Drinagh

Drinagh Co-Operative Limited
Society Information

MEMBERS OF BOARD OF DIRECTORS AS AT 31st DECEMBER 2017

Drinagh:

Raymond Collins [2]

William Collins [1]

South West:

Michéal Leahy

Michael John O'Donovan [3]

South:

Donie O'Donovan [1]

Jerome O'Mahony [1,3]

North:

John O'Mahony

James O'Donovan

East:

Derry Scannell

Ian Kingston

West:

Mary Hayes [2]

Donal McCarthy

Castletownbere:

TJ Sullivan [2,3]

1 Member of Audit Committee
2 Member of Investment Committee
3 Member of Remuneration Committee

OTHER INFORMATION

Chairman:

TJ Sullivan

Vice-Chairman:

Jerome O'Mahony

Chief Executive and Secretary:

Joe O'Sullivan

Society number:

1723R

Bankers:

Allied Irish Banks plc,

Dunmanway Branch

Registered Office:

Drinagh, Co. Cork

Auditor:

Crowley & McCarthy

Chartered Accountants

& Registered Auditors

Clonakilty, Co. Cork

Solicitors:

Murphy, Long & Taaffe,

Bandon

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Drinagh Co-Operative Limited
Chairman's Report to Members

As Chairman I am pleased to report that the Society has delivered another very strong trading performance in 2017. Together, the divisions yielded an increase in operating profit, before trade bonuses, of €694k. This was achieved through: (i) additional mill volume sales and continued operational efficiencies, (ii) strong fertilizer and non-agri performances in our stores, (iii) a full year's trading of our acquisition of O'Sullivans Allcare Pharmacy in Bantry in September 2016 and (iv) further expansion into the Pharmacy sector with the acquisition of McCarthy's Pharmacy Schull Ltd in September 2017.

In addition to reporting a net positive market value movement in our Aryzta and IPL (formerly One51) share values as required by FRS102, income from investment securities has been positive. The performances of both Drinlis and Shinagh Estates have also contributed positively to profit for the financial year, with further investment in Drinlis having been made in 2017 in order to facilitate a buy-out of that company's bank loan, thereby strengthening its financial position into the future. The German property has seen a very strong performance again in 2017, the building being almost at capacity throughout the year. With one of the main tenants set to vacate in 2018, considerable strides have been made in finding new tenants together with strengthening existing leases and refinancing the loan on the property.

Carbery reported another strong performance with profit before tax increasing by 16% compared with 2016. This can be attributed to continued positive results from its Dairy, Nutrition and Taste businesses. Carbery in addition to paying a year-end bonus of 1.0 cent per litre on milk supplies during the year, also set aside a €10.0m stability fund to support future milk prices during price challenges.

Milk supply for the year increased by 14.7 million litres (8.6%) to 186.5 million litres. This was driven by favourable weather for grass growth especially in the first half of the year and strong milk prices.

Sustainable milk production is a necessity and certification with the Bord Bia Sustainable Dairy Assurance Scheme is now an absolute requirement for milk collection. Consequently the SDAS bonus was incorporated into the base milk price by reducing the 'C' value to 3.55 cents per litre.

The Society offers fixed milk price schemes to our suppliers as a tool to reduce the effects of milk price volatility. Scheme 2 finished in June 2017 and Scheme 4 was made available from January 2018. These schemes are voluntary and suitable for some suppliers that need an element of certainty in their milk price.

Milk quality remains a priority for the Society. We were honoured during the year when Michael and Marguerite Crowley, Bauravilla, Skibbereen finished joint runners-up in the NDC & Kerrygold Quality Milk awards. The Society also had 39 suppliers who received CellCheck Milking For Quality awards, which are given to the top 500 suppliers in the country based on somatic cell count results.

At year end the board approved a bonus of 0.5 cents per litre on 2017 milk supply on top of the 1.0 cents per litre paid by Carbery.

The Society's stores division continued to perform excellently in the period under review. While sales increased across most areas, labour costs were well controlled. During the year the Society purchased McCarthys Pharmacy in Schull. This strong local business is an excellent strategic fit and enhances our geographic reach in this sector.

Provender mill throughput again hit record levels as farmers had to cope with difficult weather conditions in the second half of the year. The new "HI Maize" concept in our dairy feed range developed during the year has made a significant contribution and is continuing to grow. It is available at various protein levels to meet specific needs under different conditions. Investment in the mill and its delivery fleet continued in order to maintain our trend of improvement within the strict quality requirements of the European UFAS standard. Trade bonuses of €10.00 per tonne on ruminant feed, €5.00 per tonne on pig feed and €7.50 per tonne on fertilizer have been approved by the board.

In the recent past we have had to contend with two extreme weather events which made life very difficult for farmers and truck drivers in particular. I would like to take this opportunity to thank all the staff who went well beyond the call of duty to maintain services and respond to farmers' needs in very challenging conditions.

I would like to thank the board, management and all staff for all their work and assistance during the year. Mr James O'Donovan is retiring from the board this year and on behalf of the board I want to thank him for his contribution to the Society over his term and wish him well in the future. Oliver Barry will be joining the board, we welcome him and wish him well in his term.

Sincere thanks to all our loyal customers, milk suppliers and shareholders alike for their valued and loyal custom during 2017.

Drinagh Co-op is more than a business, it is part of who we are, in the toughest of terrain in deep West Cork. As Chairman I want to help the Society continue on the journey we are on for the betterment of all of us.

TJ Sullivan
Chairman

Drinagh Co-Operative Limited
Board Responsibilities Statement
For the Year Ended 31 December 2017

The Board of Directors is responsible for preparing the financial statements in accordance with applicable Irish law and regulations.

The Industrial and Provident Societies Acts 1893 to 2014 require the Board of Directors to prepare financial statements which give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for each financial year. Under that law, the Board has elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Standards (Accounting Standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and which enables it to ensure that the financial statements are prepared in accordance with Irish Generally Accepted Accounting Practice and comply with the Industrial and Provident Societies Acts 1893 to 2014. The Board is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board on 27 April 2018

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Opinion
We have audited the financial statements of Drinagh Co-Operative Ltd (the 'Society') for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Irish Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the assets, liabilities and financial position of the Society as at 31 December 2017 and of its profit for the year ended; and
- have been prepared in accordance with Generally Accepted Accounting Practice in Ireland.

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 further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), 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 the ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 Society’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

Opinions on other matters prescribed by the Industrial and Provident Societies Act 1893 to 2014
As required by section 13(2) of the Industrial and Provident Societies Act 1893 to 2014 we examined the balance sheets showing the receipts and expenditure, funds and effects of the Society and verified the same with the books, deeds, documents, accounts and vouchers relating thereto and found them to be correct, duly vouched and in accordance with law.

Responsibilities of the Board of Directors for the financial statements
As explained more fully in the Board 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 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for _audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities
Our report is made solely to the Company's members, as a body, in accordance with section 13 of the Industrial and Provident Societies Act 1893 to 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Crowley and McCarthy

Chartered Accountants
Building G
West Cork Technology Park
Clonakilty
Co Cork
27 April 2018

Drinagh Co-Operative Limited
Consolidated Income Statement For the Year Ended 31 December 2017

	Notes	2017 €	2016 €
Turnover	5	134,988,269	109,726,259
Cost of sales		(114,576,327)	(91,663,332)
Gross profit		20,411,942	18,062,927
Production costs		(1,631,512)	(1,585,331)
Trade bonus	6	(3,814,060)	(3,067,419)
Wages and salaries	7	(8,500,754)	(8,146,365)
Other operating costs	8	(4,545,337)	(4,083,730)
Operating profit	9	1,920,279	1,180,082
Share of operating results of associate and joint venture		9,421,794	7,628,107
Investment income	10	1,990,724	104,616
Interest payable and similar expenses	11	(1,005,404)	(645,036)
Profit on ordinary activities before tax		12,327,393	8,267,769
Tax on profit on ordinary activities	12	(2,372,204)	(835,105)
Profit for the financial year		9,955,189	7,432,664

The Consolidated Income Statement has been prepared on the basis that all operations are continuing operations.

Signed on behalf of the Board of Directors on 27 April 2018

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Drinagh Co-Operative Limited
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2017

	2017 €	2016 €
Consolidated profit for the financial year	9,955,189	7,432,664
Other comprehensive income		
Share of remeasurement gain/(loss) recognised on defined benefit schemes of associate	571,393	(315,471)
Share of movement on deferred tax relating to defined benefit scheme of associate	(84,129)	26,834
Redemption reserve movement of associate	38,756	(25,639)
Share of gain/(loss) of hedge instrument of associate	287,757	(380,836)
Share of currency translation differences on net assets of foreign investments of associate	(4,223,640)	8,601
Total comprehensive income for the financial year	6,545,326	6,746,153

Drinagh Co-Operative Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2017

	Share Capital €	Profit and Loss Account €	Other Reserves (Note 24) €	Total €
Balance at 1 January 2016	6,231,723	73,411,093	38,591,696	118,234,512
Profit for the year	-	7,432,664	-	7,432,664
Other comprehensive income	-	(314,276)	(372,235)	(686,511)
Total comprehensive income for the year	-	7,118,388	(372,235)	6,746,153
Transfer to fair value investment reserve	-	949,271	(949,271)	-
Issue of bonus shares	67,075	(67,075)	-	-
Dividends & share interest paid (Note 13)	-	(263,280)	-	(263,280)
Bonus on share redemption	-	-	(8,522)	(8,522)
Shares subscribed for in the year	6,895	-	-	6,895
Shares cancelled during the year	(63,806)	-	-	(63,806)
Balance at 31 December 2016	6,241,887	81,148,397	37,261,668	124,651,952
Profit for the year	-	9,955,189	-	9,955,189
Other comprehensive income	-	526,020	(3,935,883)	(3,409,863)
Total comprehensive income for the year	-	10,481,209	(3,935,883)	6,545,326
Transfer to fair value investment reserve	-	(49,549)	49,549	-
Transfer to redemption reserve	-	(75,000)	75,000	-
Issue of bonus shares	65,826	(65,826)	-	-
Dividends & share interest paid (Note 13)	-	(263,293)	-	(263,293)
Bonus on share redemption	-	-	(28,008)	(28,008)
Shares subscribed for in the year	5,400	-	-	5,400
Shares cancelled during the year	(46,959)	-	-	(46,959)
Balance at 31 December 2017	6,266,154	91,175,938	33,422,326	130,864,418

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Drinagh Co-Operative Limited
Consolidated Statement of Financial Position
as at 31 December 2017

	Notes	2017 €	2017 €	2016 €	2016 €
Fixed assets					
Intangible assets	**14**		4,810,022		3,837,599
Tangible assets	**15**		24,887,562		25,023,870
Financial assets	**16**		89,634,135		85,666,325
			119,331,719		114,527,794
Current assets					
Stocks	**17**	9,423,594		9,115,490	
Debtors	**18**	24,065,958		23,333,731	
Cash at bank and in hand		4,085,320		2,160,427	
		37,574,872		34,609,648	
Creditors: amounts falling due within one year	**19**	(21,615,087)		(19,861,211)	
Net current assets			15,959,785		14,748,437
Total assets less current liabilities			135,291,504		129,276,231
Creditors: amounts falling due after more than one year	**20**		(1,058,201)		(1,279,792)
Provisions for liabilities	**21**		(3,368,885)		(3,344,487)
Net assets			130,864,418		124,651,952
Capital and reserves					
Called up share capital	**22**		6,266,154		6,241,887
Other reserves	**24**		33,422,326		37,261,668
Profit and loss reserves			91,175,938		81,148,397
Total equity			130,864,418		124,651,952

Signed on behalf of the Board of Directors on 27 April 2018

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

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Drinagh Co-Operative Limited
Consolidated Statement of Cash Flows For the Year Ended 31 December 2017

	Notes	2017 €	2017 €	2016 €	2016 €
Cash flows from operating activities	**25**		4,412,537		4,131,623
Cash flows from investing activities					
Purchase of tangible fixed assets		(1,391,889)		(2,539,549)	
Purchase of investments		(1,787,766)		(1,642,739)	
Proceeds of sale of investments		257,087		31,295	
Proceeds of sale of fixed assets		111,450		21,500	
Investment income		408,753		444,584	
Taxation paid	**26**	(31,997)		(105,038)	
Rental and other income		1,189,815		1,132,549	
Net cash flows from investing activities			(1,244,547)		(2,657,398)
Cash flows from financing activities					
Redemption of ordinary shares		(74,967)		(72,328)	
Issue of ordinary shares		5,400		6,895	
Repayment of borrowings		(511,579)		(491,243)	
Interest paid		(494,395)		(293,202)	
Equity dividend paid		(62,412)		(62,025)	
Net cash flows from financing activities			(1,137,953)		(911,903)
Net increase in cash and cash equivalents			2,030,037		562,322
Cash and cash equivalents at beginning of year			1,549,264		986,942
Cash and cash equivalants at end of year	**27**		3,579,301		1,549,264

1 General information

These financial statements comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes 1 to 33 constitute the Consolidated Financial Statements of Drinagh Co-operative Ltd for the financial year ended 31 December 2017.

Drinagh Co-Operative Ltd is a Society registered in the Republic of Ireland under the Industrial and Provident Societies Acts 1893 to 2014. The registered office is Drinagh, County Cork which is also the principal place of business for the Society. The nature of the Society's core operations are milk supply, mill and agri-trading.

Statement of compliance
The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

Currency
The financial statements have been presented in Euro (€) which is also the functional currency of the Society.

2 Accounting convention and basis of preparation

Basis of preparation
The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention, modified to include certain financial instruments at fair value. They have been prepared in compliance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”).

Basis of consolidation
The Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows include the Financial Statements of the Society and of its subsidiary undertakings made up to 31 December 2017 and also the Group's share of the post acquisition profits of associated undertakings and joint venture.

Changes to disclosures and comparative figures
In preparing the Financial Statements for 2017, if necessary, changes to the comparative 2016 figures would be made in order to maintain consistency with the nature of the figures being reported for 2017.

3 Principal accounting policies

3.1 Revenue

Revenue is stated net of trade discounts, volume rebates, VAT and similar taxes and derives from the provision of goods and services falling within the Society's ordinary activities. Revenue on the sale of goods is recognised when the Society has transferred the significant risk and reward of ownership in the goods, which usually takes place when the goods are physically delivered to the buyer. Deposits received from customers in advance of completion of sales of goods at the end of the financial year are not treated as revenue.

3 Principal accounting policies (Continued)

3.2 Intangible assets - goodwill

Goodwill is recognised and measured as the excess of the cost paid on the acquisition of businesses and the aggregate of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite life and is amortised through the Consolidated Income Statement in equal instalments over its estimated economic life on a straight line basis . If no reliable estimate can be made of its useful life it is amortised over a maximum ten year period. Goodwill is taken into consideration, when that part of the business which caused the initial entry is subsequently sold or closed, in determining the profit or loss on disposal. Any excess of the aggregate of the fair value of the net assets over the fair value of the acquisition costs is negative goodwill and is credited directly to reserves.

The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

3.3 Tangible fixed assets

All tangible fixed assets, other than investment properties, are initially recorded at historic cost. This includes legal fees, stamp duty and other non-refundable purchases taxes, and also any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, which can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality. Freehold land and building are subsequently measured under the cost model. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the Consolidated Income Statement.

Investment property, which is property held to earn rental returns and/or capital appreciation, is measured on the basis of fair value determined from market based evidence by appraisal undertaken by professional valuers. Surpluses and deficits on valuation are taken to the Consolidated Income Statement. Profits or losses on the sale of investment property included in the Consolidated Income Statement are calculated as the difference between the net sales proceeds and the carrying value.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less residual value, of each asset systematically over its expected useful life, on a straight line basis, as follows:

Freehold land and buildings	Land is not depreciated. Buildings 2.5% to 7.5%
Plant and equipment	10% to 25%
Transport vehicles	25%

No depreciation is provided against investment properties. These properties are held for investment purposes only and the Board considers that systematic annual depreciation would be inappropriate. Depreciation is only one of the factors reflected in the annual valuation and the amount of which might otherwise have been shown cannot reasonably be separately identified or quantified.

3 Principal accounting policies (Continued)

3.4 Financial fixed assets

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Consolidated Income Statement.

A subsidiary is an entity controlled by the Society. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Society holds a long-term interest and where the Society has significant influence. The Society considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Society has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Other financial assets including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and changes in fair value are recognised in the Consolidated Income Statement, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

3.5 Impairment of assets

Where there is objective evidence that the recoverable amount of an asset is less than its carrying value the carrying amount of the asset is reduced to its recoverable amount resulting in an impairment loss. Impairment losses are recognised immediately in the Consolidated Income Statement, with the exception of losses on previously revalued tangible fixed assets, which are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset.

Where the circumstances causing an impairment of an asset no longer apply, then the impairment is reversed through the Consolidated Income Statement, except for impairments on previously revalued tangible assets, which are treated as revaluation increases to the extent that the revaluation was recognised in equity.

The recoverable amount of tangible fixed assets, goodwill and other intangible fixed assets is the higher of the fair value less the cost to sell the asset and its value in use. The value in use of these assets is the present value of the cash flows expected to be derived from those assets. This is determined by reference to the present value of the future cash flows of the Society which is considered by the directors to be a single cash generating unit.

3.6 Stocks

Stocks have been valued at the lower of cost and net realisable value using the first in first out method. Cost consists of direct materials and, in the case of products manufactured by the Society, may also include direct labour costs, together with the relevant production overheads based on normal level of capacity. Net realisable value comprises the normal selling price, less appropriate selling and distribution costs. At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the Consolidated Income Statement. Reversal of impairment losses are also recognised in the Consolidated Income Statement.

3 Principal accounting policies **(Continued)**

3.7 Financial instruments

The society has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Society's Statement of Financial Position when the Society becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the consolidated financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash consists of cash in hand and demand deposits and bank overdrafts. Cash equivalents consist of short term highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of change in value.

Share capital

The share capital of the Society is presented as equity.

Other financial assets

Other financial assets include trade debtors for goods sold to customers on short term credit, are initially measured at the undiscounted amount of cash receivable from that customer, which is normally the invoice price, and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

Listed investments

The Society holds investments in equitable shares of a number of companies which are listed and actively traded on recognised stock markets. These investments are initially recorded at cost plus transaction costs and thereafter valued at fair value based on the bid price of the securities in an active market at the reporting date. Gains and losses as a result of fair value are recognised in the Consolidated Income Statement.

Unlisted investments

The Society holds investments in unlisted equity shares of a number of entities. It is considered by the directors that the fair value of these shares cannot be measured reliably except for shares frequently traded on a grey market. Where the fair value of shares cannot be reliably determined these investments are valued at cost. Where the fair value can be reliably determined these investments are initially recorded at cost plus transaction costs and thereafter valued at fair value based on the bid price on an active grey market at the reporting date. Gains and losses as a result of fair value are recognised in the Consolidated Income Statement.

Impairment of financial assets

At the end of each financial reporting period, the Society assesses whether there is objective evidence of impairment of any financial asset that are measured at cost or amortised cost, including unlisted investment, loans, trade debtors and cash. If there is objective evidence of impairment, impairment losses are recognised in the Consolidated Income Statement in that financial year.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Society after deducting all of its liabilities.

3 Principal accounting policies (Continued)

Other financial liabilities

Trade creditors are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Society’s obligations are discharged, cancelled, or they expire.

3.8 Taxation and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The charge for taxation is based on the profit for the financial year and is calculated with reference to the tax rates applying at the financial year end date in the jurisdiction where the tax is applied.

Deferred taxation is calculated on the differences in the Society's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Full provision for deferred tax assets and liabilities is made at current tax rates expected to apply in the years in which the timing differences are expected to reverse, based on tax rates on differences that arise between recognition of gains and losses in the financial statements and their recognition in the tax computation, including differences arising on revaluation of fixed assets. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.9 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

3.10 Retirement benefits

The Society operates both defined benefit and defined contribution pension schemes for its employees.

Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability net of related deferred tax. The defined benefit pension charge to operating profit comprises the current service cost and past service costs net of the excess of the expected return on scheme assets over the interest cost on the scheme liabilities. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Consolidated Statement of Comprehensive Income for the year in which they occur.

The defined contribution pension charge to operating profit comprises the contribution payable to the scheme for the year.

3 Principal accounting policies **(Continued)**

3.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the Consolidated Statement of Financial Position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the Consolidated Income Statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

3.12 Foreign currencies

Foreign currency transactions during the year have been translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the rate of exchange ruling at the financial year end date. Non monetary items that are measured at historic cost are translated at the foreign exchange rate ruling at the date of the transaction. Non monetary items measured at fair value are translated at the rate of exchange at the date of valuation. The resulting profits and losses are taken to the Consolidated Income Statement.

The assets and liabilities of foreign undertakings are translated at the rate of exchange ruling at the year end date. The results of foreign undertakings are translated at the average monthly rates prevailing during the year. The exchange difference arising on the retranslation of opening net assets is recognised in the Consolidated Statement of Comprehensive Income and accumulated in reserves. All other translation differences are taken to the Consolidated Income Statement.

The principal exchange rates used for the translation of results, cash flows, and liabilities into Euros were as follows:

	2017	2016	2017	2016
	€1 to STG£	€1 to STG£	€1 to US€	€1 to US€
Average	0. 87667	0. 81948	1. 1297	1. 1069
Year end	0. 88723	0. 85618	1. 19930	1. 05410

3.13 Share interest and dividends

Financial share interests to the Society's equity shareholders is recognised as a liability of the Society when approved by the Society's shareholders. Interim share interest is recognised when paid.

3.14 Debtors

Known bad debts are written off and specific provision is made for any amounts, the collection of which is considered doubtful.

4 Judgements and key sources of estimation uncertainty

In application of the Society's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The following are the Society's key sources of estimation uncertainty:

Impairment of trade debtors
The Society trades with a large and varied number of customers on credit terms. Some debts due may not be paid through the default of a small number of customers. The Society uses estimates based on historic experience and current information in determining the level of debts for which an impairment charge is required. The level of impairment required is reviewed on an ongoing basis. The total amount of trade debtors at financial year end is disclosed in note 18.

Impairment of stocks
The Society holds inventories at financial year end as disclosed in note 17. The directors are of the view that an adequate charge has been made to reflect the possibility of stocks being sold at less than cost. However, this estimate is subject to inherent uncertainty.

Useful lives of tangible fixed assets
Long-lived assets comprising mainly of property, plant and machinery and intangible assets represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition, and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation and amortisation charge for the financial year. The net book value of tangible fixed assets subject to depreciation at the financial year end is disclosed in note 15.

Goodwill
The Society establishes a reliable estimate of the useful life of goodwill on business considerations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating unit to which the goodwill is attributable, any legal regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Taxation
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based on likely timing and level of future profit, together with an assessment of the effect of future tax planning strategies.

5 Turnover and other revenue

All revenue activities were wholly undertaken in the Republic of Ireland

	2017 €	2016 €
Turnover analysed by class of business		
Creamery	74,328,380	52,801,275
Mill	19,700,104	18,224,813
Stores	40,944,868	38,686,073
Other	14,917	14,098
	134,988,269	109,726,259

6 Trade bonus

	2017 €	2016 €
Milk bonus	3,062,543	2,378,697
Mill bonus	541,011	502,497
Stores bonus	210,506	186,225
	3,814,060	3,067,419

The milk bonus represents the following: (a) 1.05 cent per litre on variable price milk supplied in the calendar year 2017 and 0.14 cent per litre on variable price milk supplied in the calendar year 2016 irrespective of the level of purchases - in total €2.178M (2016: 0.86 cent per litre on variable price milk supplied in the calendar year 2016 irrespective of the level of purchases - in total €1.389M) plus (b) 0.5 cent per litre of milk supplied in the calendar year 2017 where purchases from the Society were greater than 7 cent per litre (2016: 0.25 cent per litre of milk supplied in the calendar year 2016 where purchases from the Society were greater than 7 cent per litre); 0.25 cent per litre where purchases were less than 7 cent per litre and greater than 5 cent per litre (2016: 0.125 cent per litre where purchases were less than 7 cent per litre and greater than 5 cent per litre); no bonus applied where purchases were less than 5 cent per litre (2016: no bonus applied where purchases were less than 5 cent per litre) - in total this amounts to €874K (2016: €400K) plus (c) 0.00 cent per litre price support during 2017 (2016: 0.50 cent per litre price support between May and December - in total €590K). This 2017 bonus is to be paid on the basis of milk solids (as for 2016).

The mill bonus represents €10.00 per tonne on compounded ruminant feed for 2017 (2016: €10.00) and €5.00 per tonne on pig feed and mixes (2016: €5.00 on pig feed) and €2.50 per tonne on feed straights (2016: €2.50).

The stores bonus represents €7.50 per tonne on fertilizer purchases in 2017 (2016: €7.50).

7 Employees

The average number of employees during the year, analysed by category, was as follows:

	2017 Number	2016 Number
Production/Operations	178	175
Sales	2	2
Administration	21	20
	201	197

The aggregate payroll costs of these employees were as follows:

	2017 €	2016 €
Wages and salaries	7,224,603	6,920,799
Social welfare costs	744,588	735,337
Pension and related costs	510,209	486,252
Other costs	21,354	3,977
	8,500,754	8,146,365

8 Other operating costs\(profits)

	2017 €	2016 €
Distribution & selling costs	1,283,590	1,152,362
Administrative overhead	1,490,253	1,362,857
Depreciation	1,528,197	1,388,175
Amortisation of goodwill	354,747	201,836
Profit on sale of tangible fixed assets	(111,450)	(21,500)
	4,545,337	4,083,730

The Profit on sale of tangible fixed assets is derived from the trade-in or disposal of vehicles and the sale of the Durrus branch (2016: the trade-in or disposal of vehicles).

9 Operating profit

Operating profit is stated after charging/(crediting)	2017 €	2016 €
Depreciation of owned assets (note 15)	876,182	789,390
Depreciation of assets held under finance leases (note 15)	652,015	598,785
Amortisation and impairment of intangibles (note 14)	354,747	201,836

10 Investment and other income

	2017 €	2016 €
Interest income		
Profit/(loss) on sale of listed securities	14,168	(5,905)
Fair value adjustment of investments	149,943	(1,447,782)
Investment income	394,585	449,654
Impairment in book value of foreign investment property	-	(47,000)
Profit on disposal of unlisted investments	220,236	19,316
Rental and other income	1,189,816	1,132,549
	1,968,748	100,832
Share of associate		
Investment income	33,308	13,417
Other finance expense	(11,332)	(9,633)
	21,976	3,784
	1,990,724	104,616

11 Interest payable and similar charges

	2017 €	2016 €
Interest payable - Society & subsidaries	494,395	293,202
Share of associates and joint venture		
Interest payable	511,009	351,834
	1,005,404	645,036

12 Taxation

	2017 €	2016 €
Domestic current year tax		
Corporation tax on profits for the year	415,856	233,496
Adjustments in respect of prior years	4,055	22,554
Total current tax	419,911	256,050
Domestic deferred tax		
Deferred tax on fair value of investments	24,398	(512,521)
Domestic tax on profits on ordinary activities	444,309	(256,471)
Share of tax of associate companies	1,913,862	1,079,242
Share of tax of joint venture	14,033	12,334
Amount charged to the profit and loss account	2,372,204	835,105

12 Taxation (Continued)

Factors affecting the tax charge for the year:

Profit on ordinary activities before taxation	12,327,764	8,267,769
Less share of profit in associates and joint ventures	(8,932,762)	(7,280,057)
Profit on ordinary activities before taxation (excluding profits from associates and joint venture)	3,395,002	987,712
Standard tax rate	12. 50%	12. 50%
Expected tax	424,375	123,464
Actual tax charge	444,309	(256,471)
Difference	19,934	(379,935)
Effects of:		
Tax rate difference on chargeable gains	63,711	(328,520)
Other tax adjustments	(82,017)	(88,021)
Prior year adjustment	4,055	22,554
Depreciation in excess of capital allowances	73,714	90,626
Tax rate difference on passive income	8,202	11,875
Franked investment income not taxed	(16,366)	(16,363)
Disallowable expenses	(31,365)	(72,086)
	19,934	(379,935)

13 Dividends and share interest paid

	2017 €	2016 €
Share interest of one cent per share on shares issued as at 31 December 2016 (2016:one cent per share on shares issues as at 31 December 2015)	62,413	62,025
Share of associate 6.5% annual coupon on 'B' ordinary shares	200,880	201,255
	263,293	263,280

14 Intangible assets

	Goodwill
	€
Cost	
At 1 January 2017	4,580,275
Additions	1,327,170
At 31 December 2017	5,907,445
Amortisation	
At 1 January 2017	742,676
Amortisation charged for the year	354,747
At 31 December 2017	1,097,423
Carrying amount	
At 31 December 2017	4,810,022
At 31 December 2016	3,837,599

Goodwill arose on the acquisition of GWB Trading Ltd in 2012 and is being amortised over the estimate of useful life of 20 years, in accordance with the Society's accounting policy. At the financial year end date the remaining amortisation period is 14.3 years.

Goodwill arose on the acquisition of James O Sullivan (Chemist) Ltd and is being amortised over the estimate of useful life of 10 years, in accordance with the Society's accounting policy. At the financial year end date the remaining amortisation period is 8.7 years.

On 31 August 2017 the Society purchased 100% of the share capital of a company which operated a pharmacy business. The results from the date of acquisition have been included in the Consolidated Income Statement for the year ended 31 December 2017. The goodwill is being amortised over the estimate of useful life of 10 years in accordance with the Society's accounting policy. At the financial year end date the remaining amortisation period is 9.7 years. The cost of acquisition was made up of goodwill of €1.3 million and working capital of €100k.

15 Tangible fixed assets

	Freehold land and buildings	Investment property	Plant and equipment	Transport vehicles	Total
	€	€	€	€	€
Cost					
At 1 January 2017	14,155,945	11,700,000	15,990,980	3,991,062	45,837,987
Additions	79,828	-	729,918	582,143	1,391,889
Disposals	(20,000)	-	-	(232,306)	(252,306)
At 31 December 2017	14,215,773	11,700,000	16,720,898	4,340,899	46,977,570
Depreciation and impairment					
At 1 January 2017	6,569,993	-	11,157,250	3,086,874	20,814,117
Profit and loss charge	223,230	-	818,893	486,074	1,528,197
Disposals	(20,000)	-	-	(232,306)	(252,306)
At 31 December 2017	6,773,223	-	11,976,143	3,340,642	22,090,008
Carrying amount					
At 31 December 2017	7,442,550	11,700,000	4,744,755	1,000,257	24,887,562
At 31 December 2016	7,585,952	11,700,000	4,833,730	904,188	25,023,870

Included in Transport Vehicles are leased assets as follows:

	Leased Assets
Cost	€
At 1 January 2017	2,991,138
Additions	405,325
Disposals	(87,000)
At 31 December 2017	3,309,463
Accumulated depreciation	
At 1 January 2017	1,415,701
Profit and loss charge	652,015
Disposals	(87,000)
At 31 December 2017	1,980,716
Carrying amount	
At 31 December 2017	1,328,747
At 31 December 2016	1,575,437

15 Tangible fixed assets **(Continued)**

Freehold land which is not depreciated is included in land and buildings.

The investment property was valued at its fair value, in accordance with accepted industry methodology, by independent external professional valuers, Pelham Partnership Limited, London. Hypothekenbank Frankfurt AG (owned by Commerzbank) holds the title deeds to the investment property in respect of the Bank Loan to Drinagh Co-Operative Limited GmbH (a wholly owned subsidiary of the Society). There is no other security in place in respect of this loan.

The title deeds to the Society's properties are deposited with Allied Irish Banks, plc. In addition, Allied Irish Banks plc holds a fixed charge over specific land and premises of the Society and a floating charge over all the assets of the Society.

16 Financial assets

	Notes	2017 €	2016 €
Investment in associated undertaking	(a)		
At cost		2,085,073	2,085,073
Group share of post acquisition net assets		66,731,933	63,895,619
Loan to associated undertakings		6,908,647	6,908,647
		75,725,653	72,889,339
Investment in joint venture undertaking	(b)		
At cost		50	50
Group share of post acquisition net assets		(230,772)	(788,581)
Loan to joint venture		748,285	323,000
		517,563	(465,531)
Listed securities	(c)	7,923,195	9,146,958
Unlisted investments	(c)	5,467,724	4,095,559
		89,634,135	85,666,325

16 Financial assets **(Continued)**

(a) Investment in associated undertaking
The investment in the associated undertaking comprises a 34.34% (2016: 34.40%) interest in Carbery Creameries Limited, which is engaged in the development, management and supply of cheeses, alcohol and select food ingredients plus 40% (2016: 40%) in Shinagh Estates Limited, which is a holding investment company. During 2017 under Carbery's Milk Supply Share Scheme, the 'B' Ordinary Shares increased by 160,079, thereby decreasing the shareholding % of Drinagh Co-operative Ltd. During 2013 the Society invested €2,000,000 in acquiring ordinary shares in Carbery Investments (Drinagh) Limited, a subsidiary of Carbery Creameries Limited. These shares do not carry any voting rights until after the seventh anniversary of allotment.

The loan to the associated undertakings comprises an interest free loan for €6,908,647 (2016: €6,908,647) to Carbery Creameries Ltd with no fixed repayment term (it is subordinated to the rights of the associate's bankers).

(b) Investment in joint venture undertaking
The investment in Joint Venture represents a 50% (2016: 50%) share in Drinlis Properties Limited, a company engaged in property investment.

The loan to the joint venture undertaking is an interest free loan with no fixed repayment term.

(c) Other financial investments

	Listed investments	Unlisted investments
	€	€
Cost or valuation		
At 1 January 2017	9,146,958	4,228,899
Additions and disposals	130,315	(55,861)
Revaluations	(1,354,078)	1,428,026
At 31 December 2017	7,923,195	5,601,064
Provision for diminution in value		
At 1 January 2017	-	133,340
Increase in provision for year	-	-
At 31 December 2017	-	133,340
Carrying value		
At 31 December 2017	7,923,195	5,467,724
At 31 December 2016	9,146,958	4,095,559

16 Financial assets **(Continued)**

The listed investments, all of which are equity investments listed on recognised stock exchanges, are measured at fair value through the income statement in line with the company accounting policy. The fair value was determined with reference to bid price at the financial year end date.

Included in the unlisted investments are shares in One51 plc for which a grey market exists. These unlisted investments, are measured at fair value through the Consolidated Income Statement in line with the company accounting policy. The fair value was determined with reference to bid price at the financial year end date.

In the opinion of the Board of Directors, the value of the Society's other unlisted investments is not less than cost.

(d) Subsidiary Companies

Name	*Principal Activities*	*Group Interest*	*Address of Registered Office*
Drinagh Sales Ltd	Retailing	100%	Drinagh, Co. Cork
Drinagh Co-Operative GmbH	Property investment	100%	Leipzig, Germany
G.W.B. Trading Ltd	Dormant	100%	Drinagh, Co. Cork
James O'Sullivan (Chemist) Ltd	Pharmacy	100%	Drinagh, Co. Cork
McCarthy's Pharmacy (Schull) Ltd	Pharmacy	100%	Drinagh, Co. Cork

17 Stocks

	2017 €	**2016 €**
Finished goods	9,000,664	8,493,246
Raw materials	194,913	358,088
Expense stocks	228,017	264,156
	9,423,594	9,115,490

Stocks considered obsolete are written down to net realisable value.

18 Debtors

	2017 €	**2016 €**
Trade debtors	9,417,379	10,419,447
Withholding tax	234,245	152,570
Carbery Creameries Limited	13,091,111	11,780,161
Prepayments and accrued income	1,323,223	981,553
	24,065,958	23,333,731

All debtors are due within 1 year. All trade debtors are due within the Society's normal terms, which is 30 days. Trade debtors are shown net of impairment of doubtful debts.

19 Creditors: amounts falling due within one year

	2017 €	2016 €
Bank overdraft	506,019	611,163
Bank loans (Note 20)	7,690,000	8,050,000
Lease liability (Note 20)	532,806	462,794
Trade creditors & accruals	12,487,195	10,591,835
Corporation tax payable	127,808	(82,351)
Other taxation and social security	271,259	227,770
	21,615,087	19,861,211
PAYE/PRSI	271,259	227,770

The repayment terms of trade creditors vary from on demand and ninety days. No interest is payable on trade creditors. Trade creditors include an amount of €3.4M (2016: €4.8M) in respect of goods for which ownership is not passed until payment is made.

Tax and social insurance are subject to terms of the relevant legislation. Interest accrues on late payment however no interest was due at the financial period end.

The terms of the accruals are based on the underlying contracts and other amounts included within creditors not covered by specific note disclosures are unsecured, interest free and repayable on demand.

20 Creditors:amounts falling due after more than one year

	2017 €	2016 €
Bank loan	7,690,000	8,050,000
less amount falling due within one year (note 19)	(7,690,000)	(8,050,000)
	-	-

The overdraft provided by Allied Irish Bank Plc. is secured by a floating charge over all assets of the Society and is repayable on demand.

The loan is provided by Hypothekenbank Frankfurt AG (owned by Commerzbank) and is secured on a property acquired in Germany by Drinagh Co-Operative GmbH. It is without recourse to that company or Drinagh Co-Operative Limited.

	2017 €	2016 €
Lease Liability	1,591,007	1,742,586
less amount falling due within one year (note 19)	(532,806)	(462,794)
	1,058,201	1,279,792

20 Creditors:amounts falling due after more than one year **(Continued)**

Repayable as follows:		
Between two and five years	1,058,201	1,279,792
After five years	-	-
	1,058,201	1,279,792
Total amounts falling due after more than one year	1,058,201	1,279,792

The effective rate of interest on the leases was 2.45% (2016: 2.61%). The conditions of the leases allow the lessor the right to take possession of the asset if the covenants regarding repayment of the leases are not complied with.

21 Provisions for liabilities

	2017 €	2016 €
Deferred taxation		
At 1 January	3,344,487	3,857,008
Charged to the income statement	24,398	(512,521)
At 31 December	3,368,885	3,344,487

22 Called up share capital

Alotted, called up and fully paid shares of €1 each

	2017 €	2016 €
At 1 January	6,241,887	6,231,723
Bonus shares issued (see below)	65,826	67,075
Subscribed for during the year	5,400	6,895
Shares cancelled during the year	(46,959)	(63,806)
At 31 December	6,266,154	6,241,887

The ordinary shares have no right to fixed income.

During the year the Society issued the following bonus shares

	2017 €	2016 €
Based on trading with the Society for 2016 (2016: for 2015):	65,826	67,075

23 Pensions

Retirement benefit schemes

The Irish Co-Operative Societies Pension Scheme
The Society participates in the Irish Co-operative Societies' Pension Scheme. This is a multi-employer defined benefit scheme.

The most recent full actuarial valuation of the Irish Co-operative Societies' Pension Scheme was carried out on 1st July 2017. The report is available for inspection by Society members but is not available to the public.

The Scheme satisfied the statutory Funding Standard and Funding Standard Reserve requirements at the valuation date. An Actuarial Funding Certificate was prepared with an effective date of 1st July 2017 and confirmed that the Scheme satisfied the Funding Standard set out in Section 44(1) of the Pensions Act, 1990 at that effective date. A Funding Standard Reserve Certificate was also prepared with an effective date of 1st July 2017 and confirmed that the Scheme held sufficient additional assets to satisfy the funding Standard Reserve set out in Section 44(2) of the Pensions Act, 1990 at that effective date.

The financial assumptions relating to the return on investment, the rate of increase in pensionable pay or salaries, and price inflation are outlined in the actuarial valuation report.

The Dairy Executives' Pension Fund
The Society participated in an industry-wide pension scheme called the Dairy Executives Pension Fund. This is a multi-employer defined benefit pension scheme.

The most recent full actuarial valuation of the Scheme was carried out on 31st March 2016. The report is available for inspection by Society members but is not available to the public. The Actuarial Valuation Report effective 31st March 2016 confirms that the Scheme met the Funding Standard and the Actuary has completed an Actuarial Funding Certificate confirming this outcome. The Actuarial Valuation Report also confirms that the Scheme satisfied the Funding Standard Reserve and the Actuary has completed a Funding Standard Reserve Certificate confirming this outcome.

The financial assumptions relating to the return on investment, the rate of increase in pensionable pay or salaries, and price inflation are outlined in the actuarial valuation report. Effective 28 February 2015 the Society ceased contributions to the Scheme.

Defined Contribution Pension Schemes
The Society operates defined contribution pension schemes for some of its employees which require contributions to be made to separately administered funds. The contributions payable by the Society are charged to operating profit in the year in which they relate and amounted to €379,335 (2016: €354,069).

24 Other reserves

	Capital reserves	Redemption reserve	Fair value investment reserve	Total
	€	€	€	€
At 1 January 2017	30,380,050	-	6,881,618	37,261,668
Currency translation gain on net assets of associate	(3,935,883)	-	-	(3,935,883)
Bonus on share redemtption	-	(28,008)	-	(28,008)
Transfer from /(to) Profit & Loss Account	-	75,000	49,549	124,549
At 31 December 2017	26,444,167	46,992	6,931,167	33,422,326

The capital reserve represents pre-acquisition profits of associates plus currency translation gains/(losses) on net assets of associates over time.

During 2017, €75,000 was transferred to a redemption reserve to enable on a first come first served basis the issue of two bonus shares is respect of every one of the first five hundred shares or part thereof held at 25th May 2017 to members who cancel their membership of the Society.

The fair value investment reserve represents the un-realised profits derived from re-stating at fair value those investments which can be reliably measured as such.

25 Net cash flows from operating activities

	2017	2016
	€	€
Consolidated profit for the financial year	9,955,189	7,432,664
Adjustments for:		
Taxation charge in the Consolidated Income Statement	2,372,204	835,105
Interest payable & similar charges	1,005,404	645,036
Investment & other income	(1,990,724)	(104,616)
Share of operating results of associates and joint venture	(9,421,794)	(7,628,107)
Profit on sale of tangible fixed assets	(111,450)	(21,500)
Depreciation of tangible fixed assets	1,528,197	1,388,175
Amortisation of goodwill	354,747	201,836
Tax paid on operating activities (note 26)	(177,755)	34,819
(Increase) in stocks	(308,105)	(1,043,846)
(Increase)/decrease in debtors	(732,226)	892,213
Increase in creditors	1,938,850	1,499,844
Net cash inflow from operating activities	4,412,537	4,131,623

26 Tax paid

	2017 €	2016 €
Tax paid on operating activities	177,755	(34,819)
Tax paid on investing activities	31,997	105,038
	209,752	70,219

27 Components of cash and cash equivalents

	2017 €	2016 €
Cash and bank and in hand	4,085,320	2,160,427
Bank overdrafts	(506,019)	(611,163)
	3,579,301	1,549,264

28 Capital commitments

Future capital expenditure approved by the Board of Directors but not provided for in these financial statements is as follows:

	2017 €	2016 €
Contracted for:	831,000	600,000
Authorised but not contracted for:	-	-

29 Related party transactions

Members of the Board of Directors and their families trade with the Society on a normal commercial basis. The level of purchases from and sales to the members of the Board of Directors and their families by the Society amounted to €2,445,134 (2016: €,1,768,712) and €888,131 (2016: €827,996) respectively. At 31 December trading balances amounted to €266,421 (2016: €291,443).

Total sales to Carbery Creameries Limited for the year were €71,831,377 (2016: €51,077,883).

Board members who attend monthly, special, audit committee and investment committee meetings receive a fee of €200 per full day meeting attended plus mileage allowance (both of which are subjected to PAYE, PRSI and Levies, where applicable, in arriving at the net amount paid). Board members who attend other meetings (including certain courses) on Society business receive the same fee and are re-imbursed for expense outlay incurred. Board members who attend relevant continuing education courses have associated costs re-imbursed.

In 2017 there were 12 monthly meetings, 4 special meetings, 4 audit committee meetings and 1 investment committee meeting. The following schedule sets out the total number of meetings for which Board members received a fee plus the total amount which was paid to the Board members (before the deduction of PAYE, PRSI and Levies) associated with those meetings, attendance at courses and any other re-imbursed expenditure including continuing education courses.

Board Member	No. of Meetings	€	Also a Member of:
Raymond Collins	20	4,221	Investment Committee (from May'17)
William Collins	18	3,701	Audit Committee (from June '17)
Richard Connell (to May'17)	7	(743)	Investment Committee & Remuneration Committee (to May'17)
Jerry Hegarty (to May'17)	6	1,326	
Mary Hayes	17	4,037	Investment Committee
Ian Kingston	16	3,464	Investment Committee (to May'17)
Michéal Leahy	16	3,512	
Donal McCarthy (from May'17)	8	1,840	
Donie O'Donovan	19	3,971	Audit Committee
James O'Donovan	14	3,010	
Michael John O'Donovan (from May'17)	9	1,989	Remuneration Committee from (May '17)
Jerome O'Mahony	20	4,210	Audit & Remuneration Committee
John O'Mahony	16	3,632	
TJ Sullivan	19	7,620	Investment Committee (from May '17), Remuneration Committee, Audit Committee to May '17
Derry Scannell	15	3,337	
		49,127	

Key management personnel compensation

Board members as listed above and senior employees who have authority and responsibility for planning, directing and controlling the activities of the Society are considered to be key management personnel. Total remuneration in respect of key management personnel in 2017 amounted to €839,352 (2016: €802,197).

30 Financial instruments

The analysis of the carrying amounts of the financial instruments of the Socirty required under section 11 of FRS 102 is as follows:

	2017 €	2016 €
Financial assets at fair value through the Consolidated Income Statement		
Listed fixed asset investments	7,923,195	9,146,958
Unlisted fixed asset investments	4,503,775	3,075,749
Financial assets that are equity instruments		
Measured at cost less impairment		
Unlisted fixed asset investments	963,949	1,019,810
Financial assets that are debt instruments		
Measured at amortised cost		
Trade debtors (including Carbery balance)	22,508,490	22,199,608
Other debtors	234,245	152,570
Financial liabilities measured at amortised cost		
Bank and other loans	8,196,019	8,661,163
Trade Creditors	12,487,195	10,591,835
Obligations under finance leases	1,591,007	1,742,586

31 Contingent liabilities

A capital contribution received from a supplier of €192K is repayable under certain conditions as set out in the agreement with that supplier.

32 Events after the reporting date

The Society holds certain listed investments with a fair value of €5.8 million at 31 December 2017 and at the date of approval of the financial statements the fair value of these investments was €3.3 million. There have been no other significant events affecting the Society since the year end.

33 Approval of financial statements

The directors approved the financial statements on the 27 April 2018.

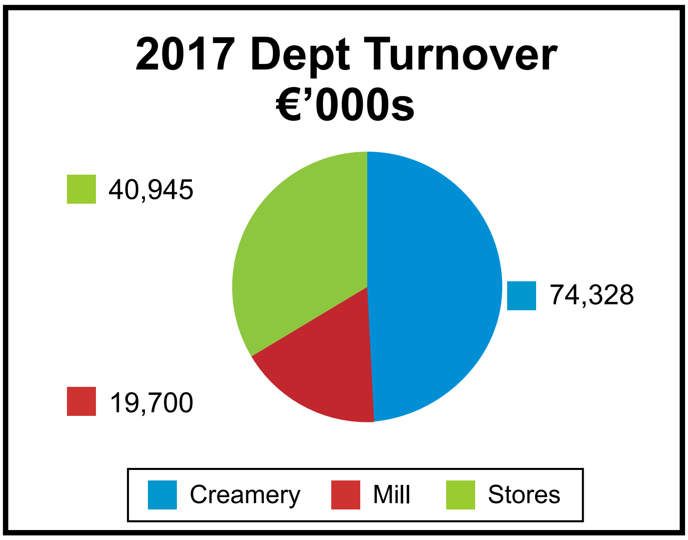
APPENDICES

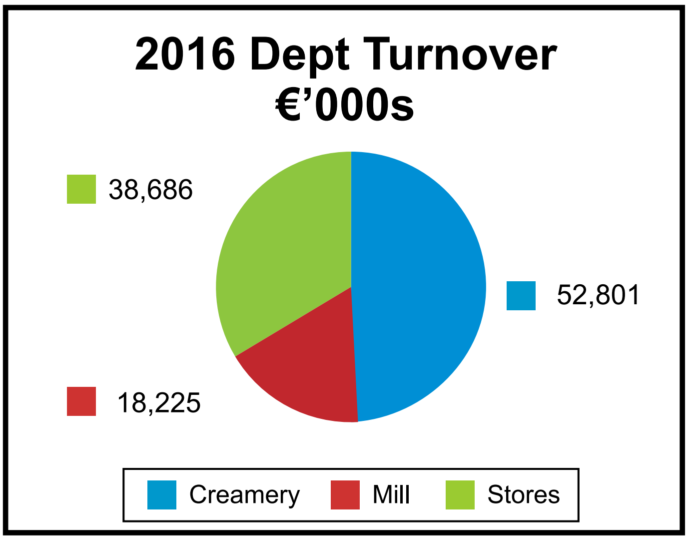
PAGES

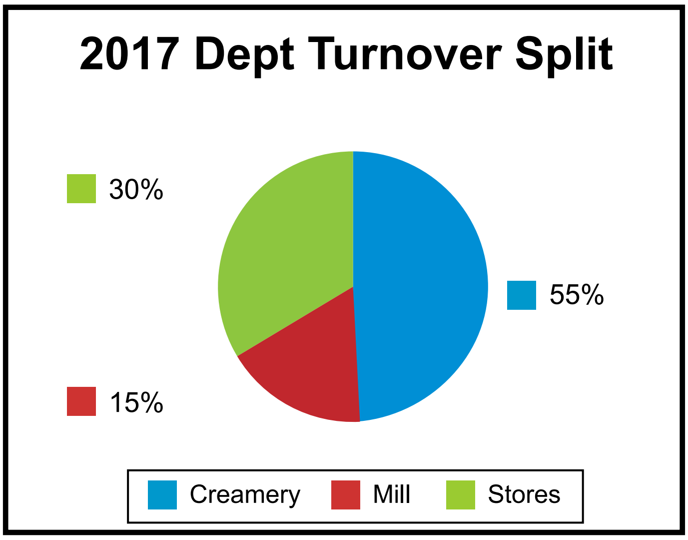
Appendix I

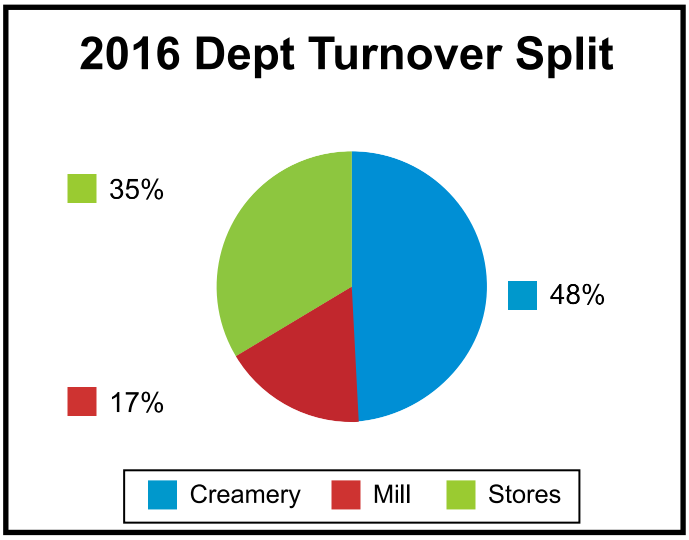
Group Turnover

	2017	2016
	€	€
Creamery	74,328,381	52,801,275
Mill	19,700,103	18,224,813
Stores	40,944,868	38,686,073
Other Turnover	14,917	14,098
	134,988,269	109,726,259

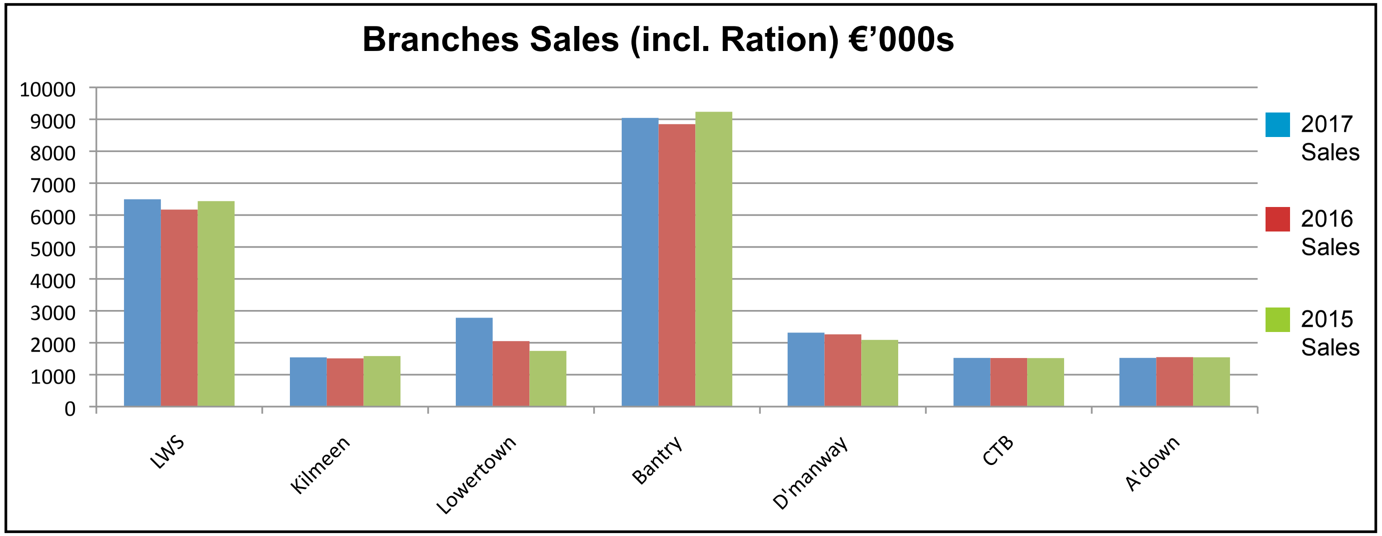


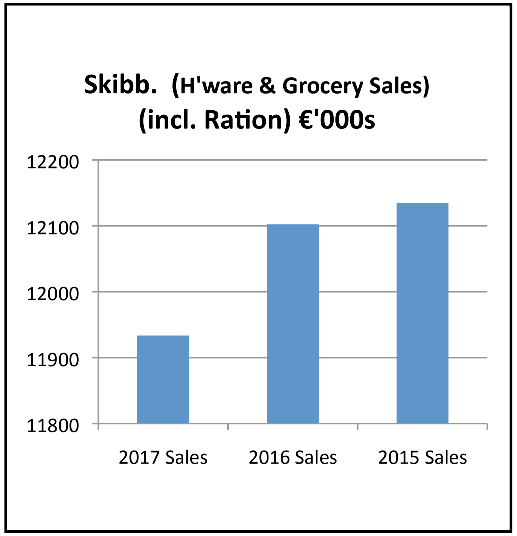


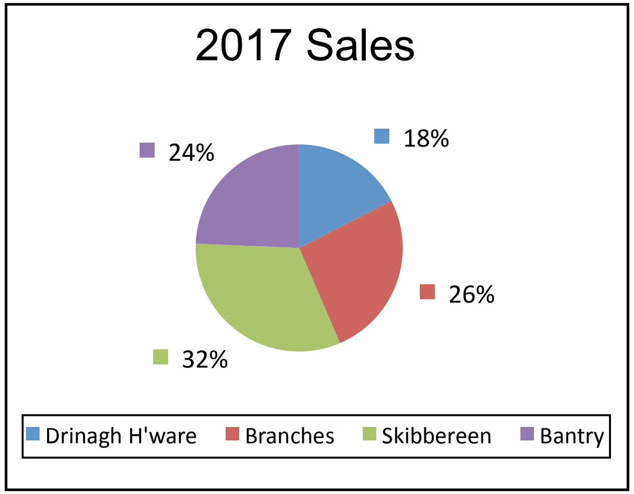


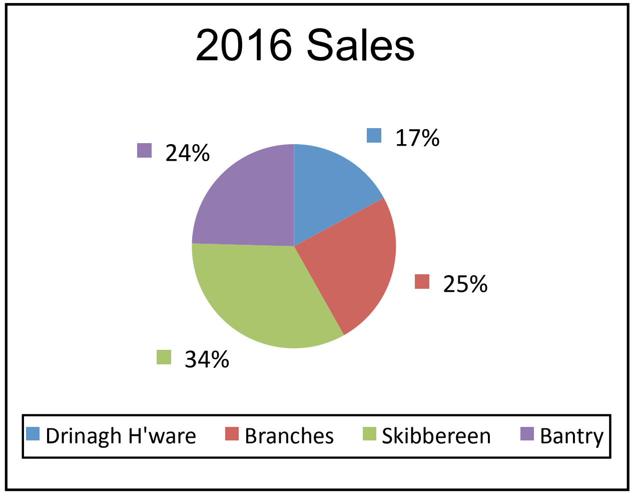


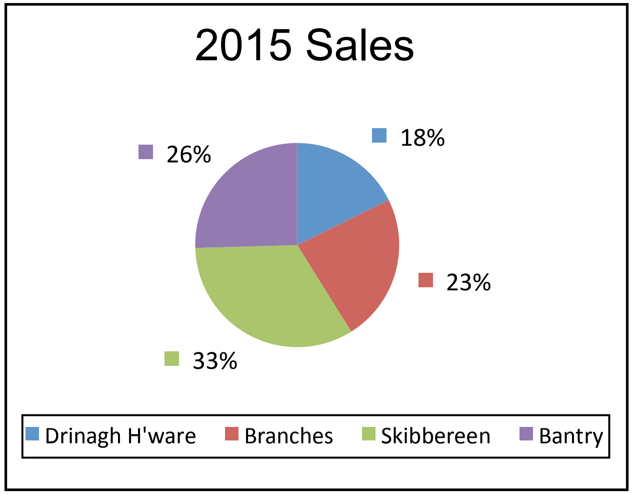
Appendix I contd/.... **Group Turnover - Branch Sales (incl. Ration)**











Appendix II

Operating Costs Analysis

	2017	2016
	€	€
Production Costs		
Packaging	165,273	192,866
Fuel & Oil	64,833	65,143
Electricity	470,202	479,778
Laboratory Expenses	15,845	16,143
Cleaning, Protective Clothing & Pest Control	157,122	153,740
Maintenance, Repairs & Parts	758,237	677,661
	1,631,512	1,585,331
Administrative Overhead		
Rates & Insurance	497,759	436,795
Advertising, Printing & Stationery	194,210	159,005
Computer Services	170,127	127,017
Postage & Telephone	106,423	111,095
Audit, Legal & Consultancy	267,753	275,024
Committee Expenses	55,986	71,321
Sundries	78,861	49,467
Subscriptions	119,134	133,133
Provision for Bad Debts	-	-
	1,490,253	1,362,857

Appendix III **Operating Profit + Share of Operating Results of Associate & Joint Venture**

	2017						2016					
	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €
Operating Results	1,976,156	8,805,087	577,731	38,976	(55,877)	11,342,073	1,235,960	7,530,707	65,745	31,655	(55,878)	8,808,189

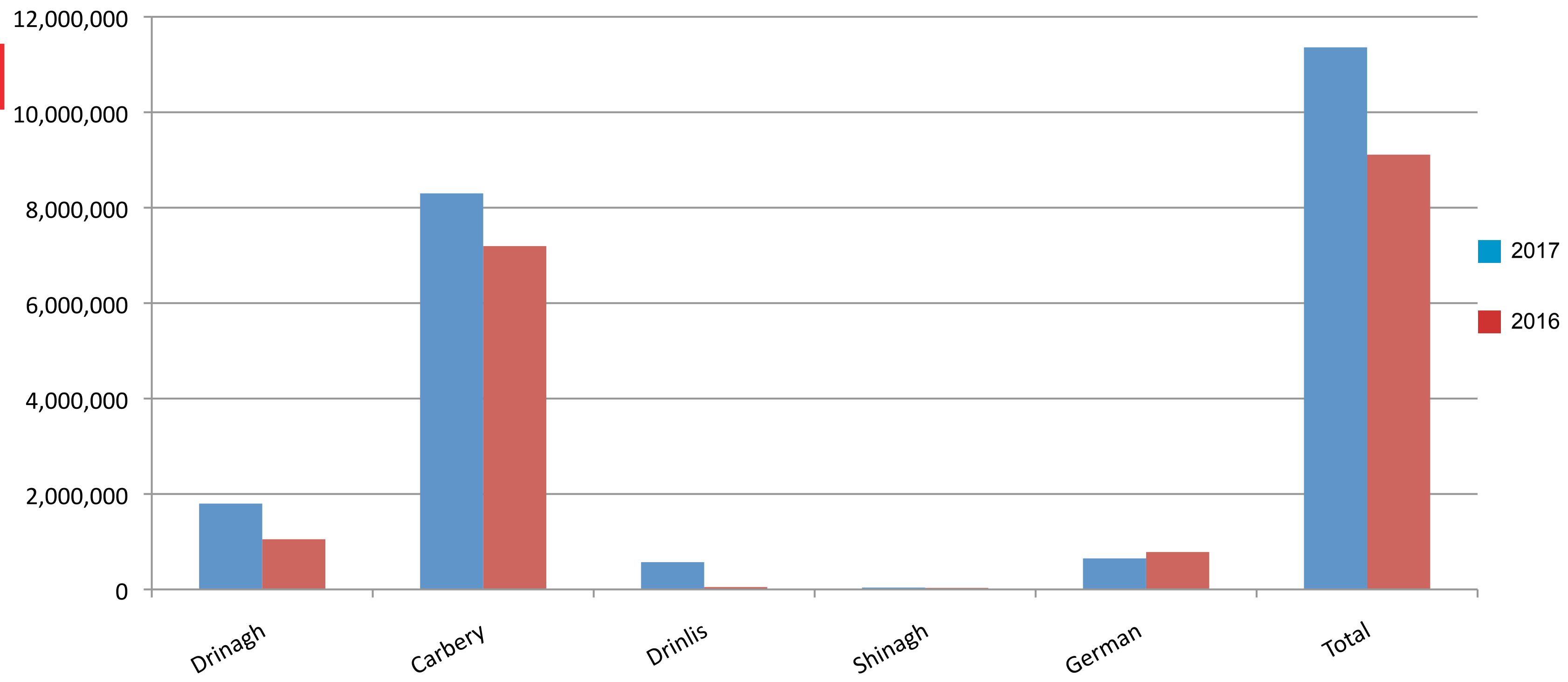
Appendix IV **Investment & Other Income**

	2017						2016					
	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €
Income/(Losses) from Investments	628,989	33,309	-	-	-	662,298	463,067	13,417	-	-	(47,000)	429,484
Fair Value Adjustment	149,943	-	-	-	-	149,943	(1,447,782)	-	-	-	-	(1,447,782)
Other Income	108,627	-	-	-	-	108,627	120,706	-	-	-	-	120,706
Rental Income	57,825	-	-	-	1,023,363	1,081,188	63,359	-	-	-	948,482	1,011,841
Other Finance Income	-	(11,332)	-	-	-	(11,332)	-	(9,633)	-	-	-	(9,633)
	945,384	21,977	-	-	1,023,363	1,990,724	(800,650)	3,784	-	-	901,482	104,616

Appendix V — Interest Payable & Similar Charges

	2017					2016				
	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total
	€	€	€	€	€	€	€	€	€	€
Bank Interest & Charges	177,340	505,120	5,889	317,055	1,005,404	184,782	335,424	16,410	108,420	645,036

Appendix VI — Operating Profit/(Loss) less Interest Payable & Similar Charges



Appendix VII **Movement in Profit & Loss Account**

	2017						2016					
	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	Shinagh Estates €	German Subsidiary €	Total €
Operating Results (App III)	1,976,156	8,805,087	577,731	38,976	(55,877)	11,342,073	1,235,960	7,530,707	65,745	31,655	(55,878)	8,808,189
Investment & Other Income	945,384	21,977	-	-	1,023,363	1,990,724	(800,650)	3,784	-	-	901,482	104,616
Interest Payable & Similar Charges	(177,340)	(505,120)	(5,889)	-	(317,055)	(1,005,404)	(184,782)	(335,424)	(16,410)	-	(108,420)	(645,036)
Taxation	(444,309)	(1,914,374)	(14,033)	512	-	(2,372,204)	256,471	(1,076,454)	(12,334)	(2,788)	-	(835,105)
Profit after Tax	2,299,891	6,407,570	557,809	39,488	650,431	9,955,189	506,999	6,122,613	37,001	28,867	737,184	7,432,664
Dividends	(62,413)	(200,880)	-	-	-	(263,293)	(62,025)	(201,255)	-	-	-	(263,280)
Retained Profit for the Year	2,237,478	6,206,690	557,809	39,488	650,431	9,691,896	444,974	5,921,358	37,001	28,867	737,184	7,169,384
Actuarial Gain/(Loss) in Respect of Pension Scheme	-	571,393	-	-	-	571,393	-	(315,471)	-	-	-	(315,471)
Deferred Tax on Actuarial (Gain)/Loss	-	(84,129)	-	-	-	(84,129)	-	26,834	-	-	-	26,834
Bonus on Share Redemption	(75,000)	-	-	-	-	(75,000)	-	-	-	-	-	-
Fair Value Investment Reserve Movement	(49,549)	-	-	-	-	(49,549)	949,271	-	-	-	-	949,271
Share of Hedge Instrument	-	-	-	-	-	-	-	-	-	-	-	-
Redemption Reserve Movement	-	38,756	-	-	-	38,756	-	(25,639)	-	-	-	(25,639)
Issue of Bonus Shares	(65,826)	-	-	-	-	(65,826)	(67,075)	-	-	-	-	(67,075)
Movement in Profit & Loss Account	2,047,103	6,732,710	557,809	39,488	650,431	10,027,541	1,327,170	5,607,082	37,001	28,867	737,184	7,737,304

Appendix VIII **Annual Comparatives**

		2017	2016	2015	2014	2013
<u>Financial</u>						
Turnover	€'000	134,988	109,726	109,008	113,422	119,189
Consolidated Profit for the Year after Tax	€'000	9,955	7,433	5,531	11,164	8,598
Shareholders Funds	€'000	130,864	124,652	118,235	109,534	89,184
<u>Statistical</u>						
Number of Milk Suppliers	No.	566	586	591	593	605
Milk Intake	Litres (Mill.)	186.5	171.7	165.5	150.1	144.8
Average Butterfat	%	4.07	4.11	4.03	3.95	3.94
Average Protein	%	3.5	3.48	3.48	3.43	3.41

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