Farmer Business Developments plc Annual Report 2019

Contents

Chairman's Statement

RESULTS

I am pleased to report to you that Farmer Business Developments plc ("the Group") performed strongly in 2019 recording a group profit before interest, tax and revaluations of €13.03m up €4.23m from €8.80m in the prior year.

In addition, we entered into a contract to dispose of development land in Berlin held through our subsidiary company Bulberry for €88m. This land sale completed in January 2020, phased payments were provided for in the contract and Bulberry received €62.8m as the first instalment. Out of the proceeds, Bulberry distributed a total of €27.3m to the Group, €5.5m in 2019 and €21.8m in January 2020. This left the Group in a relatively strong position when impacted by the Covid-19 crisis in mid-March, which I will return to later.

To assist shareholders in understanding our 2019 results, we have produced a Divisional Summary Statement below, which separates the results for the Group, and we explain the main elements before commenting on our main investments in more detail later.

Divisional Summary Statement	**2019**	**2018**
	€000s	**€000s**
FBD Hotels & Resorts EBITDA	**13,699**	12,627
Bulberry Properties EBITDA	**4,499**	(513)
Farmer Business Developments Investment EBITDA	**(572)**	5
Integration Costs (Heritage Hotel)	**(765)**	-
Depreciation	**(3,835)**	(3,323)
Profit Before Interest, Tax and Revaluations	**13,026**	8,796
Dividend income	**4,466**	2,243
Interest Income	**1,016**	240
Interest Expense	**(2,428)**	(2,647)
Profit before taxation	**16,080**	8,632

The Summary Statement shows another successful year for FBD Hotels & Resorts, recording a profit of €13.7m, an increase of €1.1m or 8.5% versus 2018. Our 100% subsidiary also completed the integration of The Heritage Hotel in Killenard, Co Laois into our hotels business.

The Berlin vehicle, Bulberry Properties, recorded a profit of €4.5m after completing an €8m land sale in 2019. On the investment side, there was a €0.6m net mark-down recorded in 2019.

Dividend income for 2019 increased to €4.5m from €2.2m in 2018, as a result of FBD Holdings plc increasing their dividend to 50c per share (2018: 24c per share).

Interest income of €1m mainly relates to the FBD Holdings Loan Note 5% coupon reflecting a full year coupon, in the prior year there was only 3 months of the coupon. The interest expense has fallen by circa €0.2m to €2.4m.

This leaves our Group profit before taxation at a healthy €16.1m for 2019, up 86% on 2018 profit before tax of €8.6m. On our Balance Sheet, the value attributable to the shareholders was €219m at the end of 2019, up €9m for the year.

This €9m uplift was after returning €8.4m (16c per share) to shareholders during 2019 by way of dividends.

FBD HOLDINGS PLC

FBD Holdings plc continued to produce strong financial results in 2019, with a €112m profit before tax (2018: €50m). The results benefitted from no weather events of note resulting in the lowest weather claims for years, together with positive prior years' reserve releases, as claims experience from prior years continued to show improvements relative to provisioning.

The strategy of FBD Insurance includes a strong focus on its core farm and SME customers and direct customer relationships, while maintaining underwriting discipline in a highly competitive market. The successful implementation of this strategy has enabled FBD Holdings plc to maintain a very healthy solvency capital position at 192%. The challenge is to build on this performance and grow the business in a measured way which continues to deliver for shareholders.

2019 saw an increase in the FBD Holdings plc share price from €8.24 to €8.70 per share at 31 December 2019, resulting in a €3.9m increase in the book value of our 24.5% stake to €76.8m. The €20m 10-year Loan Note at 5% coupon added during 2018 brings our total investment in FBD Holdings plc to €96.8m or 44% of our shareholder funds. Income from FBD Holdings plc during 2019 included €4.4m ordinary and preference share dividend income and €1m bond income, giving total income of €5.4m or a 5.8% return on our opening investment of €92.9m. Our policy is to maintain our stake in FBD Holdings plc as a long-term investment.

FBD INSURANCE DISCOUNT

I take this opportunity to remind our farming shareholders, who hold or acquire at least 10,000 ordinary shares in our Company, that their investment is recognised and rewarded through a discount of 10% on their insurance premiums with FBD Insurance and also through this Company's annual dividends. FBD Insurance has a proven track record of delivering a superior product and service to its core farming customers.

REVIEW OF INVESTMENTS

A) FBD HOTELS & RESORTS ("FBDH&R")

FBDH&R is our single largest subsidiary representing €97m or 44% of our shareholders' funds. The trading performance of both the leisure and property divisions of FBDH&R was very strong in 2019. EBITDA (earnings before interest, tax, integration costs, depreciation and amortisation) was 8.5% ahead of last year at €13.7m, versus €12.6m in 2018, representing an excellent profit margin of 19%. Overall leisure revenue was up 17% on the previous year at €63.7m.

On the property side, FBDH&R sold 37 built units in La Cala in 2019 in property developments with Taylor Wimpey. In the four years to the end of 2019, 215 units have been sold at La Cala for a gross sales value of €80.2m, with FBDH&R's share being €18.2m. At year end, there were 377 units either built or under construction in the developments with Taylor Wimpey, accounting for 57% of units contracted with them. Total land deal contracts with Taylor Wimpey are for 656 units for an estimated gross sales value of €230m with circa €44m due to FBDH&R over the life of the land deals and guarantees built in.

During 2019, we purchased the 98 bedroom Heritage Hotel & Spa for €8.6m and we have made additional investment of €1.8m in the resort inclusive of integration costs. The hotel has performed well in its first year and is trading in line with our expectations. Sunset Beach Club again performed excellently in the year with a profit margin of 30%. Castleknock Hotel EBITDA was up 12% which was an excellent performance in tough market conditions in Dublin. Faithlegg continued to make good progress and recorded a profit of €1.4m which represents a profit of €17,000 per room.

The positive performance of FBDH&R enabled it to repay €2m to this Company in 2019.

B) BULBERRY PROPERTIES LIMITED (BERLIN)

Our investment in development lands at Schönefeld on the edge of the city of Berlin and close to the capital's new Willy Brandt Airport remains our third largest interest.

2019 was a very successful year for our investment. We received €5.5m from Bulberry's sale of a development plot for €8m and Bulberry entered a contract for the disposal of 220,890 sqm of land for €88m, the first phase of which completed in January 2020. At 31 December 2019, we carried our investment in this subsidiary at €24.3m, which represents 11% of our shareholders' funds. The retained proceeds from the land sales in 2019 and further payments in 2020 have put Bulberry in a strong cash position.

Bulberry still has circa 33,000 sqm of land and there is strong interest in this plot by developers for residential, office/commercial and logistical purposes. Developer interest is now driven as much by growth pressures in the Berlin-Brandenburg metropolitan region as by the airport opening which is scheduled for 31 October 2020.

C) OTHER INVESTMENTS

Our remaining Balance Sheet consists of a portfolio of smaller investments and cash, totalling €13m less net debt funding of €12m. These investments include international equities and private equity funds, together with an Irish venture capital fund.

The liquidation process completed in 2019 for the Swiss company which owned our interest in a shopping centre in Geneva and we received a final distribution net of tax of €4m, in addition to the €4.4m already received in prior years. This has resulted in a realised gain on this investment of €1.1m in the year under review.

DIVIDEND

The business environment has changed radically during 2020 due to Covid-19. The Directors have carefully weighed up the current situation of the Group and attempted to assess the prospects and cash requirements for our business going forward. We have noted the decision of FBD Holdings plc not to proceed at this time with its previously proposed dividend of 100c per share. There are many uncertainties due to Covid-19 and we must factor in the risk of a 'second wave' of the virus in Ireland or Spain and the risk of prolonged disruption to the hospitality sector. Our responsibility is to put the interests of the Group first and ensure that we have all necessary resources at our disposal to bring our business successfully through this crisis in the long-term interests of our shareholders. Therefore, the decision of your Board is not to propose a dividend payment on the ordinary shares or preference shares at this AGM.

SHARE DEALING SERVICE

The private grey market in the Company's shares operated by Davy Select has continued to facilitate a steady volume of trading, with a total of 814,341 shares traded in 2019 (2018: 491,138 shares) at an average price of 98 cents per share (2018: 90 cents). Davy Select are available to assist shareholders with their queries and may be contacted at 01-6149000 or davyselect@davy.ie.

The Company remains open to new farmer shareholders and your Board's policy is to continue to maintain our character as a farmers' company.

SHARE REGISTRARS

Link Registrars Limited manage share dividend payments, and the registration and certification of share transfers arising from the settlement of estates and private transactions. They may be contacted at 01-5530050 or enquiries@linkgroup.ie.

COMPANY WEBSITE

Our Company website is at www.FarmerBusinessDevelopments.ie. The website provides ready access to useful investor information, company announcements and details of how to transfer shares, as well as the share trade volumes and prices on our private grey market operated by Davy Select.

COVID-19

While 2020 trading had commenced positively for our main operating business, FBDH&R, Covid-19 is having a major impact on our business with all resorts in Ireland and Spain closed in mid-March in line with government regulations. Given the extraordinary situation, we took a number of decisive actions to reduce operating cash outflows at the outset.

- All discretionary property and leisure spend was eliminated, and all overheads minimised.
- We placed a substantial number of staff on temporary lay-off.
- All non-committed capital expenditure was cancelled.

Our Spanish resorts reopened in early June and our Irish hotels in late June. The situation is evolving and at this point it is not possible to predict the full extent of the impact of the market disruption and the consequences for our revenues. FBDH&R had a strong balance sheet and cash balances at year end and had significant headroom on its banking facilities. The Group engaged early with its bankers, Allied Irish Bank plc, and as a result of amendments to its financing facilities, FBDH&R was in compliance with its bank covenants at 30 June and expects to be in compliance at 31 December 2020, with post 2020 revised covenants to be agreed. FBDH&R remains conservatively leveraged, has strong cash balances and with all resorts now reopened has the capacity to manage the business through this unprecedented environment and withstand a prolonged decrease in its business in 2020 and 2021.

Covid-19 has also had a negative impact on investments worldwide, stock markets around the world suffered historic losses in the spring amid a massive sell-off tied to the coronavirus. Several indices saw their biggest quarterly drops since 1987 and although there has been a recovery supported by global stimulus measures, the recovery is uneven and the global economy faces major uncertainties. There will be a negative impact in the short term at least on our investment valuations. However, the Group has no immediate need or intention to cash in any of its current investments and is well-positioned to see out the current reduction in asset values.

CONCLUSION

Our Company made steady progress during 2019. FBD Holdings plc delivered a strong set of results and further strengthened its solvency position. FBDH&R reported excellent results and with Taylor Wimpey has a growing pipeline of property units to meet demand. Our patience in Berlin is being rewarded. We are in unprecedented times due to the severe economic shock triggered by the Covid-19 pandemic. However, this is a robust Company with a strong balance sheet and significant liquidity when it entered the Covid-19 crisis. In view of the major uncertainty associated with the crisis, it behoves the Group to preserve cash where at all possible. Our top priority remains the health and wellbeing of our people, customers and partners, and taking the right steps to protect our business, so that we can look forward to rewarding our shareholders with superior returns.

Thank you for your support.

Padraig Walshe
Chairman

14 July 2020

Board of Directors and Other Information

BOARD OF DIRECTORS

Appointed by Shareholders
Padraig Walshe (Chairman)
James Kane (Vice Chairman)
Jack Bayly
Jeremiah Bergin
Michael Kennedy
T.J. Maher

Appointed by Co-ops
Edmund Lynch
Patrick Murphy
Neil O'Riordan
Tommy Joe Tuffy

Appointed by IFA
John Bryan
Barry Donnelly
Eddie Downey

SECRETARY AND REGISTERED OFFICE

Bryan Barry,
Farmer Business Developments plc,
Irish Farm Centre,
Bluebell,
Dublin 12.
Phone: 353.1.426 0334
Email: bryanbarry@FBDevelopments.ie

COMPANY REGISTRATION NUMBER

122382

AUDITORS

Deloitte Ireland LLP,
Chartered Accountants and Statutory Audit Firm,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

SHARE REGISTRAR

Link Registrars Limited,
Level 2, Block C,
Maynooth Business Campus,
Co Kildare,
W23 F854.
Phone: 353.1.553 0050
Email: enquiries@linkgroup.ie

SHARE MARKET

Davy Select,
Davy House,
49 Dawson Street,
Dublin 2.
Phone: 353.1.614 9000
Email: davyselect@davy.ie

BANKERS

Allied Irish Banks,
Lower Baggot St.,
Dublin 2.

SOLICITORS

Arthur Cox,
Ten Earlsfort Terrace,
Dublin 2.

Report of the Directors

The Directors present their Annual Report and audited Financial Statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND PROSPECTS

Farmer Business Developments plc (the Group) is an investment holding company. FBD Hotels & Resorts ("FBDH&R") is one of the Group's largest investments. The activities of FBDH&R consist of hotel operations in Ireland and Spain and investment in properties associated with these activities. Farmer Business Developments plc's other investments are 24.5% (2018: 24.6%) of the ordinary share capital of FBD Holdings plc and a €20m loan note in that company, a 61% investment in the Bulberry Group and a portfolio of smaller investments and cash deposits. FBD Holdings plc is an investment holding company, the principal activity of its major subsidiary, FBD Insurance plc, is looking after the insurance needs of farmers, private individuals and business owners. Bulberry Group's principal activity is the ownership and development of lands adjacent to the new Berlin airport.

The 2019 results for Farmer Business Developments plc reflect a profit before taxation of €16.1m (2018: €8.6m). After a tax charge of €1.2m (2018: €2.5m), the Group earned a profit after taxation of €14.9m (2018: €6.1m).

The Consolidated Balance Sheet had Net Assets of €239.5m at 31 December 2019, up from €229.2m the previous year.

These numbers are considered to be the key performance indicators of the Group.

The Group declared and paid a final dividend of 7 cents (2018: 6 cents) and also made an interim dividend of 9 cents (2018: nil) per ordinary share in 2019 giving a total payment to ordinary shareholders of €8.3m (2018: €3.1m). Preference dividends paid in 2019 were €0.15m (2018: €0.15m). Retained profit for the year was €4.62m (2018: €3.05m).

RESULTS	2019	2018
	€000s	€000s
Profit before taxation	**16,080**	8,632
Taxation	**(1,173)**	(2,500)
Profit after taxation	**14,907**	6,132
Non-controlling interests	**(1,835)**	177
Dividend paid on 11% and 14% preference shares	**(151)**	(151)
Dividend paid on ordinary shares	**(8,299)**	(3,112)
Movement on Revenue Reserves	**4,622**	3,046
Net Assets	**239,526**	229,168

The primary risk faced by the Group is the general economic downturn and uncertainty following the unprecedented spread of COVID-19 across the world. COVID-19 is having a significant impact on our FBDH&R business with all resorts in Ireland and Spain temporarily closed for three months in quarter two 2020 in line with government regulations. As the situation is rapidly changing, at this point it is not possible to predict the full extent of the impact of the market down-turn and the impact on our revenues. The Group has proactively engaged with its banks and continues to implement several measures to mitigate the financial consequences of the COVID-19 pandemic. As a result of amendments to its financing facilities, the Group was in compliance with its bank covenants at 30 June 2020 and expects to be in compliance on 31 December 2020. The Directors expect to agree revised covenants post 2020 and are confident satisfactory terms will be agreed. The Group is in a strong cash position with cash balances of €18.9m at the end of 2019 and remains conservatively leveraged and with supportive bankers has the capacity to manage the business through this unprecedented environment and withstand a prolonged decrease in its business in 2020 and 2021. The Directors continue to monitor the situation closely and are of the opinion that the Group is well positioned to manage these risks.

Report of the Directors *continued*

The other major risks and uncertainties facing the Group arise from its exposure to interest rate risk, market risk, foreign currency risk and credit risk through its investments, which are explained in note 28. Within the investment portfolio, the principal individual risk is due to the Group's significant investment in FBD Holdings plc, which makes up 44% of shareholder funds. In 2019, FBD Holdings plc produced strong financial results with a profit after taxation of €98.2m.

DIRECTORS

The names of the current Directors are listed on page 6.

At the Annual General Meeting on 7 June 2019, Mr Padraig Walshe and Mr John McCullen retired as Directors appointed by Shareholders. Mr McCullen was ineligible for re-appointment while Mr Walshe was re-elected as a Director appointed by Shareholders.

Also at the AGM, Mr Michael Kennedy retired as a Director appointed by the Co-operative Societies and was elected as a Director by the Shareholders.

On 23 September 2019, Mr Donal Buckley retired and was replaced by Mr Edmund Lynch as a Director appointed by the Co-operative Societies.

At the forthcoming AGM on 17 August 2020, Mr Jack Bayly will retire as a Director appointed by Shareholders and is ineligible for re-appointment. Mr John Bryan and Mr Barry Donnelly will retire as Directors appointed by IFA. The IFA has appointed Mr Joe Healy as a Director to take office on the same date.

The Directors are recommending that Mr Barry Donnelly be elected by Shareholders as a Director at the AGM.

DIRECTORS' AND SECRETARY'S INTERESTS

The beneficial interests of the Directors and Secretary of the Company and their spouses, civil partners and minor children in the share capital of the Company, at 31 December 2019 and 1 January 2019 were as follows:

	Number of Ordinary Shares of €0.13 each		**Number of 14% Non-Cumulative Preference Shares of €1.27 each**		**Number of 11% Non-Cumulative Preference Shares of €0.13 each**	
Directors:	**31/12/19**	01/01/19	**31/12/19**	01/01/19	**31/12/19**	01/01/19
Jack Bayly	**50,000**	52,575	**600**	600	**3,000**	3,000
Jeremiah Bergin	**10,000**	10,000	**-**	-	**-**	-
John Bryan	**2,000**	2,000	**-**	-	**-**	-
Barry Donnelly	**11,110**	11,110	**-**	-	**-**	-
Eddie Downey	**25,736**	25,736	**100**	100	**-**	-
James Kane	**24,921**	24,921	**-**	-	**-**	-
Michael Kennedy	**30,549**	30,549	**100**	100	**3,000**	3,000
Edmund Lynch (appointed Sep 19)	**-**	-	**-**	-	**-**	-
T.J. Maher	**500**	500	**-**	-	**-**	-
Patrick Murphy	**5,185**	5,185	**-**	-	**-**	-
Neil O'Riordan	**3,500**	3,500	**-**	-	**-**	-
Tommy Joe Tuffy	**1,000**	1,000	**-**	-	**-**	-
Padraig Walshe	**10,369**	10,369	**100**	100	**-**	-
Secretary						
Bryan Barry	**16,000**	16,000	**-**	-	**-**	-

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors at the time the Directors' Report and Financial Statements are approved:

(a) So far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and

(b) Each Director has taken all steps that ought to have been taken by the Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

DIRECTORS' COMPLIANCE STATEMENT

As required by Section 225 of the Companies Act 2014, the Directors acknowledge that the Directors are responsible for securing the Company's compliance with its relevant obligations; and the Directors confirm that the Directors have implemented the following three procedures in order to comply with the Directors' obligations:

(a) the drawing up of a "compliance policy statement" setting out the Company's policies that, in the Directors' opinion, are appropriate to the Company, and respecting compliance by the Company with its relevant obligations;

(b) the putting in place of appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations; and

(c) reviewing of any arrangements or structures that are in place or being put in place.

AUDIT COMMITTEE

In accordance with Section 167 of the Companies Act 2014, the Company established an audit committee. The audit committee's responsibilities include monitoring:

(a) the Company's financial reporting process;

(b) the effectiveness of the Company's systems of internal control and risk management;

(c) the Company's statutory audit and statutory financial statements; and

(d) reviewing the independence of the statutory auditor.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare Financial Statements for each financial year. Under the law, the Directors have elected to prepare the Financial Statements in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the Directors 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 Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies for the Parent Company and the Group Financial Statements and then apply them consistently;

Report of the Directors *continued*

- 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 Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and Directors' Report comply with the Companies Act 2014 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.

SUBSIDIARIES

The Company's direct subsidiaries are listed in note 29.

SUBSEQUENT EVENTS

COVID-19 is a non-adjusting post balance sheet event. The unprecedented spread of COVID-19 across the world has had a significant impact on hotel business and investment valuations. The Group has proactively engaged with its banks and continue to implement several measures to mitigate the financial consequences of the COVID-19 pandemic.

The Group is in a strong cash position with cash of €18.9m at year end. With all FBDH&R resorts now reopened, the Directors have assessed the impact on the Group and prepared projections to 31 August 2021 and while uncertainty remains, the Directors are confident the Group has sufficient liquidity.

In early 2020 the Group's subsidiary, Bulberry, successfully completed the sale of 220,890 sqm of development land close to Berlin's Willy Brandt Airport for €88m.

INDEPENDENT AUDITORS

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm continue in office in accordance with Section 383(2) of the Companies Act, 2014.

ACCOUNTING RECORDS

The Directors have taken appropriate measures to ensure compliance with Sections 281 to 285 of the Companies Act 2014. The specific measures taken are the use of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at Irish Farm Centre, Bluebell, Dublin 12.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company which will be held at 10am on 17 August 2020 in the Irish Farm Centre, Bluebell, Dublin 12, is set out on page 50.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Directors on 14 July 2020.

Signed on behalf of the Board:

Padraig Walshe	**James Kane**
Chairman	Vice Chairman

14 July 2020

Independent auditor's report

To the members of Farmer Business Developments plc

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion on the financial statements of Farmer Business Developments plc (the 'group')

In our opinion, the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2019; and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

the Group financial statements:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Cash Flows;
- the related notes 1 to 35, including a summary of significant accounting policies as set out in note 1.

the parent Company financial statements:

- the Company Balance Sheet;
- the Company Statement of Changes in Equity;
- the Company Statement of Cash Flows;
- the related notes 1 to 35, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the group and parent company financial statements is the Companies Act 2014 and FRS 102 ''The Financial Reporting Standard applicable in the UK and Republic of Ireland'', as issued by the Financial Reporting Council ("the relevant 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 group and parent company 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.

EMPHASIS OF MATTER - COVID-19

We draw your attention to Notes 3 and 32 in the financial statements which indicate that the recent outbreak of COVID-19 has had a significant impact on the group's hotel business resulting in the closure of resorts in Ireland and Spain. The group has proactively engaged with its banks and continues to implement several measures to mitigate the financial consequences of the pandemic on the group's hotel business. While the directors continue to closely monitor the group's liquidity and potential financial impact on the group's hotel operations, given the uncertainty surrounding the length of this crisis it is too early to estimate the financial impact on the Group at this time. Our opinion is not modified in respect of this matter.

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 directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent company'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 directors are responsible for the other information. The other information comprises the information included in the Reports and Consolidated Financial Statements for the year ended 31 December 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 DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors 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 directors are responsible for assessing the group's and parent company'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 directors either intend to liquidate the group and parent company 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 group and parent company'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 group and parent company'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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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 company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the group were sufficient to permit the financial statements to be readily and properly audited.
- The parent company's balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Based on the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Kevin Sheehan
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

20 July 2020

Consolidated Income Statement

For the financial year ended 31 December 2019

	Notes	2019 €000s	2018 €000s
Turnover	*4*	**80,021**	73,414
Cost of sales		**(14,518)**	(21,238)
GROSS PROFIT		**65,503**	52,176
Staff costs	*5*	**(29,677)**	(24,870)
Administrative expenses		**(22,857)**	(19,256)
GROUP OPERATING PROFIT		**12,969**	8,050
Unrealised loss on investments	*15*	**(1,399)**	(2,243)
Profit on sale of investments	*15*	**1,456**	2,989
PROFIT BEFORE INTEREST AND TAXATION		**13,026**	8,796
Interest income and other similar items	*6*	**5,482**	2,483
Interest payable and similar expenses	*7*	**(2,428)**	(2,647)
PROFIT BEFORE TAXATION	*8*	**16,080**	8,632
Taxation	*9*	**(1,173)**	(2,500)
PROFIT AFTER TAXATION		**14,907**	6,132
Attributable to non-controlling interests	*26*	**(1,835)**	177
PROFIT FOR THE FINANCIAL YEAR		**13,072**	6,309

The Financial Statements were approved by the Board on 14 July 2020.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Notes	2019 €000s	2018 €000s
Profit for the financial year		**13,072**	6,309
OTHER COMPREHENSIVE INCOME			
Unrealised gains/(losses) on investments classified as available for sale	13	**3,925**	(15,955)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		**16,997**	(9,646)

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

	Notes	Called up share capital presented as equity €000s	Revaluation reserve €000s	Revenue reserves €000s	Capital Redemption reserve €000s	Preference share capital €000s	Non-controlling interest €000s	Total equity €000s
At 1 January 2018		7,117	81,282	129,685	4,074	1,196	23,100	246,454
Non-controlling interest repayment	26	-	-	-	-	-	(4,200)	(4,200)
Profit for the Year		-	-	6,309	-	-	(177)	6,132
Other comprehensive loss		-	(15,955)	-	-	-	-	(15,955)
Dividends approved and paid	11	-	-	(3,263)	-	-	-	(3,263)
At 31 December 2018		7,117	65,327	132,731	4,074	1,196	18,723	229,168
Non-controlling interest repayment	26	-	-	-	-	-	(24)	(24)
Profit for the Year		-	-	13,072	-	-	1,835	14,907
Other comprehensive income		-	3,925	-	-	-	-	3,925
Dividends approved and paid	11	-	-	(8,450)	-	-	-	(8,450)
At 31 December 2019		**7,117**	**69,252**	**137,353**	**4,074**	**1,196**	**20,534**	**239,526**

Consolidated Balance Sheet

At 31 December 2019

	Notes	2019 €000s	2018 €000s
NON CURRENT ASSETS			
Tangible fixed assets	*12*	**146,088**	136,878
Investments – available for sale	*13*	**76,844**	72,919
Investments – held-to-maturity	*14*	**20,000**	20,000
Investments – designated as at FVTPL	*15*	**12,524**	15,934
Deferred taxation asset	*17(a)*	**2,090**	148
		257,546	245,879
CURRENT ASSETS			
Inventories	*18*	**58,245**	62,478
Debtors	*19(a)*	**15,250**	10,651
Cash and cash equivalents		**18,862**	16,990
		92,357	90,119
CURRENT LIABILITIES			
CREDITORS: Amounts falling due within one year	*20(a)*	**(35,987)**	(23,334)
NET CURRENT ASSETS		**56,370**	66,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**313,916**	312,664
NON CURRENT LIABILITIES: Amounts falling due after one year	*20(c)*	**(74,390)**	(83,496)
NET ASSETS		**239,526**	229,168
CAPITAL AND RESERVES			
Called up share capital presented as equity	*24*	**7,117**	7,117
Reserves		**210,679**	202,132
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		**217,796**	209,249
Preference share capital	*25*	**1,196**	1,196
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO THE OWNERS		**218,992**	210,445
Non-controlling interests	*26*	**20,534**	18,723
TOTAL EQUITY		**239,526**	229,168

The Financial Statements were approved by the Board on 14 July 2020 and signed on its behalf by:

Padraig Walshe
Chairman

James Kane
Vice Chairman

The accompanying notes on pages 20 to 49 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

	Notes	2019 €000s	2018 €000s
OPERATING ACTIVITIES			
Net cash inflow from operating activities	*27(a)*	**17,235**	27,259
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		**(4,176)**	(2,510)
Net cash inflow on sale of land		**-**	122
Purchase of held-to-maturity investments	*14*	**-**	(20,000)
Sale of quoted and unquoted investments	*15*	**4,344**	5,983
Purchase of quoted and unquoted investments	*15*	**(877)**	(1,106)
Purchase of hotel (net of cash acquired)	*35*	**(7,654)**	(878)
Repayment of Non-controlling interest	*26*	**(24)**	(4,200)
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES		**(8,387)**	(22,589)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		**7,095**	23,000
Repayments of loan obligations		**(5,621)**	(16,850)
Ordinary and preference dividends paid	*11*	**(8,450)**	(3,263)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(6,976)**	2,887
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**1,872**	7,557
Cash and cash equivalents at the beginning of the year		**16,990**	9,433
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**18,862**	16,990

Company Balance Sheet
At 31 December 2019

	Notes	2019 €000s	2018 €000s
NON CURRENT ASSETS			
Investments – held-to-maturity	*14*	**20,000**	20,000
Investments – designated as at FVTPL	*15*	**12,524**	15,934
Investment in subsidiaries	*16*	**196,964**	199,308
Deferred taxation asset	*17(c)*	**1,250**	85
		230,738	235,327
CURRENT ASSETS			
Debtors	*19(b)*	**5,643**	5,835
Cash and cash equivalents		**2,229**	-
		7,872	5,835
CURRENT LIABILITIES			
CREDITORS: Amounts falling due within one year	*20(b)*	**(39,919)**	(40,307)
NET CURRENT LIABILITIES		**(32,047)**	(34,472)
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,691**	200,855
CREDITORS: Amounts falling due after more than one year	*20(d)*	**(13,250)**	(16,000)
NET ASSETS		**185,441**	184,855
CAPITAL AND RESERVES			
Called up share capital presented as equity	*24*	**7,117**	7,117
Reserves		**177,128**	176,542
ORDINARY SHAREHOLDERS' FUNDS		**184,245**	183,659
Preference share capital	*25*	**1,196**	1,196
TOTAL SHAREHOLDERS' FUNDS		**185,441**	184,855

In accordance with Section 304(2) of the Companies Act 2014 the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Companies Registration Office. A profit of €9,036,000 (2018 loss: €11,800,000) has been reflected in the Financial Statements of the parent Company.

The Financial Statements were approved by the Board on 14 July 2020 and signed on its behalf by:

Padraig Walshe
Chairman

James Kane
Vice Chairman

The accompanying notes on pages 20 to 49 form an integral part of the Financial Statements.

Company Statement of Changes in Equity

For the financial year ended 31 December 2019

	Notes	Called up share capital presented as equity	Revenue reserves	Capital Redemption reserve	Preference share capital	Total equity
		€000s	€000s	€000s	€000s	€000s
At 1 January 2018		7,117	187,531	4,074	1,196	199,918
Loss for the Year		-	(11,800)	-	-	(11,800)
Dividends approved and paid	*11*	-	(3,263)	-	-	(3,263)
At 31 December 2018		7,117	172,468	4,074	1,196	184,855
Profit for the Year		-	9,036	-	-	9,036
Dividends approved and paid	*11*	-	(8,450)	-	-	(8,450)
At 31 December 2019		**7,117**	**173,054**	**4,074**	**1,196**	**185,441**

Company Statement of Cash Flows

For the financial year ended 31 December 2019

	Notes	2019	2018
		€000s	€000s
OPERATING ACTIVITIES			
Net cash inflow from operating activities	*27(b)*	**3,343**	941
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments held-to-maturity	*14*	**-**	(20,000)
Sale of quoted and unquoted investments	*15*	**4,344**	5,983
Purchase of quoted and unquoted investments	*15*	**(877)**	(1,106)
Loan repayment received from related companies	*16*	**7,000**	18,525
Investment in subsidiary	*16*	**-**	(5,478)
NET CASH INFLOW/(OUTFLOW) FROM INVESTMENT ACTIVITIES		**10,467**	(2,076)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		**-**	17,500
Loan repayment		**(2,750)**	(13,500)
Ordinary and preference dividends paid	*11*	**(8,450)**	(3,263)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(11,200)**	737
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**2,610**	(398)
Cash and cash equivalents at the beginning of the year		**(381)**	17
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,229**	(381)

Notes to the Financial Statements
For the financial year ended 31 December 2019

1. STATEMENT OF ACCOUNTING POLICIES

A) GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING

The Group Financial Statements have been prepared under the historical cost convention as modified to include certain items at fair value, and in accordance with the Companies Acts 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

B) BASIS OF CONSOLIDATION

The consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings, made up to 31 December 2019. In subsidiary undertakings, control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The accounting policies of the subsidiaries are in line with those used by the Group.

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

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS102 are recognised at their fair value at the acquisition date.

C) NEGATIVE GOODWILL

The excess of the net amount of identifiable assets, liabilities and provisions for contingent liabilities recognised in accordance with FRS 102 over the cost of the business combination is recognised as negative goodwill on the face of the Balance Sheet at the acquisition date. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the Consolidated Income Statement in the periods expected to be benefited.

D) TURNOVER

Turnover recognised in the Consolidated Income Statement account represents the total invoice value of goods or services supplied to customers outside the Group during the year, excluding VAT and discounts. Turnover is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Where payments are received in advance of goods or services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Turnover on property sales is recognised on signing of agreements and when the entity has transferred the significant risks and rewards of ownership of the property and the amount of revenue can be measured reliably.

E) TAXATION AND DEFERRED 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 arises in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

1. STATEMENT OF ACCOUNTING POLICIES *continued*

E) TAXATION AND DEFERRED TAXATION *continued*

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. They are regarded as recoverable to the extent that, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the Company and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

F) FOREIGN CURRENCY

The individual financial statements of each company in the Group are stated in the currency of the primary economic environment in which it operates (its functional currency).

The functional and the presentation currency of the Group Financial Statements is Euro, denoted by the symbol €. Transactions in currencies other than Euro are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies have been translated into Euro at closing rates at the reporting date. Gains and losses on translation are recognised in the Consolidated Income Statement in the period in which they arise except when they relate to items for which gains and losses are recognised in equity. Non-monetary items are translated at the exchange rate at the date of transaction.

G) RETIREMENT BENEFITS

The Group operates a number of defined contribution schemes. Costs arising in respect of the Group's defined contribution schemes are charged to the Consolidated Income Statement as an expense as they fall due.

H) DIVIDENDS

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved.

Notes to the Financial Statements *continued*

1. STATEMENT OF ACCOUNTING POLICIES *continued*

I) TANGIBLE FIXED ASSETS AND DEPRECIATION

All tangible fixed assets are initially recorded at historic cost. Following initial recognition, hotel and golf assets are stated at cost less any accumulated depreciation and any accumulated impairment losses. At each reporting date, the Directors of the Group review the carrying value of its hotel and golf assets to determine if there is any indication that those assets have suffered an impairment loss or reversal of a previous impairment.

Depreciation is provided at rates calculated to write off the cost, less residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, over a five to seven-year period. In the case of buildings expected useful life is fifty years.

J) REVALUATION OF INVESTMENT PROPERTIES

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Consolidated Income Statement. The Group obtained independent valuations at the end of 2019 on the Group's investment property assets. The Directors have taken account of these valuations and the continued profitability of the assets, reviewed assumptions on the materialisation of cashflows and assessed current uncertain market conditions and believe there is neither an impairment loss nor fair value credit in the current period.

K) INVENTORIES

Inventories include golf/hotel consumables and development land which the Group intend to dispose and/or develop in the short to medium term. Inventories acquired as part of an acquisition are valued at fair value, otherwise they are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all expenditure incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling price, less further costs expected to be incurred to completion and disposal.

L) FINANCIAL INSTRUMENTS

Financial Instruments are recognised and measured in accordance with Section 12.2(b) of FRS102. Financial Instruments are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Investments classified as at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL (fair value through profit or loss) when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

1. STATEMENT OF ACCOUNTING POLICIES *continued*

L) FINANCIAL INSTRUMENTS *continued*

(i) Investments classified as at fair value through profit or loss (FVTPL) *continued*

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, the entire combined contract (asset or liability) may be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the Consolidated Income Statement.

(ii) Available for sale investments (AFS)

Available for sale investments of the Group include its shareholding in FBD Holdings plc. This investment is stated at fair value, using the closing bid price, with unrealised gains and losses recognised as a revaluation surplus or deficit in the revaluation reserve in the year in which they arise.

In the accounts of the subsidiary company, Farmer Business Developments Assets Ltd, the investment is stated at fair value using the closing bid price, with unrealised gains and losses reflected through the Consolidated Statement of Comprehensive Income.

(iii) Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity. Held-to-maturity investments of the Group include its interest in FBD Holdings plc Loan Notes. Held-to-maturity investments are recognised on acquisition at fair value. Subsequent to initial recognition held-to-maturity investments are measured at amortised cost, less any impairment using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount of initial recognition. Interest is charged on the loans at the market rate.

(iv) Deposits

Term deposits with banks comprise cash held for the purpose of investment. Demand deposits with banks are held for operating purposes.

(v) Loans and receivables

Loans are initially measured at fair value plus transaction costs and subsequently carried at amortised cost less any impairment using the effective interest rate method.

(vi) Investment in Group company

Financial assets representing the Company's investment in subsidiary undertakings are stated at cost less provision for any permanent diminution in value.

1. STATEMENT OF ACCOUNTING POLICIES *continued*

M) IMPAIRMENT OF FINANCIAL INSTRUMENTS

Financial assets at amortised cost are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss, to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

N) SHARE CAPITAL

Ordinary Shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are taken as a deduction within equity, net of tax, from the proceeds.

Preference Shares
Preference shares that do not meet the definition of a financial liability are classified as equity.

O) TREASURY SHARES

Where the Company purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity and classified as treasury shares until such shares are cancelled or re-issued. Where such shares are subsequently sold or re-issued, any consideration received is included in total shareholders' equity.

P) INTEREST-BEARING LOANS AND BORROWINGS

All interest-bearing loans and borrowings are initially recognised at fair value. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Q) CAPITAL INSTRUMENTS

Equity instruments are included in shareholders' funds. Other instruments, including convertible loan notes are included in liabilities at fair value if they contain an obligation to transfer economic benefits. The finance cost recognised in the income statement in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, 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 Group's accounting policies

The following are the critical judgements, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The Group obtained independent valuations at the end of 2019 on the Group's investment property assets. The Directors have taken account of these valuations, the trading results of property assets in the Group during 2019, reviewed assumptions on the materialisation of cashflows and assessed current uncertain market conditions and believe there is neither an impairment nor fair value credit in the current period.

Financial instruments are measured subsequent to initial recognition at fair value and grouped into Level 1 to 3 based on the degree to which fair value is observable. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

3. BASIS OF PREPARATION - GOING CONCERN

At the time of approving the financial statements, the Directors are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that the Parent Company and Group Financial Statements should be prepared on a going concern basis.

In arriving at this view, the Directors have taken account of the temporary closure of all resorts in Ireland and Spain arising from COVID-19 outbreak and the Directors have reviewed projected cashflows to 31 August 2021 taking account of reasonably foreseeable changes in trading performance with prolonged decrease in its hotel business in 2020 and 2021. The Group has proactively engaged with its banks and continue to implement several measures to mitigate the financial consequences of the COVID-19 pandemic.

The Directors have also taken account of amendments to the Group's financing facilities and the Group was in compliance with its bank covenants at 30 June 2020 and expects to be in compliance on 31 December 2020. The Directors expect to agree revised covenants post 2020 and are confident satisfactory terms will be agreed. The Group remains conservatively leveraged and with supportive bankers the Group has the capacity to manage the business through this unprecedented environment. The Group had a strong balance sheet at year end with the Group's net current asset position of €56.4m, and cash balances of €18.9m. In early 2020 the Group's subsidiary, Bulberry, completed the sale of land near Berlin for €88m, and with amendments to its financing facilities after the year end had significant headroom on its banking facilities.

The Group have taken a number of decisive actions to reduce operating cash outflows during this uncertain period including the following:

- All discretionary P&L spend has been eliminated, and all overheads minimised
- A significant number of staff have been placed on temporary layoff
- All non-committed capital expenditure has been cancelled.

4. TURNOVER – GROUP

(a) By geographical area	2019	2018
	€000s	€000s
Ireland	**29,407**	20,706
Germany	**8,000**	13,808
Spain	**42,614**	38,900
	80,021	73,414

(b) By line of business	2019	2018
	€000s	€000s
Property	**16,145**	18,739
Hotel and Resorts	**63,667**	54,466
Lease income	**209**	209
	80,021	73,414

5. STAFF NUMBERS AND COSTS – GROUP

The average numbers of persons, excluding the Directors, employed by the Group during the financial year was 821 (2018: 682) analysed as follows:

	2019	2018
	Numbers	Numbers
Irish operations	**444**	303
Spanish operations	**377**	379
Total	**821**	682

The staff costs comprised:	2019	2018
	€000s	€000s
Salaries and Directors' fees	**24,757**	20,606
Social welfare costs	**4,335**	3,790
Pension costs	**204**	199
Redundancy costs	**381**	275
Total staff costs	**29,677**	24,870

Accrued pension costs payable at 31 December 2019 amounted to €9,801 (2018: €8,804). Included in staff costs above are Directors' fees totalling €108,000 (2018: €101,000).

6. INTEREST INCOME AND OTHER SIMILAR ITEMS

	2019	2018
	€000s	€000s
Dividend income	**4,466**	2,243
Interest receivable	**1,016**	240
	5,482	2,483

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	€000s	€000s
Interest payable on bank loans and overdrafts	**2,170**	2,287
Interest payable on other loans	**258**	360
	2,428	2,647

8. PROFIT BEFORE TAXATION

	2019	2018
	€000s	€000s
The profit before taxation is stated after crediting:		
Interest receivable and other similar items	**5,482**	2,483
Profit on sale of land	**-**	64
Profit on sale of investments	**1,456**	2,989
And after charging:		
Depreciation of tangible fixed assets	**3,835**	3,323
Unrealised loss on investments	**1,399**	2,243
Directors' remuneration		
– Fees for services as Directors	**108**	101

9. TAXATION – GROUP

	2019	2018
	€000s	€000s
(a) Analysis of movement in year		
Current taxation charge	**2,624**	1,912
Deferred taxation asset (note 17 (a))	**(1,942)**	1,273
Deferred taxation liability (note 17 (b))	**491**	(685)
Taxation charge	**1,173**	2,500

(b) Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in Ireland (12.5%) (2018: 12.5%). The differences are explained below:

	2019	2018
	€000s	€000s
Profit before taxation	**16,080**	8,632
Profit on ordinary activities at standard rate of corporation tax in Ireland of 12.5% (2018: 12.5%)	**2,010**	1,079
Effects of:		
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	**(417)**	219
Income at higher rate	**1,470**	626
Adjustments in respect of prior years	**(16)**	576
Previously unrecognised tax losses	**(1,874)**	-
Taxation charge	**1,173**	2,500

10. INFORMATION RELATING TO AUDITORS' REMUNERATION

Remuneration for work carried out for the Company and Group in respect of the financial year by the statutory audit firm, Deloitte Ireland LLP and its affiliates is as follows:

	2019	2018
	€000s	€000s
Description of service		
Audit services		
– Group*	**183**	158
– Company	**47**	43
Tax advisory services		
– Group*	**220**	213
– Company	**16**	20
Other Non-Audit services		
– Group*	**1**	-

Fees payable by the Company are included with the fees payable by the Group in each category above.

**The audit, tax advisory and other service fees are aggregated fees from Deloitte Ireland LLP and its affiliates in Spain.*

11. DIVIDENDS

	2019	2018
	€000s	**€000s**
Paid:		
Dividend of 17.78c (2018: 17.78c) per share on the 14% non-cumulative preference shares of €1.27 each	**89**	89
Dividend of 1.43c (2018: 1.43c) per share on the 11% non-cumulative preference shares of €0.13 each	**62**	62
Final dividend of 7c (2018: 6c) per share on ordinary shares of €0.13 each	**3,631**	3,112
Interim dividend of 9c (2018: nil) per share on ordinary shares of €0.13 each	**4,668**	-
	8,450	3,263
Proposed:		
Final dividend of nil (2019: 7c) per share on the ordinary shares of €0.13 each	**-**	3,631

12. TANGIBLE FIXED ASSETS – GROUP

	Hotels	Golf Assets	Investment Property	Total
	€000s	**€000s**	**€000s**	**€000s**
Cost:				
At 1 January 2019	135,793	39,802	40,375	215,970
Acquisition (note 35)	8,887	-	-	8,887
Additions	3,523	692	-	4,215
Disposals	(248)	(190)	-	(438)
At 31 December 2019	**147,955**	**40,304**	**40,375**	**228,634**
Depreciation:				
At 1 January 2019	54,211	24,881	-	79,092
Charge for the year	2,972	863	-	3,835
Disposals	(229)	(152)	-	(381)
At 31 December 2019	**56,954**	**25,592**	**-**	**82,546**
Net book value:				
At 31 December 2019	**91,001**	**14,712**	**40,375**	**146,088**
Net book value:				
At 31 December 2018	**81,582**	**14,921**	**40,375**	**136,878**

Hotel and golf assets have been used as security for bank loans totalling €44.6m (2018: €41.2m).

REVALUATION/IMPAIRMENT

The Group carries its investment property at fair value with changes in fair value being recognised in the Consolidated Income Statement.

The Group obtained independent valuations at the end of 2019 on the Group's investment property assets. The Directors have taken account of these valuations, the trading results of property assets in the Group during 2019, reviewed assumptions on the materialisation of cashflows and assessed current uncertain market conditions and believe there is neither an impairment nor fair value credit in the current period.

13. INVESTMENTS – AVAILABLE FOR SALE – GROUP

	2019	2018
	€000s	**€000s**
Balance at start of year	**72,919**	88,874
Revaluation surplus/(deficit)	**3,925**	(15,955)
Balance at end of year	**76,844**	72,919
The balance at year end comprises:		
Investment in FBD Holdings plc		
8,531,948 (2018: 8,531,948) ordinary shares of €0.60 each	**74,228**	70,303
1,340,000 (2018: 1,340,000) 14% non-cumulative preference shares of €0.60 each	**1,608**	1,608
1,470,292 (2018: 1,470,292) 8% non-cumulative preference shares of €0.60 each	**1,008**	1,008
	76,844	72,919

The Company holds 24.5% (2018: 24.6%) of the ordinary share capital of FBD Holdings plc.

FBD Holdings plc is a quoted investment holding Company. The fair value of its ordinary shares at year end was €8.70 (2018: €8.24). Preference shares are included at fair value. The Directors consider the fair value of each 14% preference share to be €1.20 (2018: €1.20) and the fair value of each 8% preference share to be €0.69 (2018: €0.69). The principal activity of its principal subsidiary, FBD Insurance, is looking after the insurance needs of farmers, private individuals and business owners. The registered office of FBD Holdings plc is FBD House, Bluebell, Dublin 12. The financial information shown below and over-leaf has been prepared under International Financial Reporting Standards.

CONSOLIDATED FINANCIAL INFORMATION ON FBD HOLDINGS PLC (INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019)

	2019	2018
	€000s	**€000s**
Income	**365,270**	349,421
Expenses	**(252,790)**	(299,356)
Result before taxation from continuing operations	**112,480**	50,065
Taxation	**(14,255)**	(7,682)
Result for the financial year	**98,225**	42,383
Attributable to:		
Equity holders of the parent	**98,225**	42,383
	98,225	42,383

13. INVESTMENTS – AVAILABLE FOR SALE– GROUP *continued*

STATEMENT OF FINANCIAL POSITION OF FBD HOLDINGS PLC AT 31 DECEMBER 2019

	2019	2018
Assets	**€000s**	**€000s**
Property, plant & equipment	**66,717**	68,492
Intangible assets	**2,155**	355
Investment Property	**18,693**	18,310
Right of use assets	**6,115**	-
Loans	**611**	615
Deferred taxation asset	**1,222**	1,081
Financial assets	**983,385**	945,493
Reinsurance assets	**66,350**	80,925
Retirement benefit asset	**8,723**	12,944
Current taxation asset	**3,949**	3,949
Deferred acquisition costs	**33,182**	31,956
Other receivables	**63,866**	62,868
Cash and cash equivalents	**94,982**	77,639
Total Assets	**1,349,950**	1,304,627
EQUITY AND LIABILITIES		
EQUITY		
Called up share capital presented as equity	**21,409**	21,409
Capital reserves	**22,811**	20,430
Retained earnings	**328,008**	241,645
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**372,228**	283,484
Preference share capital	**2,923**	2,923
TOTAL EQUITY	**375,151**	286,407
LIABILITIES		
Insurance contract liabilities	**866,877**	920,900
Other provisions	**8,417**	7,738
Subordinated debt	**49,485**	49,426
Lease liability	**6,222**	-
Deferred taxation liability	**4,905**	3,610
Current taxation liability	**3,128**	3,312
Payables	**35,765**	33,234
Total Liabilities	**974,799**	1,018,220
TOTAL EQUITY AND LIABILITIES	**1,349,950**	1,304,627

14. INVESTMENTS – HELD-TO-MATURITY

In October 2018 the Company subscribed for €20m Loan Notes issued by FBD Insurance plc. The Loan Notes bear interest at the rate of 5% per annum. The Loan Notes will be redeemed in October 2028. The Loan Notes were recognised on acquisition at a fair value of €20m. Subsequent to initial recognition the Loan Notes are measured at amortised cost, less any impairment using the effective interest rate method.

15. INVESTMENTS – DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	2019	2018
	€000s	€000s
Quoted shares (cost €8,057,000) (2018: €7,366,000)	**3,646**	3,162
Unquoted shares (cost €8,472,000) (2018: €9,835,000)	**8,878**	12,772
	12,524	15,934

The movements on the above investments are as follows:

	2019	2018
	€000s	€000s
Balance at 1 January	**15,934**	20,065
Purchase of investments	**877**	1,106
Proceeds on sale of investments	**(4,344)**	(5,983)
Profit on sale of investments	**1,456**	2,989
Unrealised loss on investments	**(1,399)**	(2,243)
Balance at 31 December	**12,524**	15,934

16. INVESTMENT IN SUBSIDIARIES – COMPANY

	2019	2018
	€000s	€000s
Balance at 1 January	**199,308**	229,882
Support provided to subsidiaries	**133**	122
Gain on subsidiary loan repayment	**-**	109
Revaluation surplus/(deficit) on available for sale investment	**3,925**	(15,955)
Unwind of discount/unrealised fair value loss on loan notes (note 34)	**598**	(1,803)
Additional investment in subsidiary (note 34)	**-**	5,478
Part Loan Repayment from Bulberry Properties Limited (note 34)	**(5,000)**	(10,025)
Part Loan Repayment from PLL Property & Leisure Limited	**(2,000)**	(8,500)
Balance at 31 December	**196,964**	199,308

Details of subsidiary undertakings are provided in Note 29.

17. (a) DEFERRED TAXATION ASSET – GROUP

	2019	2018
	€000s	€000s
Balance at 1 January	**148**	1,421
Credit/(charge) to Income Statement (note 9 (a))	**1,942**	(1,273)
Balance at 31 December	**2,090**	148
Deferred taxation asset is comprised as follows:		
Taxation losses carried forward	**2,090**	148

At the financial year end, the Group has an unprovided deferred tax asset of €3,408,000 (2018: €4,567,000). This asset primarily relates to tax losses forward and other timing differences. In accordance with FRS102, the Directors consider it prudent not to recognise this asset at this time.

17. (b) DEFERRED TAXATION LIABILITY – GROUP

	2019	2018
	€000s	€000s
Balance at 1 January	**9,735**	10,420
Charge/(credit) to Income Statement (note 9 (a))	**491**	(685)
Balance at 31 December	**10,226**	9,735

Deferred taxation liabilities arise on the unrealised fair value gains on hotel, golf and investment properties using the tax rates and allowances that apply to the sale of these assets.

17. (c) DEFERRED TAXATION ASSET – COMPANY

	2019	2018
	€000s	€000s
Balance at 1 January	**85**	1,250
Credit/(charge) to Income Statement	**1,165**	(1,165)
Balance at 31 December	**1,250**	85
Deferred taxation asset is comprised as follows:		
Taxation losses carried forward	**1,250**	85

Deferred tax assets in respect of unrealised losses on investments totalling €3,408,000 (2018: €2,693,000) have not been recognised at the reporting date due to uncertainty on the timing and extent of taxable profits.

18. INVENTORIES – GROUP

	2019	2018
	€000s	€000s
Consumables	1,005	672
Land	57,240	61,806
	58,245	62,478

Inventories acquired as part of an acquisition are initially recorded at fair value, otherwise they are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items.

The Directors are of the opinion that the carrying values of consumables are not materially different from their replacement cost. Land stock is carried at cost which is lower than replacement cost.

19. (a) DEBTORS – GROUP

	2019	2018
	€000s	€000s
Trade and sundry debtors	14,964	9,310
Other debtors	286	463
Deposit and related costs on acquisition of Hotel	-	878
	15,250	10,651

Trade and sundry debtors include amounts of €9.5m (2018: €5.33m) falling due after more than one year.

Other debtors represent funds advanced in respect of a major refurbishment project at Sunset Beach Club.

19. (b) DEBTORS – COMPANY

	2019	2018
	€000s	€000s
Trade and sundry debtors	5,517	5,835
Corporation tax	126	-
	5,643	5,835

20. (a) CREDITORS – GROUP AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	€000s	€000s
Creditors and accruals	**18,358**	16,318
Onerous lease provision (note 22)	**120**	120
Bank loans (note 21 (a))	**14,489**	4,586
Corporation tax	**1,492**	1,447
VAT	**538**	98
PAYE/PRSI	**990**	765
	35,987	23,334

20. (b) CREDITORS – COMPANY AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	€000s	€000s
Accruals	**200**	202
Amounts owed to subsidiary companies	**38,219**	38,224
Bank overdraft	**-**	381
Bank loan (note 21 (b))	**1,500**	1,500
	39,919	40,307

20. (c) CREDITORS – GROUP AMOUNTS FALLING DUE AFTER ONE YEAR

	2019	2018
	€000s	€000s
Creditors and accruals	**1,613**	1,485
Other creditor advances	**6,862**	8,068
Bank loan (note 21 (a))	**55,352**	63,781
Deferred taxation liability (note 17 (b))	**10,226**	9,735
Onerous lease provision (note 22)	**337**	427
	74,390	83,496

20. (d) CREDITORS – COMPANY AMOUNTS FALLING DUE AFTER ONE YEAR

	2019	2018
	€000s	€000s
Bank loan (note 21 (b))	**13,250**	16,000
	13,250	16,000

21. (a) BANK LOANS – GROUP

	2019	2018
	€000s	€000s
Bank borrowings	**69,841**	68,367
The maturity of the Group's bank borrowings is analysed as follows:		
On demand or due within one year	**14,489**	4,586
Between two and five years	**55,352**	63,781
	69,841	68,367

	2019	2018
	€000s	€000s
Bank borrowings are analysed as follows:		
Included in current liabilities	**14,489**	4,586
Included in long term liabilities	**55,352**	63,781
	69,841	68,367

The current facilities mature in February 2023 with €14.5m of capital repayments due in 2020.

All bank borrowings at 31 December 2019 and 31 December 2018 are denominated in Euro. The average rate of interest applicable to total loans is 3% (2018: 3%).

21. (b) BANK LOANS – COMPANY

	2019	2018
	€000s	€000s
Bank borrowings	**14,750**	17,500
The maturity of the Company's bank borrowings is analysed as follows:		
On demand or due within one year	**1,500**	1,500
Between two and five years	**13,250**	16,000
	14,750	17,500
Bank borrowings are analysed as follows:		
Included in current liabilities	**1,500**	1,500
Included in long term liabilities	**13,250**	16,000
	14,750	17,500

The current facilities mature in 2023 with €1.5m due in 2020.

All company bank borrowings at 31 December 2019 and 31 December 2018 are denominated in Euro. The average rate of interest applicable to total loans is 3% (2018: 3%).

22. PROVISION FOR LIABILITIES AND CHARGES – GROUP

	2019	2018
	€000s	**€000s**
Onerous lease provision		
Balance at 1 January	**547**	631
Provision released	**(120)**	(120)
Unwinding of discount	**30**	36
Balance at 31 December	**457**	547
Analysed as:		
Amounts falling due within one year	**120**	120
Amounts falling due after one year	**337**	427
	457	547

In 2012, the sub-lessee of a subsidiary company went into liquidation leading to the creation of an onerous lease provision totalling €2,023,000. The balance of the provision at 31 December 2019 was €457,000 (2018: €547,000) with €120,000 (2018: €120,000) of this provision included in creditors falling due within one year.

23. SECURITY – GROUP AND COMPANY

At 31 December 2019, security was given on bank loans totalling €69m in the following ways:

1. €59.3m (including €14.75m loans to the Company) with Allied Irish Bank, by way of a cross guarantee by FBD Hotels & Resorts Group, a charge over Irish hotel and golf resort assets with a carrying value of €43.8m and a share mortgage over FBD Hotels & Resorts Spanish subsidiaries.

2. €9.7m with Hypo Noe Gruppe Bank, a charge over land inventories in Bulberry Properties Limited with a carrying value of €54m.

24. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY – GROUP AND COMPANY

		2019	2018
	Number	**€000s**	**€000s**
AUTHORISED:			
Ordinary shares of €0.13 each	99,359,130	**12,917**	12,917
"B" ordinary shares of €1.27 each	5,000,000	**6,350**	6,350
		19,267	19,267
ISSUED:			
Ordinary shares of €0.13 each	54,747,876	**7,117**	7,117

The number of ordinary shares of €0.13 each held as treasury shares at the year-end was 2,877,772 (2018: 2,877,772). This represents 5.3% (2018: 5.3%) of the shares of this class in issue and had a nominal value of €374,000 (2018: €374,000).

25. PREFERENCE SHARE CAPITAL – GROUP AND COMPANY

		2019	2018
	Number	€000s	€000s
AUTHORISED:			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635
11% non-cumulative preference shares of €0.13 each	10,000,000	**1,300**	1,300
		1,935	1,935
ISSUED:			
At beginning and end of year			
14% non-cumulative preference shares of €1.27 each	500,000	**635**	635
11% non-cumulative preference shares of €0.13 each	4,315,050	**561**	561
		1,196	1,196

The rights attaching to each class of share capital are set out in the Company's Articles of Association. In the event of the Company being wound up, the holders of the 14% non-cumulative preference shares rank ahead of the holders of the 11% non-cumulative preference shares, who in turn, rank ahead of the holders of the ordinary shares of €0.13 each.

26. NON-CONTROLLING INTERESTS – GROUP

	2019	2018
	€000s	€000s
Balance at 1 January	**18,723**	23,100
Repayment of non-controlling interest	**(24)**	(4,200)
Share of results for the period	**1,835**	(177)
Balance at 31 December	**20,534**	18,723

27. (a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES – GROUP

	2019	2018
	€000s	€000s
Profit before taxation	16,080	8,632
Adjustments for:		
Depreciation	3,835	3,323
Interest payable and similar expenses	2,428	2,647
Interest income and similar items	(5,482)	(2,483)
Repossession of timeshare weeks	(261)	(407)
Decrease in inventories	4,419	14,119
(Increase)/decrease in debtors	(5,454)	1,303
Increase in creditors	1,292	3,411
Decrease in provision of liabilities and charges	(90)	(84)
Decrease in value of investments held at FVTPL	1,399	2,243
Profit on the sale of investments	(1,456)	(2,989)
Profit on sale of land	-	(64)
Reversal of negative goodwill on sale of land	-	(470)
Cash generated from operations	16,710	29,181
Corporation tax paid	(2,579)	(1,112)
Interest paid	(2,383)	(3,057)
Interest received	1,021	4
Dividends received	4,466	2,243
Net cash inflow from operating activities	17,235	27,259

27. (b) RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES – COMPANY

	2019	2018
	€000s	**€000s**
Profit/(loss) before taxation	**9,171**	(10,522)
Adjustments for:		
Interest payable and similar expenses	**496**	411
Interest income and similar items	**(5,690)**	(7,490)
Decrease in creditors	**(124)**	(193)
Profit on the sale of investments	**(1,456)**	(3,098)
Unwind of discount/unrealised fair value loss on loan notes (note 34)	**(598)**	1,803
(Increase)/decrease in value of investments classified as available for sale	**(3,925)**	15,955
Decrease in value of investments held at FVTPL	**1,399**	2,243
Cash used in operations	**(727)**	(891)
Corporation tax paid	**(1,429)**	-
Interest paid	**(496)**	(411)
Interest received	**1,529**	-
Dividends received	**4,466**	2,243
Net cash inflow from operating activities	**3,343**	941

28. RISK MANAGEMENT

The Group recognises the critical importance of efficient and effective risk management. Risk is categorised as follows:

- Capital management risk
- Operational risk
- Liquidity risk
- Market risk
- Credit risk
- Concentration risk
- Sensitivity analysis

Through its interest in its subsidiaries, the Company is exposed to the same risks as the Group.

(a) Capital management risk

The Group is committed to managing its capital so as to maximise returns to shareholders. The capital of the Group comprises of issued capital, reserves and retained earnings. The Board of Directors review the capital structure regularly to determine the appropriate level of capital required to pursue the Group's growth plans.

(b) Operational risk

Operational risk could arise as a result of inadequately controlled internal processes or systems, human error, or from external events.

28. RISK MANAGEMENT *continued*

(b) Operational risk *continued*

This definition is intended to include all risks to which the Group is exposed and strategic and Group risks that are not considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal and fraud risks.

In accordance with Group policies, the Board of Directors has primary responsibility for the effective identification, management monitoring and reporting of risks. There are regular reviews by the Board of all major risks. The Board of Directors meet regularly to discuss its investment strategy and the performance of the Group's investments. The Group engages appropriately qualified personnel to look after its administration.

(c) Liquidity risk

The Group is exposed to daily calls on its cash resources. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table provides an analysis of assets (excluding investment properties) into their relevant maturity groups based on the remaining period at the balance sheet date to their contractual maturities.

Assets 2019	2019 Carrying Value Total	Contracted Value	Cashflow within 1 year	Cashflow 1-5 years	Cashflow after 5 years
	€000s	€000s	€000s	€000s	€000s
Investments – AFS	**76,844**	76,844	-	-	76,844
Investments – FVTPL	**12,524**	12,524	2,696	6,667	3,161
Investments – held-to-maturity	**20,000**	20,000	-	-	20,000
Inventories	**58,245**	58,245	55,229	3,016	-
Debtors	**15,250**	15,250	5,787	9,463	-
Bank deposits	**18,862**	18,862	18,862	-	-
	201,725	201,725	82,574	19,146	100,005

Liabilities 2019	2019 Carrying Value Total	Contracted Value	Cashflow within 1 year	Cashflow 1-5 years	Cashflow after 5 years
	€000s	€000s	€000s	€000s	€000s
Creditors	**109,920**	109,920	35,867	63,827	10,226
Provision for liabilities and charges	**457**	457	120	337	-
	110,377	110,377	35,987	64,164	10,226

28. RISK MANAGEMENT *continued*

Assets 2018	**2018 Carrying Value Total**	**Contracted Value**	**Cashflow within 1 year**	**Cashflow 1-5 years**	**Cashflow after 5 years**
	€000s	**€000s**	**€000s**	**€000s**	**€000s**
Investments – AFS	72,919	72,919	-	-	72,919
Investments – FVTPL	15,934	15,934	4,736	6,827	4,371
Investments – held-to-maturity	20,000	20,000	-	-	20,000
Inventories	62,478	62,478	7,328	55,150	-
Debtors	10,651	10,651	5,318	5,333	-
Bank deposits	16,990	16,990	16,990	-	-
	198,972	198,972	34,372	67,310	97,290

Liabilities 2018	**2018 Carrying Value Total**	**Contracted Value**	**Cashflow within 1 year**	**Cashflow 1-5 years**	**Cashflow after 5 years**
	€000s	**€000s**	**€000s**	**€000s**	**€000s**
Creditors	106,283	106,283	23,214	73,334	9,735
Provision for liabilities and charges	547	547	120	427	-
	106,830	106,830	23,334	73,761	9,735

The Board of Directors have committed to further investment, as detailed in note 30, which has yet to be drawn down.

(d) Market risk

The Group has invested in quoted and unquoted shares. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is mitigated by the formulation of, and adherence to, strict investment guidelines, as approved by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio.

28. RISK MANAGEMENT *continued*

Interest rate risk

The Group is exposed to interest rate risk attached to bank borrowings and deposits held with the financial institutions. The Group regularly reviews the appropriate level of exposure to interest rate risk across its investments. Factors taken into account are interest rate volatility and historical returns.

	2019		2018	
	Market Value	Weighted average interest rate	Market Value	Weighted average interest rate
	€000s		€000s	
Time to maturity:				
In one year or less	**(14,489)**	**3%**	(4,586)	3%
In more than one year, but not more than two years	**(5,066)**	**3%**	(4,586)	3%
In more than two years, but not more than five years	**(50,286)**	**3%**	(59,195)	3%
	(69,841)		(68,367)	

These financial instruments are exposed to fair value interest rate risk. Deposits held and loans received by the Group are at floating interest rates.

Equity price risk

The Group is subject to equity price risk due to daily changes in the market value of its holdings of quoted shares. Equity price risk is actively managed by the Board of Directors using the investment policy which is approved periodically by the Board of Directors. All of its investments are approved in advance by the Board of Directors.

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. RISK MANAGEMENT *continued*

Equity price risk *continued*

Investments 2019	**Level 1 €000s**	**Level 2 €000s**	**Level 3 €000s**	**Total €000s**
Investments – AFS	76,844	-	-	**76,844**
Investments – held-to-maturity	-	-	20,000	**20,000**
Investments – FVTPL	3,646	-	8,878	**12,524**
	80,490	-	28,878	**109,368**

Investments 2018	**Level 1 €000s**	**Level 2 €000s**	**Level 3 €000s**	**Total €000s**
Investments – AFS	72,919	-	-	72,919
Investments – held-to-maturity	-	-	20,000	20,000
Investments – FVTPL	3,162	-	12,772	15,934
	76,081	-	32,772	108,853

The values attributable to the unquoted investments are derived from a number of valuation techniques. Funds totalling €7,628,000 (2018: €7,444,000) are valued using net asset values at 31 December 2019 provided by the fund administrators. Loan notes and shares valued at €nil (2018: €2,878,000) are carried at portfolio valuations received from the underlying companies. The remaining investments were valued at €1,250,000 (2018: €2,450,000) which the Directors considered to be the net realisable value of these investments at the reporting date.

Foreign currency risk

The Group holds investment assets and equities in foreign currencies hence exposure to exchange rate fluctuations arise. The Group is primarily exposed to sterling and US dollars. The Group regularly reviews the appropriate level of foreign currency exposure across its investments.

The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	2019	**2018**
	€000s	**€000s**
GBP	**2**	1
USD	**1,840**	2,216

(e) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Financial assets are graded according to current credit ratings issued. All of the Group's bank deposits are with a financial institution which has a sovereign guarantee.

None of the investments are past due or impaired.

28. RISK MANAGEMENT *continued*

(e) Credit risk *continued*

The carrying amount of financial assets recorded in the Financial Statements represents the Group's maximum exposure to credit risk. The maximum credit risk which the Group is exposed to is detailed as follows:

	2019	2018
	€000s	€000s
Debtors	**15,250**	10,651
Cash	**18,862**	16,990
Investments – quoted	**3,646**	3,162
Investments – unquoted	**8,878**	12,772
Investments – available for sale	**76,844**	72,919
Investments – held-to-maturity	**20,000**	20,000
	143,480	136,494

(f) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business. At 31 December 2019, the Group had concentrated 88.5% (2018: 85.4%) of its investments in one company, FBD Holdings plc.

(g) Sensitivity analysis

The table below identifies the Group's key sensitivity factors. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
Interest rate	The impact of a change in the ECB benchmark reference interest rate by +/- 0.5%
Exchange rate movements	The impact of a change in foreign exchange rates by +/- 5%
Equity market values	The impact of a change in equity market values by +/- 10%
Property market values	The impact of a change in property market values by +/- 10%

The above sensitivity factors are applied with the following pre-tax impacts on profit and shareholders' funds at 31 December 2019 and at 31 December 2018:

		2019	2018
		€000s	€000s
Interest rate	0.5%	**(297)**	(293)
Interest rate	(0.5%)	**297**	293
FX rates	5%	**92**	111
FX rates	(5%)	**(92)**	(111)
Equity	10%	**8,602**	8,215
Equity	(10%)	**(8,602)**	(8,215)
Property	10%	**9,882**	10,746
Property	(10%)	**(9,882)**	(10,746)

28. RISK MANAGEMENT *continued*

Limitations of sensitivity analysis

The above table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Group's assets are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all interest rates move in an identical fashion.

29. SUBSIDIARY COMPANIES

Direct Subsidiaries	Nature of Operations	Registered Office	% owned
City Investment Advisors Ltd (note i)	Investment trading company	FBD House, Bluebell, Dublin 12	100%
Farmer Business Developments Assets Ltd (note i)	Investment trading company	Irish Farm Centre, Bluebell, Dublin 12	100%
Farmer Business Developments Investments Ltd (note i)	Investment trading company	Irish Farm Centre, Bluebell, Dublin 12	100%
Farmnom Ltd (note i)	Investment trading company	Irish Farm Centre, Bluebell, Dublin 12	100%
PLL Property & Leisure Ltd (note i)	Property and Hotels	Citywest Business Centre, 3013 Lake Drive, Citywest, Dublin 24.	100%
Bulberry Properties Ltd	Property Development and Investment	1 Castlewood Avenue Rathmines, Dublin 6	61%
Hawridge Properties Ltd	Property Development and Investment	1 Castlewood Avenue Rathmines, Dublin 6	61%

Note (i) Guarantees

Farmer Business Developments plc's 100% Irish subsidiaries (noted above) are exempt from filing their financial statements in the Companies Office with their annual returns, as required by Section 347 and 348 of the Companies Act 2014, because, in accordance with Section 357 of that Act, Farmer Business Developments plc, the parent Company, has guaranteed all amounts shown as liabilities in the statutory financial statements of these subsidiaries for the financial year ended 31 December 2019.

30. INVESTMENT COMMITMENTS

The Board of Directors have committed to further investment of €3,359,000 (2018: €537,000) which has yet to be drawn down.

31. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2019 or 31 December 2018.

32. SUBSEQUENT EVENTS

COVID-19 is a non-adjusting post balance sheet event. The unprecedented spread of COVID-19 across the world has had a significant impact on hotel business and investment valuations. The Group has proactively engaged with its banks and continue to implement several measures to mitigate the financial consequences of the COVID-19 pandemic.

The Group is in a strong cash position with cash of €18.9m at year end. With all FBDH&R resorts now reopened, the Directors have assessed the impact on the Group and prepared projections to 31 August 2021 and while uncertainty remains, the Directors are confident the Group has sufficient liquidity.

In early 2020 the Group's subsidiary, Bulberry, successfully completed the sale of 220,890 sqm of development land close to Berlin's Willy Brandt Airport for €88m.

33. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to ensure consistency with current year presentation.

34. RELATED PARTY TRANSACTIONS

As detailed in note 13, the Group has a 24.5% (2018: 24.6%) shareholding in FBD Holdings plc. During 2018, the Company subscribed for €20m Loan Notes issued by FBD Holdings plc (note 14).

In 2018, the Group completed a restructure of the Bulberry Group loan notes. As part of this restructure, the Bulberry Group repaid €10.025m in 0% loan notes to the Company. There was an unrealised fair value loss in 2018 of €1.803m and an unwind of discount of €0.598m in 2019 on the remaining loan notes. In addition, in 2019 the Bulberry Group repaid €5m of the €5.478m 8% loan notes issued in 2018.

The Company is availing of the exemption available in FRS102 Section 33.1(A) not to disclose transactions with its wholly owned subsidiaries.

There are transactions with Directors in the normal course of business with the hotels, however, these are not material.

For the purposes of the disclosure requirement of FRS102, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises of the Board of Directors, Company Secretary and senior management of FBD Hotel & Resorts Group and Bulberry Properties Group.

The remuneration of key management personnel ("KMP") charged to the Consolidated Income Statement was as follows:

	2019	2018
	€000s	**€000s**
Short term employee benefits	**1,122**	1,182
Amounts payable under long term incentive plans	**300**	166
Post-employment benefits	**43**	43
	1,465	1,391

35. BUSINESS COMBINATIONS – GROUP

On 10 January 2019, the Group acquired control of Heritage Hotel Killenard, costing €8.6m.

The following table summarises the consideration paid by the Group, the fair value of the assets acquired, liabilities assumed at the acquisition date.

Consideration at 10 January 2019:

	€000s
Cash	8,388
Directly attributable costs	167
Total consideration	8,555

For cashflow disclosure purposes the amounts are disclosed as follows:

	€000s
Cash	8,388
Directly attributable costs	167
Less: Cash and cash equivalents acquired	(23)
Total Net cash outflow	8,532
Less cash deposit and fees paid in 2018	(878)
Net cash outflow in 2019	7,654

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Fair value €000s
Fixed assets	8,887
Cash and cash equivalents	23
Inventories	186
Trade and other receivables	27
Trade and other payables	(568)
Total identifiable net assets	8,555
Total consideration	8,555
Goodwill	-

The book value of the assets and liabilities acquired equalled their fair value on the date of acquisition.

The revenue from Heritage Hotel Killenard included in the Consolidated Income Statement for 2019 was €7.63m.

COVID-19

The well-being of Shareholders, employees and service providers is a primary concern for the Directors of the Company. In view of the public health guidelines to avoid indoor gatherings as much as possible and maintain social distancing, and in order to minimise the risk of infection to Shareholders and others, **we strongly encourage all Shareholders on this occasion to refrain from attending the AGM in person, to submit their proxy forms remotely** and to join the teleconference facility as per the enclosed note. We believe it would be inappropriate to have a large gathering for our AGM during the Covid-19 pandemic. The AGM will take place under constrained circumstances, without our usual social interaction and hospitality, and the venue will be vacated promptly at the end of the meeting.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in The Irish Farm Centre, Bluebell, Dublin 12, at 10am on 17 August 2020 for the following purposes:

AS ORDINARY BUSINESS

1 To consider the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 December 2019, and to review the Company's affairs.

2 To elect a **maximum of one** of the following persons as a Director*:

(a) Mr Barry Donnelly of Conicare, Abbey, Loughrea, Co. Galway.

(b) Mr Brian Marshall of Ballyhaskey, Newtowncunningham, Lifford, Co. Donegal.

3 To approve the remuneration of the Directors.

4 To authorise the Directors to fix the remuneration of the auditors.

AS SPECIAL BUSINESS

5 To consider and, if thought fit, pass the following resolution as a special resolution:

"That for the purposes of the Companies Act 2014, the reissue price range at which Treasury Shares (as defined by the said Section 106) for the time being held by the Company or any subsidiary of the Company may be re-issued off-market shall be as follows:

(a) the maximum price shall be an amount equal to 150 per cent of the net asset value, per share, of the Company as determined by the Board;

(b) the minimum price shall be the nominal value of the share."

BY ORDER OF THE BOARD

Bryan Barry
Company Secretary
Farmer Business Developments plc

Registered Office,
Irish Farm Centre,
Bluebell,
Dublin 12

23 July 2020

***Note:** The Directors are recommending the election of Mr Barry Donnelly.

Mr Richie McBride of Colehill, Newtowncunningham, Lifford, Co. Donegal has given notice of his intention to nominate Mr Brian Marshall of Ballyhaskey, Newtowncunningham, Lifford, Co. Donegal for election.

Notes for Shareholders

APPOINTMENT OF PROXIES

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. A form to be used for appointing a proxy is enclosed.
- To be valid this proxy form must be completed, signed and returned to reach the registrars of the Company, by post to, Link Registrars Limited, P.O. Box 1110, Maynooth, Co. Kildare or by hand (during normal business hours) to Link Registrars Limited, Level 2, Block C, Maynooth Business Campus, Co Kildare, W23 F854 or the registered office of the Company at The Irish Farm Centre, Bluebell, Dublin 12, not less than forty-eight hours before the time of the meeting.

NOMINATION OF DIRECTORS

- No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, not more than three months following the financial year end there shall have been left at the registered office notice in writing signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by that person of his willingness to be elected.

SHAREHOLDERS’ ENTITLEMENT TO ATTEND AND VOTE

- An ordinary share shall confer on the holder thereof the right to receive notice of, attend and vote at general meetings of the Company.
- An 11% preference share shall confer on the holder thereof the right to receive notice of, attend and vote at general meetings of the Company.
- A 14% preference share shall not confer on the holder thereof the right to receive notice of, or to attend or vote at general meetings of the Company.

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Irish Farm Centre, Bluebell
Dublin 12
Company Secretary: 01 426 0334 or bryanbarry@FBDevelopments.ie
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