



Business Review 2018

28th March, 2019

Consolidated Profit and Loss Account (Audited) for the year ended 29 December 2018

	2018 €'000	2017 €'000
Turnover	810,479	769,832
Cost of sales	(698,793)	(666,228)
Gross profit	111,686	103,604
Distribution costs and administrative expenses	(94,148)	(86,757)
Group operating profit	17,538	16,847
Income from financial assets	8	7
Other interest receivable and similar income	4	2
Interest payable and similar charges	(2,704)	(3,433)
Net revaluation (loss)/gain on financial assets and share of associate profit/(loss)	(935)	2,482
Exceptional items	-	-
Profit on ordinary activities before taxation	13,911	15,905
Tax on profit on ordinary activities	(1,091)	(2,557)
Profit for the year	12,820	13,348

Statement of Other Comprehensive Income for the year ended 29 December 2018

	2018 €'000	2017 €'000
Profit for the year	12,820	13,348
Foreign exchange differences on translation of foreign operations	(518)	(239)
Changes in fair value of cash flow hedges	476	(623)
Cash flow hedges recycled to profit or loss	623	(111)
Foreign exchange movement on investment in associate	61	(118)
Remeasurement of the net defined benefit liability	(1,579)	4,164
Deferred tax on net defined benefit liability remeasurement	266	(655)
Other comprehensive income for the year, net of income tax	12,149	15,766



REVENUES
€810.5m

up from
€769.8m



GROUP
OPERATING
PROFIT

€17.5m

up from
€16.8m



Consolidated Balance Sheet (Audited)

as at 29 December 2018

	2018 €'000	2017 €'000
Fixed assets		
Goodwill and intangible assets	14,637	14,934
Tangible assets	115,671	120,431
Financial fixed assets:		
Other investments	6,455	7,512
Investment in associate undertaking	1,556	1,413
	138,319	144,290
Current assets		
Stocks	73,694	71,716
Debtors	141,319	112,835
Cash at bank and in hand	105	987
	215,118	185,538
Creditors: amounts falling due within one year	(165,559)	(153,725)
Net current assets	49,559	31,813
Total assets less current liabilities	187,878	176,103
Creditors: amounts falling due after one year	(18,650)	(18,666)
Provisions for liabilities		
Retirement benefit obligations	(26,383)	(25,496)
Deferred tax liability	(4,335)	(4,334)
Other provisions	(178)	(429)
Capital grants	(8,299)	(9,603)
Net assets	130,033	117,575
Capital and reserves		
Ordinary share capital	7,081	6,711
Cash flow hedge reserve	476	(623)
Profit and loss account	122,476	111,487
Shareholders' funds	130,033	117,575



**SHAREHOLDERS'
FUNDS**

€130m



EBITDA
€33.65m

**EARNINGS BEFORE
INTEREST, TAXES,
DEPRECIATION,
AMORTISATION
(2017: €32.6M)**

Business Summary 2018

Lakeland Dairies turned in an excellent business performance in 2018 with record revenues and profitability, underpinned by targeted business development activity, relative stability in global dairy markets and growth in volumes shipped. The commentary and figures provided below, and on the accounts on the previous pages are a summary of the progress and strength of the business for the financial year ended 29th December 2018.

- ▶ **Group Revenues** increased by 5.3% from €769.8m to €810.5m, yielding an operating profit of €17.5m (up from €16.8m in 2017). This was driven by strong returns from our three main business divisions where we were also able to capitalise on our significant economies of scale, benefiting from the significant investments of recent years in technology, automation and lean operation across our processing footprint.
- ▶ **Lakeland** concluded the year with a strong balance sheet and shareholders' funds of €130m, an increase of €12.4m for the year. EBITDA (Earnings before Interest, Taxes, Depreciation & Amortisation) of €33.65m increased by €1.05m in 2018 from €32.6m in 2017, reflecting a consistently high level of operational efficiency and profitability from year to year.
- ▶ **The Food Ingredients Division** delivered revenue growth of 4.6% to €489.9m, reflecting the quality, flexibility and reliability of our offer and general buoyancy in the end markets and food manufacturing sectors of our customers. This Division continues to meet key food industry trends with the processing scale and efficiency required to be a best in class global provider of choice across multiple food ingredient categories.
- ▶ **Foodservice Division revenues** increased by 3% to €246.9m in 2018, maintaining the very robust platform achieved by a significant growth in sales in the prior year and processing record volumes of value-added products. This is in spite of some volatility including variable consumer sentiment and price sensitivity in key markets which we are managing effectively.
- ▶ **Agri-Trading Division revenues** increased by 19% to €73.7m, driven by organic growth where our customers required higher volumes of feed during the year, mainly due to radically variable weather conditions ranging from blizzards to drought. Lakeland supplied feed and fertiliser at the most competitive possible prices to ensure value and performance for dairy farmers.

The merger of Lakeland Dairies and LacPatrick Dairies has received all necessary regulatory approvals, following resounding approval by the shareholders of both Societies in October 2018. The new Society – to be called Lakeland Dairies Co-Operative Society Limited – will be the second largest dairy processor on the island of Ireland with a cross-border milk pool of 1.8bn litres, produced by 3,200 farms across a catchment area including 16 counties. The new co-op will have a combined annual turnover in excess of €1bn, creating internationally competitive scale and the opportunity for greater efficiency to be achieved across the amalgamated organisation.

Market conditions for 2019 will be contingent on factors including the still uncertain impacts of Brexit and the overall balance of global supply and demand across our product portfolio. We will meet any potential headwinds by continuing to ensure complete efficiency and flexibility across all of our operations, while at all times paying the highest possible milk price in line with market conditions.

We will always support milk producers to the maximum possible extent. This will continue to be our commitment in the months and years ahead.

Acknowledging the historic events of the past year and the promise of further significant progress in the years and decades ahead, I thank the Chairman, Vice-Chairman, Board Members, Regional Committees and all Members and Milk Producers for your continuing contribution, engagement, encouragement and support for your co-operative. I thank my management team and all staff for their excellent work, and particularly so over the past year.

Let us all re-energise behind the now enlarged enterprise of Lakeland Dairies where, based on the collective achievements of co-operation, we will look forward with confidence to the future.



Michael G. Hanley
Group Chief Executive

REVENUES BY DIVISION

Food Ingredients €489.9m

Foodservice €246.9m

AgriTrading €73.7m



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