



KERRY CO-OPERATIVE CREAMERIES LIMITED
Annual Report 2019



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Chairman's Statement



As Chairman of Kerry Co-Operative Creameries Ltd I am pleased to report on the activities of the Society for 2019 and on behalf of the Board of Kerry Co-Operative Creameries Ltd I am presenting the Annual Report and Financial Statements of the Society for the year ended the 31 December 2019.

The Society received dividend income amounting to €17.3million from our shareholding in Kerry Group plc during the year ended 31 December 2019.

Share interest of €3.55 per share was paid in June 2019.

Share Interest

While there is uncertainty about 2020 income due to the impact of Covid-19, your Board recommends the payment of share interest of €3.80 per share on all shares held at 6th June 2020. Subject to the approval at the Annual General Meeting, this share interest will be paid to shareholders on 3rd July 2020.

Kerry Group plc 2019 Results

Kerry Group's Financial Year 2019 result was in line with market revenue and profit expectations. It was a noteworthy performance given the high market expectations. Year on year, both dividends per share and earnings per share, excluding extraordinary items, increased by 11.97% and 4.63%, respectively.. Net income increased by 4.81% from €540.5 million to €566.5 million while revenues increased by 9.53% from €6.61 billion to €7.24 billion

Patronage Shares

It is over two years and six months since our test case was heard by the Tax Appeals Commission in November 2017. The Commission has not issued its' determination to date and I am unable to report any further progress in this matter.

Milk Price Dispute and Arbitration

A dispute arose between members of Kerry Co-Operative Creameries Ltd and Kerry Creameries Ltd in 2015 about the price paid for milk supplied by dairy farmers to Kerry Creameries Ltd and in particular the exclusion of some comparators. The issue was not resolved through negotiation or mediation and was subsequently referred to Arbitration. A full arbitration hearing took place on 5th September 2018 and ran until the 14th September 2018 with final submissions made on 5th November 2018.

On 6th September 2019 the Arbitrator determined that the excluded comparators be included under the Milk Supply Contract. He recommended that Kerry Creameries Ltd should fix the price within the correct legal framework in the first instance and in consultation with the Co-Op. Meetings took place between the Co-Op and Kerry Group which resulted in an agreement in December 2019 between the parties that a holistic approach be taken to resolve the issue of milk price taking into account the current and future contracts. To facilitate that engagement and the time needed to develop a solution, it was agreed that a 3 cents per litre goodwill payment would be made by Kerry Creameries Ltd. This payment was made in January 2020 and talks are ongoing and are reaching a critical stage. Both parties have reserved their positions in the event that the negotiations are unsuccessful.



Brexit

The UK left the European Union on 31 January 2020. A transition period, during which the EU and the UK will negotiate their future relationship is underway. This transition period is set to end on 31 December 2020. This remains a very serious issue for the agriculture sector.

Electoral Review

Following an Electoral Review carried out by the Secretary in 2019 the number of Directors will reduce from 28 to 19 and the number of Advisory Members will reduce from 250 to 162. The reduction is due to the significant reduction the number of milk suppliers from approximately 6,900 to 3,200 in the last 20 years. The changes will take place over a two-year period. Five retiring Directors in December 2019 were not replaced, a further two will retire in 2020 without being replaced bringing the number down to 21 and the final two members, one in East Kerry and one in West Kerry will retire in 2021 and 2022 respectively. Given the dramatic reduction of approximately one third of the Board it was the view of the Secretary that the change should take place on a phased basis and that Directors serve their full term given the challenges faced by the Board and the loss of corporate knowledge through the retiring members.

Share Redemption Scheme

The Board of the Co-Op proposed the introduction of a Share Redemption Scheme and convened a Special General Meeting on 19th June 2019. It was proposed at the Special meeting that the Scheme be introduced and written into the Rule Book. This was to ensure that the shares in Kerry Group plc required to fund the Share Redemption Scheme would be retained for that purpose and give assurance to Shareholders that the Scheme will continue into the future and be available for all.

Rule Amendments require a majority of 66.67%. A total of 1,081 votes were cast. There were 10 spoiled votes. The votes in favour were 697 (65.08%) and against 374 (34.92%) which despite the large margin of approval was not enough to have the scheme added to the Rulebook. A swing of 17 votes would have achieved this.. The Board of the Co-Op subsequently introduced the Scheme on the same terms as proposed with the exception that continuation of the Scheme and its terms is at the behest of the Board.

There was a second Rule amendment passed at the same Special General Meeting removing the requirement for Kerry Co-Operative Creameries Ltd to hold 10% plus one share in Kerry Group plc.

The Redemption Scheme was hugely successful with nearly 3,000 participants. The number of applicants in the second scheme was a little higher than in the first.

SHARE REDEMPTION SCHEME 2019

Redemptions	June	October	Total
Total number of Applications	1,472	1,518	2,990
Completed Redemptions			
Partial A	227	371	598
Partial B	228	299	527
Partial C	372	382	754
Total Partial	827	1,052	1,879
Full A	50	37	87
Full B	115	92	207
Full C	405	337	742
Total Full	570	466	1,036

The second year of the Redemption Scheme opened on 27th May 2020 with a closing date of 12th June 2020. It is envisaged a second Redemption event will take place in October/November 2020.

Meetings 2019

Board of Directors

The Board is responsible for ensuring the prosperity of the Co-Op through directing the organisations' affairs taking account of the key interests of its shareholders and significant stakeholders.

Board Member	Number of Meetings	Attended
Brosnan Sean	12	12
Carroll Denis	12	12
Casey John	12	11
Casey Paddy*	10	10
Crawford Seamus	12	12
Creedon Conor	12	8
Crowe Martin	12	11
Cummins Tom	12	10
Devane James	12	12
Fitzmaurice John	12	12
Galvin Tom*	10	10
Gardiner Victor	12	12
Griffin Martin	12	12
Hanafin Patrick	12	12
Hayes Mundy	12	12
Horan Timmy*	10	10
Horgan Billy	12	12
McInerney Jim	12	10
McMahon Conleth	12	12
Murphy Tom	12	12
O'Connell Tim	12	12
O'Connor Joseph	12	11
O'Connor Michael*	10	10
O'Donoghue Patrick	12	8
O'Keeffe James	12	12
O'Sullivan Ger	12	11
Rohan Pat	12	11
Slattery William*	10	10

* Paddy Casey, Tom Galvin, Timmy Horan, Michael O'Connor and William Slattery retired from the Board in December 2019 and were not replaced.

Leading Milk Price Committee

The Leading Milk Price Committee deals with all issues relating to milk price on behalf of the Board. Due to the retirement of three members it was agreed that the retiring members would be retained for a fixed period as consultants to the Committee given their experience and knowledge.

Leading Milk Price Committee	Meetings 2019	Attended
Crowe, Martin	9	8
Casey, Paddy*	9	9
Conor Creedon	9	9
Galvin, Tom*	9	9
Hayes, Mundy	9	9
O'Donoghue, Pat	9	7
Denis Carroll	9	8
Victor Gardiner	9	9
Slattery, William*	9	8

* Paddy Casey, Tom Galvin and William Slattery retired from the Committee in December 2019 and were subsequently appointed as Consultants to the Committee

Strategy Committee

The Strategy Committee examines strategic options and reports to the board on these matters

Strategy Committee	Meetings 2019	Attended
Brosnan, Sean	3	3
Casey, John	3	3
Casey, Paddy*	3	3
Galvin, Tom*	3	3
Hayes, Mundy	3	3
James O'Keeffe	3	2
Slattery, William*	3	3

* Paddy Casey, Tom Galvin and William Slattery retired from the Committee in December 2019. In January 2020 Tom Murphy, Seamus Crawford, Gerard O'Sullivan and Tim O'Connell were appointed to the Committee.



Remuneration Committee

The Remuneration Committee makes recommendations to the Board on Remuneration levels for Members and oversee the remuneration elements in the CEO contract.

Remuneration Committee	Meetings 2019	Attended
Devane, James	2	2
Cummins, Tom	2	2
Hayes, Mundy	2	2
O'Sullivan, Patrick Gerard	2	2

Audit

Deloitte Ireland LLP successfully tendered for providing audit services in 2019.

Retiring Directors

Finally, I would like to thank Paddy Casey, Tom Galvin, Timothy Horan, Michael O'Connor, and William Slattery who retired from the Board for their individual contributions and the sterling service they provided to the Board during their terms of office. I would also like to thank our CEO and his staff for their contribution in what was a very busy but successful year.



Mundy Hayes, Chairman

3rd June 2020

BOARD OF DIRECTORS



M. Hayes,
Chairman
Ardcreem



S. Brosnan
Dicks Grove



D. Carroll
Iveragh



J. Casey
Clare



S. Crawford
East Limerick



C. Creedon
East Kerry



M. Crowe
East Limerick



T. Cummins
East Limerick



J. Devane
East Kerry



J. Fitzmaurice
Feale



V. Gardiner
West Limerick



M. Griffin
Dicks Grove



P. Hanafin
West Kerry



B. Horgan
East Kerry



J. McInerney
Clare



C. McMahon
Feale



T. Murphy
Iveragh



J. O'Connell
West Limerick



J.J. O'Connor
Ardcreem



P. O'Donoghue
Clare



J. O'Keeffe
West Limerick



P.G. O'Sullivan
Iveragh



P. Rohan
West Kerry

Paddy Casey, Tom Galvin, Timmy Horan, Michael O'Connor and William Slattery retired from the Board in December 2019 and were not replaced.



KERRY CO-OPERATIVE CREAMERIES LIMITED
DIRECTORS AND OTHER INFORMATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS

M. Hayes, Chairman
M Crowe, Vice Chairman
S. Brosnan
D Carroll
J. Casey
S. Crawford
C. Creedon
T. Cummins
J. Devane
J. Fitzmaurice
V. Gardiner
M.Griffin
P. Hanafin
B. Horgan
J. McNerney
C McMahon
T. Murphy
T. O'Connell
J.J. O'Connor
P. O'Donoghue
J. O'Keeffe
P.G. O'Sullivan
P. Rohan

REGISTERED HEAD OFFICE

Prince's Street, Tralee, Co. Kerry

AUDITORS

Deloitte Ireland LLP
Deloitte & Touche House
Chartered Accountants and Statutory Audit Firm
Charlotte Quay
Limerick

BANKERS

Allied Irish Banks plc
52 Upper Baggot St
Dublin 4



KERRY CO-OPERATIVE CREAMERIES LIMITED

BOARD RESPONSIBILITIES STATEMENT

The board are responsible for preparing the financial statements in accordance with applicable Irish law including the Industrial and Provident and Societies Acts, 1893.

Irish law requires the board to prepare financial statements for each financial year. Under the law, the board have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“relevant financial reporting framework”). Under the law, the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the society as at the financial year end date and of the profit or loss of the society for the financial year.

In preparing those financial statements, the board are required to:

- select suitable accounting policies for the Society Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The board are responsible for ensuring that the society keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the society, enable at any time the assets, liabilities, financial position and profit or loss of the society to be determined with reasonable accuracy, enable them to ensure that the financial statements and chairman’s statement comply with Irish law and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The board are responsible for the maintenance and integrity of the corporate and financial information included on the society’s website.

The board confirm that they have complied with the above requirements in preparing the financial statements.

Signed for and on behalf of the Board.



Mundy Hayes,
Chairman



Martin Crowe,
Vice-Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERRY CO-OPERATIVE CREAMERIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements of Kerry Co-Operative Creameries (the 'society')

In our opinion the society financial statements:

- give a true and fair view of the assets, liabilities and financial position of the society as at financial year and of the profit for the year then ended; and
- have been prepared in accordance with the relevant financial reporting framework

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 15, including a summary of significant accounting policies as set out in note 2.

The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the applicable financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Board are responsible for the other information. The other information comprises the information included in the Annual Report 2019, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Board

As explained more fully in the Statement of Board responsibilities, the Board are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Board 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 are responsible for assessing the society'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 either intend to liquidate the society 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 auditor's 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the society (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the society's members, as a body, in accordance with Section 13 of the Industrial and Provident Societies Act, 1893. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are Required to Report by the Industrial and Provident Societies Act

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the 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.



Cathal Treacy

For and behalf of Deloitte Ireland LLP
Deloitte & Touche House
Chartered Accountants and Statutory Audit Firm
Charlotte Quay, Limerick

Date: 3rd June 2020

KERRY CO-OPERATIVE CREAMERIES LIMITED

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 €m	2018 €m
Turnover		17.3	15.6
Gain on Realised Investment		34.8	-
		52.1	
Operating expenses	4	(1.4)	(2.3)
Profit before taxation		50.7	13.3
Taxation	5	-	-
Profit after taxation		50.7	13.3

Profit for both the current and preceding financial year arises solely from continuing operations.

The financial statements were approved by the Board on 12th May 2020 and signed on its behalf by:



Mundy Hayes,
Chairman



Martin Crowe,
Vice-Chairman

KERRY CO-OPERATIVE CREAMERIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 €m	2018 €m
Profit after taxation	50.7	13.3
Unrealised gain/(loss) on investments	368.8	(164.7)
Total comprehensive income/(loss)	419.5	(151.4)

KERRY CO-OPERATIVE CREAMERIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 €m	2018 €m
FIXED ASSETS			
Investments	7	2,499.2	2,094.2
		2,499.2	2,094.2
CURRENT ASSETS			
Bank		49.9	24.1
		49.9	24.1
CURRENT LIABILITIES			
Payables: Amounts falling due within one financial year	8	(25.5)	(2.0)
		(25.5)	(2.0)
NET CURRENT ASSETS		24.4	22.1
TOTAL NET ASSETS		2,523.6	2,116.3
CAPITAL EMPLOYED			
Called up share capital	9	4.6	4.9
Reserve fund		0.1	0.1
Revaluation reserve		2,452.3	2,083.5
Profit and loss account		66.6	27.8
SHAREHOLDERS' FUNDS		2,523.6	2,116.3

The financial statements were approved by the Board on 12th May 2020 and signed on its behalf by:



Mundy Hayes,
Chairman



Martin Crowe,
Vice-Chairman

KERRY CO-OPERATIVE CREAMERIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Called up Share Capital €m	Reserve Fund €m	Revaluation Reserve €m	Profit & Loss Account €m	Total €m
At 1 January 2018	4.9	0.1	2,248.2	26.9	2,280.1
Profit after taxation	-	-	-	13.3	13.3
Unrealised loss on investments	-	-	(164.7)	-	(164.7)
Share interest paid	-	-	-	(12.4)	(12.4)
At 31 December 2018	4.9	0.1	2,083.5	27.8	2,116.3
Profit after taxation	-	-	-	50.7	50.7
*Market Uplift on investment value and transfer on realisation	-	-	368.8	177.8	546.6
*Share Redemption	(0.3)	-	-	(175.8)	(176.1)
Share interest paid	-	-	-	(13.9)	(13.9)
At 31 December 2019	4.6	0.1	2,452.3	66.6	2,523.6

*The number of Shares sold in Kerry Group exceeded the requirement to fund the shares redeemed which in turn increased reserves.

KERRY CO-OPERATIVE CREAMERIES LIMITED

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 €m	2018 €m
Operating activities		
Profit after Tax	50.7	15.6
Less Gain on Sale of Investments	(34.8)	(2.3)
Increase in payables	23.5	-
Net cash inflow from operating activities	39.4	13.3
Investing Activities		
Proceeds from Sale of Shares net of transaction costs	176.3	-
Net cash inflow from investing activities	176.3	-
Financing Activities		
Share interest payment	(13.9)	(12.4)
Share Redemption Costs	(176.0)	-
Net cash outflow from financing activities	(189.9)	(12.4)
Net increase in cash and cash equivalents	25.8	0.9
Cash and cash equivalents at beginning of financial year	24.1	23.2
Cash and cash equivalents at end of financial year	49.9	24.1

KERRY CO-OPERATIVE CREAMERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. PRINCIPAL ACTIVITIES

Kerry Co-Operative Creameries is an Agricultural Society registered under the Industrial and Provident Societies Acts. It engages in Agricultural trading and holds investments in a number of corporate entities.

2. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of quoted shares and in accordance with Irish statute comprising the Industrial and Provident Societies Acts, 1893 to 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Investments

Quoted investments comprise equity investments that are actively traded in organised financial markets. These shares are held at market value which is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. Unrealised revaluation gains and losses are taken directly to the revaluation reserve and are recorded in the Statement of Comprehensive Income. On disposal of the investments, accumulated unrealised gains and losses are transferred from the revaluation reserve to the profit and loss reserve. Gains on disposal of investments are recognised in the profit and loss reserve to the extent to which they represent the difference between the carrying amount as at the last reporting date (fair value of investment at that date) and the proceeds (after transaction costs). Information on the Society's investments are given in Note 7.

Unquoted investments are stated at cost, less accumulated impairment, if any. Income from investments are recognised as Turnover in the Income Statement in the period in which it is receivable.

Turnover

Turnover relates to dividend income earned on investments. Turnover is recognised when dividend is agreed and paid.

Share interest

Share Interest represents the interest paid to members of the Co-Operative. Share interest is accounted for on an accruals basis through the retained earnings reserve. Share interest proposed does not meet the definition of a liability until it has been approved. This approval occurs at the Annual General Meeting.



KERRY CO-OPERATIVE CREAMERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 balance sheet date.

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

The Society withholds Dividend Withholding Tax (DWT) on distributions liable to DWT and any sum deducted is paid over to Revenue for the credit of individual accounts.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no critical accounting judgements or key sources of estimation uncertainty except for those set out in the accounting policies in Note 2 and those areas of principal risk and uncertainty set out in Note 12.

4. OPERATING EXPENSES

These are expenses incurred by the Co-Operative in the course of its business. The major items included in this list for 2019 are Director Fees €481,250 (2018: €478,900), Arbitration Costs €34,705 (2018: €855,740), Subscriptions €121,000 (2018: €139,349), Salaries €212,324 (2018: €175,000) Consultancy Fees €61,593 (2018: €199,765), Charitable Donations €Nil (2018: €129,000). The remaining operating expenses relate to Computer & Software costs, Meeting Rooms Hire, Printing and Postage, Utilities and other General Expenses.

KERRY CO-OPERATIVE CREAMERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
5. TAXATION

	2019 €m	2018 €m
Corporation tax	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in Ireland (12.5%).
The difference is explained below:

	2019 €m	2018 €m
Factors affecting change for the financial year:		
Profit on ordinary activities before taxation	50.7	13.3
Profit on ordinary activities multiplied by the standard rate of taxation (12.5%) (2018: 12.5%)	6.3	1.7
Effects of:		
Franked investment income not subject to tax	(2.1)	(1.9)
Other income not subject to tax	(4.4)	-
Excess allowable expenses carried forward	0.2	0.2
Corporation tax	-	-

A deferred tax asset of €0.5m (2018: €0.5m) has not been recognised as there is uncertainty as to the timing of future taxable profits.

6. SHARE INTEREST

	2019 €m	2018 €m
Share interest paid:		
3,931,211 shares @ €3.55 (2017: 3,931,211 @ €3.15)	13.9	12.4
	13.9	12.4

KERRY CO-OPERATIVE CREAMERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
7. INVESTMENTS

	2019 €m	2018 €m
Quoted shares at market value:		
Balance at start of financial year	2,093.2	2,248.7
Unquoted (now quoted) shares at start of financial year	-	9.2
Gain on Disposal of Investment (excluding transaction costs)-	36.2	
Revaluation surplus/(deficit)	368.8	(164.7)
	2,498.2	2,093.2
Balance at start of financial year	1.0	10.2
Unquoted (now quoted) shares at start of financial year	-	(9.2)
	1.0	1.0
Total investments at end of financial year	2,499.2	2,094.2

Included in quoted shares at market value is the Society's holding in Kerry Group plc. At the year-end, the Society holds 12.7% (2018: 13.7%) of the ordinary share capital of Kerry Group plc. This investment is carried at fair value of €2,490m (2018: €2,080m). IPL Plastics plc at the year-end, the Society holds 2.75% of the ordinary share capital of IPL Plastics plc. This investment is carried at fair value of €7.96m (2018: €12.8m). Fair value was determined with reference to the quoted market price at the reporting date and is a level 1 measurement on the fair value hierarchy.

The market value of each of Kerry Group Shares ordinary shares at year end was €111.10 per share (2018: €86.5). The market value of each of IPL Plastics Shares ordinary shares at year end was €5.40 (2018: €8.69) per share.

Other Investments include:

- Kerry Airport
- Listowel Races Development Company Ltd
- Kenmare Livestock Mart Co-Operative Society Ltd
- Cilcoone Ltd (Cork Racecourse), FBD Holdings, Kingdom Co-Op Mart,
- Golden Vale Marts, and Western Forestry Co-Op Ltd

Unquoted investments are stated at cost, less accumulated impairment, if any.

KERRY CO-OPERATIVE CREAMERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
8. PAYABLES: (amounts falling due within one financial year)

	2019 €m	2018 €m
Other creditors	25.5	2.0
	25.5	2.0

This balance is comprised of accruals, payroll liabilities and outstanding cheques. Outstanding cheques in respect of Share Interest and Share Redemption and Dividend Withholding Tax account for the majority of this balance.

9. CALLED UP SHARE CAPITAL

Called up Share capital fully paid:	2019 €m	2018 €m
“A” Ordinary shares of €1.25 each	1.8	1.9
“B” Ordinary shares of €1.25 each	1.2	1.2
“C” Ordinary shares of €1.25 each	1.6	1.8
	4.6	4.9

Transfers of shares by members can lead to shares being categorised differently to that of the original holder, as the share categories are dependent on the eligibility of the shareholders under the rules of the Co-operative Society to hold such shares.

Analysis of movement in Share Capital during the financial year:

	“A” Ordinary Shares €m	“B” Ordinary Shares €m	“C” Ordinary Shares €m	Total €m
At beginning of year	1.9	1.2	1.8	4.9
Transfers between classes & redemptions	(0.1)	-	(0.2)	(0.3)
At end of year	1.8	1.2	1.6	4.6

KERRY CO-OPERATIVE CREAMERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. RELATED PARTY TRANSACTIONS

In the ordinary course of their business as farmers, Directors and companies owned by Directors have traded on standard commercial terms with the Agribusiness Division of Kerry Group plc. Aggregate purchases from, and sales to, these Directors amounted to €3,931,034 (2018: €4,898,548) and €938,367 (2018: €1,357,990), respectively. The trading balance outstanding at financial year end was €85,093 (2018: €146,209). No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by directors.

In the ordinary course of business, the directors of Kerry Co-operative Creameries Limited received returns of €182,847 (2018: €196,902) on their investments in Kerry Co-operative Creameries Limited and in Kerry Group plc. Kerry Co-operative Creameries Limited purchased milk from Kerry Creameries Ltd (a related party). The value of milk purchased in 2018 was €59,709 (2018: €76,759).

Kerry Co-operative Creameries Limited utilises administrative services of Kerry Group plc for which no fee is charged.

The total compensation for Directors for the financial year amounted to €481,250 (2018: €478,900). The compensation for Key Management Personnel is set out below:

	Fees 2019 €	Fees 2018 €
Compensation to Executive Management	182,291	175,000
	182,291	175,000

The Annual fees for Board Members are set at €15,000 and at €25,000 for the Chairman. Additional payments are made for attendance at Committee meetings. A number of Directors sit on other Boards as representatives of Kerry Co-Operative Creameries Ltd and are paid additional fees in respect of those appointments.

¹ Director Munster Cattle Breeding Group Ltd and the National Cattle Breeding Centre (NCBC)

² Director ICOS

³ Director Member of National Dairy Council.

Michael A Doody, Patrick O'Sullivan and John O'Leary retired from the Board in 2018 but were paid outstanding Committee Fees in January 2019.

KERRY CO-OPERATIVE CREAMERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
10. RELATED PARTY TRANSACTIONS (Continued)

Compensation to Non-Executive Directors:

	Appointed	Fees 2019 €	Fees 2018 €
Michael Ahern	Retired 2018	0	13,750
James Barry	Retired 2018	0	13,750
Sean Brosnan	2016	15,900	16,200
Denis Carroll	2018	17,100	1,250
John Casey	2017	15,600	16,200
Paddy Casey	Retired 2019	17,050	22,200
Seamus Crawford	2018	15,000	1,250
Conor Creedon	2018	17,400	1,250
Martin Crowe	2015	17,100	17,700
Thomas Cummins ¹	2017	21,600	21,900
James Devane	2015	15,600	15,600
Michael A Doody	Retired 2018	2,400	14,650
John Fitzmaurice	2017	15,000	15,000
Thomas Galvin ¹	Retired 2019	22,550	27,300
Victor Gardiner	2017	17,400	15,000
Martin Griffin	2018	15,000	1,250
Patrick Hanafin	2018	15,000	1,250
Mundy Hayes	2017	28,900	33,700
Timothy Horan	Retired 2019	13,750	15,000
Billy Horgan	2016	15,000	15,000
Michael Kelliher	Retired 2018	0	1,800
Jim McInerney	2017	15,000	15,000
Conleth McMahon	2016	15,000	15,000
Tom Murphy	2016	15,000	15,000
Tim O'Connell	2015	15,000	15,000
Joseph O'Connor	2016	15,000	15,000
Michael O'Connor ²	Retired 2019	19,250	21,000
Pat O'Donoghue ³	2019	19,800	21,550
James O'Keeffe	2018	15,600	1,250
John O'Leary	Retired 2018	600	14,950
Patrick O'Sullivan	Retired 2018	6,300	14,650
Patrick Gerard O'Sullivan	2015	15,600	15,900
Patrick Rohan	2017	15,000	15,000
William Slattery	Retired 2019	16,750	18,600
		481,250	478,900



KERRY CO-OPERATIVE CREAMERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. AUDIT FEES	2019 €	2018 €
Audit of financial statements	18,000	15,500

12. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Society are; the risk of a loss of income due to a reduction in the value of its investments and a reduction in its dividend income; and taxation risk.

The most significant investment held by the Society is its investment in Kerry Group plc. The value of the shares of Kerry Group plc may be impacted by a number of risks and uncertainties impacting the Group including portfolio management, business acquisition and divestiture, developing markets, quality and food safety, raw material and input cost fluctuations, talent management, IT systems and information security, taxation and treasury risk, and unprecedented economic challenges such as COVID-19. Changes in tax laws, changing legal interpretations and tax audits may impact on the Society's future tax liabilities.

Details of financial risk management are set out in Note 13.

13. FINANCIAL RISK MANAGEMENT

The Society's financial instruments comprise investments, cash balances and trade and other payables. The main financial risk to which the Society is exposed is market risk. Market risk is the risk of a potential fall in income or net asset position of the Society due to changes or fluctuations in the quoted market price of its shares in Kerry Group plc. The market price of the shares has remained strong in recent years but may be impacted by COVID-19. Further information in relation to this risk is set out in Note 12.

The Society is also exposed to credit risk in relation to its cash balances. The Board believes there is limited exposure to credit risk as the Society's cash balances are held with major financial institutions.

FRS 102 requires disclosure of how hypothetical changes in risk variables affect the price of financial instruments. If share prices had been 10% higher/ (lower) at 31 December 2019, net assets would have been €249m higher/ (lower).

Capital Management

The primary objective of the Society's capital management is to maximize shareholder value. The capital structure of the Society comprises equity.

The Society is not subject to any externally imposed capital requirements

KERRY CO-OPERATIVE CREAMERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
14. FINANCIAL INSTRUMENTS

Analysis of financial instruments by category:

	Loan and receivables and other financial assets/ (liabilities) (at amortised cost) 2019 €m	Assets at fair value through other comprehensive income 2019 €m	Total 2019 €m
Financial asset investments	1.0	2,498.2	2,499.2
Cash at bank	49.9	-	49.9
Trade and other payables	(25.5)	-	(25.5)
Total net assets	25.4	2,498.2	2,523.6
	2018 €m	2018 €m	2018 €m
Financial asset investments	1.0	2,093.2	2,094.2
Cash at bank	24.1	-	24.1
Trade and other payables	(2.0)	-	(2.0)
Total net assets	23.1	2,093.2	2,116.3

15. SUBSEQUENT EVENTS

In early 2020, the existence of a new coronavirus, leading to a disease known as COVID-19, was confirmed. COVID-19 has caused disruption to businesses and economic activity which has been reflected in the market situation. The directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the company and to provide a quantitative estimate of this impact. However, the directors do not consider COVID-19 to have a material effect on the operations.

Electoral Area ¹	Advisory Committee Members			
Ardkreem	Aidan Behan	Daniel Broderick	Billy Dee	Maurice Harty
	Adrian Keane	John Kearney	Michael Kissane	John Rohan
	John Lawlor	Kenneth Lawlor	Henry McEnery	Dermot O'Connell
	John A O'Connor	Maurice O'Driscoll	John O'Hanlon	Liam O'Sullivan
	John O'Sullivan	Padraig Mc Carthy	Thomas Shanahan	William Slattery
Clare	Patrick Blake	Sean Bugler	Sinead Cahill	Michael Cahir
	Sean Carrigg	John Casey	Noel Clancy	Sean Culligan
	Francis Doohan	William Hanrahan	Kevin Hassett	John Gerard Healy
	Patrick J Murray	Sean Hogan	Anthony Horan	Francis Kennedy
	Niall McCarthy	Cyril McCormack	Jim McNerney	Patrick Minogue
	John Hehir	Patrick O'Brien	Patrick O'Donoghue	Declan O'Dwyer
	Patrick O'Neill	Richard Pilkington	Michael Shaloo	Patricia Shannon
	Patrick Talty			
Dicksgrrove	Niall Broderick	John Brosnan	Michael M Griffin	John Kearney
	John J Kerins	Florence M Kerrisk	TJ Murphy	Cornelius O'Mahony
	John C O'Connor	Donie O'Sullivan	Michael Teahan	
East Kerry	Andrew Buckley	Conor Creedon	Tim Dennehy	Dermot Dineen
	Patrick Herlihy	Richard Leader	Billy Linehan	Michael J Murphy
	Diarmuid McCarthy	Martin Randles		
East Limerick	Michael Aherne	John Bateman	Thomas Blackburn	John Cagney
	William Coughlan	Gerard Cronin	Martin Crowe	Seamus Crawford
	Thomas Cummins	Desmond Frawley	John Hawe	Paul Hannon
	Michael Hickey	Richard Hynes	Ian Kelleher	Fiachra Liston
	Tom Lynch	Clement J McAuliffe	Fergus McCarthy	Garry McCarthy
	Liam McGrath	Martin Moloney	Thomas O'Brien	Timothy O'Brien
	Michael O'Connor	Thomas O'Donnell	Brendan O'Regan	Gerald Quain
	James Tangney	Joseph Tierney	Robert Troy	Con Walsh

Electoral Area ¹	Advisory Committee Members			
Feale	Patrick F Buckley	Patrick Carmody	David Diggin	John Joe Dillon
	James Egan	John Joe Flavin	John G Fitzmaurice	Damian Galvin
	Thomas Galvin	Patrick Keane	Patrick Keane	Thomas Mulvihill
	Michael McMahon	John Nolan	James G O'Carroll	John O'Connor
	Noel O'Connor	Con O'Sullivan	Shane Wall	
Iveragh	Kieran Breen	Patrick Browne	Denis Carroll	James Casey
	Cornelius Doherty	James P Doyle	John Foley	Maurice Foley
	Michael Galvin	Kevin Heffernan	Thomas Kelliher	Thomas Murphy
	William N Murphy	Eoghan McCarthy	John J O'Sullivan	
West Kerry	Oliver Brosnan	Michael Dowd	Denis MI Galvin	Patrick Hanafin
	Michael Kelleher	Seamus Leahy	Patrick Rohan	
West Limerick	Dermot Browne	Thomas Brouder	Eamon Burke	Batt Casey
	Joe Collins	Daniel Cremin Jnr	Donal Cronin	Denis Donovan
	Michael A Doody	Cornelius James Forrest	Victor Gardiner	David Hayes Jr
	David Horan	James Ambrose Kelly	Denis Lane	Denis Mulcahy
	Patrick McAuliffe	Michael McCarthy	Tomas McEnergy Jr	Gerard Noonan
	Aidan O'Callaghan	Michael O'Callaghan	Niall O'Callaghan	Tim O'Connell
	Michael Gerard O'Connor	Michael G O'Flynn	Michael O'Grady	James Vincent O'Keeffe
	Patrick O'Kelly	John O'Shaughnessy	Richard O'Sullivan	Thomas Prenderville
	Taghd Shanahan			

¹ These pages on Advisory Committees are not subject to Audit.







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