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Chairman's Statement

RESULTS

I am pleased to report to you that Farmer Business Developments plc ("the Group") performed strongly in 2018 recording a group profit before interest, tax and revaluations of €8.79m in 2018 up €2.31m from €6.48m in the prior year.

During 2018, we added a €20m Loan Note from FBD Holdings plc to our investments at an attractive coupon of 5%. Crucially, this investment helped FBD Holdings plc to buy out and cancel the €70m convertible bond held by Fairfax Financial Holdings Ltd, thus avoiding any dilution of our stake in FBD Holdings plc.

To assist shareholders in understanding our 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	2018	2017
	€000s	€000s
FBD Hotels & Resorts Result	9,304	6,256
Bulberry Properties (Berlin) Result	(513)	(122)
Farmer Business Developments Investment Result	5	347
Profit Before Interest, Tax and Revaluations	8,796	6,481
Revaluation of Property Assets	-	13,583
Dividend Income	2,243	-
Interest Income	240	4,336
Interest Expense	(2,647)	(1,617)
Profit before taxation	8,632	22,783

The Summary Statement shows another successful year for FBD Hotels & Resorts, recording a profit of €9.3m, an increase of €3m or 48% versus 2017. Our 100% subsidiary also completed the purchase of The Heritage Hotel in Killenard, Co Laois on 10 January 2019, which we believe presents opportunities for growth.

The Berlin vehicle, Bulberry Properties, recorded a loss of €0.51m reflecting a full year trading of this investment for 2018. The comparative €0.12m loss for 2017 was for one month's trading from 24 November to 31 December 2017. On the investment side, there was a small net mark-up recorded in 2018.

Dividend income for 2018 arises from the welcome resumption of dividends from FBD Holdings plc totalling €2.24m (24c per share).

Interest income of €0.24m mainly relates to the FBD Holdings Loan Note 5% coupon. In the prior year, the Group benefited from the recognition of historical interest receivable from the Bulberry investment.

The interest expense has increased by circa €1.03m to €2.65m, which is mainly due to interest expense in Bulberry being recognised for the full year (€0.75m impact), with the balance arising from increased borrowings in FBD Hotels & Resorts and Farmer Business Developments plc.

This leaves our Group profit before taxation at a healthy €8.63m for 2018. On our Balance Sheet, the value attributable to the shareholders was €210m at the end of 2018, down €13m for the year, which reflects a lower share price for FBD Holdings plc.

FBD HOLDINGS PLC

FBD Holdings plc continued to produce strong financial results in 2018, its 50th year in business, with a €50m profit before tax. This performance was achieved notwithstanding adverse weather events such as Storm Emma, challenging investment returns and an insurance market that continues to be highly competitive.

The strategy of FBD Insurance includes a strong focus on its core Farm and SME customers and direct customer relationships while maintaining underwriting discipline. The successful implementation of this strategy has enabled FBD Holdings plc to propose a dividend payment of 50 cents per ordinary share in 2019 while maintaining a very healthy solvency capital position.

We welcome the return to a strong dividend pay-out and recognise the business performance which has been achieved by management and staff. The challenge is to build on this performance and grow the business in a measured way which continues to deliver for shareholders.

2018 saw a reduction in the FBD Holdings plc share price from €10.11 to €8.24 per share at 31 December 2018, resulting in a €15.96m drop in the book value of our 24.6% stake to €72.92m. The €20m 10-year Loan Note at 5% coupon added during 2018 increases our total investment in FBD Holdings plc to €92.92m or 44% of our shareholder funds. 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 €93.19m or 44% of our Shareholders' Funds. The trading performance of both the leisure and property divisions of FBDH&R was very strong in 2018. EBITDA (earnings before interest, tax, depreciation and amortisation) was 34% ahead of last year at €12.6m versus €9.4m in 2017, representing an excellent profit margin of 21.3%. Overall Group Leisure Revenue was up 10% on the previous year at €54.4m.

On the property side, FBDH&R sold 37 units in La Cala in 2018 in property developments with Taylor Wimpey. In the four years to the end of 2018, 178 units have been sold at La Cala for a gross sales value of €66.1m, with FBDH&R's share being €15m. At year end, there were 223 units either built or under construction in the developments with Taylor Wimpey, accounting for 34% of units contracted with them. During 2018, we accelerated activity and by year end 2019 expect to have 395 units built/under construction, representing 60% of contracted units. Total land deal contracts with Taylor Wimpey are for 660 units for a gross sales value of €233m with circa €45m due to FBDH&R over the life of the land deals and guarantees built in.

Sunset Beach Club again performed excellently in the year with a profit margin of 30%. The 52 bedroom extension, new Spa and upgrade of the food and beverage facilities at Castleknock Hotel was opened in January 2018. Performance for the year was excellent and ahead of expectations. Faithlegg continued to make good progress and recorded a profit of €1.3m which represents a profit of €16k per room. The purchase of the 98 bedroom Heritage Hotel & Spa in Killenard, Co Laois in January 2019 for €8.8m including stamp duty represents a good opportunity for strong returns in the medium term.

The positive performance of FBDH&R enabled it to repay €8.5m to this company in 2018, which helped in funding the FBD Holdings Loan Note purchase.

While the outlook for FBDH&R in 2019 is positive, the uncertainty of Brexit is casting a cloud over our businesses especially in Spain. With the UK market being the biggest in Costa del Sol and uncertainty not good

Chairman's Statement *continued*

for the property market, the challenges from Brexit are very real. Notwithstanding the Brexit challenge, our investment in FBDH&R is now delivering strong returns and we are confident this will continue going forward.

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.

In early 2018, we received a net €4.5m from Bulberry's sale of a development plot for €13.8m. We now carry our investment in this subsidiary at €25.6m which represents 12% of our Shareholders' Funds. The retained proceeds from the land sale have put Bulberry in a good position to address outstanding planning and infrastructure matters on part of our lands, which would enhance value.

We are pleased to note increased interest in our lands 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 targeted for October 2020. We are confident in the future prospects of this investment.

C) OTHER INVESTMENTS

Our remaining Balance Sheet consists of a portfolio of smaller investments and cash, totalling €16m less debt funding of €17m. These investments include international equities and private equity funds, together with an Irish venture capital fund.

The liquidation process has completed in 2018 for the Swiss company which owned our shopping centre in Geneva and we expect a final distribution net of tax to be in excess of €2.9m, in addition to the €4.4m already received. This has resulted in an unrealised gain on this investment of €0.7m in the current year.

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 491,138 shares traded in 2018 (2017: 219,885 shares) at an average price of 90 cents per share (2017: 95 cents). A representative from Davy Select will attend the AGM to answer

shareholders' questions and they may be contacted at 01-6149000 or davysselect@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 Asset Services manage 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 and representatives will be available at the AGM.

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.

DIVIDEND

For 2019, the Directors are pleased to recommend a dividend of 7c per share (2018: 6c) on the ordinary shares, reflecting the Company's positive performance. If approved, the dividend will be paid on 21 June 2019 to those ordinary shareholders who are on the register on 14 May 2019.

CONCLUSION

Our Company has made steady progress during 2018. We have regained our position in FBD Holdings plc with the buy-out of Fairfax and look forward to benefitting from strong dividend income. FBDH&R has reported excellent results and with Taylor Wimpey has a growing pipeline of property units to meet demand. We believe we will also be rewarded for our patience in Berlin. Overall, we are confident that these and our smaller investments will continue to reward our shareholders with superior returns.

Thank you for your support.

Padraig Walshe
Chairman

03 MAY 2019

Board of Directors and Other Information

BOARD OF DIRECTORS

Appointed by Shareholders

Padraig Walshe (Chairman)
Jack Bayly
Jeremiah Bergin
James Kane (Vice Chairman)
John McCullen
T.J. Maher

Appointed by Co-ops

Donal Buckley
Michael Kennedy
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: 353.1.4260 334
Email: bryanbarry@FBDevelopments.ie

AUDITORS

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

SHARE REGISTRAR

Link Asset Services,
Link Registrars Limited,
2 Grand Canal Square,
Grand Canal Harbour,
Dublin 2.
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: davysselect@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 2018.

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 24.6% (2017: 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 2018 results for Farmer Business Developments plc reflect a profit before taxation of €8.63m (2017: €22.78m). After a tax charge of €2.5m (2017: €5.83m), the Group earned a profit after taxation of €6.13m (2017: €16.95m).

The Consolidated Balance Sheet had Net Assets of €229.17m at 31 December 2018, down from €246.45m the previous year.

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

The Group declared and paid an annual dividend of 6 cents per ordinary share in 2018 (2017: 5 cents) totalling €3.11m (2017: €2.59m) and preference dividends of €0.15m (2017: €0.15m). Retained profit for the year was €3.05m (2017: €14.17m).

The major risks and uncertainties facing the Group's operating activities lie in the hospitality sector, the primary risk being a downturn in Ireland and Spain and the impact of Brexit which may diminish demand for leisure and business travel. In common with all companies operating in this sector the Group faces risks and uncertainties such as competition and increasing costs. The general economic uncertainty is also a risk for the Group. The Directors are of the opinion that the Group is well positioned to manage these risks.

The major risks and uncertainties facing the Group's investing activities 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 2018, FBD Holdings plc successfully executed a major financial restructuring and produced strong financial results with a profit after taxation of €42.4m and proposed a dividend of 50 cents per ordinary share.

RESULTS

	2018	2017
	€000s	€000s
Profit before taxation	8,632	22,783
Taxation	(2,500)	(5,836)
Profit after taxation	6,132	16,947
Non-controlling interests	177	(29)
Dividend paid on 11% and 14% preference shares	(151)	(151)
Dividend paid on ordinary shares	(3,112)	(2,594)
Movement on Revenue Reserves	3,046	14,173
Net Assets	229,168	246,454

DIRECTORS

The names of the current Directors are listed on page 5.

At the Annual General Meeting on 8 June 2018, Mr Hugh Ryan and Mr T.J. Maher retired as Directors appointed by Shareholders. Mr Ryan was ineligible for re-appointment while Mr Maher was re-elected as a Director appointed by Shareholders. Mr Jeremiah Bergin was also elected as a Director by Shareholders on the same date.

Also on 8 June 2018, Mr Kevin Kiersey and Mr Diarmuid Lally retired as Directors appointed by the Irish Farmers' Association and Mr Eddie Downey was appointed as a Director by the IFA.

At the forthcoming AGM on 7 June 2019, Mr John McCullen and Mr Pdraig Walshe will retire as Directors appointed by Shareholders, while Mr Michael Kennedy will retire as a Director appointed by the Co-operative Societies. Mr John McCullen is ineligible for re-appointment.

The Directors are recommending that Mr Pdraig Walshe and Mr Michael Kennedy be elected by Shareholders as Directors at the AGM.

The Company has also received notice from a member, Mr Michael Chance, of his intention to nominate Mr Brian Marshall for election as a Director appointed by shareholders at the AGM and notice from Mr Marshall of his willingness to serve as a Director, if elected.

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 2018 and 1 January 2018 were as follows:

Directors:	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	
	31/12/18	01/01/18	31/12/18	01/01/18	31/12/18	01/01/18
Jack Bayly	52,575	52,575	600	600	3,000	3,000
Jeremiah Bergin	10,000	10,000	-	-	-	-
John Bryan	2,000	2,000	-	-	-	-
Donal Buckley	1,000	-	-	-	-	-
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
T.J. Maher	500	500	-	-	-	-
John McCullen	12,567	12,567	100	100	3,000	3,000
Patrick Murphy	5,185	5,185	-	-	-	-
Neil O'Riordan	3,500	3,500	-	-	-	-
Tommy Joe Tuffy	1,000	1,000	-	-	-	-
Pdraig Walshe	10,369	10,369	100	100	-	-
Secretary						
Bryan Barry	16,000	16,000	-	-	-	-

Report of the Directors *continued*

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;

- 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

In January 2019, FBD Hotels & Resorts completed the acquisition of the Heritage Hotel Killenard, costing €8.38m plus stamp duty tax and professional fees.

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 12 noon on 7 June 2019 in the Irish Farm Centre, Bluebell, Dublin 12, is set out on page 48.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Directors on 01 May 2019.

Signed on behalf of the Board:

Padraig Walshe
Chairman

James Kane
Director

03 May 2019

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 2018; 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 34, 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 34, 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" 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.

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 2018, 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.

Independent Auditor's Report *continued*

To the members of Farmer Business Developments plc

- 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 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

03 May 2019

Consolidated Income Statement

For the financial year ended 31 December 2018

		2018	2017
	<i>Notes</i>	€000s	€000s
Turnover	4	73,414	53,780
Cost of sales		(21,238)	(8,029)
GROSS PROFIT		52,176	45,751
Staff costs	5	(24,870)	(22,619)
Administrative expenses		(19,256)	(17,542)
GROUP OPERATING PROFIT		8,050	5,590
Revaluation gains on hotel, golf and investment properties	12	-	13,583
Fair value (loss)/gain on investments	15	(2,243)	293
Profit on sale of investments	15	2,989	598
PROFIT BEFORE INTEREST AND TAXATION		8,796	20,064
Interest income and other similar items	6	2,483	4,336
Interest payable and similar expenses	7	(2,647)	(1,617)
PROFIT BEFORE TAXATION	8	8,632	22,783
Taxation	9	(2,500)	(5,836)
PROFIT AFTER TAXATION		6,132	16,947
Attributable to non-controlling interests	26	177	(29)
PROFIT FOR THE FINANCIAL YEAR		6,309	16,918

The Financial Statements were approved by the Board on 01 May 2019.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

		2018	2017
	<i>Notes</i>	€000s	€000s
Profit for the financial year		6,309	16,918
OTHER COMPREHENSIVE INCOME			
Unrealised (losses)/gains on investments classified as available for sale	13	(15,955)	27,473
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		(9,646)	44,391

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

	<i>Notes</i>	Called up share capital presented as equity	Revaluation reserve	Revenue reserves	Capital Redemption reserve	Preference share capital	Non-controlling interest	Total equity
		€000s	€000s	€000s	€000s	€000s	€000s	€000s
At 1 January 2017		7,117	53,809	115,512	4,074	1,196	810	182,518
Non-controlling interest arising on acquisition of subsidiary	26	-	-	-	-	-	22,261	22,261
Profit for the Year		-	-	16,918	-	-	29	16,947
Other comprehensive income		-	27,473	-	-	-	-	27,473
Dividends approved and paid	11	-	-	(2,745)	-	-	-	(2,745)
At 31 December 2017		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 income		-	(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

Consolidated Balance Sheet

At 31 December 2018

		2018	2017
	Notes	€000s	€000s
NON CURRENT ASSETS			
Tangible fixed assets	12	136,878	137,548
Investments – available for sale	13	72,919	88,874
Investments – held-to-maturity	14	20,000	-
Investments – designated as at FVTPL	15	15,934	20,065
Negative goodwill	16(b)	-	(470)
Deferred taxation asset	17(a)	148	1,421
		245,879	247,438
CURRENT ASSETS			
Inventories	18	62,478	76,597
Debtors	19(a)	10,651	10,840
Cash and cash equivalents		16,990	9,433
		90,119	96,870
CURRENT LIABILITIES			
CREDITORS: Amounts falling due within one year	20(a)	(23,334)	(70,546)
NET CURRENT ASSETS		66,785	26,324
TOTAL ASSETS LESS CURRENT LIABILITIES		312,664	273,762
NON CURRENT LIABILITIES: Amounts falling due after one year	20(c)	(83,496)	(27,308)
NET ASSETS		229,168	246,454
CAPITAL AND RESERVES			
Called up share capital presented as equity	24	7,117	7,117
Reserves		202,132	215,041
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		209,249	222,158
Preference share capital	25	1,196	1,196
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO THE OWNERS		210,445	223,354
Non-controlling interests	26	18,723	23,100
TOTAL EQUITY		229,168	246,454

The Financial Statements were approved by the Board on 01 May 2019 and signed on its behalf by:

Padraig Walshe
Chairman

James Kane
Director

The accompanying notes on pages 19 to 47 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

		2018	2017
	<i>Notes</i>	€000s	€000s
OPERATING ACTIVITIES			
Net cash inflow from operating activities	27(a)	27,259	789
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(2,510)	(8,219)
Net cash inflow on sale of land/hotel assets		122	66
Purchase of held-to-maturity investments	14	(20,000)	-
Sale of quoted and unquoted investments	15	5,983	5,119
Purchase of quoted and unquoted investments	15	(1,106)	(1,284)
Deposit and costs on acquisition of Hotel		(878)	-
Purchase of subsidiary (net of cash acquired)		-	(7,015)
Repayment of Non-controlling interest	26	(4,200)	-
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES		(22,589)	(11,333)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		23,000	17,500
Repayments of loan obligations		(16,850)	(7,318)
Ordinary and preference dividends paid	11	(3,263)	(2,745)
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,887	7,437
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR			
		7,557	(3,107)
Cash and cash equivalents at the beginning of the year		9,433	12,540
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		16,990	9,433

Company Balance Sheet

At 31 December 2018

		2018	2017
	<i>Notes</i>	€000s	€000s
NON CURRENT ASSETS			
Investments – held-to-maturity	14	20,000	-
Investments – designated as at FVTPL	15	15,934	20,065
Investment in subsidiaries	16(a)	199,308	229,882
Deferred taxation asset	17(c)	85	1,250
		235,327	251,197
CURRENT ASSETS			
Debtors	19(b)	5,835	700
Cash and cash equivalents		-	17
		5,835	717
CURRENT LIABILITIES			
CREDITORS: Amounts falling due within one year	20(b)	(40,307)	(42,996)
NET CURRENT LIABILITIES		(34,472)	(42,279)
TOTAL ASSETS LESS CURRENT LIABILITIES		200,855	208,918
CREDITORS: Amounts falling due after more than one year	20(d)	(16,000)	(9,000)
NET ASSETS		184,855	199,918
CAPITAL AND RESERVES			
Called up share capital presented as equity	24	7,117	7,117
Reserves		176,542	191,605
ORDINARY SHAREHOLDERS' FUNDS		183,659	198,722
Preference share capital	25	1,196	1,196
TOTAL SHAREHOLDERS' FUNDS		184,855	199,918

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 loss of €11,800,000 (2017: Profit €27,653,000) has been reflected in the Financial Statements of the parent Company.

The Financial Statements were approved by the Board on 01 May 2019 and signed on its behalf by:

Padraig Walshe
Chairman

James Kane
Director

The accompanying notes on pages 19 to 47 form an integral part of the Financial Statements.

Company Statement of Changes in Equity

For the financial year ended 31 December 2018

		Called up share capital presented as equity	Revenue reserves	Capital Redemption reserve	Preference share capital	Total equity
	Notes	€000s	€000s	€000s	€000s	€000s
At 1 January 2017		7,117	162,623	4,074	1,196	175,010
Profit for the Year		-	27,653	-	-	27,653
Dividends approved and paid	11	-	(2,745)	-	-	(2,745)
At 31 December 2017		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

Company Statement of Cash Flows

For the financial year ended 31 December 2018

		2018	2017
	Notes	€000s	€000s
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	27(b)	941	(626)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of held-to-maturity investments	14	(20,000)	-
Sale of quoted and unquoted investments	15	5,983	5,119
Purchase of quoted and unquoted investments	15	(1,106)	(1,284)
Loan repayment received from related companies	16(a)	18,525	1,189
Investment in subsidiary	16(a)	(5,478)	(7,146)
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES		(2,076)	(2,122)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		17,500	8,500
Loan repayment		(13,500)	(3,000)
Ordinary and preference dividends paid	11	(3,263)	(2,745)
NET CASH INFLOW FROM FINANCING ACTIVITIES		737	2,755
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR			
		(398)	7
Cash and cash equivalents at the beginning of the year		17	10
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(381)	17

Notes to the Financial Statements

For the financial year ended 31 December 2018

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 2018. 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.

Notes to the Financial Statements *continued*

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.

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. As part of the successful restructuring of the Group's debt facilities that was signed during the current financial year end 2018, the Group's bankers obtained independent valuations on the Group's property assets at the end of 2017. The Directors have taken account of these valuations and the continued profitability of the assets and believe there is neither an impairment loss nor fair value credit in the current period.

K) INVENTORIES

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. Inventories include development land which the Group intend to dispose and/or develop in the short to medium term.

L) FINANCIAL INSTRUMENTS

Financial Instruments are recognised and measured in accordance with Section 12.2(b) of FRS102 which adopts the provisions of IAS 39 *Financial Instruments: Recognition and Measurement*. 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.

Notes to the Financial Statements *continued*

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 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.

Notes to the Financial Statements *continued*

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.

As part of the successful restructuring of the Group's debt facilities that was signed during the current financial year end 2018, the Group's bankers obtained independent valuations on the Group's property assets at the end of 2017. The Directors have taken account of these valuations, the trading results of property assets in the Group during 2018, 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. The fair value of these properties is determined by valuations conducted by management and supported by external professional valuers as required.

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 Company and Group Financial Statements should be prepared on a going concern basis.

In arriving at this view, the Directors have reviewed the Company's net current liabilities position of €34.5m, the Group's net current asset position of €66.8m, capital commitments for 2019 and have taken account of its significant liquid and near liquid asset resources.

4. TURNOVER – GROUP

(a) By geographical area	2018	2017
	€000s	€000s
Ireland	20,706	16,012
Germany	13,808	-
Spain	38,900	37,768
	73,414	53,780

(b) By line of business	2018	2017
	€000s	€000s
Property	18,739	4,100
Hotel and Resorts	54,466	49,471
Lease income	209	209
	73,414	53,780

5. STAFF NUMBERS AND COSTS – GROUP

The average numbers of persons, excluding the Directors, employed by the Group during the financial year was 682 (2017: 626) analysed as follows:

	2018	2017
	Numbers	Numbers
Irish operations	303	250
Spanish operations	379	376
Total	682	626

The staff costs comprised:	2018	2017
	€000s	€000s
Salaries and Directors' fees	20,606	18,548
Social welfare costs	3,790	3,671
Pension costs	199	189
Redundancy costs	275	211
Total staff costs	24,870	22,619

Accrued pension costs payable at 31 December 2018 amounted to €8,804 (2017: €6,572). Included in staff costs above are Directors' fees totalling €101,000 (2017: €106,000).

Notes to the Financial Statements *continued*

6. INTEREST INCOME AND OTHER SIMILAR ITEMS

	2018	2017
	€000s	€000s
Dividend income	2,243	-
Interest receivable	240	4,336
	2,483	4,336

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	€000s	€000s
Interest paid on bank loans and overdrafts	2,287	1,573
Interest paid on other loans	360	44
	2,647	1,617

8. PROFIT BEFORE TAXATION

	2018	2017
	€000s	€000s
The profit before taxation is stated after crediting:		
Interest receivable and other similar items	2,483	4,336
Profit on sale of land/hotel assets	64	66
Fair value gain on investments	-	293
Profit on sale of investments	2,989	598
And after charging:		
Depreciation of tangible fixed assets	3,323	3,144
Fair value loss on investments	2,243	-
Directors' remuneration		
– Fees for services as Directors	101	106

9. TAXATION – GROUP

	2018	2017
	€000s	€000s
(a) Analysis of movement in year		
Current taxation charge	1,912	1,139
Deferred taxation asset (note 17 (a))	1,273	(3)
Deferred taxation liability (note 17 (b))	(685)	4,700
Taxation charge	2,500	5,836

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in Ireland (12.5%) (2017: 12.5%). The differences are explained below:

	2018	2017
	€000s	€000s
Profit before taxation	8,632	22,783
Profit on ordinary activities at standard rate of corporation tax in Ireland of 12.5% (2017:12.5%)	1,079	2,848
Effects of:		
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	219	124
Income at higher rate	626	2,664
Adjustments in respect of prior years	576	200
Taxation charge	2,500	5,836

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 and its affiliates is as follows:

	2018	2017
	€000s	€000s
Description of service		
Audit services		
– Group*	158	157
– Company	43	40
Tax advisory services		
– Group*	213	229
– Company	20	20
Other Non-Audit services		
– Group*	-	65

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 and its affiliates in Spain.

Notes to the Financial Statements *continued*

11. DIVIDENDS

	2018	2017
	€000s	€000s
Paid:		
Dividend of 17.78c (2017: 17.78c) per share on the 14% non-cumulative preference shares of €1.27 each	89	89
Dividend of 1.43c (2017: 1.43c) per share on the 11% non-cumulative preference shares of €0.13 each	62	62
Dividend of 6c (2017: 5c) per share on ordinary shares of €0.13 each	3,112	2,594
	3,263	2,745
Proposed:		
Dividend of 7c (2018: 6c) per share on the ordinary shares of €0.13 each	3,630	3,112

12. TANGIBLE FIXED ASSETS – GROUP

Group – 2018

	Hotels	Golf Assets	Investment Property	Total
	€000s	€000s	€000s	€000s
Cost:				
At 1 January 2018	133,851	39,244	40,433	213,528
Additions	2,092	638	-	2,730
Disposals	(150)	(80)	(58)	(288)
At 31 December 2018	135,793	39,802	40,375	215,970
Depreciation:				
At 1 January 2018	51,872	24,108	-	75,980
Charge for the year	2,487	836	-	3,323
Disposals	(148)	(63)	-	(211)
At 31 December 2018	54,211	24,881	-	79,092
Net book value:				
At 31 December 2018	81,582	14,921	40,375	136,878
Net book value:				
At 31 December 2017	81,979	15,136	40,433	137,548

The net carrying amount of assets held under finance leases included in hotel assets is €nil (2017: €73,459). Hotel and golf assets have been used as security for bank loans totalling €41m (2017: €39m).

REVALUATION/IMPAIRMENT

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

As part of the successful restructuring of the FBDH&R Group's debt facilities that was signed during the current financial year end 2018, the Group's bankers obtained independent valuations at the end of 2017 on the Group's property assets. The Directors have taken account of these valuations, the trading results of property assets in the Group during 2018, reviewed assumptions on the materialisation of cashflows and assessed current uncertain market conditions and believe there is no material fair value movement in the current period.

In the prior year, the Directors took account of the 2017 year end valuations when booking an impairment charge of €0.94m on the carrying value of the Group's hotel and golf assets and a fair value revaluation gain of €14.52m on investment property assets, resulting in a net revaluation gain of €13.58m.

Notes to the Financial Statements *continued*

13. INVESTMENTS – AVAILABLE FOR SALE – GROUP

	2018	2017
	€000s	€000s
Balance at start of year	88,874	61,401
Revaluation (deficit)/surplus	(15,955)	27,473
Balance at end of year	72,919	88,874
The balance at year end comprises:		
Investment in FBD Holdings plc		
8,531,948 (2017: 8,531,948) ordinary shares of €0.60 each	70,303	86,258
1,340,000 (2017: 1,340,000) 14% non-cumulative preference shares of €0.60 each	1,608	1,608
1,470,292 (2017: 1,470,292) 8% non-cumulative preference shares of €0.60 each	1,008	1,008
	72,919	88,874

The Company holds 24.6% (2017: 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 €8.24 (2017: €10.11). Preference shares are included at fair value. The Directors consider the fair value of each 14% preference share to be €1.20 (2017: €1.20) and the fair value of each 8% preference share to be €0.69 (2017: €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 2018)

	2018	2017
	€000s	€000s
Income	349,421	344,026
Expenses	(299,356)	(294,290)
Result before taxation from continuing operations	50,065	49,736
Taxation	(7,682)	(7,040)
Result for the financial year	42,383	42,696
Attributable to:		
Equity holders of the parent	42,383	42,696
	42,383	42,696

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

STATEMENT OF FINANCIAL POSITION OF FBD HOLDINGS PLC AT 31 DECEMBER 2018

	2018	2017
	€000s	€000s
Assets		
Property, plant & equipment	68,492	68,251
Intangible assets	355	-
Investment Property	18,310	18,000
Loans	615	681
Deferred taxation asset	1,081	5,467
Financial assets	945,493	1,000,019
Reinsurance assets	80,925	90,565
Retirement benefit asset	12,944	9,774
Current taxation asset	3,949	3,934
Deferred acquisition costs	31,956	31,366
Other receivables	62,868	64,020
Cash and cash equivalents	77,639	27,176
Total Assets	1,304,627	1,319,253
EQUITY AND LIABILITIES		
EQUITY		
Called up share capital presented as equity	21,409	21,409
Capital reserves	20,430	19,726
Retained earnings	241,645	212,259
Other reserves	-	18,232
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	283,484	271,626
Preference share capital	2,923	2,923
TOTAL EQUITY	286,407	274,549
LIABILITIES		
Insurance contract liabilities	920,900	951,020
Other provisions	7,738	6,647
Convertible debt	-	52,525
Subordinated debt	49,426	-
Deferred taxation liability	3,610	3,845
Current taxation liability	3,312	-
Payables	33,234	30,667
Total Liabilities	1,018,220	1,044,704
TOTAL EQUITY AND LIABILITIES	1,304,627	1,319,253

Notes to the Financial Statements *continued*

14. INVESTMENTS – HELD-TO-MATURITY

In October 2018 the Company subscribed for €20m Loan Notes issued by FBD Holdings plc. The Notes will 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

	2018	2017
	€000s	€000s
Quoted shares (cost €7,366,000) (2017: €6,431,000)	3,162	3,218
Unquoted shares (cost €9,835,000) (2017: €13,636,000)	12,772	16,847
	15,934	20,065

The movements on the above investments are as follows:

	2018	2017
	€000s	€000s
Balance at 1 January	20,065	42,748
Purchase of investments	1,106	1,284
Proceeds on sale of investments	(5,983)	(5,119)
Transfer to investment in subsidiary at date of acquisition (note 16(a))	-	(19,739)
Profit on sale of investments	2,989	598
Unrealised (loss)/gain on investments	(2,243)	293
Balance at 31 December	15,934	20,065

16. (a) INVESTMENT IN SUBSIDIARIES – COMPANY

	2018	2017
	€000s	€000s
Balance at 1 January	229,882	176,568
Support provided to subsidiaries	122	145
Gain on subsidiary loan repayment	109	-
Revaluation (deficit)/surplus on available for sale investment	(15,955)	27,473
Transfer of investment subsidiary from investments designated at FVTPL (note 15)	-	19,739
Unrealised loss on Bulberry loan notes (note 34)	(1,803)	-
Additional investment in subsidiary (note 34)	5,478	7,146
Part Loan Repayment from Bulberry Properties Limited (note 34)	(10,025)	-
Part Loan Repayment from PLL Property & Leisure Limited	(8,500)	(1,189)
Balance at 31 December	199,308	229,882

Details of subsidiary undertaking are provided in Note 29.

16. (b) NEGATIVE GOODWILL – GROUP

During the year land which gave rise to negative goodwill on initial acquisition of the Bulberry Group and FBD Hotels & Resorts was sold. This gave rise to the reversal of negative goodwill in the current period of €470,000 which has been recorded in cost of sales.

17. (a) DEFERRED TAXATION ASSET – GROUP

	2018	2017
	€000s	€000s
Balance at 1 January	1,421	1,418
(Charge)/Credit to Income Statement (note 9 (a))	(1,273)	3
Balance at 31 December	148	1,421

Deferred taxation asset is comprised as follows:

Taxation losses carried forward	148	1,421
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17. (b) DEFERRED TAXATION LIABILITY – GROUP

	2018	2017
	€000s	€000s
Balance at 1 January	10,420	5,199
Arising on acquisition of Bulberry Properties Limited	-	521
(Credit)/Charge to Income Statement (note 9 (a))	(685)	4,700
Balance at 31 December	9,735	10,420

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

	2018	2017
	€000s	€000s
Balance at 1 January	1,250	1,250
Credit to Income Statement	(1,165)	-
Balance at 31 December	85	1,250

Deferred taxation asset is comprised as follows:

Taxation losses carried forward	85	1,250
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Deferred tax assets in respect of unrealised losses on investments totalling €2,693,000 (2017: €2,857,000) have not been recognised at the reporting date due to uncertainty on the timing and extent of taxable profits.

Notes to the Financial Statements *continued*

18. INVENTORIES – GROUP

	2018	2017
	€000s	€000s
Consumables	672	708
Land	61,806	75,889
	62,478	76,597

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 inventories are not materially different from their replacement cost.

19. (a) DEBTORS – GROUP

	2018	2017
	€000s	€000s
Trade and sundry debtors	9,310	10,044
Other debtors	463	796
Deposit and related costs on acquisition of Hotel	878	-
	10,651	10,840

Trade and sundry debtors include amounts of €5.33m (2017: €3.44m) 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

	2018	2017
	€000s	€000s
Trade and sundry debtors	5,835	588
Corporation tax	-	112
	5,835	700

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

	2018	2017
	€000s	€000s
Creditors and accruals	16,318	16,083
Onerous lease provision (note 22)	120	120
Bank loans (note 21 (a))	4,586	52,982
Corporation tax	1,447	647
VAT	98	70
PAYE/PRSI	765	644
	23,334	70,546

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

	2018	2017
	€000s	€000s
Accruals	202	267
Amounts owed to subsidiary companies	38,224	38,229
Bank overdraft	381	-
Bank loan (note 21 (b))	1,500	4,500
	40,307	42,996

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

	2018	2017
	€000s	€000s
Creditors and accruals	1,485	7,142
Other creditor advances	8,068	-
Bank loan (note 21 (a))	63,781	9,235
Deferred taxation liability (note 17 (b))	9,735	10,420
Onerous lease provision (note 22)	427	511
	83,496	27,308

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

	2018	2017
	€000s	€000s
Bank loan (note 21 (b))	16,000	9,000
	16,000	9,000

Notes to the Financial Statements *continued*

21. (a) BANK LOANS – GROUP

	2018	2017
	€000s	€000s
Bank borrowings	68,367	62,217
The maturity of the Groups's bank borrowings is analysed as follows:		
On demand or due within one year	4,586	52,982
Between two and five years	63,781	9,235
	68,367	62,217

	2018	2017
	€000s	€000s
Bank borrowings are analysed as follows:		
Included in current liabilities	4,586	52,982
Included in long term liabilities	63,781	9,235
	68,367	62,217

During 2018, the Group refinanced €52.5m of its existing Allied Irish Bank loans, increasing the facilities by an additional €9m and extending the maturity date to February 2023.

The Group bank borrowings as at 31 December 2018 consists of €58.7m with Allied Irish Bank and an additional €9.7m through a Hypo Noe Gruppe bank loan.

All bank borrowings at 31 December 2018 and 31 December 2017 are denominated in Euro. The average rate of interest applicable to total loans is 3% (2017: 3%).

21. (b) BANK LOANS – COMPANY

	2018	2017
	€000s	€000s
Bank borrowings	17,500	13,500
The maturity of the Company's bank borrowings is analysed as follows:		
On demand or due within one year	1,500	4,500
Between two and five years	16,000	9,000
	17,500	13,500
Bank borrowings are analysed as follows:		
Included in current liabilities	1,500	4,500
Included in long term liabilities	16,000	9,000
	17,500	13,500

During the financial period, the Company repaid its existing loan facility of €13.5m with Allied Irish Bank and also entered into a new facility totalling €17.5m, with the same institution, maturing in February 2023.

All company bank borrowings at 31 December 2018 and 31 December 2017 are denominated in Euro. The average rate of interest applicable to total loans is 3% (2017: 3%).

22. PROVISION FOR LIABILITIES AND CHARGES – GROUP

	2018	2017
	€000s	€000s
Onerous lease provision		
Balance at 1 January	631	709
Provision released	(120)	(119)
Unwinding of discount	36	41
Balance at 31 December	547	631
Analysed as:		
Amounts falling due within one year	120	120
Amounts falling due after one year	427	511
	547	631

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 2018 was €547,000 (2017: €631,000) with €120,000 (2017: €120,000) of this provision included in creditors falling due within one year.

23. SECURITY – GROUP AND COMPANY

At 31 December 2018, security was given on bank loans totalling €68.4m in the following ways:

1. €58.7m (including €17.5m 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 €35m 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 €55m.

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

		2018	2017
	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 (2017: 2,877,772). This represents 5.3% (2017: 5.3%) of the shares of this class in issue and had a nominal value of €374,000 (2017: €374,000).

Notes to the Financial Statements *continued*

25. PREFERENCE SHARE CAPITAL – GROUP AND COMPANY

		2018	2017
	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

	2018	2017
	€000s	€000s
Balance at 1 January	23,100	810
Arising on acquisition of subsidiary	-	22,261
Repayment of non-controlling interest	(4,200)	-
Share of results for the period	(177)	29
Balance at 31 December	18,723	23,100

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

	2018	2017
	€000s	€000s
Profit before taxation	8,632	22,783
Adjustments for:		
Depreciation	3,323	3,144
Interest charge	2,647	1,617
Interest income and similar items	(2,483)	(4,336)
Repossession of timeshare weeks	(407)	(671)
Decrease/(increase) in inventories	14,119	(3,087)
Decrease in debtors	1,303	531
Increase/(decrease) in creditors	3,411	(522)
Decrease in provision of liabilities and charges	(84)	(78)
Decrease/(increase) in value of investments held at FVTPL	2,243	(293)
Profit on the sale of investments	(2,989)	(598)
Profit on sale of land/hotel assets	(64)	(66)
Reversal of negative goodwill on sale of land	(470)	-
Revaluation of hotel, golf and investment properties	-	(13,583)
Cash generated from operations	29,181	4,841
Corporation tax paid	(1,112)	(2,402)
Interest paid	(3,057)	(1,651)
Interest received	4	1
Dividends received	2,243	-
Net cash inflow from operating activities	27,259	789

Notes to the Financial Statements *continued*

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

	2018	2017
	€000s	€000s
(Loss)/profit before taxation	(10,522)	27,661
Adjustments for:		
Interest charge	411	203
Interest income and similar items	(7,490)	-
Decrease in creditors	(193)	(125)
Profit on the sale of investments	(3,098)	(598)
Unrealised fair value loss on subsidiary loan notes	1,803	-
Decrease/(increase) in value of investments classified as available for sale	15,955	(27,473)
Decrease/(increase) in value of investments held at FVTPL	2,243	(293)
Cash used in operations	(891)	(625)
Corporation taxation refund	-	202
Interest paid	(411)	(203)
Dividends received	2,243	-
Net cash inflow/(outflow) from operating activities	941	(626)

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.

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.

28. RISK MANAGEMENT *continued*

(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 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

Notes to the Financial Statements *continued*

28. RISK MANAGEMENT *continued*

(c) Liquidity risk *continued*

Assets 2017	2017	Contracted Value	Cashflow within 1 year	Cashflow 1-5 years	Cashflow after 5 years
	Carrying Value Total				
	€000s	€000s	€000s	€000s	€000s
Investments – AFS	88,874	88,874	-	-	88,874
Investments – FVTPL	20,065	20,065	6,636	7,545	5,884
Inventories	76,597	76,597	14,874	61,723	-
Debtors	10,840	10,840	7,403	3,437	-
Bank deposits	9,433	9,433	9,433	-	-
	205,809	205,809	38,346	72,705	94,758

Liabilities 2017	2017	Contracted Value	Cashflow within 1 year	Cashflow 1-5 years	Cashflow after 5 years
	Carrying Value Total				
	€000s	€000s	€000s	€000s	€000s
Creditors	97,223	97,223	70,426	16,377	10,420
Provision for liabilities and charges	631	631	120	511	-
	97,854	97,854	70,546	16,888	10,420

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.

	2018		2017	
	Market Value	Weighted average interest rate	Market Value	Weighted average interest rate
	€000s		€000s	
Time to maturity:				
In one year or less	(4,586)	3%	(52,982)	3%
In more than one year, but not more than two years	(4,586)	3%	(9,000)	3%
In more than two years, but not more than five years	(59,195)	3%	(235)	3%
	(68,367)		(62,217)	

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).

Notes to the Financial Statements *continued*

28. RISK MANAGEMENT *continued*

Equity price risk *continued*

	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Investments 2018				
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
Investments 2017				
Investments – AFS	88,874	-	-	88,874
Investments – FVTPL	3,218	-	16,847	20,065
	92,092	-	16,847	108,939

The values attributable to the unquoted investments are derived from a number of valuation techniques. Funds totalling €7,444,000 (2017: €12,241,000) are valued using net asset values at 31 December 2018 provided by the fund administrators. Loan notes and shares valued at €2,878,000 (2017 €2,156,000) are carried at portfolio valuations received from the underlying companies. The remaining investments were valued at €2,450,000 (2017:€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, US dollars and Swiss Francs. 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:

	2018	2017
	€000s	€000s
GBP	1	1
CHF	-	2,156
USD	2,216	1,823

(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:

	2018	2017
	€000s	€000s
Debtors	10,651	10,840
Cash	16,990	9,433
Investments – quoted	3,162	3,218
Investments – unquoted	12,772	16,847
Investments – available for sale	72,919	88,874
Investments – held-to-maturity	20,000	-
	136,494	129,212

(f) Concentration risk

Concentration risk is the risk of loss due to overdependence on a singular entity or category of business. At 31 December 2018, the Group had concentrated 85.4% (2017: 81.6%) 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 2018 and at 31 December 2017:

		2018	2017
		€000s	€000s
Interest rate	0.5%	(293)	(263)
Interest rate	(0.5%)	293	263
FX rates	5%	111	199
FX rates	(5%)	(111)	(199)
Equity	10%	8,215	10,390
Equity	(10%)	(8,215)	(10,390)
Property	10%	10,746	12,088
Property	(10%)	(10,746)	(12,088)

Notes to the Financial Statements *continued*

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%
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 2018.

30. INVESTMENT COMMITMENTS

The Board of Directors have committed to further investment of €537,000 (2017: €83,000) which has yet to be drawn down.

31. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2018 or 31 December 2017.

32. SUBSEQUENT EVENTS

In January 2019, FBD Hotels & Resorts completed the acquisition of the Heritage Hotel Killenard, costing €8.38m plus stamp duty tax and professional fees.

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 24.6% (2017: 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 and there was an unrealised fair value loss of €1.803m on the remaining loan notes. In addition, the Company was issued with €5.478m in new 8% loan notes (note 16(a)). The Company recognised €5m of accrued interest on Bulberry loan notes 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 Hotels & Resorts Group and Bulberry Properties Group.

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

	2018	2017
	€000s	€000s
Short term employee benefits	1,182	761
Amounts payable under long term incentive plans	166	-
Post-employment benefits	43	39
	1,391	800

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 12 noon on Friday 7 June 2019 for the following purposes:

AS ORDINARY BUSINESS

- 1 To consider the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 December 2018, and to review the Company's affairs.
- 2 To confirm a dividend on the 14% non-cumulative preference shares.
- 3 To confirm a dividend on the 11% non-cumulative preference shares.
- 4 To declare a dividend of 7 cent on the ordinary shares.
- 5 By separate resolutions, to elect a maximum of two of the following persons as Directors*:
 - a) Mr Pdraig Walshe of Bishopswood, Durrow, Co. Laois
 - b) Mr Michael Kennedy of Killyloughnane, Nenagh, Co. Tipperary
 - c) Mr Brian Marshall of Ballyhaskey, Newtowncunningham, Lifford, Co. Donegal
- 6 To approve the remuneration of the Directors.
- 7 To authorise the Directors to fix the remuneration of the auditors.

AS SPECIAL BUSINESS

- 8 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

10 May 2019

***Note:** The Directors are recommending the election of Mr Pdraig Walshe and Mr Michael Kennedy.

Mr Michael Chance of Drumbarnett, Manorcunningham, Letterkenny, Co. Donegal has given notice of his intention to nominate Mr Brian Marshall 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 Asset Services, Link Registrars Limited, P.O. Box 1110, Maynooth, Co. Kildare or by hand (during normal business hours) to Link Asset Services, Link Registrars Limited, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2 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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Farmer Business Developments plc
Irish Farm Centre, Bluebell
Dublin 12

Company Secretary: 01 426 0334 or bryanbarry@FBDevelopments.ie

Website: www.FarmerBusinessDevelopments.ie

Shareholder enquiries: Link Asset Services 01 553 0050 or enquiries@linkgroup.ie

Private share market: Davy Select 01 614 9000 or daviselect@davy.ie