2,988)**	(9,395)
(Decrease)/increase in creditors	**(23,973)**	29,514
Foreign exchange differences	**1,323**	(209)
Taxation		
Corporate income tax receipt/(paid)	**890**	(5,163)
Net cash inflow from operating activities	**22,476**	26,913

Notes to Financial Statements

for the year ended 31 December 2019

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

Analysis of changes in net debt	At 1 January 2019 €'000	Cash flow €'000	Non cash movement €'000	At 31 December 2019 €'000
Cash and bank balances	-	(1,323)	1,323	**-**
Bank overdrafts and invoice discounting	(37,357)	(4,577)	-	**(41,934)**
Bank loans due within one year	(8,000)	-	-	**(8,000)**
Bank loans due after one year	(66,000)	(42,000)	-	**(108,000)**
	(111,357)	(47,900)	1,323	**(157,934)**

29. Commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €24,985,997 (2018: €80,024,429).

At the year end the Society had forward purchase commitments for certain raw materials amounting to €32,107,554 (2018: €59,295,340) which are not provided for in the financial statements.

30. 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 2019 amounted to €11,862,000 (2018: €12,450,000) and €9,614,000 (2018: €5,583,000) respectively. The trading balances outstanding by and to the Society amounted to €1,814,000 (2018: €2,707,000) and €3,949,000 (2018: €476,000) respectively at the year end. The Society has provided a loan of €152,000 (2018: €148,000) to its joint venture, Malting Company of Ireland Limited.

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 2019, the purchases from and sales to Munster Cattle Breeding Group Limited and its subsidiaries amounted to €nil (2018: €nil) and €780,336 (2018: €404,000) respectively. The trading balances outstanding by and to the Society amounted to €45,000 (2018: €65,000) and €197,000 (2018: €33,000) respectively at the year end.

Notes to Financial Statements

for the year ended 31 December 2019

30. Related party transactions (continued)

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 €18,731,000 (2018: €19,841,000) and €7,522,000 (2018: €7,819,000) respectively. The trading balances outstanding by and to the Society amounted to €352,000 (2018: €317,000) and €785,000 (2018: €823,000) respectively at the year end. No specific reserve has been required in 2019 (2018: €nil) for bad or doubtful debts in respect of amounts owed by these related parties. A brother, sister and son of three individual Directors of the Society were 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 €nil (2018: €91,000) and revolving fund balances of €171,000 (2018: €159,000) owing to them at the year end, both inclusive of accrued interest. During the year, loan note balances of €31,000 (2018: €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.

Key Management Personnel Remuneration

The following sets out the key management remuneration of €3,271,000 (2018: €3,344,000) analysed between the Senior Leadership Team and the Board of Directors.

	2019 Number	2018 Number
Senior Leadership Team	**8**	9
	€'000	€'000
Basic salaries	**1,784**	1,862
Performance related pay	**321**	203
Other emoluments	**197**	203
Employer's PRSI	**271**	246
Employer's pension and retirement fund contributions	**275**	407
	2,848	2,921

	2019 Number	2018 Number
Board of Directors	**12**	12
	€'000	€'000
Directors' fees	**423**	423

31. 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 2019 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.

Notes to Financial Statements

for the year ended 31 December 2019

32. 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 Asia Limited	China	100.0%	Marketing
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 2019

33. Financial instruments

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

	2019 €'000	2018 €'000
Financial assets		
Measured at fair value through profit or loss		
Investments in listed equity instruments - Note 13	**22,190**	20,492
Forward foreign currency contracts - Note 15	**138**	-
Debt instruments measured at amortised cost		
Convertible loan stock - Note 13	**3,125**	3,614
Measured at undiscounted amounts receivable		
Trade debtors - Note 15	**81,023**	81,406
Amounts due from related undertakings - Note 15	**4,734**	1,298
Equity instruments measured at cost less impairment		
Investments in unlisted equity instruments - Note 13	**417**	412
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	**(41,934)**	(37,357)
Bank loans - Note 18	**(116,000)**	(74,000)
Revolving fund - Note 18	**(23,526)**	(20,143)
Loan notes - Note 18	**(665)**	(1,137)
Loan stock - Note 20	**(673)**	(541)
Convertible stock - Note 19	**(217)**	(218)
Measured at undiscounted amounts payable		
Trade and other creditors - Note 16	**(37,077)**	(42,340)
Amounts due to related parties - Note 16	**(2,166)**	(3,024)

The Society enters into forward foreign currency exchange contracts to mitigate the exchange rate risk for certain foreign currency sales. At 31 December 2019, the outstanding contracts all mature within 3 months (2018: 5 months) of the end of the financial year. The Society is committed to sell US$2,701,000 (2018: US$3,156,000) and £9,900,000 (2018: £181,000) 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:

	2019 €'000	2018 €'000
Interest income		
Total interest income for financial assets at amortised cost - Note 6	**161**	182
Fair value losses and gains		
On financial assets (including listed investments) measured at fair value through profit and loss - Note 13	**978**	(14,982)

Notes to Financial Statements

for the year ended 31 December 2019

34. Future operating lease income

The total future minimum lease receipts under non-cancellable operating leases are as follows:

	2019 €'000	2018 €'000
Leases that expire:		
- within one year	**-**	76
- between one and five years	**1,489**	1,864
- after five years	**8,598**	9,188
At 31 December	**10,087**	11,128

35. 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.

36. Non-adjusting post balance sheet events

COVID-19 is a rapidly evolving situation resulting in a high level of uncertainty, nationally and globally, and has the potential to have a significant negative impact on the Society and its Members, through:

- potential for high staff absenteeism impacting the Society's ability to manage and operate the business on a day to day basis, including for the:
    - Dairy Business - collecting and processing milk and supplying finished product;
    - Agri Business - manufacturing and distributing feed and supplying other farm inputs (Fertiliser, Farm Requisites, etc.) and maintaining the Retail offering.
- restricted market demand, from regions severely impacted from a logistics and global economic perspective, particularly in relation to Food Service businesses;
- negative financial implications for the business, from both a profitability and debt position, but particularly in relation to short to medium term working capital challenges.

From a Government perspective, Dairygold is an "essential business" in the context of the COVID-19 pandemic and will therefore continue to operate throughout the crisis over the coming months. However, it is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on the dairy industry.

Our priority is to do all we can to keep our workplaces and retail outlets as safe as possible for our members, customers and staff. As part of Dairygold's robust Business Continuity Planning, the Society has established a Pandemic Response Steering Group, which is supported by external third-party Risk Management experts. These teams meet regularly and liaise with the Senior Leadership Team on an ongoing basis. The Steering group is constantly monitoring the situation to ensure all necessary actions and appropriate measures are being taken. Dairygold is strictly following the guidelines issued by the HSE and the Government.

The Society is ensuring that appropriate arrangements are in place to ensure there is continuity of processing facilities and adequate working capital facilities in place to manage through the crisis. As part of these arrangements the Society is working with other key players in the sector sharing experiences and developing potential processing contingencies. The Society has also engaged with its Banking Syndicate with a view to putting in place additional working capital facilities for 2020.

36. Non-adjusting post balance sheet events (continued)

The Society is also putting in place various measures to control costs and conserve cash. In addition it has also developed contingency plans, which have identified additional actions that can be utilised in the event that the situation is significantly worse or takes longer to return to normal but excludes the impact of Government measures that may be introduced to help the sector.

37. Approval of financial statements

The financial statements were approved for issue and signed by the Board of Directors on 13 March 2020.

Five Year Historical Information

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

Five Year Consolidated Income Statement

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
TURNOVER	**1,020,398**	992,887	965,525	756,065	784,869
OPERATING PROFIT	**35,751**	28,856	32,402	17,456	19,213
Share of joint ventures	**623**	488	341	293	(260)
Share of associates	**36**	34	25	11	32
Exceptional items	**737**	-	(957)	(1,213)	-
Net gains/(losses) in financial assets at fair value through profit and loss	**978**	(14,982)	492	(3,642)	(4,274)
Net interest payable & receivable	**(6,585)**	(5,599)	(5,876)	(6,051)	(5,477)
PROFIT before taxation	**31,540**	8,797	26,427	6,854	9,234
Taxation	**(881)**	430	(4,933)	(921)	(946)
PROFIT after taxation	**30,659**	9,227	21,494	5,933	8,288
Non-controlling interests	**(327)**	(421)	(490)	(311)	(442)
PROFIT for the financial year	**30,332**	8,806	21,004	5,622	7,846

Five Year Consolidated Statement of Financial Position

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Net Assets Employed:					
Fixed assets	**412,334**	375,726	312,909	317,710	333,259
Stocks	**152,239**	157,713	144,317	132,389	129,250
Debtors	**122,844**	122,983	110,304	94,187	107,676
Creditors	**(164,115)**	(205,015)	(139,000)	(128,408)	(144,901)
Net bank debt	**(157,934)**	(111,357)	(79,648)	(88,731)	(96,160)
Capital grants	**(9,019)**	(6,752)	(7,950)	(9,746)	(9,894)
Deferred taxation liability	**(7,729)**	(7,568)	(5,935)	(3,434)	(3,771)
Pension asset/(liability)	**24,393**	12,168	473	(6,346)	66
	373,013	337,898	335,470	307,621	315,525
Financed by:					
Shareholders' funds	**368,434**	333,590	331,511	304,067	312,214
Non-controlling interests	**4,579**	4,308	3,959	3,554	3,311
TOTAL CAPITAL EMPLOYED	**373,013**	337,898	335,470	307,621	315,525

Five Year Historical Information

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

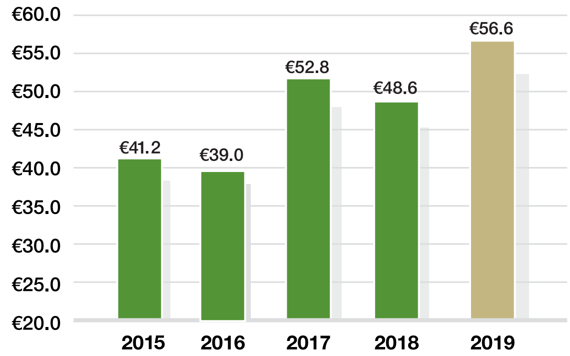
Five Year Consolidated Cash Flow

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
EBITDA:					
Operating profit	**35,751**	28,856	32,402	17,456	19,213
Amortisation of intangible assets	**1,204**	1,250	2,104	3,085	2,831
Depreciation	**20,437**	19,335	19,920	20,082	20,597
Impairment of tangible fixed assets	**375**	395	150	-	-
Grants	**(1,151)**	(1,198)	(1,796)	(1,614)	(1,402)
EBITDA	**56,616**	48,638	52,780	39,009	41,239
Investments	**(64,281)**	(58,705)	(13,355)	(15,015)	(50,933)
Working capital	**(21,487)**	6,723	(26,117)	1,608	(6,495)
Finance costs	**(6,422)**	(5,290)	(5,382)	(5,951)	(5,223)
Equity share interest paid	**(1,185)**	(1,142)	(1,182)	(1,386)	(1,275)
Equity financing	**466**	2,584	2,133	(2,285)	(994)
Member funding	**2,369**	3,931	5,292	-	1,430
Taxation receipt/(paid)	**890**	(5,163)	(314)	(1,296)	(1,908)
Other	**(14,866)**	(23,076)	(3,959)	(3,247)	(1,249)
(Decrease)/increase in cash in the year	**(47,900)**	(31,500)	9,896	11,437	(25,408)
Non cash movements	**1,323**	(209)	(813)	(4,008)	869
Movement in net debt	**(46,577)**	(31,709)	9,083	7,429	(24,539)
Net bank debt at 1 January	**(111,357)**	(79,648)	(88,731)	(96,160)	(71,621)
NET BANK DEBT AT 31 DECEMBER	**(157,934)**	(111,357)	(79,648)	(88,731)	(96,160)

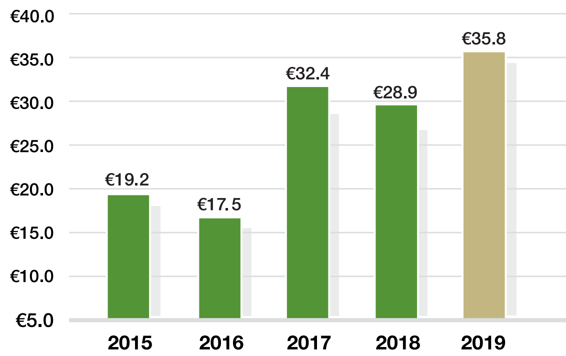
Financial Performance Overview

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

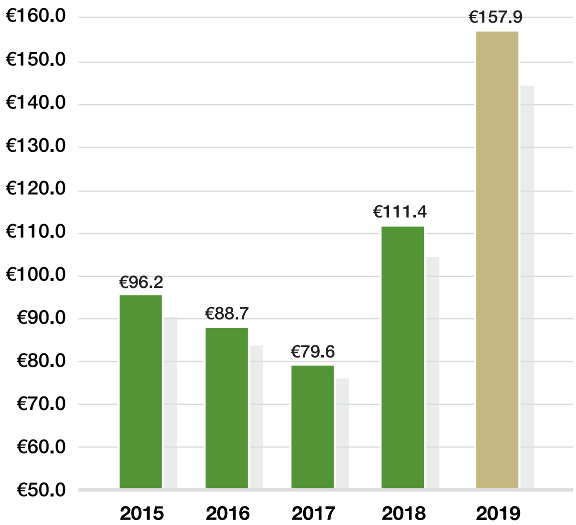
EBITDA €million



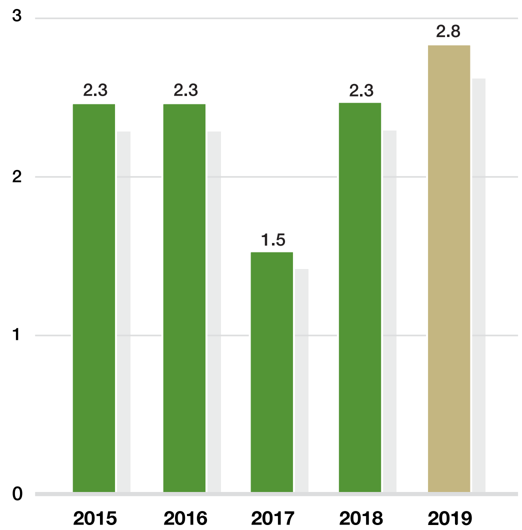
Operating Profit €million



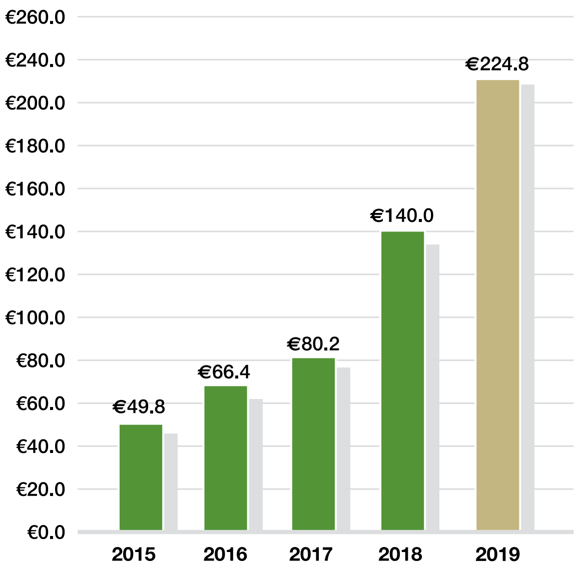
Net Bank Debt €million



Net Bank Debt: EBITDA



Cumulative Capital investment €million over the last five years



Net Asset Value €million

Notes

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