Drinagh

Annual Report 2019

Drinagh

Drinagh Co-Operative Limited
Society Information

MEMBERS OF BOARD OF DIRECTORS AS AT 31st DECEMBER 2019

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

On behalf of the board I am honoured to report to you on the Society's financial and operational performance in 2019. In summary it represents a very successful year's trading for the Society.

Creamery volume increased by 6.95 million litres (3.5%) on 2018; mill output reached almost 80,000 tonnes, its highest level excluding 2018 (which saw record levels due to poor weather conditions in the Spring and drought conditions in the Summer); sales in the branches network also exceeded prior years apart from 2018 with growth sustained in the non-agri sector. The Pharmacy division saw continued growth with sales up almost 5%. Together, the divisions yielded an increase in operating profit of €0.141 million on 2018.

The Consolidated Income Statement reports investment income of €3.63 million compared with a negative €4.81 million in 2018. This includes €2.45 million derived from a revaluation of our German property resulting from a significant improvement in the rented space and tenant lease terms, with the balance received from rental, investment and other income. In 2018 there was an unrealised loss as a result of the market value movement between 31 December 2017 and 31 December 2018 of €6.37 million in respect of Aryzta, IPL and Mainstream combined – reporting 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 being required under Financial Reporting Standard 102 (FRS102). In 2019 there was a comparable unrealised profit of €0.159 million. The performances of both Drinlis and Shinagh Estates have again contributed positively to profit for the financial year.

Carbery reported a strong performance for 2019 with gross profit increasing by 2.7% on 2018. This can be attributed to continued positive results from its Dairy, Nutrition and Taste businesses. Poorer returns, however, in butter and cheese markets resulted in reduced milk pricing over the course of 2019. Carbery was able to cushion the effect of this in utilising €2.78 million from the stability fund in supporting milk price during 2019.

During the year the €78 million cheese diversification project began in earnest with significant construction work being completed. Achieving such complex fabrication whilst successfully operating the plant during peak production has to be noted and commended. The investment will broaden the range of manufactured products and will open up more diverse markets. This has to be welcomed as the uncertainty with the Brexit phenomenon continues to cause concern.

Milk supply increased by 3.5% to just under 205 million litres for the year. Favourable weather for grass growth during the key milk production months and a solid milk price were the main contributory factors to this increase.

The quality standards required for value added products on the world dairy market are ever-increasing. To help meet these targets the Society increased testing for TBC to every collection during the year. Thermoduric testing was also initiated in an effort to reduce these environmental bacteria which can survive pasteurisation and downgrade some products. Suppliers were also encouraged to use chlorine free detergents to reduce the levels of thrichloromethane (TCM) in the final product.

The Society was well represented at local and national milk quality awards during the year. William and Dan Joe O'Donovan, Minanes, Drinagh were the Drinagh winners of the Carbery Milk Quality awards. John and Rita Young, Curraghlickey, Drinagh were the winners of the Carbery Sustainability award. Brendan and Pauline O'Driscoll, Shreelane, Leap won the Development award at the NDC and Kerrygold Quality Milk awards.

Both the trading and pharmacy divisions delivered strong performances during 2019 with a continuous emphasis on customer service and improved efficiency.

The Society's provender mill continues to operate to a very high standard in throughput and quality terms. Following an intense Tesco audit it was awarded a green BRAG score which is the top score available for such an operation. To further streamline the operation and improve efficiency a new four tonne mixer was installed in the period. This represents the final phase of the current modernisation plan. Completion was achieved within the scheduled time frame. Our customers' co-operation during the installation is greatly appreciated. To reward our customers' loyalty the board has again approved generous feed bonuses for purchases during the year.

Drinagh Co-Operative Limited
Chairman's Report to Members

Since early March of 2020 our lives have been utterly changed by the pandemic known as Covid-19. As Chairman I would like to take this opportunity to thank all staff, customers and shareholders who helped the Society to adapt appropriately so that we can continue to serve the community. The health of our staff and other stakeholders in this crisis is paramount and I urge everybody to abide by the HSE guidelines in operation at any one time.

I wish to thank all those who contributed to another successful year. To the management and staff for their hard work and dedication. To the loyal customers, milk suppliers and shareholders throughout the area for their continued custom and support. To the board members for their advice and dedication to the Society during the year. A special word of thanks from the board to Mr. Ian Kingston, whose board term ends shortly, for his contribution. We welcome his replacement Mr. John Hurley and look forward to working with him.

While 2019 was a successful year, the early months of 2020 have quickly taught us that the future is always uncertain. However, Drinagh Co-op is a deep rooted community business with significant resources and is well placed to continue to serve our customers, milk suppliers and shareholders alike.

TJ Sullivan
Chairman

TJ Sullivan

Drinagh Co-Operative Limited
Directors Responsibilities Statement
For the Year Ended 31 December 2019

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 24 April 2020

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 2019 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 2019 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.

Respective responsibilities

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.

Derry Crowley
For and on behalf of Crowley & McCarthy
Chartered Accountants
Building G
West Cork Technology Park
Clonakilty
Co Cork

24 April 2020

Drinagh

Drinagh Co-Operative Limited
Consolidated Income Statement For the Year Ended 31 December 2019

	Notes	2019 €	2018 €
Turnover	5	142,757,824	148,447,650
Cost of sales		(121,916,131)	(126,998,575)
Gross profit		20,841,693	21,449,075
Production costs		(1,542,337)	(1,837,764)
Trade bonus	6	(2,074,654)	(2,446,646)
Wages and salaries	7	(9,223,687)	(9,151,653)
Other operating costs	8	(5,319,795)	(5,338,539)
Operating profit	9	2,681,220	2,674,473
Share of operating results of associate and joint venture		8,531,410	9,296,703
Investment income & diminution in value	10	3,633,884	(4,807,099)
Interest payable and similar expenses	11	(1,066,700)	(1,043,566)
Profit on ordinary activities before tax		13,779,814	6,120,511
Tax on profit on ordinary activities	12	(3,059,352)	(339,634)
Profit for the financial year		10,720,462	5,780,877

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 24 April 2020

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Drinagh

Drinagh Co-Operative Limited
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2019

	2019 €	2018 €
Consolidated profit for the financial year	10,720,462	5,780,877
Other comprehensive income		
Share of remeasurement loss recognised on defined benefit schemes of associate	(124,657)	(117,965)
Redemption reserve movement of associate	29,889	40,043
Share of gain/(loss) of hedge instrument of associate	265,068	(25,719)
Share of currency translation differences on net assets of foreign investments of associate	1,009,930	1,583,272
Total comprehensive income for the financial year	11,900,692	7,260,508

Drinagh Co-Operative Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

	Share Capital	Profit and Loss Account	Other Reserves (Note 24)	Total
	€	€	€	€
Balance at 1 January 2018	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)	-
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
Profit for the year	-	10,720,462	-	10,720,462
Other comprehensive income	-	(94,768)	1,274,998	1,180,230
Total comprehensive income for the year	-	10,625,694	1,274,998	11,900,692
Transfer to fair value investment reserve	-	389,177	(389,177)	-
Issue of bonus shares	74,338	(74,338)	-	-
Dividends & share interest paid (note 13)	-	(244,211)	-	(244,211)
Bonus on share redemption	-	-	(27,992)	(27,992)
Shares subscribed for in the year	9,000	-	-	9,000
Shares cancelled during the year	(96,045)	-	-	(96,045)
Balance at 31 December 2019	6,281,214	111,506,546	31,556,563	149,344,323

Drinagh Co-Operative Limited
Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	2019 €	2019 €	2018 €	2018 €
Fixed assets					
Intangible assets	14		3,923,572		4,366,797
Tangible assets	15		28,543,086		25,557,686
Financial assets	16		99,296,993		91,979,153
			131,763,651		121,903,636
Current assets					
Stocks	17	8,958,080		10,046,626	
Debtors	18	27,738,288		23,730,311	
Cash at bank and in hand		3,021,029		5,306,217	
		39,717,397		39,083,154	
Creditors: amounts falling due within one year	19	(19,542,396)		(21,121,357)	
Net current assets			20,175,001		17,961,797
Total assets less current liabilities			151,938,652		139,865,433
Creditors: amounts falling due after more than one year	20		(663,636)		(804,688)
Provisions for liabilities	21		(1,930,693)		(1,257,866)
Net assets			149,344,323		137,802,879
Capital and reserves					
Called up share capital	22		6,281,214		6,293,921
Other reserves	24		31,556,563		30,698,734
Profit and loss reserves			111,506,546		100,810,224
Total equity			149,344,323		137,802,879

Signed on behalf of the Board of Directors on 24 April 2020

TJ Sullivan
Chairman

Jerome O'Mahony
Vice Chairman

Drinagh

Drinagh Co-Operative Limited
Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	Notes	2019 €	2019 €	2018 €	2018 €
Cash flows from operating activities	**25**		518,788		4,370,221
Cash flows from investing activities					
Purchase of tangible fixed assets		(2,596,386)		(2,396,016)	
Purchase of investments		(1,341,012)		(663,885)	
Proceeds of sale of investments		1,298,401		333,350	
Proceeds of sale of fixed assets		142,800		84,954	
Investment income		380,363		379,220	
Taxation paid	**26**	(134,350)		(108,310)	
Rental and other income		553,497		932,291	
Net cash flows from investing activities			(1,696,687)		(1,438,396)
Cash flows from financing activities					
Redemption of ordinary shares		(124,037)		(67,072)	
Issue of ordinary shares		9,000		8,100	
New lease finance		620,035		367,324	
Repayment of borrowings		(1,086,797)		(984,368)	
Interest paid		(494,098)		(466,428)	
Equity dividend paid		(62,362)		(62,465)	
Net cash flows from financing activities			(1,138,259)		(1,204,909)
Net (decrease)/increase in cash and cash equivalents			(2,316,158)		1,726,916
Cash and cash equivalents at beginning of year			5,306,217		3,579,301
Cash and cash equivalants at end of year	**27**		2,990,059		5,306,217

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 34 constitute the Consolidated Financial Statements of Drinagh Co-operative Ltd for the financial year ended 31 December 2019.

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

Accounting convention
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 2019 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 2019, if necessary, changes to the comparative 2018 figures would be made in order to maintain consistency with the nature of the figures being reported for 2019.

FRS 102 exemptions
This Society is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Society, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Society has therefore taken advantage of exemptions from the following disclosure requirements for parent Society information presented within the consolidated statements:

- Section 7 ‘Statement of Cash Flows’ – Presentation of a statement of cash flow and related notes and disclosures;

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. 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.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method.

In the parent Society consolidated financial statements, investments in associates are accounted for at cost less impairment.

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 fixed 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 Principal accounting policies **(Continued)**

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.

3.7 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.

Basic financial assets

Basic financial assets, which include trade and other receivables, and cash and bank balances, are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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.

3 Principal accounting policies (Continued)

Unlisted investments
The Society holds investments in unlisted equity shares of a number of entities. 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.

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.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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.

3 Principal accounting policies **(Continued)**

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 taxation 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 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 Principal accounting policies **(Continued)**

3.11 Retirement benefits

The Society participates in the Irish Co-operative Societies Pension Scheme and the Dairy Executives Pension Fund, both of which are multi-employer defined benefit schemes providing benefits based on final pensionable salary, and operates a 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. Where it is not possible to identify the Society's share of the underlying assets and liabilities of this industry wide defined benefit scheme and as permitted by FRS 102, the scheme is accounted for as a defined contribution scheme.

Retirement benefit contributions in respect of defined contribution schemes for employees are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets are held separately from those of the company in an independently administered fund. Differences between the amounts charged in the profit and loss account and payments made to the retirement benefit scheme are treated as assets or liabilities.

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.

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 Principal accounting policies **(Continued)**

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:

	2019	2018	2019	2018
	€1 to STG£	€1 to STG£	€1 to US$	€1 to US$
Average	0. 87777	0. 88471	1. 1195	1. 1810
Year end	0. 85080	0. 89453	1. 1234	1. 1450

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

	2019 €	2018 €
Turnover analysed by class of business		
Creamery	75,002,978	76,037,973
Mill	22,922,725	27,255,206
Stores	44,816,060	45,139,346
Other	16,061	15,125
	142,757,824	148,447,650

6 Trade bonus

	2019 €	2018 €
Milk bonus	981,246	970,550
Mill bonus	850,429	1,203,219
Stores bonus	242,979	272,877
	2,074,654	2,446,646

The milk bonus represents the following: 0.50 cent per litre of milk supplied in the calendar year 2019 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. (2018: 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.)

The mill bonus represents €15.00 per tonne on compounded ruminant feed for 2019 (2018: €15.00), €10.00 per tonne on mixes (2018: €10.00), €5.00 per tonne on pig feed (2018: €5.00), and €2.50 per tonne on feed straights (2018: €2.50), (also in 2018: 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 2019 (2018: €10.00).

7 Employees

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

	2019 Number	2018 Number
Production/Operations	183	185
Sales	2	2
Administration	23	23
	208	210

The aggregate payroll costs of these employees were as follows:

	2019 €	2018 €
Wages and salaries	7,894,192	7,811,064
Social welfare costs	798,439	823,398
Pension and related costs	531,056	517,191
	9,223,687	9,151,653

8 Other operating costs\(profits)

	2019 €	2018 €
Distribution & selling costs	1,423,792	1,703,642
Administrative overhead	1,536,749	1,597,702
Depreciation	2,035,329	1,678,727
Amortisation of goodwill	443,225	443,225
Profit on sale of tangible fixed assets	(119,300)	(84,757)
	5,319,795	5,338,539

The profit on sale of tangible fixed assets is derived from the trade-in or disposal of vehicles and other equipment (2018: the trade-in or disposal of vehicles and the sale of the Goleen branch).

9 Operating profit

Operating profit is stated after charging/(crediting)	2019 €	2018 €
Depreciation of owned assets (note 15)	1,271,204	1,014,521
Depreciation of assets held under finance leases (note 15)	764,125	664,206
Amortisation and impairment of intangibles (note 14)	443,225	443,225

10 Investment and other income

	2019 €	2018 €
Profit on sale of listed securities	26,212	238,565
Fair value adjustment of investments	158,891	(6,373,164)
Investment income	380,412	376,438
Increase/Impairment in book value of foreign investment property	2,447,843	(46,968)
(Loss)/Profit on disposal of unlisted investments	(10,025)	26,647
Rental and other income	553,497	932,291
	3,556,830	(4,846,191)
Share of associate		
Investment income	70,205	37,035
Other finance expense	6,849	2,057
	77,054	39,092
	3,633,884	(4,807,099)

11 Interest payable and similar charges

	2019 €	2018 €
Interest payable - Society & subsidaries	494,098	466,428
Share of associates and joint venture		
Interest payable	572,602	577,138
	1,066,700	1,043,566

12 Taxation

	2019 €	2018 €
Domestic current year tax		
Corporation tax on profits for the year	455,503	537,364
Adjustments in respect of prior years	(3,122)	(3,905)
Total current tax	452,381	533,459
Deferred tax on fair value of investments	672,827	(2,106,286)
Domestic tax on profits on ordinary activities	1,125,208	(1,572,827)
Share of tax of associate companies	1,917,701	1,894,820
Share of tax of joint venture	16,443	17,641
Amount charged to the profit and loss account	3,059,352	339,634

12 Taxation (Continued)

Factors affecting the tax charge for the year:	2019 €	2018 €
Profit on ordinary activities before taxation	13,779,814	6,120,511
Less share of profit in associates and joint ventures	(8,035,864)	(8,758,658)
Profit on ordinary activities before taxation (excluding profits from associates and joint venture)	5,743,950	(2,638,147)
Standard tax rate	12. 50%	12. 50%
Expected tax	717,994	(329,768)
Actual tax charge	1,125,208	(1,572,827)
Difference	407,214	(1,243,059)
Effects of:		
Tax rate difference on revalued assets	364,824	(1,253,865)
Other tax adjustments	18,184	(42,585)
Prior year adjustment	(3,122)	(3,905)
Depreciation in excess of capital allowances	88,955	74,979
Tax rate difference on passive income	13,260	10,588
Franked investment income not taxed	(16,250)	(16,250)
Disallowable expenses	(58,637)	(12,021)
	407,214	(1,243,059)

13 Dividends and share interest paid

	2019 €	2018 €
Dividend of one cent per share on shares issued as at 31 December 2018 (2018: one cent per share on shares issued as at 31 December 2017).	62,362	62,465
Share of associate 6.5% annual coupon on 'B' ordinary shares	181,849	200,610
	244,211	263,075

14 Intangible assets

	Goodwill
	€
Cost	
At 1 January 2019	5,907,445
Amortisation	
At 1 January 2019	1,540,648
Amortisation charged for the year	443,225
At 31 December 2019	1,983,873
Carrying amount	
At 31 December 2019	3,923,572
At 31 December 2018	4,366,797

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 12.3 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 6.7 years.

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

15 Tangible fixed assets

	Freehold land and buildings	Investment property	Plant and equipment	Transport vehicles	Total
	€	€	€	€	€
Cost					
At 1 January 2019	14,368,638	11,700,000	18,270,172	4,709,104	49,047,914
Additions	221,110	-	1,066,607	1,308,669	2,596,386
Disposals	-	-	-	(450,000)	(450,000)
Revaluation of assets	-	2,447,843	-	-	2,447,843
At 31 December 2019	14,589,748	14,147,843	19,336,779	5,567,773	53,642,143
Depreciation and impairment					
At 1 January 2019	6,977,092	-	12,936,719	3,576,417	23,490,228
Profit and loss charge	226,035	-	1,109,120	700,174	2,035,329
Disposals	-	-	-	(426,500)	(426,500)
At 31 December 2019	7,203,127	-	14,045,839	3,850,091	25,099,057
Carrying amount					
At 31 December 2019	7,386,621	14,147,843	5,290,940	1,717,682	28,543,086
At 31 December 2018	7,391,546	11,700,000	5,333,453	1,132,687	25,557,686

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

	Leased Assets
Cost	€
At 1 January 2019	3,693,788
Additions	716,988
Disposals	(331,000)
At 31 December 2019	4,079,776
Accumulated depreciation	
At 1 January 2019	2,644,922
Profit and loss charge	764,125
Disposals	(307,500)
At 31 December 2019	3,101,547
Carrying amount	
At 31 December 2019	978,229
At 31 December 2018	1,048,866

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 based on an actual market value assessment of the property. Included in plant and equipment is €1,352,157 (2018: €931,753) in respect of the investment property. 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	2019 €	2018 €
Investment in associated undertaking	**(a)**		
At cost		2,085,073	2,085,073
Group share of post acquisition net assets		81,780,001	74,756,648
Loan to associated undertakings		6,908,647	6,908,647
		90,773,721	83,750,368
Investment in joint venture undertaking	**(b)**		
At cost		50	50
Group share of post acquisition net assets		(53,523)	(130,269)
Loan to joint venture		748,285	748,285
		694,812	618,066
Listed securities	**(c)**	6,609,232	5,546,098
Unlisted investments	**(c)**	1,219,228	2,064,621
		99,296,993	91,979,153

16 Financial assets **(Continued)**

(a) Investment in associated undertaking
The investment in the associated undertaking comprises a 34.25% (2018: 34.29%) interest in Carbery Creameries Limited, which is engaged in the development, management and supply of cheeses, alcohol and select food ingredients plus 40% (2018: 40%) in Shinagh Estates Limited, which is a holding investment company. During 2019 under Carbery's Milk Supply Share Scheme, the 'B' Ordinary Shares increased by 115,068, 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 (2018: €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% (2018: 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 2019	5,546,098	2,064,621
Additions and disposals	904,243	(845,393)
Re-categorise investments	-	-
Revaluations	158,891	-
At 31 December 2019	6,609,232	1,219,228
Provision for diminution in value		
At 1 January 2019	-	-
Increase in provision for year	-	-
At 31 December 2019	-	-
Carrying value		
At 31 December 2019	6,609,232	1,219,228
At 31 December 2018	5,546,098	2,064,621

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. 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	Dormant	100%	Drinagh, Co. Cork

17 Stocks

	2019 €	**2018 €**
Finished goods	8,299,754	9,249,134
Raw materials	434,044	590,263
Expense stocks	224,282	207,229
	8,958,080	10,046,626

Stocks considered obsolete are written down to net realisable value.

In the opinion of the directors, there are no material differences between the replacement cost of stock and the carrying amounts.

The cost of stock recognised as an expense in cost of sales in the year amounted to €121,916,131 (2018: €126,998,575)

18 Debtors

	2019 €	**2018 €**
Trade debtors	8,809,768	10,745,987
Withholding tax	246,223	234,647
Carbery Creameries Limited	17,403,116	11,358,612
Prepayments and accrued income	1,279,181	1,391,065
	27,738,288	23,730,311

18 Debtors **(Continued)**

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

	2019 €	2018 €
Bank overdraft	30,970	-
Bank loans (note 20)	6,890,000	7,290,000
Lease liability (note 20)	643,564	569,274
Trade creditors & accruals	11,569,697	12,528,619
Corporation tax payable	155,505	489,557
Other taxation and social security	252,660	243,907
	19,542,396	21,121,357
PAYE/PRSI	252,660	243,907

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 €5.3M (2018: €4.9M) 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

	2019 €	2018 €
Bank loan	6,890,000	7,290,000
less amount falling due within one year (note 19)	(6,890,000)	(7,290,000)
	-	-

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.

	2019 €	2018 €
Lease Liability	1,307,200	1,373,962
less amount falling due within one year (note 19)	(643,564)	(569,274)
	663,636	804,688
Repayable as follows:		
Between two and five years	663,636	804,688
After five years	-	-
	663,636	804,688
Total amounts falling due after more than one year	663,636	804,688

The effective rate of interest on the leases was 2.13% (2018: 2.29%). 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

	2019	2018
	€	€
Deferred Taxation		
At 1 January	1,257,866	3,368,885
Charged to Income Statement	672,827	(2,106,286)
Utilised in the financial year	-	(4,733)
At 31 December	1,930,693	1,257,866

22 Called up share capital

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

	2019	2018
	€	€
At 1 January	6,293,921	6,266,154
Bonus shares issued (see below)	74,338	67,739
Subscribed for during the year	9,000	8,100
Shares cancelled during the year	(96,045)	(48,072)
At 31 December	6,281,214	6,293,921

The ordinary shares have no right to fixed income.

During the year the Society issued the following bonus shares

	2019	2018
	€	€
Based on trading with the Society for 2018 (2018: for 2017):	74,338	67,739

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.

In the most recent annual funding update, the Actuary's statement dated 26th March 2020 confirms that the Actuary is reasonably satisfied that the Scheme continues to meet the Funding Standard and the Funding Standard reserve at 30th June 2019. Experience since the effective date of this Statement has been adverse, with investment markets declining heavily due to concerns over the Coronavirus and growing fears of a global recession. These and other relevant factors will be considered formally in the next triennial actuarial valuation.

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 2019. The Actuarial Valuation report is available for inspection by Scheme members but is not available to the public.

The Actuarial Valuation report effective 31st March 2019 confirms that the scheme met the Funding Standard and the Actuary has completed an Actuarial Funding Certificate confirming this outcome. In addition, the Actuarial Valuation report effective 31st March 2019 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 February 28th 2015 the Society ceased contributing 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 €395,328 (2018: €379,100).

24 Other reserves

	Capital reserves	Redemption reserve	Fair value investment reserve	Total
	€	€	€	€
At 1 January 2019	28,001,720	27,992	2,669,022	30,698,734
Currency translation gain on net assets of associate	1,274,998	-	-	1,274,998
Bonus on share redemption	-	(27,992)	-	(27,992)
Transfer from /(to) Profit & Loss Account	-	-	(389,177)	(389,177)
At 31 December 2019	29,276,718	-	2,279,845	31,556,563

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

	2019	2018
	€	€
Consolidated profit for the financial year	10,720,462	5,780,877
Adjustments for:		
Taxation charge in the Consolidated Income Statement	3,059,352	339,634
Interest payable & similar charges	1,066,700	1,043,566
Investment & other income	(3,633,884)	4,807,099
Share of operating results of associates and joint venture	(8,531,410)	(9,296,703)
Profit on sale of tangible fixed assets	(119,300)	(84,757)
Depreciation of tangible fixed assets	2,035,329	1,678,727
Amortisation of goodwill	443,225	443,225
Tax paid on operating activities (note 26)	(652,083)	(68,132)
Decrease/(increase) in stocks	1,088,546	(623,032)
(Increase)/decrease in debtors	(4,007,977)	335,647
(Decrease)/increase in creditors	(950,172)	14,070
Net cash inflow from operating activities	518,788	4,370,221

26 Tax paid

	2019 €	2018 €
Tax paid on operating activities	652,083	68,132
Tax paid on investing activities	134,350	108,310
	786,433	176,442

27 Components of cash and cash equivalents

	2019 €	2018 €
Cash at bank and in hand	3,021,029	5,306,217
Bank overdrafts	(30,970)	-
	2,990,059	5,306,217

28 Capital commitments

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

	2019 €	2018 €
Contracted for:	998,000	1,505,600

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 €2,232,693 (2018: €2,276,397) and €671,757 (2018: €977,483) respectively. At 31 December trading balances amounted to €190,615 (2018: €215,443).

Total sales to Carbery Creameries Limited for the year were €74,746,993 (2018: €75,595,469).

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 2019 there were 12 monthly meetings, 1 special meetings, 4 audit committee meetings and 2 investment 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	13	2,825	
Raymond Collins	17	3,477	Investment Committee
William Collins	20	4,045	Audit Committee
Mary Hayes	15	3,629	
Ian Kingston	12	2,590	
Michéal Leahy	18	4,234	
Donal McCarthy	17	3,832	Investment Committee
Donie O'Donovan	15	3,130	Audit Committee
Michael John O'Donovan	18	3,963	Remuneration Committee
Jerome O'Mahony	17	3,572	Audit Committee & Remuneration Committee
John O'Mahony	13	2,937	
TJ Sullivan	23	7,540	Investment Committee & Remuneration Committee
Derry Scannell	13	2,881	
		48,655	

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 2019 amounted to €858,220 (2018: €859,401).

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:

	2019 €	2018 €
Financial assets at fair value through the Consolidated Income Statement		
Listed fixed asset investments	6,609,232	5,546,098
Unlisted fixed asset investments	949,995	1,949,993
Financial assets that are equity instruments measured at cost less impairment		
Unlisted fixed asset investments	269,233	114,628
Financial assets that are debt instruments measured at amortised cost		
Trade debtors (including Carbery balance)	26,212,884	22,104,599
Other debtors	246,223	234,647
Financial liabilities measured at amortised cost		
Bank and other loans	6,920,970	7,290,000
Trade creditors	11,569,697	12,528,619
Obligations under finance leases	1,307,200	1,373,963

31 Events after the reporting date

The directors note that the Covid-19 outbreak will impact the world economy and potentially the operations of the group. At this time it is not possible to determine the eventual impact of the Covid-19 outbreak but the Society will endeavour to mange the constraints and customer disruptions to the best of its ability and take all necessary steps to protect the health and well being of the workforce.

32 Contingent liabilities

There are no contingent liabilities as at 31st December 2019.

33 Analysis of changes in net debt

	1 January 2019 €	Cash flows €	31 December 2019 €
Cash at bank and in hand	5,306,217	(2,285,188)	3,021,029
Bank overdrafts	-	(30,970)	(30,970)
	5,306,217	(2,316,158)	2,990,059
Borrowings excluding overdrafts	(7,290,000)	400,000	(6,890,000)
Obligations under finance leases	(1,373,962)	66,762	(1,307,200)
	(3,357,745)	(1,849,396)	(5,207,141)

34 Approval of financial statements

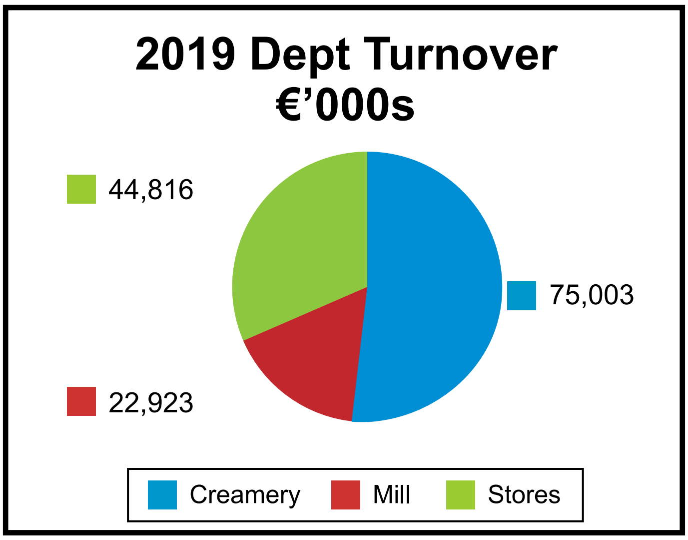
The directors approved the financial statements on the 24 April 2020.

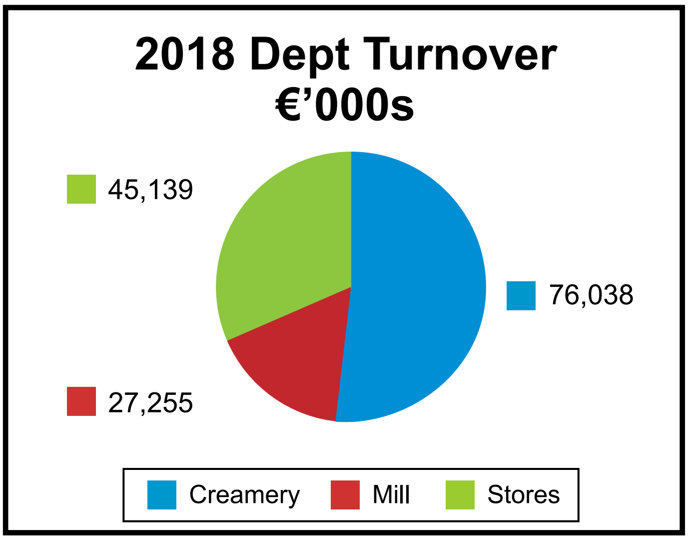
APPENDICES

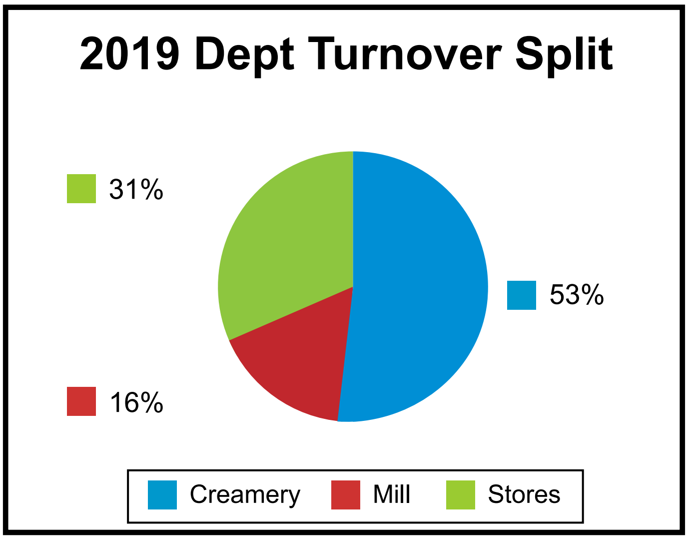
Appendix I

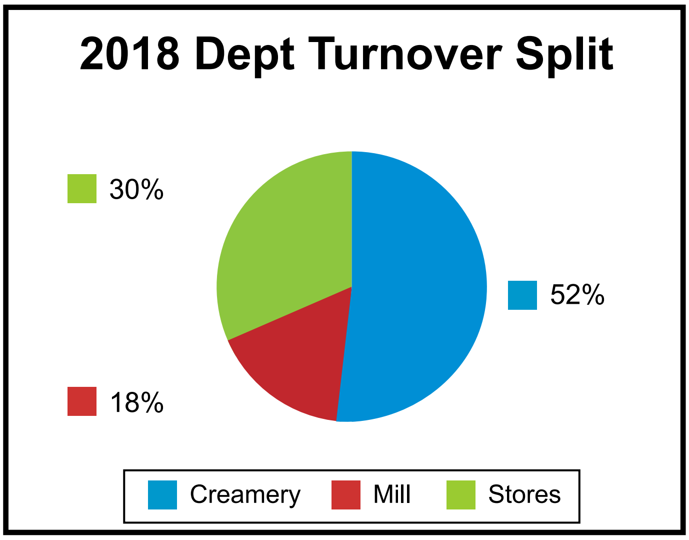
Group Turnover

	2019	2018
	€	€
Creamery	75,002,978	76,037,973
Mill	22,922,725	27,255,206
Stores	44,816,060	45,139,346
Other Turnover	16,061	15,125
	142,757,824	148,447,650

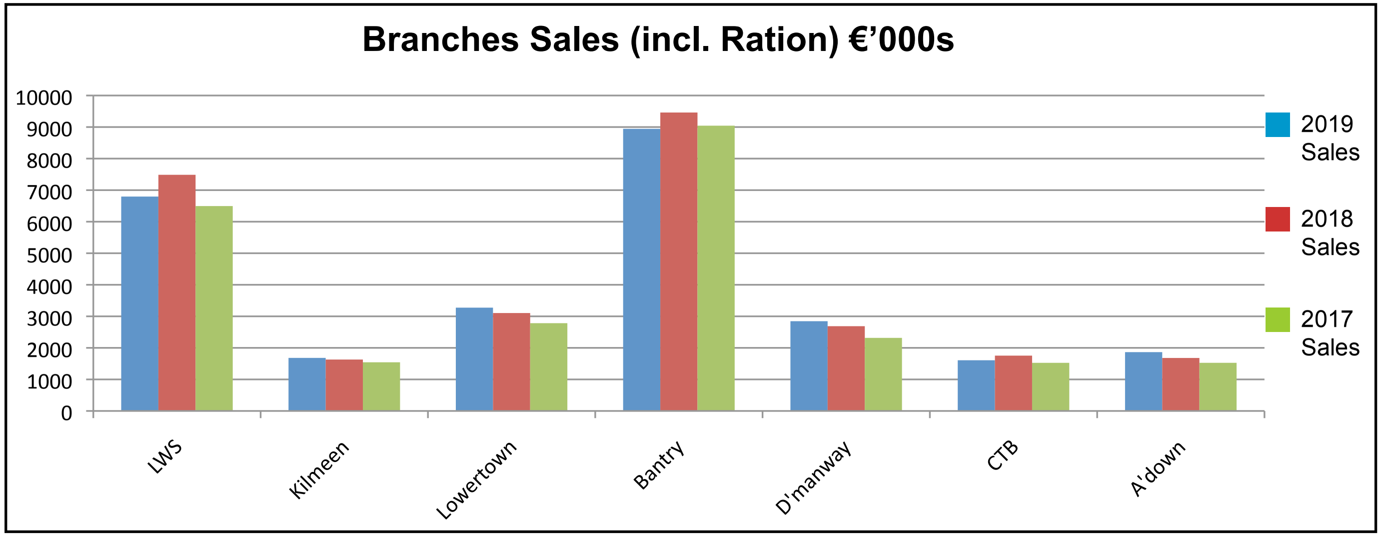


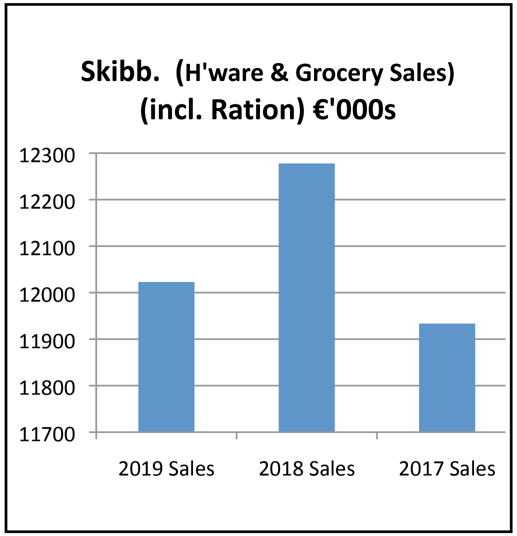


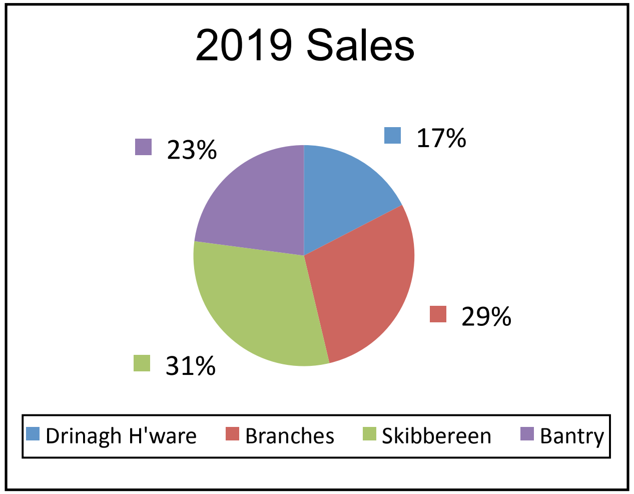


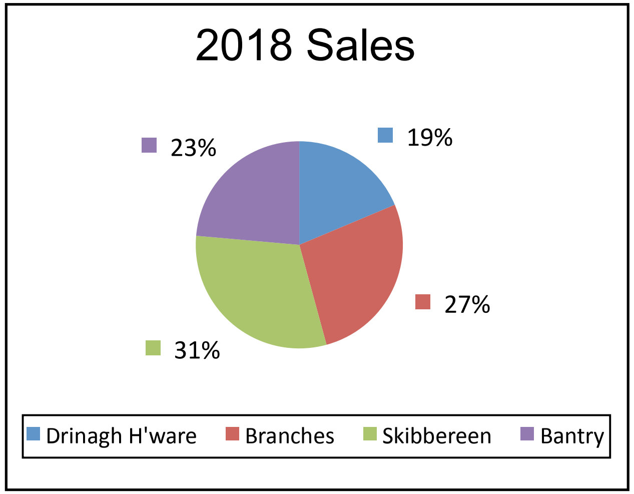


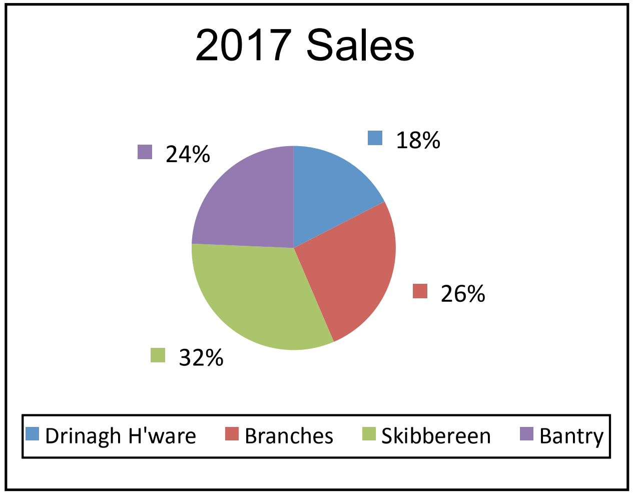
Appendix I contd/.... **Group Turnover - Branch Sales (incl. Ration)**











Appendix II

Operating Costs Analysis

	2019	2018
	€	€
Production Costs		
Packaging	142,675	228,204
Fuel & Oil	74,801	88,167
Electricity	497,083	573,040
Laboratory Expenses	12,821	17,291
Cleaning, Protective Clothing & Pest Control	168,298	172,598
Maintenance, Repairs & Parts	646,659	758,464
	1,542,337	1,837,764
Administrative Overhead		
Rent, Rates & Insurance	514,982	529,203
Advertising, Printing & Stationery	187,795	180,162
Computer Services	224,495	199,169
Postage & Telephone	111,379	125,626
Audit, Legal & Consultancy	253,126	294,315
Committee Expenses	61,223	67,497
Sundries	60,685	77,790
Subscriptions	123,064	123,940
Provision for Bad Debts	-	-
	1,536,749	1,597,702

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

	2019						2018					
	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	2,916,899	8,367,793	93,189	70,428	(235,679)	11,212,630	2,775,874	9,156,709	118,144	21,850	(101,401)	11,971,176

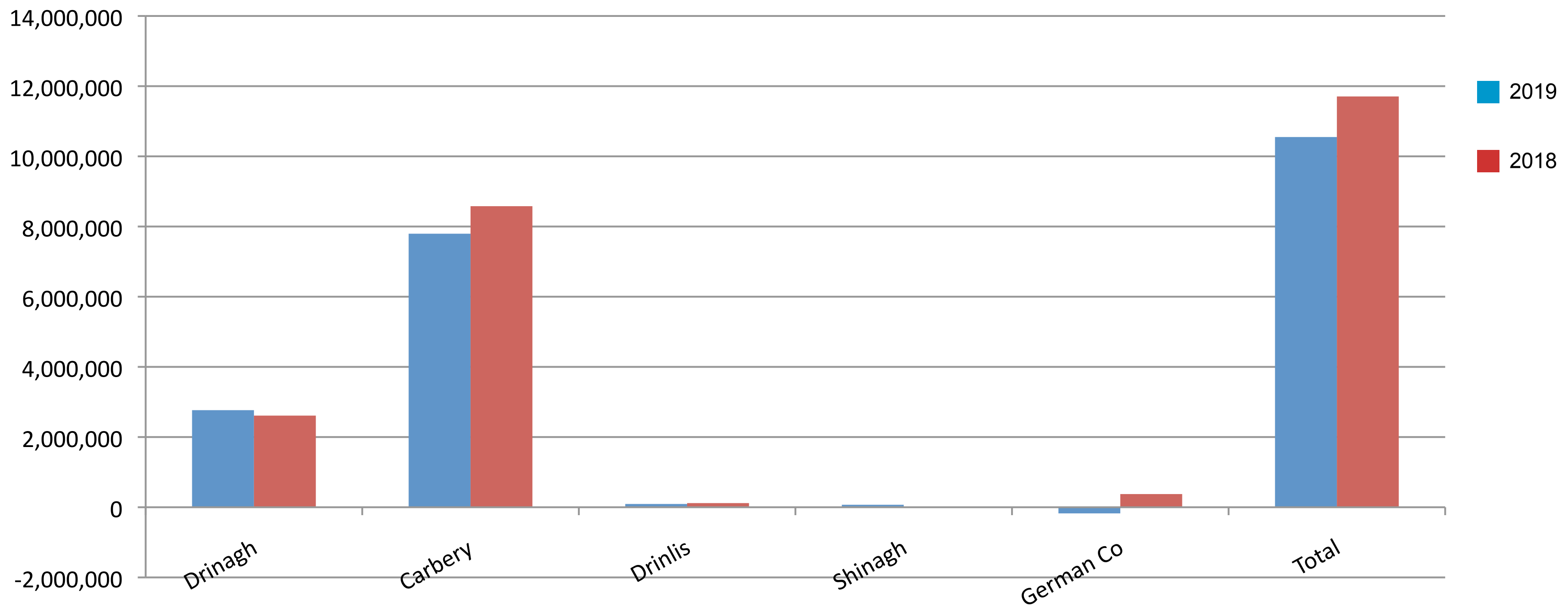
Appendix IV **Investment & Other Income**

	2019						2018					
	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	396,599	70,205	-	-	2,447,843	2,914,647	641,651	37,036	-	-	(46,968)	631,719
Fair Value Adjustment	158,891	-	-	-	-	158,891	(6,373,164)	-	-	-	-	(6,373,164)
Other Income	90,479	-	-	-	-	90,479	99,895	-	-	-	-	99,895
Rental Income	58,527	-	-	-	404,491	463,018	53,573	-	-	-	778,821	832,394
Other Finance Income	-	6,849	-	-	-	6,849	-	2,057	-	-	-	2,057
	704,496	77,054	-	-	2,852,334	3,633,884	(5,578,045)	39,093	-	-	731,853	(4,807,099)

Appendix V — Interest Payable & Similar Charges

	2019					2018				
	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total
	€	€	€	€	€	€	€	€	€	€
Bank Interest & Charges	150,388	572,602	-	343,710	1,066,700	164,500	577,138	-	301,928	1,043,566

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



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

	2019						2018					
	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)	2,916,899	8,367,793	93,189	70,428	(235,679)	11,212,630	2,775,874	9,156,709	118,144	21,850	(101,401)	11,971,176
Investment & Other Income (App IV)	704,496	77,054	-	-	2,852,334	3,633,884	(5,578,045)	39,093	-	-	731,853	(4,807,099)
Interest Payable & Similar Charges (App VI)	(150,388)	(572,602)	-	-	(343,710)	(1,066,700)	(164,500)	(577,138)	-	-	(301,928)	(1,043,566)
Taxation	(1,125,208)	(1,908,215)	(16,443)	(9,486)	-	(3,059,352)	1,572,827	(1,885,729)	(17,641)	(9,091)	-	(339,634)
Profit for the financial year	2,345,799	5,964,030	76,746	60,942	2,272,945	10,720,462	(1,393,844)	6,732,935	100,503	12,759	328,524	5,780,877
Dividends	(62,362)	(181,849)	-	-	-	(244,211)	(62,465)	(200,610)	-	-	-	(263,075)
Retained Profit for the Year	2,283,437	5,782,181	76,746	60,942	2,272,945	10,476,251	(1,456,309)	6,532,325	100,503	12,759	328,524	5,517,802
Remeasurement Gain/ (Loss) in Respect of Defined Benefit Pension Scheme	-	(124,657)	-	-	-	(124,657)	-	(117,965)	-	-	-	(117,965)
Fair Value Investment Reserve Movement	389,177	-	-	-	-	389,177	4,262,145	-	-	-	-	4,262,145
Redemption Reserve Movement	-	29,889	-	-	-	29,889	-	40,043	-	-	-	40,043
Issue of Bonus Shares	(74,338)	-	-	-	-	(74,338)	(67,739)	-	-	-	-	(67,739)
Movement in Profit & Loss Account	2,598,276	5,687,413	76,746	60,942	2,272,945	10,696,322	2,738,097	6,454,403	100,503	12,759	328,524	9,634,286

Appendix VIII **Annual Comparatives**

		2019	2018	2017	2016	2015
Financial						
Turnover	€'000	142,758	148,448	134,988	109,726	109,008
Consolidated Profit for the Year after Tax	€'000	10,720	5,781	9,955	7,433	5,531
Shareholders Funds	€'000	149,344	137,803	130,864	124,652	118,235
Statistical						
Number of Milk Suppliers	No.	540	555	566	586	591
Milk Intake	Litres (Mill.)	204.9	197.9	186.5	171.7	165.5
Average Butterfat	%	4.13	4.14	4.07	4.11	4.03
Average Protein	%	3.55	3.5	3.5	3.48	3.48

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Drinagh

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