



## MEMBERS OF BOARD OF DIRECTORS AS AT 31<sup>st</sup> DECEMBER 2022

Drinagh:

Raymond Collins <sup>1,3</sup>

William Collins <sup>1</sup>

South West:

Michael John O'Donovan <sup>3</sup>

Peadar O'Driscoll

South:

Donie O'Donovan <sup>2</sup>

Jerome O'Mahony <sup>2,3</sup>

North:

Joe Burke

James O'Donovan

East:

Derry Scannell

John Hurley <sup>1</sup>

West:

Finn O'Mahony

Donal McCarthy <sup>2,3</sup>

Castletownbere:

Peter Kelly

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

## OTHER INFORMATION

Chairman:

Donal McCarthy

Vice-Chairman:

Raymond Collins

Chief Executive and Secretary:

Seamus Daly

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  
P85VF62

Solicitors:

Murphy, Long & Taaffe,  
Bandon  
Co. Cork

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On behalf of the Board I am pleased to report another very positive year for the Society. The year began with the continuing impositions of the Covid-19 pandemic. As the burden of Covid began to ease and case numbers reduced, the world was hit with the Russian invasion of Ukraine on February 24th. The resulting geopolitical instability had a significant knock on effect for the Society. Natural gas and consequently energy prices increased to unprecedented levels. Supply chains were disrupted and the availability of farm inputs was uncertain. Prices of raw materials, in particular fertilizer costs escalated to levels never seen before. Against the backdrop of these very high farm input costs, world dairy market prices increased significantly. Lower than expected supply combined with strong demand led to record milk prices in 2022.

The year proved to be another very successful year for the Society's trading activities with group turnover showing an increase of 38% on the previous year to a record €237.3 million. While big ticket volumes were a little lower (Milk -0.5%, Feed -3.1% and Fertilizer -13.9%), substantial market driven price uplift accounted for the increase in turnover. Milk price was 42.6% higher at year end compared with 12 months previous; average feed prices increased by 34.8% and average fertilizer prices increased by 140.9%. Despite similar increases in direct material input costs together with substantial non-direct cost increases, such as energy up 32.9% and fuel up 33.9%, the Society's operating profit, before accounting for trade bonuses, was up 11% to €7.62M from €6.87M in 2021.

Carbery reported another solid financial performance across all divisions for 2022 with group turnover up 30.8% on 2021 and operating profit 4.5% greater than the previous year. This enabled a bonus of 1.0 cent per litre on 2022 milk supplies to be declared by Carbery at year end. Also, the Carbery board approved the addition of €10.0 million to the Stability Fund in anticipation of lower milk prices in 2023.

The performance of both Drinlis and Shinagh Estates contributed positively to the group profit for the financial year, while the market value of the Society's investment portfolio by year end had mirrored the decline in the investment market performance generally. Values were driven significantly lower with the global economy experiencing a sharp increase in inflation which, in turn, prompted swift, unexpected, successive interest rate rises which led to heightened uncertainty in equity markets.

Milk supply reduced by 1.1 million litres to 218.6 million litres. Supply was down in the first six months but recovered well in the second half of the year.

Sustainability both at farm and processing level is extremely high on the agenda. To help meet our emission reduction targets a new sustainability initiative was launched. Suppliers that committed to completing an ASSAP farm visit, benefited from a FutureProof bonus of 0.5 cent per litre on 2022 milk supply. FutureProof for 2023 will allow suppliers benefit from a bonus of up to 1.0 cent per litre for completing three key sustainability measures.

The Society was particularly well represented both at local and national awards. Mr. Ian Kingston, Sillertane, Dunmanway was the Drinagh and overall Carbery Milk Quality and Sustainability Award winner. Mr. John Collins, Caheragh North, Drimoleague was the recipient of the Farm Development Award at the NDC and Kerrygold Quality Milk Awards.

The Board approved a bonus of 1.0 cent per litre plus VAT on all 2022 milk supplies, at year end. The average price paid on 2022 variable supplies was 60.18 cents per litre after levies and charges and before VAT (63.49 cents per litre including VAT.).

Although throughput was down 3.1%, the mill had a very satisfactory trading year. Significant increases in raw material, energy and transport costs resulted in substantial increases in finished product prices.

The board approved capital expenditure to increase the bulk storage of finished product and to enable the addition of molasses to bulk coarse feeds.

By adhering to the strict requirements of the European UFAS standard, the mill continues to operate to the highest levels of quality feed production.

Feed bonuses similar to last year were approved at year end to reward our customers for their loyalty. In addition, the board approved a rebate on all feed purchased in the first three months of the year to offset the rising costs of farm inputs.

Our stores division had a very positive year. Turnover was well up despite a reduction in the volume of fertilizer traded. The Society took the unprecedented step of temporarily withdrawing fertilizer from sale in March to ensure that all customers were equitably able to avail of cheaper product before necessary price increases were implemented. As prices increased sharply in the spring, the Board approved a rebate of €20.00 per tonne on all fertilizer purchases for the first three months of 2022. The Board approved a rebate of €15.00 on all 2022 fertilizer purchases at year end.

Our pharmacy sector had another satisfactory performance for the year in question. It represented the first full year of the Bantry pharmacy trading in its new location. Turnover and profitability were both up in the division.

The Board continues its policy of rewarding trade with the Society by issuing bonus shares to members based on the level of purchases during the year. In addition the board is proposing to members at the AGM that a bonus based on membership be issued at a rate of one bonus share for every three shares held on the 31st December 2022.

The current year marks the 100th year of existence of the Society. This significant milestone will be commemorated during the year by a number of events including the publication of a book on the history of the Society. The Co-Op began from humble beginnings just after the civil war and has grown into an organization that today has a huge impact on the social and economic life of West Cork. I hope that you will be able to join us in celebrating this momentous achievement.

I wish to acknowledge the continued support and guidance of my fellow board members. A special thanks to the two retiring board members, Mr. Jerome O'Mahony and Mr. Donie O'Donovan, for their contribution to the Society during their terms in office. I welcome Mrs. Marguerite Crowley and Mr. Jerry O'Neill, their replacements, to the Board and wish them well in their tenures.

A special thank you to our customers and milk suppliers for your continued support of the Society in an ever changing environment.

Finally, I wish to express my appreciation for the efforts of the staff and management in ensuring the smooth running of the Society's business.

Donal McCarthy  
Chairman



**Drinagh Co-Operative Limited**  
**Directors Responsibilities Statement**  
**For the Year Ended 31 December 2022**

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 2021 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 2021. 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 27 April 2023:

Donal McCarthy  
Chairman

Raymond Collins  
Vice Chairman



### **Opinion**

We have audited the financial statements of Drinagh Co-Operative Ltd (the 'Society') for the year ended 31 December 2022 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 2022 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Society's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of the report.

### **Other information**

The directors are responsible for 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 2021**

As required by section 13(2) of the Industrial and Provident Societies Act 1893 to 2021 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/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

**The purpose of our audit work and to whom we owe our responsibilities**

Our report is made solely to the Society's members, as a body, in accordance with section 13 of the Industrial and Provident Societies Act 1893 to 2021. 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

27 April 2023



**Drinagh Co-Operative Limited**  
**Consolidated Income Statement For the Year Ended 31 December 2022**

	Notes	2022 €	2021 €
Turnover	5	237,304,849	171,918,258
Cost of sales		(208,382,319)	(146,792,280)
<b>Gross profit</b>		<b>28,922,530</b>	<b>25,125,978</b>
Production costs		(2,296,388)	(2,064,558)
Trade bonus	6	(6,094,490)	(4,215,199)
Wages and salaries	7	(10,917,098)	(10,001,209)
Other operating costs	8	(5,919,764)	(5,090,822)
<b>Operating profit</b>	<b>9</b>	<b>3,694,790</b>	<b>3,754,190</b>
Share of operating results of associate and joint venture		9,226,761	8,846,052
Exceptional item	10	(500,000)	-
Investment and other income	11	(844,201)	1,949,304
Interest payable and similar expenses	12	(990,936)	(732,041)
<b>Profit on ordinary activities before tax</b>		<b>10,586,414</b>	<b>13,817,505</b>
Tax on profit on ordinary activities	13	(2,338,339)	(3,321,745)
<b>Profit for the financial year</b>		<b>8,248,075</b>	<b>10,495,760</b>

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

Signed on behalf of the Board of Directors on 27 April 2023:

Donal McCarthy  
**Chairman**

Raymond Collins  
**Vice Chairman**

**Drinagh Co-Operative Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the Year Ended 31 December 2022**

	2022 €	2021 €
<b>Consolidated profit for the financial year</b>	8,248,075	10,495,760
<b>Other comprehensive income</b>		
Share of remeasurement (loss) / profit recognised on defined benefit schemes of associate	(126,726)	640,896
Share of movement on deferred tax relating to defined benefit scheme of associate	(1,024)	(95,809)
Redemption reserve movement of associate	63,561	43,086
Share of (loss) / gain of hedge instrument of associate	(350,461)	129,001
Share of currency translation differences on net assets of foreign investments of associate	2,238,714	3,062,136
<b>Total comprehensive income for the financial year</b>	<u>10,072,139</u>	<u>14,275,070</u>



**Drinagh Co-Operative Limited**  
**Consolidated Statement of Changes in Equity**  
**For the Year Ended 31 December 2022**

	Share Capital €	Profit and Loss Account €	Other Reserves (Note 25) €	Total €
<b>Balance at 1 January 2021</b>	6,334,655	120,319,197	26,831,346	153,485,198
Profit for the year	-	10,495,760	-	10,495,760
Other comprehensive income	-	588,173	3,191,137	3,779,310
Total comprehensive income for the year	-	11,083,933	3,191,137	14,275,070
Transfer to fair value investment reserve	-	(419,807)	419,807	-
Issue of bonus shares	95,318	(70,928)	(24,390)	-
Dividends & share interest paid (note 14)	-	(63,114)	-	(63,114)
Shares subscribed for in the year	7,275	-	-	7,275
Shares cancelled during the year	(52,675)	-	-	(52,675)
<b>Balance at 31 December 2021</b>	6,384,573	130,849,281	30,417,900	167,651,754
Profit for the year	-	8,248,075	-	8,248,075
Other comprehensive income	-	(64,189)	1,888,253	1,824,064
Total comprehensive income for the year	-	8,183,886	1,888,253	10,072,139
Transfer to fair value investment reserve	-	907,782	(907,782)	-
Issue of bonus shares	103,120	(76,546)	(26,574)	-
Dividends & share interest paid (note 14)	-	(290,208)	-	(290,208)
Shares subscribed for in the year	8,100	-	-	8,100
Shares cancelled during the year	(57,615)	-	-	(57,615)
<b>Balance at 31 December 2022</b>	6,438,178	139,574,195	31,371,797	177,384,170



**Drinagh Co-Operative Limited**  
**Consolidated Statement of Financial Position**  
**as at 31 December 2022**

	Notes	2022		2021	
		€	€	€	€
<b>Fixed assets</b>					
Intangible assets	15	2,593,897		3,037,122	
Tangible assets	16	13,759,762		13,926,108	
Financial assets	17	115,315,561		108,949,120	
			<u>131,669,220</u>		<u>125,912,350</u>
<b>Current assets</b>					
Stocks	18	13,411,493		11,821,250	
Debtors	19	45,151,942		43,511,897	
Cash at bank and in hand		8,292,410		5,047,286	
			<u>66,855,845</u>		<u>60,380,433</u>
<b>Creditors: amounts falling due within one year</b>	20	<u>(20,579,860)</u>		<u>(17,320,725)</u>	
Net current assets			<u>46,275,985</u>		<u>43,059,708</u>
<b>Total assets less current liabilities</b>			<u>177,945,205</u>		<u>168,972,058</u>
<b>Creditors: amounts falling due after more than one year</b>	21		(256,704)		(568,861)
<b>Provisions for liabilities</b>	22		(304,331)		(751,443)
<b>Net assets</b>			<u>177,384,170</u>		<u>167,651,754</u>
<b>Capital and reserves</b>					
Called up share capital	23	6,438,178		6,384,573	
Other reserves	25	31,371,797		30,417,900	
Profit and loss reserves		139,574,195		130,849,281	
<b>Total equity</b>			<u>177,384,170</u>		<u>167,651,754</u>

Signed on behalf of the Board of Directors on 27 April 2023:

Donal McCarthy  
**Chairman**

Raymond Collins  
**Vice Chairman**

**Drinagh Co-Operative Limited**  
**Consolidated Statement of Cash Flows For the Year Ended 31 December 2022**

	Notes	2022		2021	
		€	€	€	€
<b>Net cash flows from operating activities</b>	<b>26</b>		5,777,701		(4,533,820)
<b>Cash flows from investing activities</b>					
Purchase of tangible fixed assets		(1,843,272)		(2,827,686)	
Purchase of investments		(160,037)		(1,682,574)	
Proceeds of sale of investments		87,089		1,609,139	
Proceeds of sale of fixed assets		32,943		37,800	
Investment income		468,135		194,454	
Taxation paid	<b>27</b>	(97,537)		(393,160)	
Rental and other income		101,247		132,319	
Lease buy-out		(500,000)		-	
<b>Net cash flows from investing activities</b>			(1,911,432)		(2,929,708)
<b>Cash flows from financing activities</b>					
Redemption of ordinary shares		(57,615)		(52,675)	
Issue of ordinary shares		8,100		7,275	
New lease finance		-		405,365	
Repayment of borrowings		(367,145)		(445,389)	
Interest paid		(140,744)		(147,946)	
Equity dividend paid		(63,741)		(63,114)	
<b>Net cash flows from financing activities</b>			(621,145)		(296,484)
<b>Net increase/(decrease) in cash and cash equivalents</b>			3,245,124		(7,760,012)
Cash and cash equivalents at beginning of year			5,047,286		12,807,298
<b>Cash and cash equivalents at end of year</b>	<b>28</b>		8,292,410		5,047,286

## **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 35 constitute the Financial Statements of Drinagh Co-operative Ltd for the financial year ended 31 December 2022.

Drinagh Co-Operative Ltd is a Society registered in the Republic of Ireland under the Industrial and Provident Societies Acts 1893 to 2021. 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 2022 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 2022, if necessary, changes to the comparative 2021 figures would be made in order to maintain consistency with the nature of the figures being reported for 2022.

## **3 Principal accounting policies**

### **3.1 Revenue**

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

### 3 Principal accounting policies

(Continued)

#### 3.2 Intangible assets - goodwill

Goodwill is recognised and measured as the excess of the cost paid on the acquisition of 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 economic 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 buildings 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.

##### 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%

### **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.

#### **3.6 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 Consolidated 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.

***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.

**3 Principal accounting policies**

**(Continued)**

***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 assets that are measured at cost or amortised cost, including unlisted investments, 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***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 Principal accounting policies**

**(Continued)**

**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 Consolidated Statement of Financial Position 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 the defined contribution scheme for employees are charged to the Consolidated Income Statement as they become payable in accordance with the rules of the scheme. The assets are held separately from those of the Society in an independently administered fund. Differences between the amounts charged in the Consolidated Income Statement 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 provide 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 leased 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:

	Average		Year End	
	2022	2021	2022	2021
€1 to STG £	0.85276	0.85960	0.88693	0.84028
€1 to USD \$	1.05300	1.18270	1.06660	1.13260
€1 to CAD \$	1.36950	1.48260	1.44400	1.43930
€1 to NOK kr	10.10260	10.16330	10.51380	9.98880
€1 to CHF fr	1.00470	1.08110	0.98470	1.03310

#### 3.14 Share interest and dividends

Financial share interest 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 19.

##### ***Impairment of stocks***

The Society holds inventories at financial year end as disclosed in note 18. 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 the Directors 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 16.

##### ***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

	2022 €	2021 €
<b>Turnover analysed by class of business</b>		
Creamery	134,276,082	90,026,793
Mill	35,972,363	27,530,148
Stores	67,034,527	54,340,643
Other	21,877	20,674
	237,304,849	171,918,258
	237,304,849	171,918,258

**6 Trade bonus**

	2022 €	2021 €
Milk bonus	4,312,032	2,834,563
Mill bonus	1,158,047	932,419
Stores bonus	624,411	448,217
	6,094,490	4,215,199
	6,094,490	4,215,199

The milk bonus represents the following: 1.02 cent per litre on variable price milk supplied in the calendar year 2022 plus: 1.00 cent per litre on milk supplied in the calendar year 2022 where purchases from the Society were greater than 10 cent per litre; 0.50 cent per litre where purchases were less than 10 cent per litre and greater than 8 cent per litre; no bonus applied where purchases were less than 8 cent per litre. (2021: 0.515 cent per litre on variable price milk supplied in the calendar year 2021 plus: 0.80 cent per litre on milk supplied in the calendar year 2021 where purchases from the Society were greater than 7 cent per litre; 0.40 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 2022 (2021: €15.00), €10.00 per tonne on mixes (2021: €10.00), €5.00 per tonne on pig feed (2021: €5.00), and €2.50 per tonne on feed straights (2021: €2.50) plus a per tonne rebate on purchases between January 1st and March 31st 2022 as follows: €15.00 per tonne on compounded ruminant feed, €10.00 per tonne on special mixes, €5.00 per tonne on pig feed, and €2.50 per tonne on straights.

The stores bonus represents €15.00 per tonne on fertilizer purchases in 2022 (2021: €15.00) plus a rebate of €20 per tonne on fertiliser purchases between January 1st and March 31st 2022.

## 7 Employees

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

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Production/Operations	198	192
Sales	2	2
Administration	25	23
	<hr/>	<hr/>
Total	225	217
	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Wages and salaries	9,370,620	8,628,525
Social security costs	1,008,804	896,826
Pension costs	537,674	475,858
	<hr/>	<hr/>
	10,917,098	10,001,209
	<hr/> <hr/>	<hr/> <hr/>

## 8 Other operating costs\ (profits)

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Distribution & selling costs	1,679,827	1,234,357
Administrative overhead	1,820,037	1,423,883
Depreciation	2,008,868	1,954,373
Amortisation of goodwill	443,225	443,225
(Profit) / Loss on sale of tangible fixed assets	(32,193)	34,984
	<hr/>	<hr/>
	5,919,764	5,090,822
	<hr/> <hr/>	<hr/> <hr/>

The profit (2021: loss) on sale of tangible fixed assets is derived from the trade-in or disposal of vehicles and related equipment and other equipment (2021: the trade-in or disposal of vehicles and other equipment).

## 9 Operating profit

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Operating profit is stated after charging/(crediting)		
Depreciation of owned assets (note 16)	1,569,061	1,444,430
Depreciation of assets held under finance leases (note 16)	439,807	509,943
Amortisation and impairment of intangibles (note 15)	443,225	443,225



**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**10 Exceptional item**

	2022 €	2021 €
Lease buy-out	500,000	-

The exceptional item arose from the buy-out of the lease for the premises occupied by the Bantry pharmacy prior to its current location.

**11 Investment and other income**

	2022 €	2021 €
(Loss) / Profit on sale of listed securities	(41,766)	10,352
Fair value adjustment of investments	(1,330,146)	1,018,937
Investment income	441,602	192,999
Book loss on sale of foreign investment property	(32,900)	(53,338)
Profit on disposal of unlisted investments	-	641,192
Rental and other income	101,247	132,319
	<u>(861,963)</u>	<u>1,942,461</u>
<b>Share of associate</b>		
Investment income	9,223	2,737
Other finance income	8,539	4,106
	<u>17,762</u>	<u>6,843</u>
	<u>(844,201)</u>	<u>1,949,304</u>

**12 Interest payable and similar expenses**

	2022 €	2021 €
Interest payable - Society & subsidiaries	140,744	147,946
<b>Share of associates and joint venture</b>		
Interest payable	850,192	584,095
	<u>990,936</u>	<u>732,041</u>

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**13 Taxation**

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
<b>Domestic current year tax</b>		
Corporation tax on profits for the year	582,863	933,271
Adjustments in respect of prior years	(64,501)	-
Total current tax	518,362	933,271
Deferred tax on fair value of investments	(447,112)	206,777
Domestic tax on profits on ordinary activities	71,250	1,140,048
Share of tax of associate companies	2,242,757	2,164,649
Share of tax of joint venture	24,332	17,048
Amount charged to the Consolidated Income Statement	<u>2,338,339</u>	<u>3,321,745</u>
<b>Factors affecting the tax charge for the year:</b>		
Profit on ordinary activities before taxation	10,586,414	13,817,505
Less share of profit in associates and joint ventures	(8,394,331)	(8,268,800)
Profit on ordinary activities before taxation (excluding profits from associates and joint venture)	2,192,083	5,548,705
Standard tax rate	12.50%	12.50%
Expected tax	274,010	693,588
Actual tax charge	71,250	1,140,048
Difference	<u>(202,760)</u>	<u>446,460</u>
<b>Effects of:</b>		
Tax rate difference on revalued assets	(275,623)	273,059
Other tax adjustments	(1,830)	(1,252)
Prior year adjustment	(64,501)	-
Depreciation in excess of capital allowances	80,106	92,944
Tax rate difference on passive income	15,089	7,532
Franked investment income not taxed	(32,059)	-
Disallowable expenses	76,058	74,177
	<u>(202,760)</u>	<u>446,460</u>

**14 Dividends and share interest paid**

	2022 €	2021 €
Dividend of one cent per share on shares issued as at 31 December 2021 (2021: one cent per share on shares issued as at 31 December 2020)	63,741	63,114
<b>Share of associate</b>		
5% annual coupon on 'B' ordinary shares	226,467	-
	<u>290,208</u>	<u>63,114</u>

**15 Intangible assets**

	Goodwill €
<b>Cost</b>	
At 1 January 2022 & 31 December 2022	5,907,445
<b>Amortisation</b>	
At 1 January 2022	2,870,323
Amortisation charged for the year	443,225
At 31 December 2022	<u>3,313,548</u>
<b>Carrying amount</b>	
At 31 December 2022	<u>2,593,897</u>
At 31 December 2021	<u>3,037,122</u>

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 9.3 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 3.7 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 4.7 years.

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**16 Tangible fixed assets**

	Freehold land and buildings €	Plant and equipment €	Transport vehicles €	Total €
<b>Cost</b>				
At 1 January 2022	16,177,938	18,613,323	6,456,375	41,247,636
Additions	26,622	1,372,272	444,378	1,843,272
Disposals	-	-	(237,000)	(237,000)
At 31 December 2022	16,204,560	19,985,595	6,663,753	42,853,908
<b>Depreciation and impairment</b>				
At 1 January 2022	7,698,265	14,713,583	4,909,680	27,321,528
Profit and loss charge	254,966	895,645	858,257	2,008,868
Disposals	-	-	(236,250)	(236,250)
At 31 December 2022	7,953,231	15,609,228	5,531,687	29,094,146
<b>Carrying amount</b>				
At 31 December 2022	8,251,329	4,376,367	1,132,066	13,759,762
At 31 December 2021	8,479,673	3,899,740	1,546,695	13,926,108

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

	<b>Leased Assets</b> €
<b>Cost</b>	
At 1 January 2022	4,619,566
Additions	-
Disposals	-
At 31 December 2022	4,619,566
<b>Depreciation and impairment</b>	
At 1 January 2022	3,750,392
Profit and loss charge	439,807
Disposals	-
At 31 December 2022	4,190,199
<b>Carrying amount</b>	
At 31 December 2022	429,367
At 31 December 2021	869,174

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**16 Tangible fixed assets**

**(Continued)**

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

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.

**17 Financial assets**

	Notes	2022 €	2021 €
<b>Investment in associated undertaking</b>	<b>(a)</b>		
At cost		6,993,721	85,073
Group share of post acquisition net assets		101,334,053	93,657,209
Loan to associated undertakings		-	6,908,647
		108,327,774	100,650,929
<b>Investment in joint venture undertaking</b>	<b>(b)</b>		
At cost		50	50
Group share of post acquisition net assets		71,755	23,760
Loan to joint venture		748,285	748,285
		820,090	772,095
<b>Other financial investments</b>	<b>(c)</b>		
Listed securities		5,347,723	6,652,318
Unlisted securities		819,974	873,778
		6,167,697	7,526,096
		115,315,561	108,949,120

**17 Financial assets**

**(Continued)**

**(a) Investment in associated undertaking**

The investment in the associated undertaking comprises a 34.16% (2021: 34.22%) interest in Carbery Creameries Limited, which is engaged in the development, management and supply of cheeses, alcohol and select food ingredients plus 40% (2021: 40%) in Shinagh Estates Limited, which is a holding investment company. During 2022 under Carbery's Milk Supply Share Scheme, the 'B' Ordinary Shares increased by 150,891, thereby decreasing the shareholding % of Drinagh Co-operative Ltd. During the year the Society invested €6,908,647 in acquiring "B" ordinary shares in Carbery Investments (Drinagh) Limited, a subsidiary of Carbery Creameries Ltd. These shares do not carry voting rights until the expiry of the 20th anniversary of the investment.

The loan of €6,908,647 to the associated undertakings, Carbery Creameries Ltd, was repaid during the year.

**(b) Investment in joint venture undertaking**

The investment in Joint Venture represents a 50% (2021: 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**

	<b>Listed securities</b>	<b>Unlisted securities</b>
	€	€
<b>Cost or valuation</b>		
At 1 January 2022	6,652,318	873,778
Additions and disposals	50,299	(53,804)
Revaluations	(1,354,894)	-
	5,347,723	819,974
<b>Provision for diminution in value</b>		
At 1 January 2022	-	-
Decrease in provision for year	-	-
	-	-
At 31 December 2022	-	-
<b>Carrying value</b>		
At 31 December 2022	5,347,723	819,974
At 31 December 2021	6,652,318	873,778

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**17 Financial assets**

**(Continued)**

The listed securities, all of which are equity investments listed on recognised stock exchanges, are measured at fair value through the Consolidated Income Statement in line with the Society's 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 securities 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
G.W.B. Trading Ltd	Dormant	100%	Drinagh, Co. Cork
James O' Sullivan (Chemist) Ltd	Dormant	100%	Drinagh, Co. Cork
McCarthy's Pharmacy (Schull) Ltd	Dormant	100%	Drinagh, Co. Cork

**18 Stocks**

	<b>2022</b>	<b>2021</b>
	€	€
Finished goods	12,054,268	10,940,916
Raw materials	977,846	581,950
Expense stocks	379,379	298,384
	<u>13,411,493</u>	<u>11,821,250</u>

There is a requirement at year end to review the carrying value or cost of certain stocks and compare this to their estimated selling prices less costs to complete and sell (net realisable value or NRV) to ensure that stocks are valued at the lower of cost or NRV. Where the carrying value is greater than the estimated NRV, the carrying value is written down to this amount with a resultant charge to the Consolidated Income Statement in the year. Should the final selling price less costs to complete exceed the previously estimated NRV then this will have a resultant credit in the Consolidated Income Statement in the subsequent period. The charge to Consolidated Income Statement resulting from a review of cost versus NRV was €379K (2021: €nil).

Stocks considered obsolete are written down to net realisable value.

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**19 Debtors**

	2022 €	2021 €
Trade debtors	13,179,698	11,377,081
Corporation tax recoverable	313,469	-
Withholding tax	266,851	248,612
Carbery Creameries Limited	29,620,838	30,779,036
Prepayments and accrued income	1,771,086	1,107,168
	<u>45,151,942</u>	<u>43,511,897</u>

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.

**20 Creditors: amounts falling due within one year**

	2022 €	2021 €
Lease liability (note 21)	312,184	367,172
Trade creditors & accruals	19,933,931	16,596,858
Corporation tax payable	-	33,174
Other taxation and social security	333,745	323,521
	<u>20,579,860</u>	<u>17,320,725</u>

Included in other taxation and social security creditors are the following amounts:

PAYE/PRSI	<u>333,745</u>	<u>323,521</u>
-----------	----------------	----------------

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 €7.8M (2021: €6.8M) in respect of goods for which ownership is not passed until payment is made.

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

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



**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**21 Creditors: amounts falling due after more than one year**

	2022 €	2021 €
Lease Liability	568,888	936,033
less amount falling due within one year (note 20)	(312,184)	(367,172)
	<u>256,704</u>	<u>568,861</u>
Repayable as follows:		
Between two and five years	256,704	568,861
After five years	-	-
	<u>256,704</u>	<u>568,861</u>
Total amounts falling due after more than one year	<u>256,704</u>	<u>568,861</u>

The effective rate of interest on the leases was 1.42% (2021: 1.45%). 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.

**22 Provisions for liabilities**

	2022 €	2021 €
<b>Deferred Taxation</b>		
At 1 January	751,443	544,666
Charged to Consolidated Income Statement	(447,112)	206,777
	<u>304,331</u>	<u>751,443</u>
At 31 December	<u>304,331</u>	<u>751,443</u>

## 23 Called up share capital

Allotted, called up and fully paid shares of €1 each:

	2022 €	2021 €
At 1 January	6,384,573	6,334,655
Bonus shares issued (see below)	103,120	95,318
Subscribed for during the year	8,100	7,275
Shares cancelled during the year	(57,615)	(52,675)
	<hr/>	<hr/>
At 31 December	6,438,178	6,384,573
	<hr/> <hr/>	<hr/> <hr/>

The ordinary shares have no right to fixed income.

During the year the Society issued the following bonus shares

	2022 €	2021 €
Shares issued for redemption bonus	26,574	24,390
Based on trading with the Society for 2021 (2021: for 2020):	76,546	70,928
	<hr/>	<hr/>
	103,120	95,318
	<hr/> <hr/>	<hr/> <hr/>

## 24 Retirement benefit schemes

### Defined Benefit Pension Schemes

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. Contributions to the schemes are determined with the advice of independent professionally qualified actuaries on the basis of triennial valuations using the projected unit credit method. It is not possible to identify the Society's share of the underlying assets and liabilities of these industry wide defined benefit schemes and as permitted by FRS102, the schemes are accounted for as defined contribution schemes. Contributions to the Irish Co-operative Societies' Pension Scheme completed in April 2020 and in February 2015 contributions to the Dairy Executives' Pension Fund completed. All Society scheme members of both schemes were either retired members of the schemes or deferred members of the schemes at those completion dates.

The most recent full actuarial valuation of the Irish Co-operative Societies' Pension Scheme was carried out on 1st January 2020 and the most recent full actuarial valuation of the Dairy Executives Pension Fund was carried out on 31st March 2022. An Actuarial Funding Certificate was prepared separately for each scheme effective on the valuation date confirming the respective scheme satisfied the relevant Pensions Act 1990 funding standard. A Funding Standard Reserve Certificate was also prepared separately for each scheme effective on the respective valuation date confirming the respective scheme had sufficient additional assets to satisfy the relevant 1990 Pensions Act funding standard reserve. In the most recent annual funding update the Actuary's Statement dated 21 February 2023 for the Irish Co-operative Societies' Pension Scheme confirms that the actuary is satisfied that the Scheme continued to meet the Funding Standard and the Funding Standard Reserve as at 30th June 2022.

### Defined Contribution Pension Schemes

The Society operates a 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 €392,894 (2021: €359,968).

**Drinagh Co-Operative Limited**  
**Notes to the Financial Statements For the Year Ended 31 December 2022**

**25 Other reserves**

	Capital reserves	Redemption reserve	Fair value investment reserve	Total
	€	€	€	€
At 1 January 2022	28,789,690	102,559	1,525,651	30,417,900
Currency translation gain on net assets of associate	1,888,253	-	-	1,888,253
Issue of bonus shares	-	(26,574)	-	(26,574)
Transfer to Profit & Loss Account	-	-	(907,782)	(907,782)
	<u>30,677,943</u>	<u>75,985</u>	<u>617,869</u>	<u>31,371,797</u>

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.

**26 Net cash flows from operating activities**

	2022 €	2021 €
Consolidated profit for the financial year	8,248,075	10,495,760
<b>Adjustments for:</b>		
Taxation charge in the Consolidated Income Statement	2,338,339	3,321,745
Interest payable & similar charges	990,936	732,041
Investment & other income	844,201	(1,949,304)
Share of operating results of associates and joint venture	(9,226,761)	(8,846,052)
(Profit) / Loss on sale of tangible fixed assets	(32,193)	34,984
Depreciation of tangible fixed assets	2,008,868	1,954,373
Amortisation of goodwill	443,225	443,225
Tax paid on operating activities (note 27)	(767,467)	(690,586)
Exceptional item	500,000	-
Increase in stocks	(1,590,243)	(2,574,009)
Increase in debtors	(1,326,576)	(10,113,253)
Increase in creditors	3,347,297	2,657,256
<b>Net cash inflow / (outflow) from operating activities</b>	<u>5,777,701</u>	<u>(4,533,820)</u>

**27 Tax paid**

	<b>2022</b>	<b>2021</b>
	€	€
Tax paid on operating activities	767,467	690,586
Tax paid on investing activities	97,537	393,160
	<u>865,004</u>	<u>1,083,746</u>

**28 Components of cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	€	€
Cash at bank and in hand	8,292,410	5,047,286
	<u>8,292,410</u>	<u>5,047,286</u>

**29 Capital commitments**

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

	<b>2022</b>	<b>2021</b>
	€	€
Contracted for:	1,651,500	1,474,500
Authorised but not contracted for:	60,000	148,600

**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:

	<b>2022</b>	<b>2021</b>
	€	€
<b>Financial assets at fair value through the Consolidated Income Statement</b>		
Listed fixed asset investments	5,347,723	6,652,318
<b>Financial assets that are equity instruments measured at cost less impairment</b>		
Unlisted fixed asset investments	819,974	873,778
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade debtors (including Carbery balance)	42,800,536	42,156,117
Other debtors	266,851	248,612
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	19,933,931	16,596,858
Obligations under finance leases	568,888	936,033

### 31 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 €4,119,267 (2021: €2,679,089) and €1,744,147 (2021: €1,119,302) respectively. At 31 December 2022 trading balances amounted to €297,923 (2021: €265,679).

Total sales to Carbery Creameries Limited for the year were €132.8M (2021: €88.6M).

Board members who attend monthly, special, audit committee, investment committee and remuneration 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 2022 there were 12 monthly meetings, 2 special meetings, 4 audit committee meetings, 4 investment committee meetings and 2 remuneration 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 (until June 22)	7	1,504	Investment Committee (to June '22)
Joe Burke (from June 22)	7	1,577	
Raymond Collins	35	7,519	Audit Committee and Remuneration Committee
William Collins	18	3,639	Audit Committee
John Hurley	19	4,022	Audit Committee
Peter Kelly (from June 22)	8	2,160	
Donal McCarthy	26	6,637	Investment Committee and Remuneration Committee
Donie O'Donovan	18	3,756	Investment Committee
James O'Donovan (from June 22)	6	1,272	
Michael John O'Donovan	16	3,510	Remuneration Committee
Peadar O'Driscoll	13	2,923	
Finn O'Mahony	18	4,756	
Jerome O'Mahony	20	4,182	Investment Committee (from June '22) and Remuneration Committee
John O'Mahony (until June 22)	9	2,016	
TJ Sullivan (until June 22)	11	2,923	Remuneration Committee (until June '22)
Derry Scannell	15	3,317	
		55,713	

#### 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 2022 amounted to €885,668 (2021: €839,062).

**32 Events after the reporting date**

There have been no significant events affecting the group after year end.

**33 Contingent liabilities**

Drinagh Co-operative GmbH (formerly a wholly owned subsidiary of Drinagh Co-operative Ltd), was sold in December 2020 and this sale was accounted for in the Financial Statements of Drinagh Co-operative Ltd based on the agreed selling price. The contract for sale includes a clause stating that the final selling price would be established based on a final Balance Sheet of the Company, as at the closing date of sale. This Balance Sheet would be prepared subsequent to closing and would then subsequently be subject to agreement as between the two parties. The resultant agreed Balance Sheet may require either party to pay over a final sum to the other party. At the date of signing of these Financial Statements, the final Balance Sheet of Drinagh Co-operative GmbH has not been agreed as between both parties. It has been the subject of an arbitration process which concluded in favour of the purchaser and is now before the German Courts, a decision on which is due in the second quarter of 2023.

**34 Analysis of changes in net funds/(debt)**

	<b>1 January 2022</b>	<b>Cash flows</b>	<b>31 December 2022</b>
	€	€	€
Cash at bank and in hand	5,047,286	3,245,124	8,292,410
Obligations under finance leases	(936,033)	367,145	(568,888)
	4,111,253	3,612,269	7,723,522
	4,111,253	3,612,269	7,723,522

**35 Approval of financial statements**

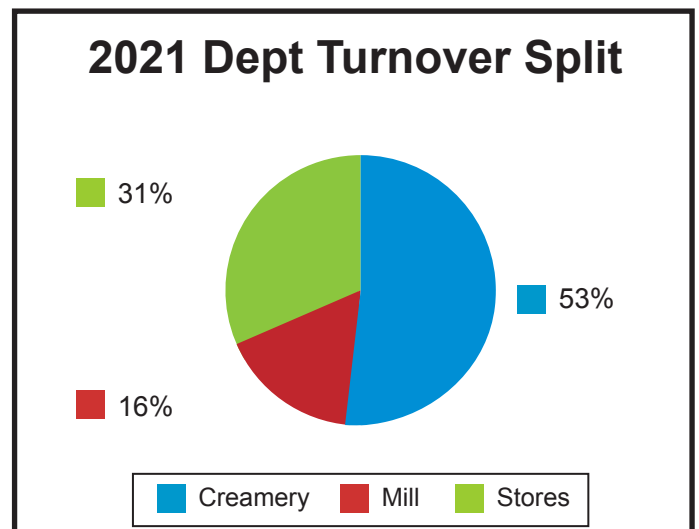
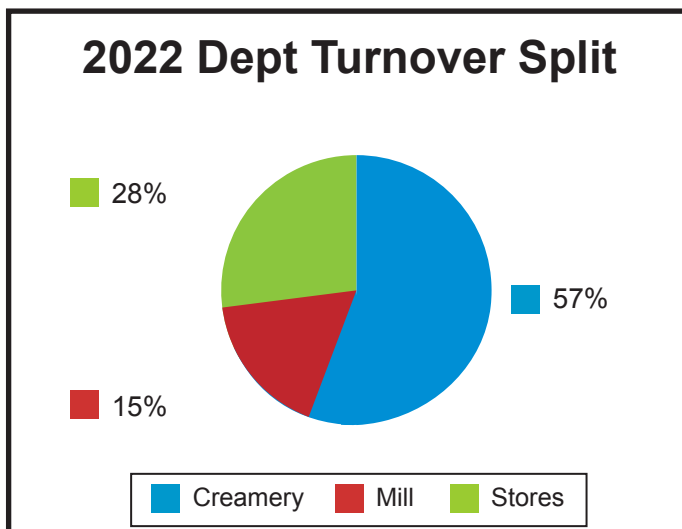
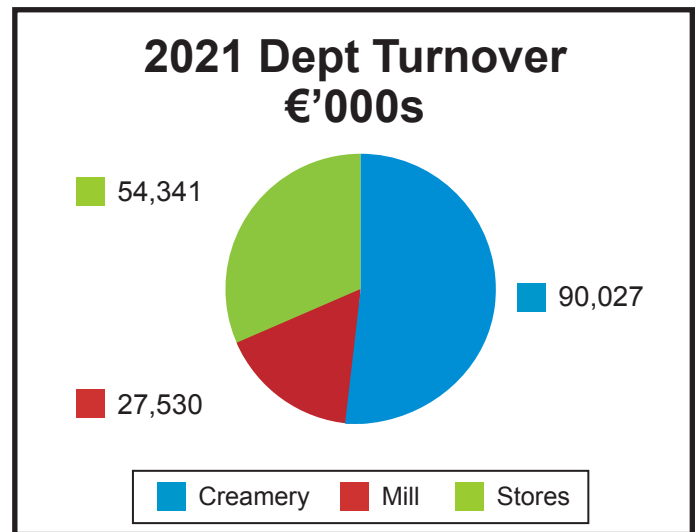
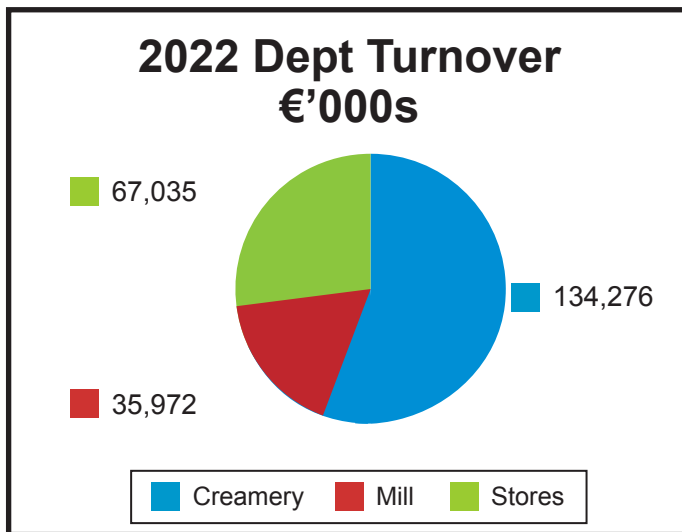
The Board of Directors approved the financial statements on the 27 April 2023.

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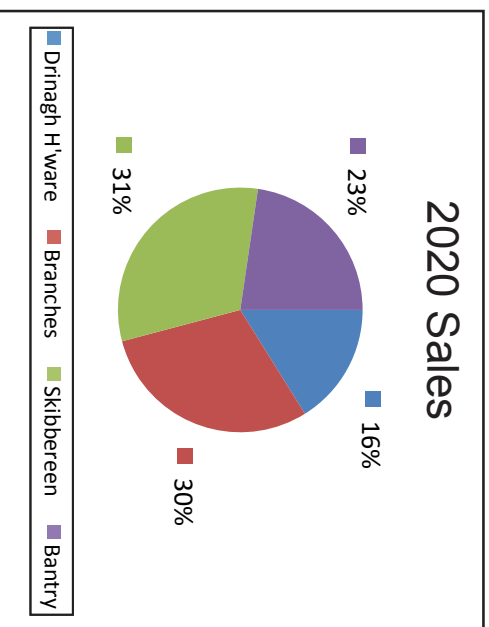
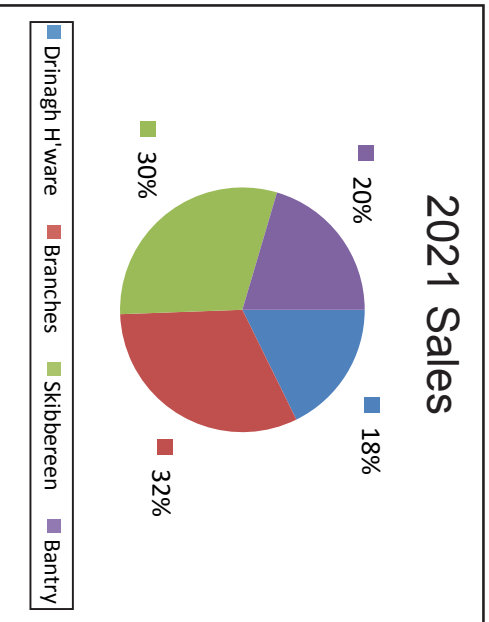
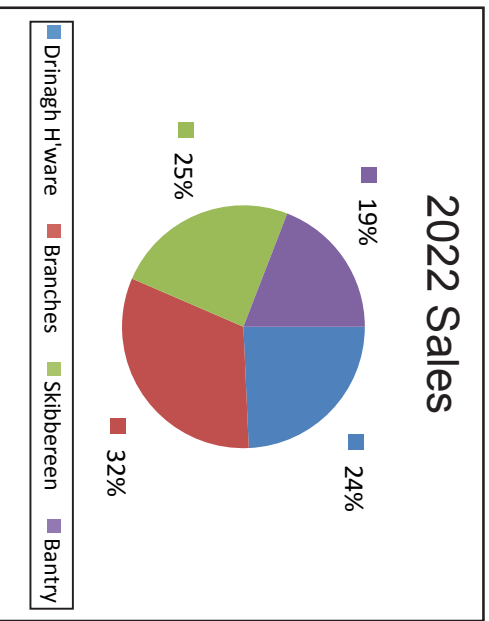
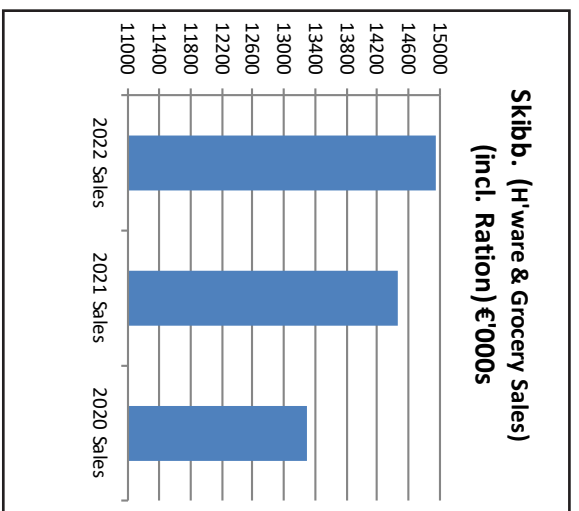
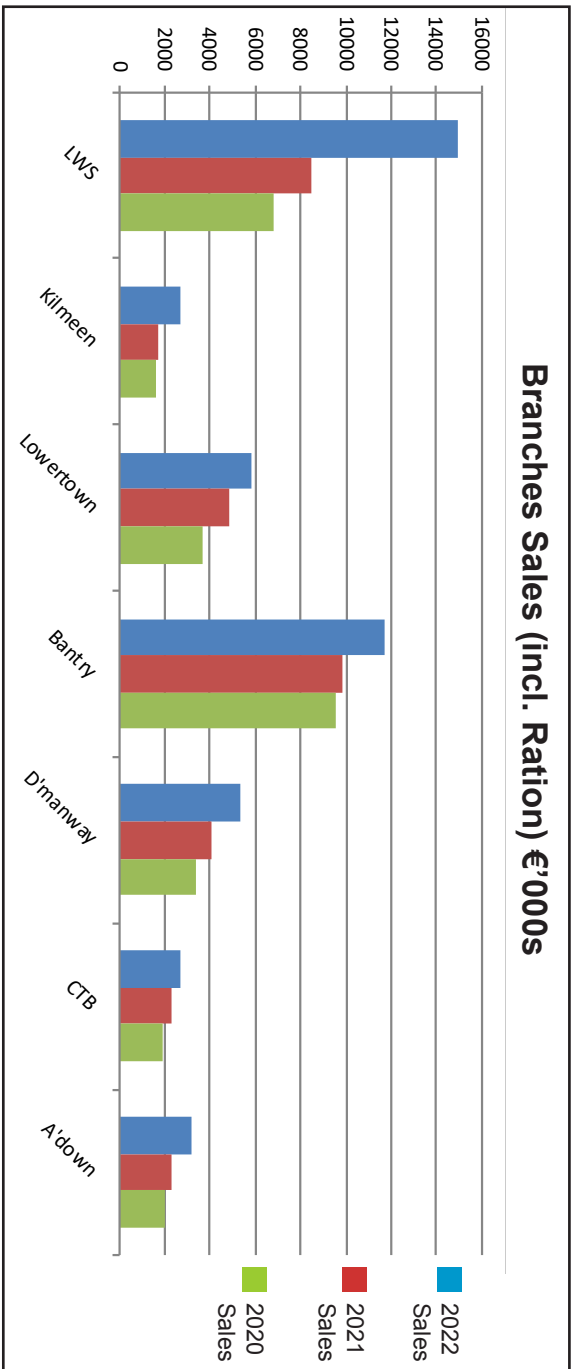


**Appendix I**  
**Group Turnover**

	2022	2021
	€	€
Creamery	134,276,082	90,026,793
Mill	35,972,363	27,530,148
Stores	67,034,527	54,340,643
Other Turnover	21,877	20,674
	<u>237,304,849</u>	<u>171,918,258</u>







### Appendix II

#### Operating Costs Analysis

	2022	2021
	€	€
<u>Production Costs</u>		
Packaging	221,773	193,435
Fuel & Oil	95,909	78,774
Electricity	1,191,270	865,077
Laboratory Expenses	12,150	15,671
Cleaning, Protective Clothing & Pest Control	148,935	202,483
Maintenance, Repairs & Parts	626,351	709,118
	2,296,388	2,064,558
<u>Administrative Overhead</u>		
Rent, Rates & Insurance	554,177	466,507
Advertising, Printing & Stationery	159,669	120,498
Computer Services	265,399	244,443
Postage & Telephone	113,780	111,684
Audit, Legal & Consultancy	241,365	238,708
Committee Expenses	88,841	61,016
Sundries	73,162	57,697
Subscriptions	142,997	123,330
Provision for Bad Debts	180,647	-
	1,820,037	1,423,883

## APPENDICES

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

	2022					2021						
	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	3,694,790	9,018,390	72,327	136,044	-	12,921,551	3,754,190	8,695,044	43,190	107,818	-	12,600,242

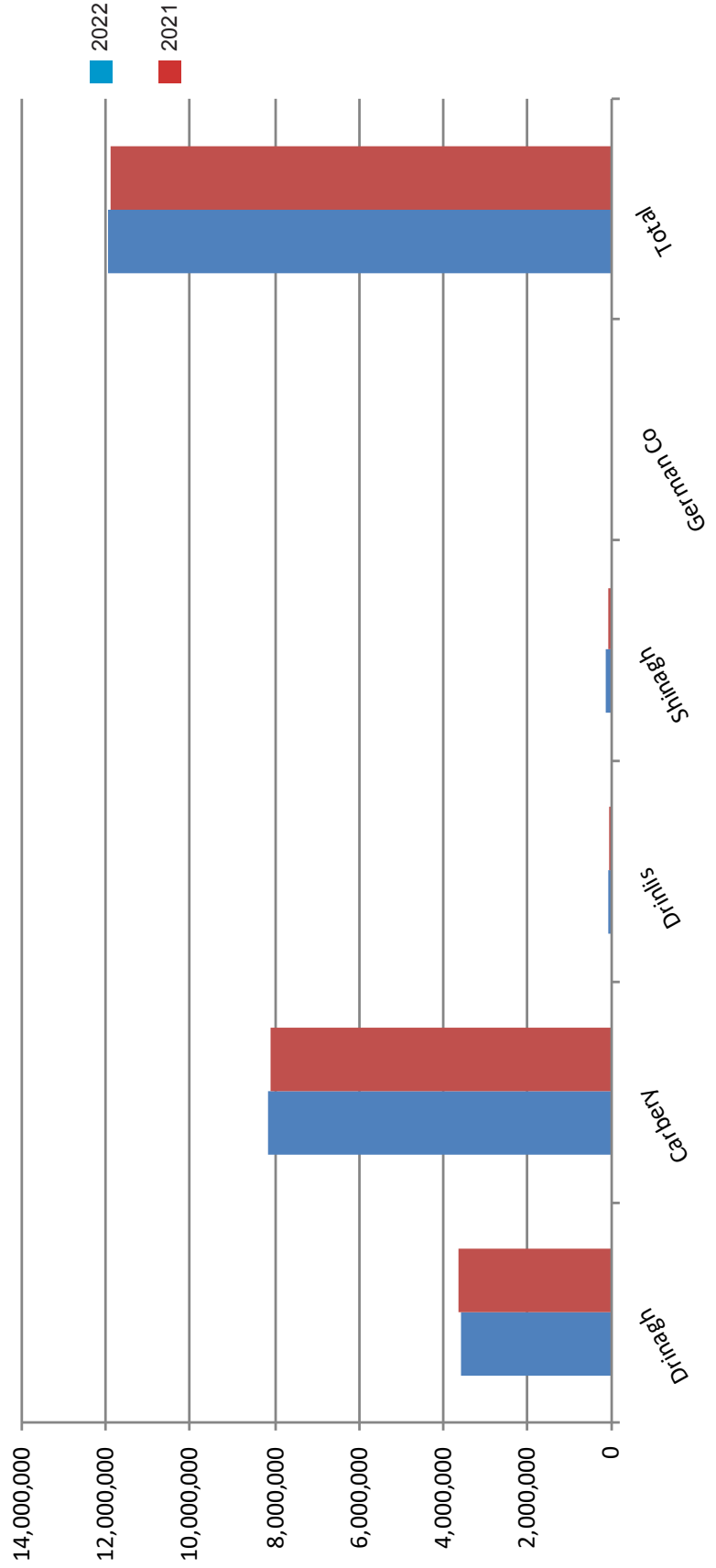
### Appendix IV Investment & Other Income

	2022					2021						
	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	399,836	9,223	-	-	(32,900)	376,159	844,543	2,737	-	-	(53,338)	793,942
Fair Value Adjustment	(1,330,146)	-	-	-	-	(1,330,146)	1,018,937	-	-	-	-	1,018,937
Other Income	47,587	-	-	-	-	47,587	90,748	-	-	-	-	90,748
Rental Income	53,660	-	-	-	-	53,660	41,571	-	-	-	-	41,571
Other Finance Income	-	8,539	-	-	-	8,539	-	4,106	-	-	-	4,106
	(829,063)	17,762	-	-	(32,900)	(844,201)	1,995,799	6,843	-	-	(53,338)	1,949,304

Appendix V Interest Payable & Similar Charges

	2022				2021					
	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	German Subsidiary €	Total €	Drinagh Co-Operative Ltd. €	Carbery €	Drinlis Properties €	German Subsidiary €	Total €
Bank Interest & Charges	140,744	850,192	-	-	990,936	147,946	584,095	-	-	732,041

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



## APPENDICES

### Appendix VII

#### Movement in Profit & Loss Account

	2022					2021						
	Drinagh Co-Operative Ltd. €	Carbery €	Drinilis Properties €	Shinagh Estates €	German Subsidiary €	Total €	Drinagh Co-Operative Ltd. €	Carbery €	Drinilis Properties €	Shinagh Estates €	German Subsidiary €	Total €
Operating Results (App III)	3,694,790	9,018,390	72,327	136,044	-	12,921,551	3,754,190	8,695,044	43,190	107,818	-	12,600,242
Investment & Other Income (App IV)	(829,063)	17,762	-	-	(32,900)	(844,201)	1,995,799	6,843	-	-	(53,338)	1,949,304
Interest Payable & Similar Charges (App VI)	(140,744)	(850,192)	-	-	-	(990,936)	(147,946)	(584,095)	-	-	-	(732,041)
Exceptional Item	(500,000)	-	-	-	-	(500,000)	-	-	-	-	-	-
Taxation	(71,250)	(2,222,660)	(24,332)	(20,097)	-	(2,338,339)	(1,140,048)	(2,149,894)	(17,048)	(14,755)	-	(3,321,745)
Profit for the financial year	2,153,733	5,963,300	47,995	115,947	(32,900)	8,248,075	4,461,995	5,967,898	26,142	93,063	(53,338)	10,495,760
Dividends	(63,741)	(226,467)	-	-	-	(290,208)	(63,114)	-	-	-	-	(63,114)
Retained Profit for the Year	2,089,992	5,736,833	47,995	115,947	(32,900)	7,957,867	4,398,881	5,967,898	26,142	93,063	(53,338)	10,432,646
Remeasurement Gain/ (Loss) in Respect of Defined Benefit Pension Scheme	-	(126,726)	-	-	-	(126,726)	-	640,896	-	-	-	640,896
Deferred Tax on Actuarial (Gain)/Loss	-	(1,024)	-	-	-	(1,024)	-	(95,809)	-	-	-	(95,809)
Fair Value Investment Reserve Movement	907,782	-	-	-	-	907,782	(419,807)	-	-	-	-	(419,807)
Share of Hedge Instrument	-	-	-	-	-	-	-	-	-	-	-	-
Redemption Reserve Movement	-	63,561	-	-	-	63,561	-	43,086	-	-	-	43,086
Issue of Bonus Shares	(76,546)	-	-	-	-	(76,546)	(70,928)	-	-	-	-	(70,928)
Movement in Profit & Loss Account	2,921,228	5,672,644	47,995	115,947	(32,900)	8,724,914	3,908,146	6,556,071	26,142	93,063	(53,338)	10,530,084

### Appendix VIII

#### Annual Comparatives

Financial	2022	2021	2020	2019	2018	
Turnover	€000	237,305	171,918	151,834	142,758	148,448
Consolidated Profit for the Year after Tax	€000	8,248	10,496	8,109	10,720	5,781
Shareholders Funds	€000	177,384	167,652	153,485	149,344	137,803
<b>Statistical</b>						
Number of Milk Suppliers	No.	530	536	536	540	555
Milk Intake	Litres (Mill.)	218.6	219.8	213.7	204.9	197.9
Average Butterfat	%	4.25	4.22	4.2	4.13	4.14
Average Protein	%	3.56	3.51	3.52	3.55	3.50



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