MEMBERS OF BOARD OF DIRECTORS AS AT 31st DECEMBER 2018

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

Oliver Barry

East:

Derry Scannell

Ian Kingston

West:

Mary Hayes

Donal McCarthy [2]

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, Co. Cork

Registered Office:

Drinagh, Co. Cork

Auditor:

Crowley & McCarthy

Chartered Accountants

& Registered Auditors

Clonakilty, Co. Cork

Solicitors:

Murphy, Long & Taaffe,

Bandon

Co. Cork

CONTENTS

PAGES

Drinagh Co-Operative Limited
Chairman's Report to Members

As Chairman of Drinagh Co-Op I am pleased to report on another successful year's trading for the Society in 2018.

Creamery volume increased by 11.4 million litres (6.1%) on 2017; mill output was up by 22.8 thousand tonnes (30.8%) and sales in the stores increased by €4.19 million (10.2%). Together, the divisions yielded an increase in operating profit of €0.799 million (2017: + €0.740 million). In addition to the increase in mill volume sales, there were continued operational efficiencies achieved. Fertilizer volume increased by almost 5%, while other sales in our branches network were up over 7%, which included continued growth in the non-agri sector. The pharmacy division of our stores saw continued sales growth, particularly the Schull pharmacy operating for its first full year in the Society and having successfully moved to a new, bigger location.

The Consolidated Income Statement reports a negative €4.81 million investment income compared with a positive €1.99 million in 2017. Under Financial Reporting Standard 102 (FRS102) investments that have a reliable market value have to be stated in the financial statements at that market value. The impact is that profits or losses for these investments are reported on the difference in market value from one financial year to the next rather than on the profit or loss that may have been realised on the sale of these investments. In 2018 there were no realised losses in respect of the Society's holding of Aryzta and IPL (formerly One51), but under FRS102 an unrealised loss as a result of the market value movement between 31 December 2017 and 31 December 2018 of €7.27 million had to be recorded. This was offset in part by a €1.08 million positive market value movement for Mainstream. The performances of both Drinlis and Shinagh Estates have again contributed positively to profit for the financial year while in Germany, new tenants and the strengthening of some existing leases in the building there have together offset some of the negative impact of one of the main tenants vacating during 2018.

Carbery reported a strong performance for 2018 with profit before tax increasing by 3.7% on 2017 (2017: + 15.8% on 2016). This can be attributed to continued positive results from its Dairy, Nutrition and Taste businesses. Having utilised €4.26 million from the stability fund in supporting milk price during 2018, Carbery allocated a further €4.26 million to the fund at the end of the year increasing the balance back up to €10 million. Carbery is to invest €78 million in a diversification project, which will broaden the range of products produced to include mozzarella cheese. Carbery Ballineen is the largest cheddar cheese plant in Ireland and the largest market for that product is the UK. Amid Brexit and all the turmoil, it is strategically very important for Carbery and its milk suppliers that this investment is made, which will open the door to new and exciting markets going forward.

During the year Carbery celebrated 50 years since the commencement of operations. To mark the occasion all milk suppliers and families were invited to an open day at the Ballineen headquarters in October. Many of our suppliers availed of the opportunity to see the facility and to meet the Carbery staff.

Milk supply for the year increased by 11.4 million litres (6.1%) to 197.9 million litres. In fact, milk supply has grown by 31.8% or 47.8 million litres since the last full year of the milk quota regime in 2014. The growth in supply for 2018 came in spite of a difficult year for milk production. Early Spring supply was reduced due to very poor weather conditions. Mid-Summer production was curtailed by an unprecedented drought where supply was only maintained by feeding high levels of concentrates. A good backend to the year allowed suppliers to make up the previously lost ground.

At year end the board approved a bonus of 0.5 cents per litre on 2018 milk supply.

Milk quality is critical for the Society. Our suppliers continue to supply excellent quality milk and have been to the forefront in local and national milk quality competitions. Brendan and Pauline O'Driscoll, Leap won the Drinagh section of the Carbery milk quality awards. Timothy and Shane McCarthy, Drimoleague represented the Society in the Bord Bia Origin Green Sustainable Producer awards and Liam and Dolores O'Donovan, Clohane were category winners at the NDC & Kerrygold Quality Milk awards. The Society also had 51 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.

Our stores operation continues to perform a very important function in the area and in the period under review made a significant contribution to the bottom line.

Drinagh Co-Operative Limited
Chairman's Report to Members

The mill had an exceptional year with record breaking throughput. This was due mainly to adverse weather from cold to wet and drought. Due to the severity of the situation in March 2018 the board sanctioned a rebate of €20 per tonne for that month. Trade bonuses for the year of €15 per tonne for ruminant feed, €5 per tonne for pig feed and €10 per tonne for fertilizer have been approved by the board. In July An Taoiseach, Mr. Leo Varadkar, officially opened our new mill extension. On a beautiful summer's day, a large crowd attended a very pleasant function.

2018 will be go down in history as one of the most difficult years for farmers in the area due to adverse weather conditions. The wet weather early in Spring was followed by snow in March, which in turn was followed by a scorching drought for most of the Summer. Farming has to go on despite the weather conditions. The Society staff also had to contend with this extreme weather and increased demand for feed to keep animals fed. I would like to take this opportunity to thank all staff for the extra effort needed to keep the feed supplied and milk collected in difficult conditions.

I would like to thank the board, management and all staff for their efforts during the year.

Thanks to all our loyal customers, milk suppliers and shareholders for their custom during 2018.

Drinagh Co-Op is a very special organisation, it is made up of people, not just things and it's these people that make things happen.

TJ

Chairman

Drinagh Co-Operative Limited
Directors Responsibilities Statement
For the Year Ended 31 December 2018

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 2018 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 2018. 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 of Directors on 26 April 2019

TJ Sullivan	Jerome O'Mahony
Chairman	Vice Chairman

Opinion

We have audited the financial statements of Drinagh Co-Operative Ltd (the 'Society') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related 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 2018 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 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 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 2018

As required by section 13(2) of the Industrial and Provident Societies Act 1893 to 2018 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 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 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 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 company 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/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/International-Standards-on-Auditing-(Ireland)/ISA-700-(Ireland). 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 Society's members, as a body, in accordance with section 13 of the Industrial and Provident Societies Act 1893 to 2018. 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

26 April 2019

Drinagh

Drinagh Co-Operative Limited
Consolidated Income Statement For the Year Ended 31 December 2018

	Notes	2018 €	2017 €
Turnover	5	148,447,650	134,988,269
Cost of sales		(126,998,575)	(114,576,327)
Gross profit		21,449,075	20,411,942
Production costs		(1,837,764)	(1,631,512)
Trade bonus	6	(2,446,646)	(3,814,060)
Wages and salaries	7	(9,151,653)	(8,500,754)
Other operating costs	8	(5,338,539)	(4,545,337)
Operating profit	9	2,674,473	1,920,279
Share of operating results of associate and joint venture		9,296,703	9,421,794
Investment income & diminution in value	10	(4,807,099)	1,990,724
Interest payable and similar expenses	11	(1,043,566)	(1,005,404)
Profit on ordinary activities before tax		6,120,511	12,327,393
Tax on profit on ordinary activities	12	(339,634)	(2,372,204)
Profit for the financial year		5,780,877	9,955,189

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 26 April 2019

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Drinagh Co-Operative Limited
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018

	2018 €	2017 €
Consolidated profit for the financial year	5,780,877	9,955,189
Other comprehensive income		
Share of remeasurement (loss)/gain recognised on defined benefit schemes of associate	(117,965)	571,393
Share of movement on deferred tax relating to defined benefit scheme of associate	-	(84,129)
Redemption reserve movement of associate	40,043	38,756
Share of (loss)/gain of hedge instrument of associate	(25,719)	287,757
Share of currency translation differences on net assets of foreign investments of associate	1,583,272	(4,223,640)
Total comprehensive income for the financial year	7,260,508	6,545,326

Drinagh Co-Operative Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018

	Share Capital	Profit and Loss Account	Other Reserves (Note 24)	Total
	€	€	€	€
Balance at 1 January 2017	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
Profit for the year	-	5,780,877	-	5,780,877
Other comprehensive income	-	(77,922)	1,557,553	1,479,631
Total comprehensive income for the year	-	5,702,955	1,557,553	7,260,508
Transfer to fair value investment reserve	-	4,262,145	(4,262,145)	-
Transfer to redemption reserve	-	-	-	-
Issue of Bonus Shares	67,739	(67,739)	-	-
Dividends & share interest paid (Note 13)	-	(263,075)	-	(263,075)
Bonus on share redemption	-	-	(19,000)	(19,000)
Shares subscribed for in the year	8,100	-	-	8,100
Shares cancelled during the year	(48,072)	-	-	(48,072)
Balance at 31 December 2018	6,293,921	100,810,224	30,698,734	137,802,879

Drinagh Co-Operative Limited
Consolidated Statement of Financial Position
as at 31 December 2018

	Notes	2018 €	2018 €	2017 €	2017 €
Fixed assets					
Intangible assets	14		4,366,797		4,810,022
Tangible assets	15		25,557,686		24,887,562
Financial assets	16		91,979,153		89,634,135
			121,903,636		119,331,719
Current assets					
Stocks	17	10,046,626		9,423,594	
Debtors	18	23,730,311		24,065,958	
Cash at bank and in hand		5,306,217		4,085,320	
		39,083,154		37,574,872	
Creditors: amounts falling due within one year	19	(21,121,357)		(21,615,087)	
Net current assets			17,961,797		15,959,785
Total assets less current liabilities			139,865,433		135,291,504
Creditors: amounts falling due after more than one year	20		(804,688)		(1,058,201)
Provisions for liabilities	21		(1,257,866)		(3,368,885)
Net assets			137,802,879		130,864,418
Capital and reserves					
Called up share capital	22		6,293,921		6,266,154
Other reserves	24		30,698,734		33,422,326
Profit and loss reserves			100,810,224		91,175,938
Total equity			137,802,879		130,864,418

Signed on behalf of the Board of Directors on 26 April 2019

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Drinagh Co-Operative Limited
Consolidated Statement of Cash Flows For the Year Ended 31 December 2018

	Notes	2018 €	2018 €	2017 €	2017 €
Cash flows from operating activities	**25**		4,370,221		4,412,537
Cash flows from investing activities					
Purchase of tangible fixed assets		(2,396,016)		(1,391,889)	
Purchase of investments		(663,885)		(1,787,766)	
Proceeds of sale of investments		333,350		257,087	
Proceeds of sale of fixed assets		84,954		111,450	
Investment income		379,220		408,753	
Taxation paid	**26**	(108,310)		(31,997)	
Rental and other income		932,291		1,189,815	
Net cash flows from investing activities			(1,438,396)		(1,244,547)
Cash flows from financing activities					
Redemption of ordinary shares		(67,072)		(74,967)	
Issue of ordinary shares		8,100		5,400	
Repayment of borrowings		(617,044)		(511,579)	
Interest paid		(466,428)		(494,395)	
Equity dividend paid		(62,465)		(62,412)	
Net cash flows from financing activities			(1,204,909)		(1,137,953)
Net increase in cash and cash equivalents			1,726,916		2,030,037
Cash and cash equivalents at beginning of year			3,579,301		1,549,264
Cash and cash equivalants at end of year	**27**		5,306,217		3,579,301

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 2018.

Drinagh Co-Operative Ltd is a Society registered in the Republic of Ireland under the Industrial and Provident Societies Acts 1893 to 2018. 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).

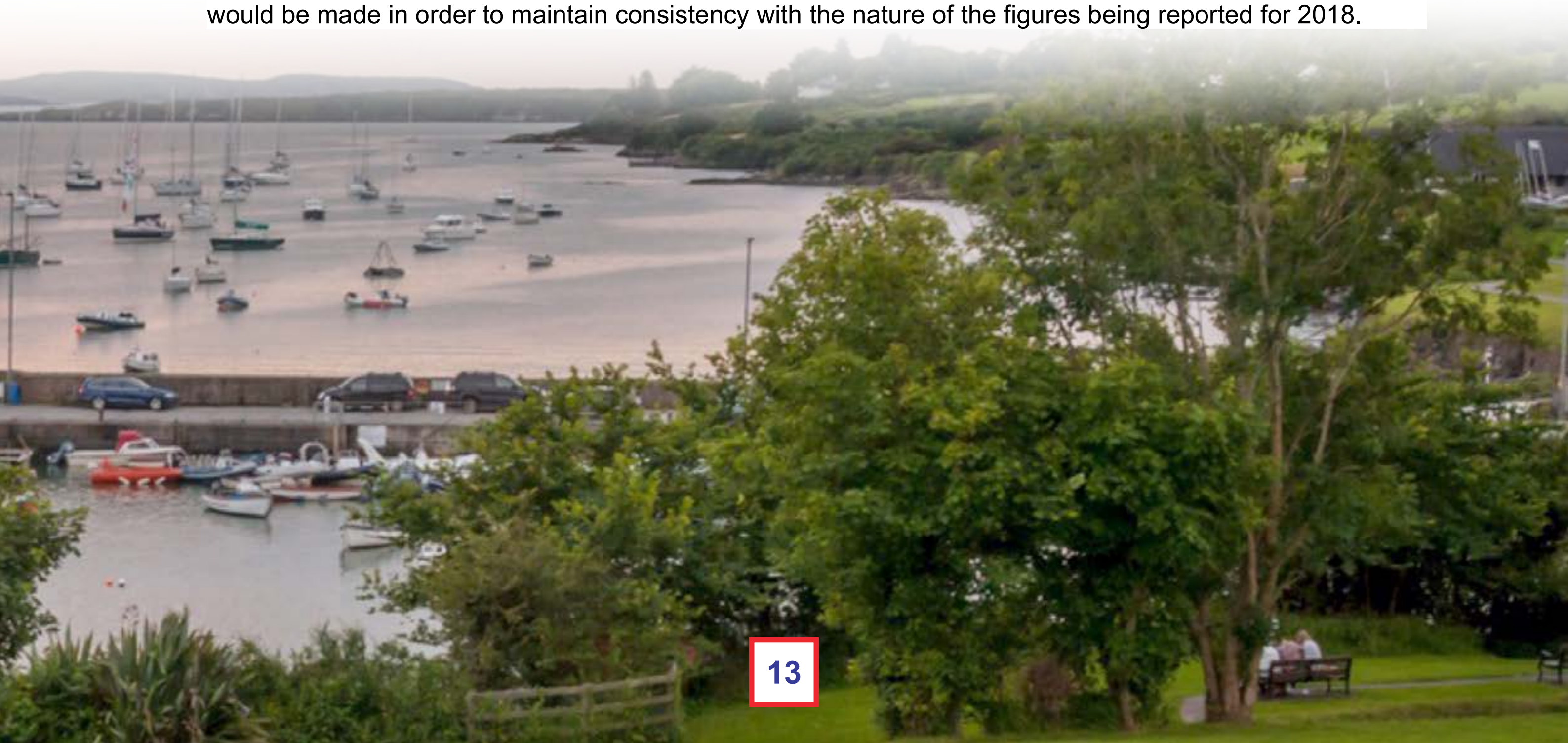
Currency
The financial statements have been presented in Euro (€) which is also the functional currency of the Society.

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 2018 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 2018, if necessary, changes to the comparative 2017 figures would be made in order to maintain consistency with the nature of the figures being reported for 2018.



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.

3.2 Intangible assets - goodwill

Goodwill is recognised and measured as the excess of the cost paid on the acquisition of a business 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 purchase 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 which 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

3 Principal accounting policies **(Continued)**

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.

Loans and borrowings
All loans and borrowings, both assets and liabilities are initially recorded at the present value of cash payable to the lender in settlement of the liability discounted at the market interest rate. Subsequently loans and borrowings are stated at amortised cost using the effective interest rate method. The computation of amortised cost includes any issue costs, transaction costs and fees, and any discount or premium on settlement, and the effect of this is to amortise these amounts over the expected borrowing period. Loans with no stated interest rate and repayable within one year or on demand are not amortised. Loans and borrowings are classified as current assets or liabilities unless the borrower has an unconditional right to defer settlement of the liability for at least twelve months after the financial year end date.

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.

Equity instruments
Equity instruments issued by the Society are recorded at the value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Society.

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 Principal accounting policies **(Continued)**

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 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

3.11 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.

3.12 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.

3 Principal accounting policies (Continued)

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.

3.13 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:

	2018	2017	2018	2017
	€1 to STG£	€1 to STG£	€1 to US$	€1 to US$
Average	0. 88471	0. 87667	1. 181	1. 1297
Year end	0. 89453	0. 88723	1. 14500	1. 19930

3.14 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.

3.15 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

	2018 €	2017 €
Turnover analysed by class of business		
Creamery	76,037,973	74,328,380
Mill	27,255,206	19,700,104
Stores	45,139,346	40,944,868
Other	15,125	14,917
	148,447,650	134,988,269

6 Trade bonus

	2018 €	2017 €
Milk bonus	970,550	3,062,543
Mill bonus	1,203,219	541,011
Stores bonus	272,877	210,506
	2,446,646	3,814,060

The milk bonus represents the following: 0.50 cent per litre of milk supplied in the calendar year 2018 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; no bonus applied where purchases were less than 5 cent per litre. (2017: 0.50 cent per litre of milk supplied in the calendar year 2017 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; no bonus applied where purchases were less than 5 cent per litre; plus, irrespective of the level of purchases, 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.)

The mill bonus represents €15.00 per tonne on compounded ruminant feed for 2018 (2017: €10.00), €10.00 per tonne on mixes (2017: €5.00), €5.00 per tonne on pig feed (2017: €5.00), and €2.50 per tonne on feed straights (2017: €2.50), plus a feed rebate applied on March 2018 purchases consisting of €20 per tonne on compounded ruminant feed, €10 per tonne on mixes and €5 per tonne on straights.

The stores bonus represents €10.00 per tonne on fertilizer purchases in 2018 (2017: €7.50).

7 Employees

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

	2018 Number	2017 Number
Production/Operations	185	178
Sales	2	2
Administration	23	21
	210	201

The aggregate payroll costs of these employees were as follows:

	2018 €	2017 €
Wages and salaries	7,811,064	7,224,603
Social welfare costs	823,398	744,588
Pension and related costs	517,191	510,209
Other costs	-	21,354
	9,151,653	8,500,754

8 Other operating costs\(profits)

	2018 €	2017 €
Distribution & selling costs	1,703,642	1,283,590
Administrative overhead	1,597,702	1,490,253
Depreciation	1,678,727	1,528,197
Amortisation of goodwill	443,225	354,747
Profit on sale of tangible fixed assets	(84,757)	(111,450)
	5,338,539	4,545,337

The profit on sale of tangible fixed assets is derived from the trade-in or disposal of vehicles and the sale of the Goleen branch (2017: the trade-in or disposal of vehicles and the sale of the Durrus branch).

9 Operating profit

Operating profit is stated after charging/(crediting)	2018 €	2017 €
Depreciation of owned assets (note 15)	1,014,521	876,182
Depreciation of assets held under finance leases (note 15)	664,206	652,015
Amortisation and impairment of intangibles (note 14)	443,225	354,747

10 Investment and other income

	2018 €	2017 €
Profit on sale of listed securities	238,565	14,168
Fair value adjustment of investments	(6,373,164)	149,943
Investment income	376,438	394,585
Impairment in book value of foreign investment property	(46,968)	-
Profit on disposal of unlisted investments	26,647	220,236
Rental and other income	932,291	1,189,816
	(4,846,191)	1,968,748
Share of associate		
Investment income	37,035	33,308
Other finance expense	2,057	(11,332)
	39,092	21,976
	(4,807,099)	1,990,724

11 Interest payable and similar charges

	2018 €	2017 €
Interest payable - Society & subsidaries	466,428	494,395
Share of associates and joint venture		
Interest payable	577,138	511,009
	1,043,566	1,005,404

12 Taxation

	2018 €	2017 €
Domestic current year tax		
Corporation tax on profits for the year	537,364	415,856
Adjustments in respect of prior years	(3,905)	4,055
Total current tax	533,459	419,911
Domestic deferred tax		
Deferred tax on fair value of investments	(2,106,286)	24,398
Domestic tax on profits on ordinary activities	(1,572,827)	444,309
Share of tax of associate companies	1,894,820	1,913,862
Share of tax of joint venture	17,641	14,033
Amount charged to the profit and loss account	339,634	2,372,204

12 Taxation (Continued)

Factors affecting the tax charge for the year:

	2018	2017
	€	€
Profit on ordinary activities before taxation	6,120,511	12,327,764
Less share of profit in associates and joint ventures	(8,758,658)	(8,932,762)
Profit on ordinary activities before taxation (excluding profits from associates and joint venture)	(2,638,147)	3,395,002
Standard tax rate	12. 50%	12. 50%
Expected tax	(329,768)	424,375
Actual tax charge	(1,572,827)	444,309
Difference	(1,243,059)	19,934
Effects of:		
Tax rate difference on chargeable gains	(1,253,865)	63,711
Other tax adjustments	(42,585)	(82,017)
Prior year adjustment	(3,905)	4,055
Depreciation in excess of capital allowances	74,979	73,714
Tax rate difference on passive income	10,588	8,202
Franked investment income not taxed	(16,250)	(16,366)
Disallowable expenses	(12,021)	(31,365)
	(1,243,059)	19,934

13 Dividends and share interest paid

	2018	2017
	€	€
Dividend of one cent per share on shares issued as at 31 December 2017 (2017: one cent per share on shares issued as at 31 December 2016) .	62,465	62,413
Share of associate 6.5% annual coupon on 'B' ordinary shares	200,610	200,880
	263,075	263,293

14 Intangible assets

	Goodwill
	€
Cost	
At 1 January 2018	5,907,445
Amortisation	
At 1 January 2018	1,097,423
Amortisation charged for the year	443,225
At 31 December 2018	1,540,648
Carrying amount	
At 31 December 2018	4,366,797
At 31 December 2017	4,810,022

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 13.3 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 7.7 years.

Goodwill arose on the acquisition of McCarthy’s Pharmacy (Schull) 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.

15 Tangible fixed assets

	Freehold land and buildings	Investment property	Plant and equipment	Transport vehicles	Total
	€	€	€	€	€
Cost					
At 1 January 2018	14,215,773	11,700,000	16,720,898	4,340,899	46,977,570
Additions	172,865	46,968	1,549,274	626,909	2,396,016
Disposals	(20,000)	-	-	(258,704)	(278,704)
Provision for impairment in value	-	(46,968)	-	-	(46,968)
At 31 December 2018	14,368,638	11,700,000	18,270,172	4,709,104	49,047,914
Depreciation and impairment					
At 1 January 2018	6,773,223	-	11,976,143	3,340,642	22,090,008
Profit and loss charge	223,869	-	960,576	494,282	1,678,727
Disposals	(20,000)	-	-	(258,507)	(278,507)
At 31 December 2018	6,977,092	-	12,936,719	3,576,417	23,490,228
Carrying amount					
At 31 December 2018	7,391,546	11,700,000	5,333,453	1,132,687	25,557,686
At 31 December 2017	7,442,550	11,700,000	4,744,755	1,000,257	24,887,562

Included in Transport Vehicles are leased and previously leased assets as follows:

	Leased Assets
Cost	€
At 1 January 2018	3,309,463
Additions	384,325
Disposals	-
At 31 December 2018	3,693,788
Accumulated depreciation	
At 1 January 2018	1,980,716
Profit and loss charge	664,206
Disposals	-
At 31 December 2018	2,644,922
Carrying amount	
At 31 December 2018	1,048,866
At 31 December 2017	1,328,747

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	2018 €	2017 €
Investment in associated undertaking	**(a)**		
At cost		2,085,073	2,085,073
Group share of post acquisition net assets		74,756,648	66,731,933
Loan to associated undertakings		6,908,647	6,908,647
		83,750,368	75,725,653
Investment in joint venture undertaking	**(b)**		
At cost		50	50
Group share of post acquisition net assets		(130,269)	(230,772)
Loan to joint venture		748,285	748,285
		618,066	517,563
Listed securities	**(c)**	5,546,098	7,923,195
Unlisted investments	**(c)**	2,064,621	5,467,724
		91,979,153	89,634,135

16 Financial assets **(Continued)**

(a) Investment in associated undertaking
The investment in the associated undertaking comprises a 34.29% (2017: 34.34%) interest in Carbery Creameries Limited, which is engaged in the development, management and supply of cheeses, alcohol and select food ingredients plus 40% (2017: 40%) in Shinagh Estates Limited, which is a holding investment company. During 2018 under Carbery's Milk Supply Share Scheme, the 'B' Ordinary Shares increased by 116,270, 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 (2017: €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% (2017: 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 2018	7,923,195	5,601,064
Additions and disposals	614,134	17,338
Re-categorise investments	4,503,775	(4,503,775)
Revaluations	(7,495,006)	949,994
At 31 December 2018	5,546,098	2,064,621
Provision for diminution in value		
At 1 January 2018	-	133,340
Increase in provision for year	-	(133,340)
At 31 December 2018	-	-
Carrying value		
At 31 December 2018	5,546,098	2,064,621
At 31 December 2017	7,923,195	5,467,724

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 Mainstream Renewable Power Limited for which a grey market existed at 31 December 2018. These unlisted investments, 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.

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	Dormant	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

	2018 €	2017 €
Finished goods	9,249,134	9,000,664
Raw materials	590,263	194,913
Expense stocks	207,229	228,017
	10,046,626	9,423,594

Stocks considered obsolete are written down to net realisable value.

18 Debtors

	2018 €	2017 €
Trade debtors	10,745,987	9,417,379
Withholding tax	234,647	234,245
Carbery Creameries Limited	11,358,612	13,091,111
Prepayments and accrued income	1,391,065	1,323,223
	23,730,311	24,065,958

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

	2018 €	2017 €
Bank overdraft	-	506,019
Bank loans (Note 20)	7,290,000	7,690,000
Lease liability (Note 20)	569,274	532,806
Trade creditors & accruals	12,528,619	12,487,195
Corporation tax payable	489,557	127,808
Other taxation and social security	243,907	271,259
	21,121,357	21,615,087
PAYE/PRSI	243,907	271,259

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 €4.9M (2017: €3.4M) 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

	2018 €	2017 €
Bank loan	7,290,000	7,690,000
less amount falling due within one year (note 19)	(7,290,000)	(7,690,000)
	-	-

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.

	2018 €	2017 €
Lease Liability	1,373,962	1,591,007
less amount falling due within one year (note 19)	(569,274)	(532,806)
	804,688	1,058,201

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

Repayable as follows:		
Between two and five years	804,688	1,058,201
After five years	-	-
	804,688	1,058,201
Total amounts falling due after more than one year	804,688	1,058,201

The effective rate of interest on the leases was 2.29% (2017: 2.45%). 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

	2018	**2017**
	€	**€**
Deferred Taxation		
At 1 January	3,368,885	3,344,487
Charged to income statement	(2,106,286)	24,398
Utilised in the financial year	(4,733)	-
At 31 December	1,257,866	3,368,885

22 Called up share capital

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

	2018	**2017**
	€	€
At 1 January	6,266,154	6,241,887
Bonus shares issued (see below)	67,739	65,826
Subscribed for during the year	8,100	5,400
Shares cancelled during the year	(48,072)	(46,959)
At 31 December	6,293,921	6,266,154

The ordinary shares have no right to fixed income.

During the year the Society issued the following bonus shares

	2018	**2017**
	€	**€**
Based on trading with the Society for 2017 (2017: for 2016):	67,739	65,826

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 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 31st March 2016 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 31st March 2016 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 Actuary’s updated Statement dated 19th December 2018 contained in the most recent trustee annual report confirms that the Scheme’s Actuary is satisfied that the Scheme continues to meet the Funding Standard and the Funding Standard Reserve as at 31st March 2018.

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.

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 €379,100 (2017: €379,335).

24 Other reserves

	Capital reserves	Redemption reserve	Fair value investment reserve	Total
	€	€	€	€
At 1 January 2018	26,444,167	46,992	6,931,167	33,422,326
Currency translation gain on net assets of associate	1,557,553	-	-	1,557,553
Bonus on share redemption	-	(19,000)	-	(19,000)
Transfer from /(to) Profit & Loss Account	-	-	(4,262,145)	(4,262,145)
At 31 December 2018	28,001,720	27,992	2,669,022	30,698,734

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

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

	2018	2017
	€	€
Consolidated profit for the financial year	5,780,877	9,955,189
Adjustments for:		
Taxation charge in the Consolidated Income Statement	339,634	2,372,204
Interest payable & similar charges	1,043,566	1,005,404
Investment & other income	4,807,099	(1,990,724)
Share of operating results of associates and joint venture	(9,296,703)	(9,421,794)
Profit on sale of tangible fixed assets	(84,757)	(111,450)
Depreciation of tangible fixed assets	1,678,727	1,528,197
Amortisation of goodwill	443,225	354,747
Tax paid on operating activities (note 26)	(68,132)	(177,755)
(Increase) in stocks	(623,032)	(308,105)
Decrease/(increase) in debtors	335,647	(732,226)
Increase in creditors	14,070	1,938,850
Net cash inflow from operating activities	4,370,221	4,412,537

26 Tax paid

	2018 €	2017 €
Tax paid on operating activities	68,132	177,755
Tax paid on investing activities	108,310	31,997
	176,442	209,752

27 Components of cash and cash equivalents

	2018 €	2017 €
Cash and bank and in hand	5,306,217	4,085,320
Bank overdrafts	-	(506,019)
	5,306,217	3,579,301

28 Capital commitments

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

	2018 €	2017 €
Contracted for:	1,505,600	831,000

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 €2,276,397 (2017: €2,445,134) and €977,483 (2017: €888,131) respectively. At 31 December trading balances amounted to €215,433 (2017: €266,421).

Total sales to Carbery Creameries Limited for the year were €75,595,469 (2017: €71,831,377).

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 2018 there were 12 monthly meetings, 2 special meetings and 4 audit committee meetings. 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:
Oliver Barry (from June'18)	8	1,738	
Raymond Collins	15	3,081	Investment Committee
William Collins	18	3,643	Audit Committee
Mary Hayes	17	4,486	Investment Committee (to June'18)
Ian Kingston	13	2,806	
Michéal Leahy	13	2,844	
Donal McCarthy	16	3,684	Investment Committee (from June'18)
Donie O'Donovan	18	3,756	Audit Committee
James O'Donovan (to June'18)	6	1,287	
Michael John O'Donovan	14	3,083	Remuneration Committee
Jerome O'Mahony	21	4,864	Audit Committee & Remuneration Committee
John O'Mahony	14	3,163	
TJ Sullivan	14	6,076	Investment Committee & Remuneration Committee
Derry Scannell	14	3,103	
		47,614	

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 2018 amounted to €859,401 (2017: €839,352).

30 Financial instruments

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

	2018 €	2017 €
Financial assets at fair value through the Consolidated Income Statement		
Listed fixed asset investments	5,546,098	7,923,195
Unlisted fixed asset investments	1,949,993	4,503,775
Financial assets that are equity instruments		
Measured at cost less impairment		
Unlisted fixed asset investments	114,628	963,949
Financial assets that are debt instruments		
Measured at amortised cost		
Trade debtors (including Carbery balance)	22,104,599	22,508,490
Other debtors	234,647	234,245
Financial liabilities measured at amortised cost		
Bank and other loans	7,290,000	8,196,019
Trade Creditors	12,528,619	12,487,195
Obligations under finance leases	1,373,963	1,591,007

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

There have been no significant events affecting the Society since the year end.

33 Approval of financial statements

The directors approved the financial statements on the 26 April 2019.

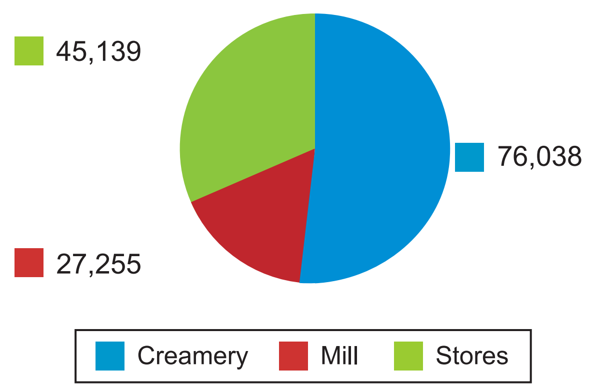
APPENDICES

Appendix I

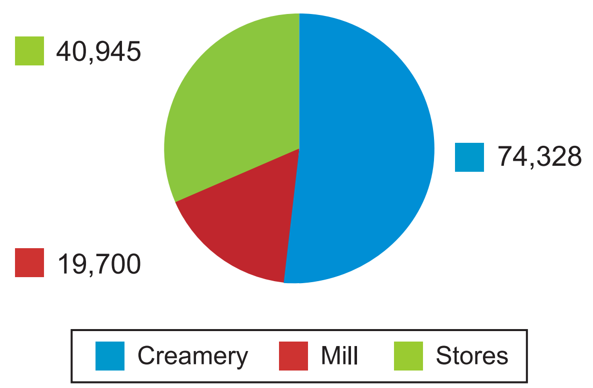
Group Turnover

	2018	2017
	€	€
Creamery	76,037,973	74,328,380
Mill	27,255,206	19,700,104
Stores	45,139,346	40,944,868
Other Turnover	15,125	14,917
	148,447,650	134,988,269

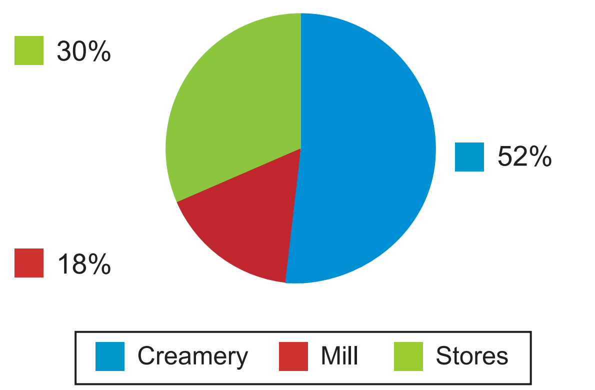
2018 Dept Turnover €'000s



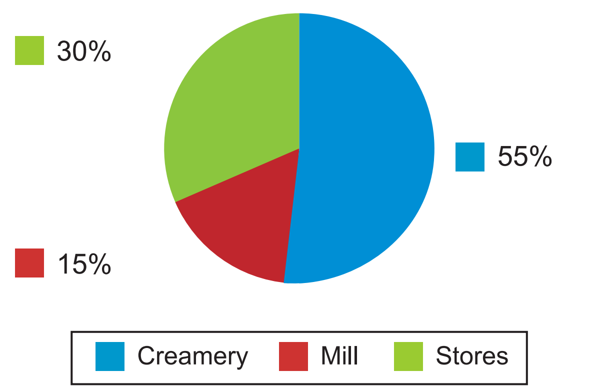
2017 Dept Turnover €'000s



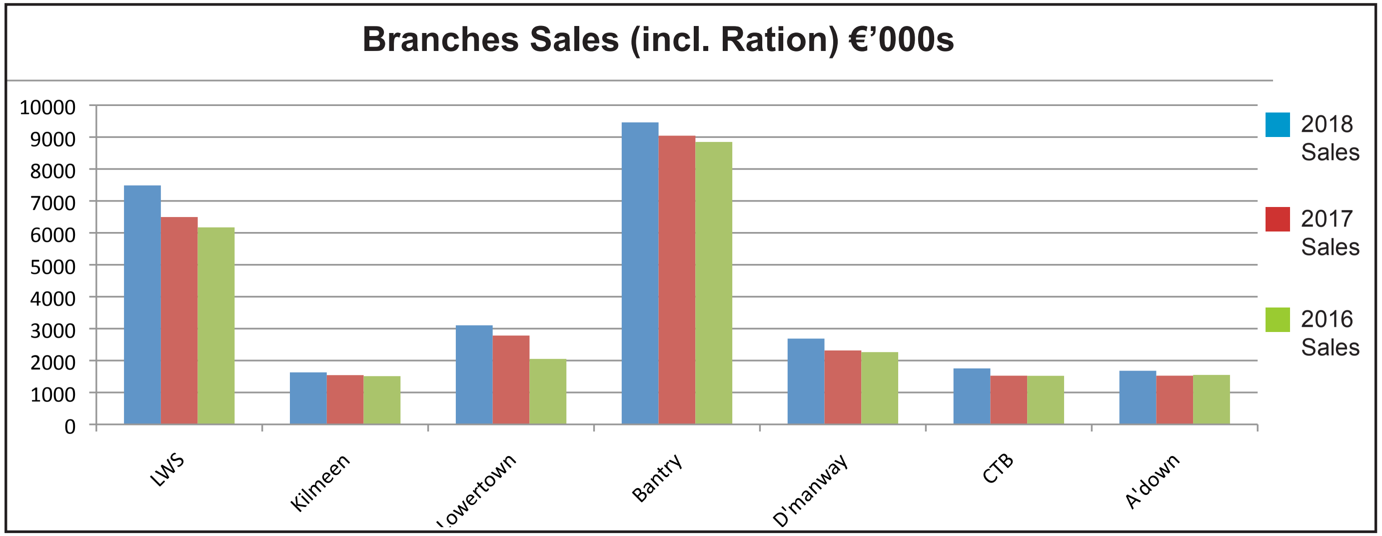
2018 Dept Turnover Split

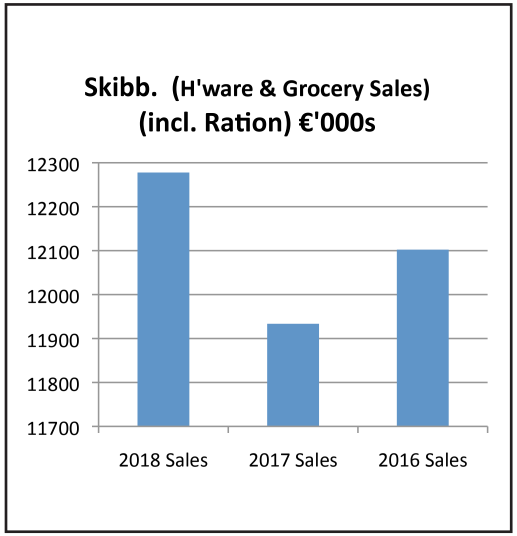


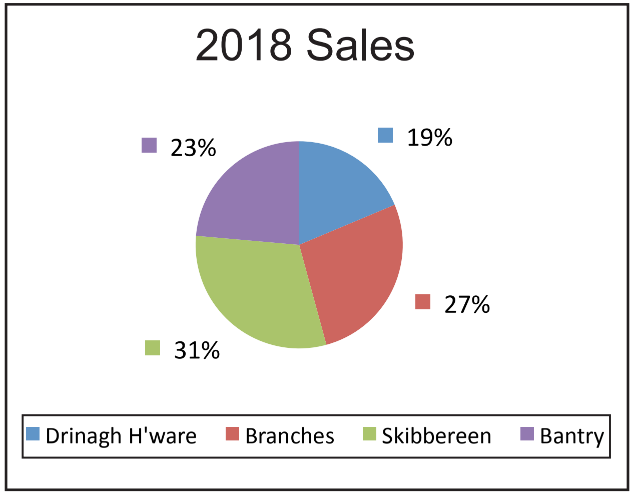
2017 Dept Turnover Split

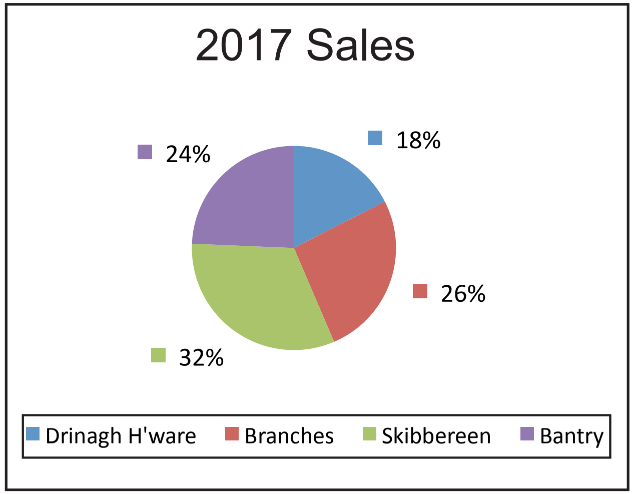


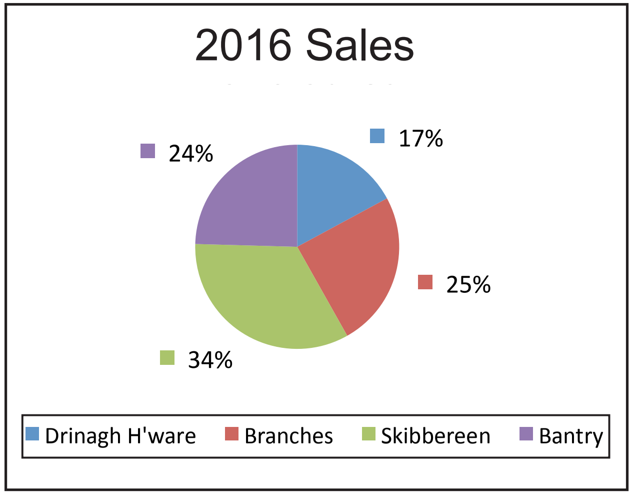
Appendix I contd/.... **Group Turnover - Branch Sales (incl. Ration)**











Appendix II

Operating Costs Analysis

	2018	2017
	€	€
Production Costs		
Packaging	228,204	165,273
Fuel & Oil	88,167	64,833
Electricity	573,040	470,202
Laboratory Expenses	17,291	15,845
Cleaning, Protective Clothing & Pest Control	172,598	157,122
Maintenance, Repairs & Parts	758,464	758,237
	1,837,764	1,631,512
Administrative Overhead		
Rent, Rates & Insurance	529,203	497,759
Advertising, Printing & Stationery	180,162	194,210
Computer Services	199,169	170,127
Postage & Telephone	125,626	106,423
Audit, Legal & Consultancy	294,315	267,753
Committee Expenses	67,497	55,986
Sundries	77,790	78,861
Subscriptions	123,940	119,134
Provision for Bad Debts	-	-
	1,597,702	1,490,253

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

	2018						2017					
	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	2,775,874	9,156,709	118,144	21,850	(101,401)	11,971,176	1,976,156	8,805,087	577,731	38,976	(55,877)	11,342,073

Appendix IV **Investment & Other Income**

	2018						2017					
	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	641,651	37,036	-	-	(46,968)	631,719	628,989	33,309	-	-	-	662,298
Fair Value Adjustment	(6,373,164)	-	-	-	-	(6,373,164)	149,943	-	-	-	-	149,943
Other Income	99,895	-	-	-	-	99,895	108,627	-	-	-	-	108,627
Rental Income	53,573	-	-	-	778,821	832,394	57,825	-	-	-	1,023,363	1,081,188
Other Finance Income	-	2,057	-	-	-	2,057	-	(11,332)	-	-	-	(11,332)
	(5,578,045)	39,093	-	-	731,853	(4,807,099)	945,384	21,977	-	-	1,023,363	1,990,724

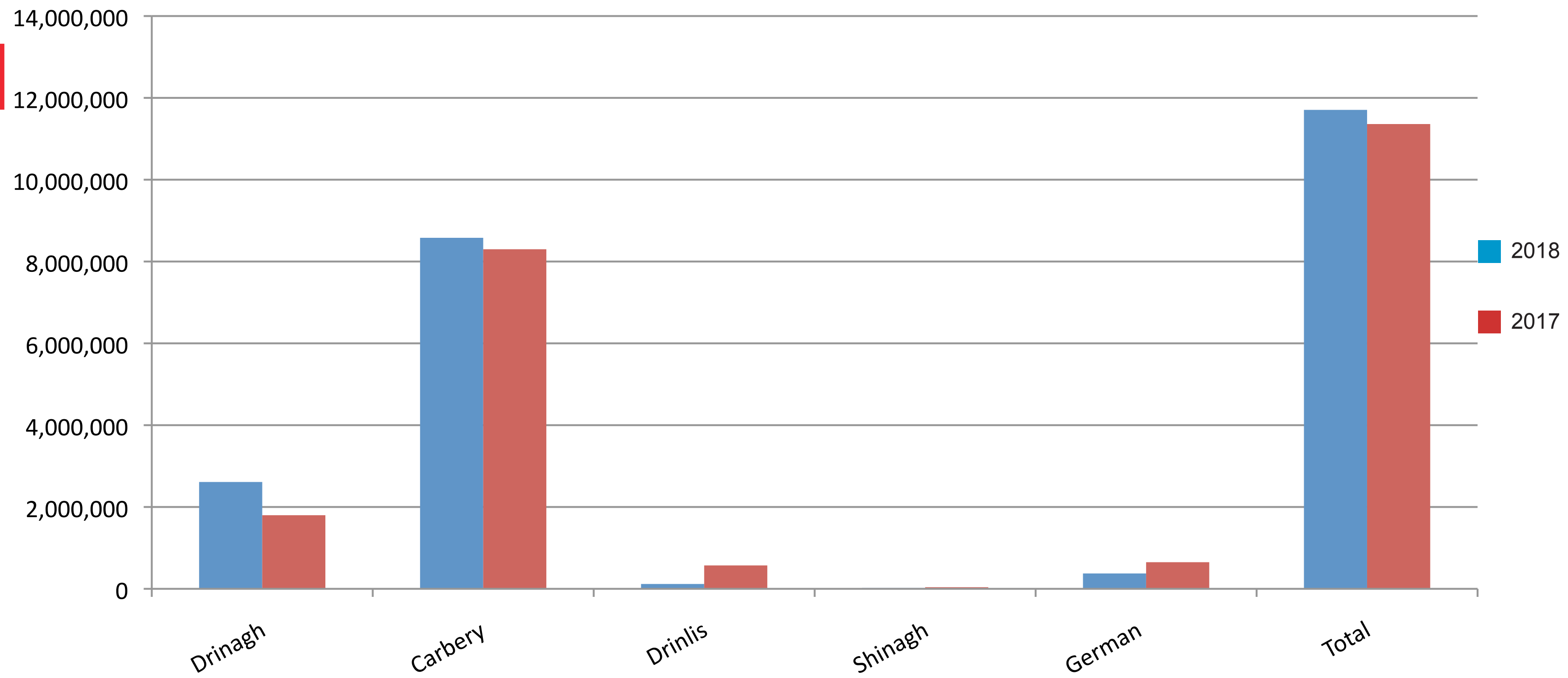
Appendix V

Interest Payable & Similar Charges

	2018					2017				
	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total
	€	€	€	€	€	€	€	€	€	€
Bank Interest & Charges	164,500	577,138	-	301,928	1,043,566	177,340	505,120	5,889	317,055	1,005,404

Appendix VI

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



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

	2018						2017					
	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)	2,775,874	9,156,709	118,144	21,850	(101,401)	11,971,176	1,976,156	8,805,087	577,731	38,976	(55,877)	11,342,073
Investment & Other Income (App IV)	(5,578,045)	39,093	-	-	731,853	(4,807,099)	945,384	21,977	-	-	1,023,363	1,990,724
Interest Payable & Similar Charges (App VI)	(164,500)	(577,138)	-	-	(301,928)	(1,043,566)	(177,340)	(505,120)	(5,889)	-	(317,055)	(1,005,404)
Taxation	1,572,827	(1,885,729)	(17,641)	(9,091)	-	(339,634)	(444,309)	(1,914,374)	(14,033)	512	-	(2,372,204)
Profit after Tax	(1,393,844)	6,732,935	100,503	12,759	328,524	5,780,877	2,299,891	6,407,570	557,809	39,488	650,431	9,955,189
Dividends	(62,465)	(200,610)	-	-	-	(263,075)	(62,413)	(200,880)	-	-	-	(263,293)
Retained Profit for the Year	(1,456,309)	6,532,325	100,503	12,759	328,524	5,517,802	2,237,478	6,206,690	557,809	39,488	650,431	9,691,896
Actuarial Gain/(Loss) in Respect of Pension Scheme	-	(117,965)	-	-	-	(117,965)	-	571,393	-	-	-	571,393
Deferred Tax on Actuarial (Gain)/Loss	-	-	-	-	-	-	-	(84,129)	-	-	-	(84,129)
Bonus on Share Redemption	-	-	-	-	-	-	(75,000)	-	-	-	-	(75,000)
Fair Value Investment Reserve Movement	4,262,145	-	-	-	-	4,262,145	(49,549)	-	-	-	-	(49,549)
Share of Hedge Instrument	-	-	-	-	-	-	-	-	-	-	-	-
Redemption Reserve Movement	-	40,043	-	-	-	40,043	-	38,756	-	-	-	38,756
Issue of Bonus Shares	(67,739)	-	-	-	-	(67,739)	(65,826)	-	-	-	-	(65,826)
Movement in Profit & Loss Account	2,738,097	6,454,403	100,503	12,759	328,524	9,634,286	2,047,103	6,732,710	557,809	39,488	650,431	10,027,541

Appendix VIII **Annual Comparatives**

		2018	2017	2016	2015	2014
<u>Financial</u>						
Turnover	€'000	148,448	134,988	109,726	109,008	113,422
Consolidated Profit for the Year after Tax	€'000	5,781	9,955	7,433	5,531	11,164
Shareholders Funds	€'000	137,803	130,864	124,652	118,235	109,534
<u>Statistical</u>						
Number of Milk Suppliers	No.	555	566	586	591	593
Milk Intake	Litres (Mill.)	197.9	186.5	171.7	165.5	150.1
Average Butterfat	%	4.14	4.07	4.11	4.03	3.95
Average Protein	%	3.5	3.5	3.48	3.48	3.43

NOTES