

ANNUAL REPORT

OF

DRINAGH

Co-Operative

LIMITED.

DUNMANWAY, Co. Cork.

For year ended 31st December, 2023





The Committee of Management of Drinagh pictured in 1933.

Back, from left, Robert (Bob) Ellis, Drinagh; Patrick McCarthy, Drinagh; John Hill, Cononagh; Daniel Hegarty, Castlehaven; Robert (Bob) Lewis, Drinagh; Cornelius McCarthy, Drinagh; James Dullea, Drinagh; Cornelius McCarthy, Adrigole; James Young, Drinagh, and Richard John O'Donovan, Drinagh.

Front, from left, Michael McNamara, General Manager; Charles J. Bryan, Drinagh; Florence McCarthy, Clohane; Daniel D. McCarthy, Hawthorn; Rev. J.J. MacManaway, Durrus; Fr John Crowley CC, Drinagh (outgoing chairman); Fr Arthur Stritch CC, Drinagh (incoming chairman); John O'Mahony, Killeen; Charles Ellis, Drinagh; Cornelius Connolly, Drinagh, and John Morgan, General Stores Manager.

MEMBERS OF BOARD OF DIRECTORS AS AT 31st DECEMBER 2023

Drinagh:

Raymond Collins ^{1,3}

William Collins ¹

South West:

Michael John O'Donovan ³

Peadar O'Driscoll

South:

Marguerite Crowley

Jerry O'Neill ³

North:

James O'Donovan ²

Joe Burke (RIP)

East:

Derry Scannell ²

John Hurley ¹

West:

Finn O'Mahony ²

Donal McCarthy ^{2,3}

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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Drinagh Co-Operative Limited Chairman's Report to Members



It is with great pleasure that I as Chairman present to you the annual report for 2023 in what was a momentous year for the Society.

The year marked a significant milestone in our journey as we celebrated the centenary of our establishment. Over the past one hundred years, Drinagh has evolved, adapted, and thrived, thanks to the dedication of our staff, the support of our shareholders, the commitment of our milk suppliers and the trust of our valued customers. The Society was founded specifically for the manufacture and sale of butter and has evolved into a large multi-purpose co-operative that continues to support and serve the community.

Over 3,000 people attended the open weekend in late July where the exhibition of photographs and memorabilia from the first one hundred years were the main attractions. Visitors also had an opportunity to get a guided tour of our state-of-the-art feed mill.

In November, a book, *Drinagh 1923-2023 100 Years of Drinagh Co-Operative Limited* by Philip O'Regan was launched. The book tells the remarkable story of Drinagh Co-Op from its inception in 1923.

A number of events were held on the 13th November 2023, the official date that marked the centenary, including a tree planting ceremony to commemorate the first Board of the Society.

The centenary celebrations provided us with a unique opportunity to reflect on our rich heritage, celebrate our achievements, and reaffirm our vision for the future. The festivities brought together employees, shareholders, customers, and members of the community, fostering a sense of camaraderie and pride in our shared accomplishments.

In a challenging year for dairy markets where prices fell sharply, 2023 proved to be another very successful year for the Society's trading results. Overall turnover was back €49M on 2022 or 20.6% with price being the dominant driver rather than volume. Milk volume was down 3%, but sales value was down 27.2%; mill volume was up 1%, but sales value was the same, and fertilizer volume was down 33%, but sales value was down 51%; other sales through the branches were similar to 2022 while pharmacy sales were up 11%. Operating profit before trade bonuses fell €1.1M or 14% with the combined effect of a drop in creamery and stores margins plus labour inflation outweighing the combined effect of a strong mill margin, additional pharmacy sales and reduced energy costs. In light of these results, the Board was pleased to be able to approve trade bonuses totalling €3.2M at year end.

Carbery's results reflect a dairy market exposed to commodity price fluctuations, a strong performance in its taste division and continued development of existing and new customers in its nutrition and cheese division. Group turnover was down 12% on 2022 and operating profit was lower by 26%. Carbery was able to draw on the €19.9M set aside in the stability fund in prior years to support the milk price in 2023.

The performance of our investment portfolio contributed very positively to 2023 group profit with equity markets trending upwards after significant uncertainty in 2022. With the Drinlis property becoming vacant in 2022, a new tenant, Regus, specialising in offering short term and long term workspace solutions, rented the top floor in September of 2023, offering significant potential into the future. Shinagh Estates continues to contribute positively to group profit.

Milk supply for the year decreased by 6.6 million litres to just over 212 million litres. 2023 will go down as a challenging year. Supply was flat for the period from January to September however a wet back end weatherwise had a significant negative effect on milk supply from October onwards.

2023 marked the first full year of the Future Proof programme which offered suppliers the opportunity to benefit of a bonus of up to 1.0 cent per litre for completing four key sustainability measures. Suppliers

showed their continued commitment to improve sustainability at farm level and over 89% of the milk pool benefitted from the Future Proof bonus.

The renewal of the country's nitrates derogation is imperative for the sustainable future of our dairy sector. With the majority of the country now farming at 220kgN/ha, a further reduction to 170kgN/ha would have a detrimental effect on many of our milk suppliers as well as the rural community.

The Society congratulates Oliver and Sheila Lynch, Coolnaclehy, Skibbereen who were the Drinagh winners at the Carbery Milk Quality and Sustainability Awards. Congratulations also to Ian and Marie Kingston, Sillertane, Dunmanway who as well as hosting a very successful Carbery Milk Quality farm walk, were also finalists at the NDC and Kerrygold Quality Milk Awards during the year.

The Board approved a bonus of 1.0 cent per litre on 2023 milk supplies at year end. The average price paid on 2023 milk supplies was 44.22 cents per litre after levies and charges and before VAT (46.43 cents per litre including VAT).

Throughput in the mill was up marginally to just over 85,000 tonnes. Falling raw material and energy costs resulted in feed prices reducing gradually throughout the year. The completion of a 726 kw solar photovoltaic system on the roof of the Central Hardware contributed to the reduced energy costs. The system will make the mill's operation more sustainable and reduce its carbon footprint. Feed bonuses similar to the previous year were approved by the Board at year end to reward our loyal customers.

Turnover in the stores was down over 20% due to reduced fertilizer volumes and prices. Non fertilizer sales were on par with the previous year and the Board approved bonuses of €15 per tonne on fertilizer sales for 2023. The Board also approved a rebate of €100 per tonne to non dairy livestock farmers on purchases of protected urea to encourage the adoption of emission reducing technologies at farm level.


The Society acquired the business of Scannell's Pharmacy, Ballineen during the year. It began trading under the Drinagh umbrella on the 1st September 2023. We welcome the staff to the Drinagh family and look forward to their contribution to the Society. The pharmacy has been integrated into the Drinagh business and will strengthen the Society's position in the pharmacy sector.

I wish to pay tribute to our friend, colleague and fellow Board member, Mr. Joe Burke RIP who passed away after a short illness at the end of December. Joe was a valued member of the Board who fought tirelessly on behalf of his shareholders. Joe made a huge contribution to the Society during his eighteen months in office. On behalf of the Board I offer our deepest sympathies to his wife Anne, to his children, Danielle and James and to his extended family. May he rest in peace.

A sincere thank you to my fellow Board members for their continued dedication to their roles. A special word of thanks to the three retiring Board members, Mr. Raymond Collins, Mr. William Collins and Mr. Derry Scannell, for their outstanding service to the Society. I welcome Mr. Derry Connolly, Mr. Flor Cal McCarthy and Mr. Donal O'Connor to the Board and wish them well in their terms in office.

Finally I want to thank our shareholders, milk suppliers, customers, staff and management for their continued commitment to the Society.

Donal McCarthy
Chairman



Drinagh Co-Operative Limited
Directors Responsibilities Statement
For the Year Ended 31 December 2023

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

The Industrial & 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;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and surplus or deficit of the Society and which enables it to ensure that the financial statements are prepared in accordance with Irish Generally Accepted Accounting Practice and with the Industrial & Provident Societies Acts 1893 to 2021. It is also responsible for such internal controls as it determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for preparing the annual report that complies with the requirements of the Industrial & Provident Societies Acts 1893 to 2021.

Signed on behalf of the Board of Directors on 26th April 2024:

Donal McCarthy
Chairman

Raymond Collins
Vice Chairman

Drinagh Co-Operative Limited
Independent Auditors' Report to the Members of Drinagh Co-Operative Limited

Opinion

We have audited the financial statements of Drinagh Co-Operative Ltd (the 'Society') for the year ended 31 December 2023 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 2023 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.

Drinagh Co-Operative Limited
Independent Auditors' Report to the Members of Drinagh Co-Operative Limited

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

26 April 2024

Drinagh Co-Operative Limited
Consolidated Income Statement For the Year Ended 31 December 2023

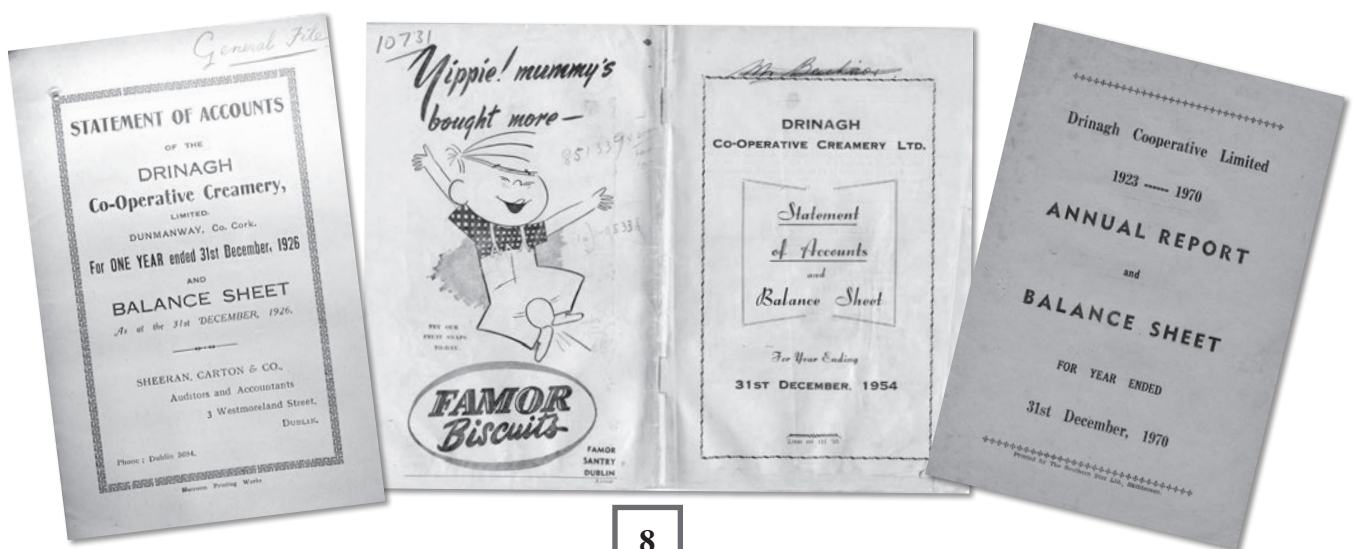
	Notes	2023 €	2022 €
Turnover	5	188,287,133	237,304,849
Cost of sales		(161,652,587)	(208,382,319)
Gross profit		26,634,546	28,922,530
Production costs		(2,210,648)	(2,296,388)
Trade bonus	6	(3,228,535)	(6,094,490)
Wages and salaries	7	(11,961,884)	(10,871,658)
Other operating costs	8	(5,942,448)	(5,965,204)
Operating profit	9	3,291,031	3,694,790
Share of operating results of associate and joint venture		6,543,472	9,226,761
Exceptional item	10	-	(500,000)
Investment and other income	11	1,955,151	(844,201)
Interest payable & similar expenses	12	(1,533,139)	(990,936)
Profit on ordinary activities before tax		10,256,515	10,586,414
Tax on profit on ordinary activities	13	(2,400,855)	(2,338,339)
Profit for the financial year		7,855,660	8,248,075

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 26th April 2024:

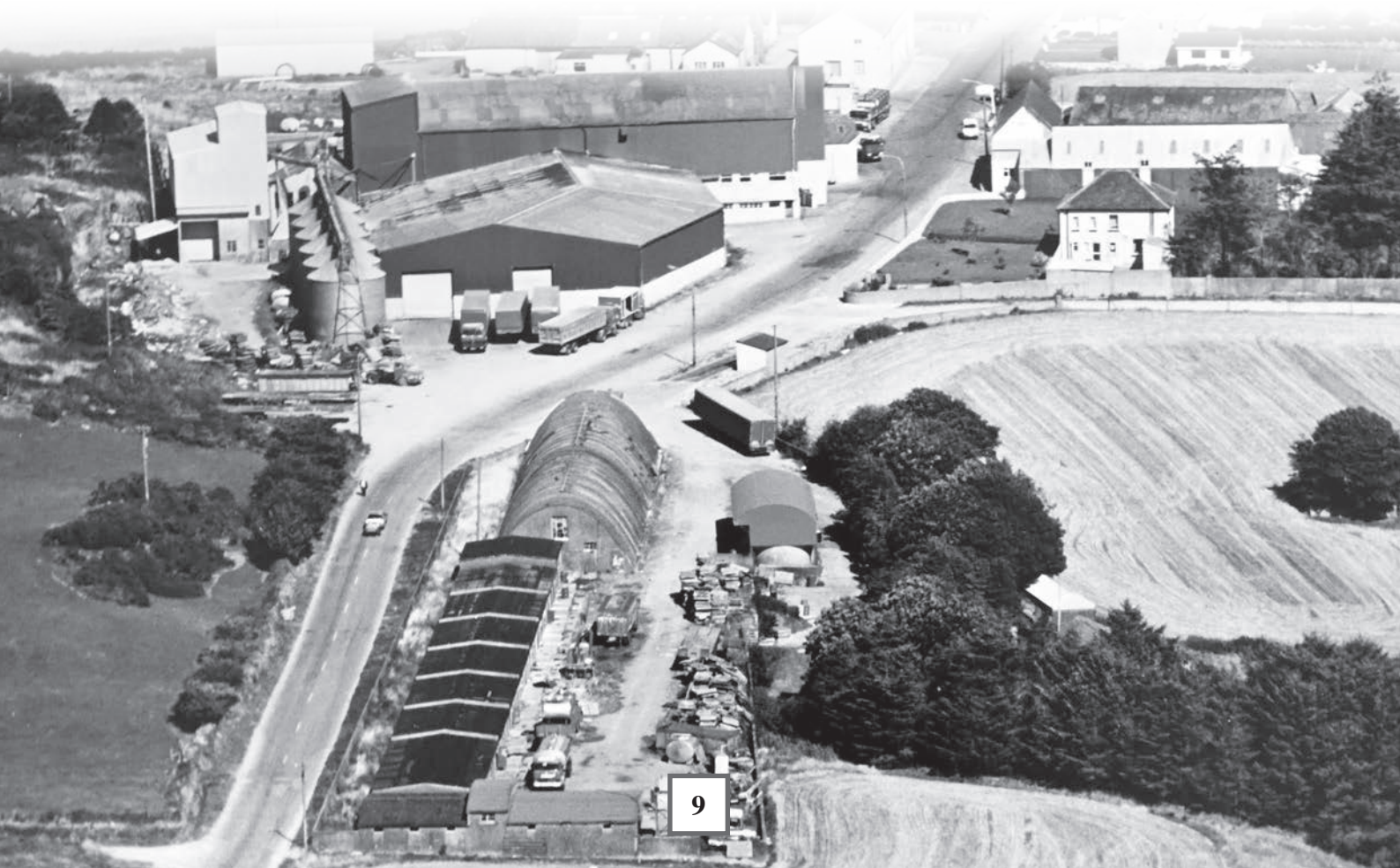
Donal McCarthy
Chairman

Raymond Collins
Vice Chairman



Drinagh Co-Operative Limited
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2023

	2023 €	2022 €
Consolidated profit for the financial year	7,855,660	8,248,075
Other comprehensive income		
Share of remeasurement loss recognised on defined benefit scheme of associate	(102,085)	(126,726)
Share of movement on deferred tax relating to defined benefit schemes of associate	(7,170)	(1,024)
Redemption reserve movement of associate	(81,678)	63,561
Share of gain/(loss) of hedge instrument of associate	166,955	(350,461)
Share of currency translation differences on net assets of foreign investments of associate	(1,398,117)	2,238,714
Total comprehensive income for the financial year	6,433,565	10,072,139



Drinagh Co-Operative Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2023

	Share Capital	Capital Reserves (note 25)	Redemption Reserve (note 25)	Profit & Loss Account	Fair Value Investment Reserve (note 25)	Total Equity
	€	€	€	€	€	€
Balance at 1 January 2022	6,384,573	28,789,690	102,559	130,849,281	1,525,651	167,651,754
Profit for the year	-	-	-	8,248,075	-	8,248,075
Other comprehensive income	-	1,888,253	-	(64,189)	-	1,824,064
Total comprehensive income for the year	-	1,888,253	-	8,183,886	-	10,072,139
Transfer to fair value investment reserve	-	-	-	907,782	(907,782)	-
Issue of bonus shares	103,120	-	(26,574)	(76,546)	-	-
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)
Balance at 31 December 2022	6,438,178	30,677,943	75,985	139,574,195	617,869	177,384,170
Profit for year	-	-	-	7,855,660	-	7,855,660
Other comprehensive income	-	(1,231,162)	-	(190,933)	-	(1,422,095)
Total comprehensive income for the year	-	(1,231,162)	-	7,664,727	-	6,433,565
Transfer to fair value investment reserve	-	-	-	(538,537)	538,537	-
Issue of bonus shares	2,309,776	-	(75,699)	(2,234,077)	-	-
Dividends & share interest paid (Note 14)	-	-	-	(368,845)	-	(368,845)
Shares subscribed for in the year	8,100	-	-	-	-	8,100
Shares cancelled during the year	(226,076)	-	-	-	-	(226,076)
Balance at 31 December 2023	8,529,978	29,446,781	286	144,097,463	1,156,406	183,230,914



Drinagh Co-Operative Limited
Consolidated Statement of Financial Position
as at 31 December 2023

		2023	2022
	Notes	€	€
Fixed assets			
Intangible assets	15	2,909,505	2,593,897
Tangible assets	16	14,366,623	13,759,762
Financial assets	17	118,083,380	115,315,561
		<u>135,359,508</u>	<u>131,669,220</u>
Current assets			
Stocks	18	11,980,810	13,411,493
Debtors	19	44,449,617	45,151,942
Cash at bank and in hand		8,784,737	8,292,410
		<u>65,215,164</u>	<u>66,855,845</u>
Creditors: amounts falling due within one year	20	(16,702,991)	(20,579,860)
Net current assets		<u>48,512,173</u>	<u>46,275,985</u>
Total assets less current liabilities		183,871,681	177,945,205
Creditors: amounts falling due after more than one year	21	(71,186)	(256,704)
Provisions for liabilities	22	(569,581)	(304,331)
Net assets		<u>183,230,914</u>	<u>177,384,170</u>
Capital and reserves			
Called up share capital	23	8,529,978	6,438,178
Profit and loss reserves		144,097,463	139,574,195
Other reserves	25	30,603,473	31,371,797
Total equity		<u>183,230,914</u>	<u>177,384,170</u>

Signed on behalf of the Board of Directors on 26th April 2024:

Donal McCarthy
Chairman

Raymond Collins
Vice Chairman

Drinagh Co-Operative Limited
Consolidated Statement of Cash Flows For the Year Ended 31 December 2023

	Notes	2023 €	2022 €
Net cash flows from operating activities	26	3,603,241	5,777,701
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,624,491)	(1,843,272)
Purchase of investments		(1,027,412)	(160,037)
Proceeds of sale of investments		162,810	87,089
Proceeds of sale of fixed assets		34,000	32,943
Lease buy-out		-	(500,000)
Investment income		875,369	468,135
Taxation paid	27	(18,679)	(97,537)
Rental and other income		223,429	101,247
Net cash flows from investing activities		(2,374,974)	(1,911,432)
Cash flows from financing activities			
Repayment of borrowings		(312,157)	(367,145)
Interest paid		(141,509)	(140,744)
Equity dividend paid		(64,298)	(63,741)
Issue of ordinary shares		8,100	8,100
Redemption of ordinary shares		(226,076)	(57,615)
Net cash flows from financing activities		(735,940)	(621,145)
Net increase in cash and cash equivalents		492,327	3,245,124
Cash and cash equivalents at beginning of year		8,292,410	5,047,286
Cash and cash equivalents at end of year	28	8,784,737	8,292,410



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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 Consolidated Financial Statements of Drinagh Co-Operative Ltd for the financial year ended 31 December 2023.

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 2023 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 2023, if necessary, changes to the comparative 2022 figures would be made in order to maintain consistency with the nature of the figures being reported for 2023.

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 economic life and is amortised through the Consolidated Income Statement in equal installments 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%



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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 re-valued 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 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.

3.7 Financial instruments

The Society has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS102 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.

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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.

3.8 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 as an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

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

3.11 Retirement benefits

The Society 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 scheme 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 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.

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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 assets and liabilities into Euro were as follows:

	Average		Year End	
	2023	2022	2023	2022
€1 to STG £	0.86979	0.85276	0.86905	0.88693
€1 to USD \$	1.08130	1.05300	1.10500	1.06660
€1 to CAD \$	1.45950	1.36950	1.46420	1.44400
€1 to NOK kr	11.42480	10.10260	11.24050	10.51380
€1 to CHF fr	0.97180	1.00470	0.92600	0.98470

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.

5 Turnover and other revenue

All revenue activities were wholly undertaken in the Republic of Ireland.

Turnover analysed by class of business

Creamery
 Mill
 Stores
 Other

	2023	2022
	€	€
	96,194,758	134,276,082
	36,174,538	35,972,363
	55,887,882	67,034,527
	29,955	21,877
	188,287,133	237,304,849



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

6 Trade bonus

	2023	2022
	€	€
Milk bonus	2,004,707	4,312,032
Mill bonus	937,322	1,158,047
Stores bonus	286,506	624,411
	3,228,535	6,094,490

The milk bonus represents the following: 1.00 cent per litre on milk supplied in the calendar year 2023 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. (2022: 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.)

The mill bonus represents €15.00 per tonne on compounded ruminant feed for 2023 (2022: €15.00), €10.00 per tonne on mixes (2022: €10.00), €5.00 per tonne on pig feed (2022: €5.00), and €2.50 per tonne on feed straights (2022: €2.50) plus in 2022 a per tonne rebate on purchases between January 1st and March 31st 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 2023 (2022: €15.00) plus €28,250 of protected urea rebates to non-dairy livestock customers plus in 2022 a rebate of €20.00 per tonne on fertilizer purchases between January 1st and March 31st.

7 Employees

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

	2023	2022
	Number	Number
Production/Operations	207	198
Sales	3	2
Administration	26	25
	236	225

The aggregate remuneration comprised:

	2023	2022
	€	€
Wages and salaries	10,289,264	9,329,643
Social welfare costs	1,106,996	1,004,694
Pension costs	565,623	537,321
	11,961,884	10,871,658

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

8 Other operating costs/(profits)

	2023	2022
	€	€
Distribution & selling costs	1,585,082	1,679,827
Administrative overhead	1,904,344	1,865,477
Depreciation	2,013,630	2,008,868
Amortisation of goodwill	469,392	443,225
Profit on sale of tangible fixed assets	(30,000)	(32,193)
	<u>5,942,448</u>	<u>5,965,204</u>

The profit on sale of tangible fixed assets is derived from the trade-in or disposal of vehicles and related equipment.

9 Operating profit

Operating profit is stated after charging/(crediting):

	2023	2022
	€	€
Depreciation of owned assets (note 16)	1,715,238	1,569,061
Depreciation of assets held under finance leases (note 16)	298,392	439,807
Amortisation and impairment of intangibles (note 15)	469,392	443,225

10 Exceptional Item

	2023	2022
	€	€
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.



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

11 Investment and other income

	2023	2022
	€	€
Loss on sale of listed securities	(26,494)	(41,766)
Fair value adjustment of investments	809,832	(1,330,146)
Investment income	840,346	441,602
Book profit/(loss) on sale of foreign investment property	1,516	(32,900)
Rental and other income	223,428	101,247
	<u>1,848,628</u>	<u>(861,963)</u>
Share of associate		
Investment income	73,405	9,223
Other finance income	33,118	8,539
	<u>106,523</u>	<u>17,762</u>
	<u><u>1,955,151</u></u>	<u><u>(844,201)</u></u>

12 Interest payable and similar expenses

	2023	2022
	€	€
Interest payable - Society & subsidiaries	141,509	140,744
Share of associate & joint venture		
Interest payable	1,391,630	850,192
	<u>1,533,139</u>	<u>990,936</u>

13 Taxation

	2023	2022
	€	€
Domestic current year tax		
Corporation tax on profits for the year	540,237	582,863
Adjustment in respect of prior years	2,032	(64,501)
Total current tax	<u>542,269</u>	<u>518,362</u>
Deferred tax on fair value of investments	265,250	(447,112)
Domestic tax on profits on ordinary activities	807,519	71,250
Share of tax of associate companies	1,599,642	2,242,757
Share of tax of joint venture	(6,306)	24,332
Amount charged to the Consolidated Income Statement	<u><u>2,400,855</u></u>	<u><u>2,338,339</u></u>

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

	2023 €	2022 €
Factors affecting the tax charge for the year:		
Profit on ordinary activities before taxation	10,256,515	10,586,414
Less share of profit in associates and joint ventures	(5,258,365)	(8,394,331)
Profit on ordinary activities before taxation (excluding profits from associates and joint venture)	4,998,150	2,192,083
Standard tax rate	12.50%	12.50%
Expected tax	624,769	274,010
Actual tax charge	807,519	71,250
Difference	<u>182,750</u>	<u>(202,760)</u>
Effects of:		
Tax rate on difference on revalued assets	172,674	(275,623)
Other tax adjustments	(1,403)	(1,830)
Prior year adjustment	2,032	(64,501)
Depreciation in excess of capital allowances	13,964	80,106
Tax rate difference on passive income	13,402	15,089
Franked investment income not taxed	(43,179)	(32,059)
Disallowable expenses	25,260	76,058
	<u>182,750</u>	<u>(202,760)</u>

14 Dividends and share interest paid

	2023 €	2022 €
Dividend of one cent per share on shares issued as at 31 December 2022 (2022: one cent per share on shares issued as at 31 December 2021)	64,298	63,741
Share of associate		
5% annual coupon on 'B' Ordinary Shares	304,547	226,467
	<u>368,845</u>	<u>290,208</u>

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

15 Intangible assets

	Goodwill €
Cost	
At 1 January 2023	5,907,445
Additions	785,000
At 31 December 2023	6,692,445
Amortisation	
At 1 January 2023	3,313,548
Amortisation charged for the year	469,392
At 31 December 2023	3,782,940
Carrying amount	
At 31 December 2023	2,909,505
At 31 December 2022	2,593,897

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 8.3 years.

Goodwill arose on the acquisition of James O'Sullivan (Chemist) Ltd in 2016 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 2.7 years.

Goodwill arose on the acquisition of McCarthy's Pharmacy (Schull) Ltd in 2017 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 the business of Scannell's Pharmacy Ballineen in 2023 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 9.66 years.



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

16 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Transport vehicles	Total
	€	€	€	€
Cost				
At 1 January 2023	16,401,107	19,789,048	6,663,753	42,853,908
Additions	763,744	1,134,911	725,836	2,624,491
Disposals	-	-	(204,145)	(204,145)
At 31 December 2023	<u>17,164,851</u>	<u>20,923,959</u>	<u>7,185,444</u>	<u>45,274,254</u>
Depreciation and impairment				
At 1 January 2023	7,953,231	15,609,228	5,531,687	29,094,146
Profit and loss charge	281,683	972,649	759,298	2,013,630
Disposals	-	-	(200,145)	(200,145)
At 31 December 2023	<u>8,234,914</u>	<u>16,581,877</u>	<u>6,090,840</u>	<u>30,907,631</u>
Carrying amount				
At 31 December 2023	<u>8,929,937</u>	<u>4,342,082</u>	<u>1,094,604</u>	<u>14,366,623</u>
At 31 December 2022	<u>8,447,876</u>	<u>4,179,820</u>	<u>1,132,066</u>	<u>13,759,762</u>

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.

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

	Leased assets
	€
Cost	
At 1 January 2023	4,619,566
Additions	-
Disposals	(69,750)
At 31 December 2023	<u>4,549,816</u>
Depreciation and impairment	
At 1 January 2023	4,190,199
Profit and loss charge	298,392
Disposals	(69,750)
At 31 December 2023	<u>4,418,841</u>
Carrying amount	
At 31 December 2023	<u>130,975</u>
At 31 December 2022	<u>429,367</u>

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

17 Financial assets

	2023	2022
	€	€
Investment in associated undertaking (a)		
At cost	6,993,721	6,993,721
Group share of post acquisition net assets	103,546,866	101,334,053
	<u>110,540,587</u>	<u>108,327,774</u>
Investment in joint venture undertaking (b)		
At cost	50	50
Group share of post acquisition net assets	(202,671)	71,755
Loan to joint venture	783,285	748,285
	<u>580,664</u>	<u>820,090</u>
Other financial investments (c)		
Listed securities	6,087,195	5,347,723
Unlisted investments	874,934	819,974
	<u>6,962,129</u>	<u>6,167,697</u>
	<u>118,083,380</u>	<u>115,315,561</u>

(a) Investment in associated undertaking

The investment in the associated undertaking comprises a 34.14% (2022: 34.16%) interest in Carbery Creameries Limited, which is engaged in the development, management and supply of cheeses, alcohol and select food ingredients plus 40% (2022: 40%) in Shinagh Estates Limited, which is a holding investment company. During 2023 under Carbery's Milk Supply Share Scheme, the 'B' Ordinary Shares increased by 40,403 thereby decreasing the shareholding % of Drinagh Co-Operative Ltd.

(b) Investment in joint venture undertaking

The investment in Joint Venture represents a 50% (2022: 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.

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

(c) Other financial investments

	Listed Investments €	Unlisted Investments €
Cost or valuation		
At 1 January 2023	5,347,723	819,974
Additions and disposals	(64,315)	54,960
Revaluations	803,787	-
At 31 December 2023	<u>6,087,195</u>	<u>874,934</u>
Provision for diminution in value		
At 1 January 2023	-	-
Decrease in provision for year At 31 December 2023	-	-
Carrying value		
At 31 December 2023	<u>6,087,195</u>	<u>874,934</u>
At 31 December 2022	<u>5,347,723</u>	<u>819,974</u>

The listed investments, 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 investments is not less than cost.

(d) Subsidiary companies

<i>Name</i>	<i>Principal Activities</i>	<i>Group Interest</i>	<i>Address of Registered Office</i>
Drinagh Sales Limited	Dormant	100%	Drinagh, Co. Cork
G.W.B. trading Ltd	Dormant	100%	Drinagh, Co. Cork
James O'Sullivan (Chemist) Limited	Dormant	100%	Drinagh, Co. Cork
McCarthy's Pharmacy (Schull) Ltd	Dormant	100%	Drinagh, Co. Cork

18 Stocks

	2023 €	2022 €
Finished goods	10,935,110	12,054,268
Raw materials	722,657	977,846
Expense stocks	323,043	379,379
	<u>11,980,810</u>	<u>13,411,493</u>

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

There is a requirement at year end to review the carrying value or cost of certain stocks and compare this to their estimated selling price 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 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 the consolidated income statement resulting from a review of cost versus NRV was €nil (2022: €379).

Stocks considered obsolete are written down to net realisable value.

19 Debtors

	2023 €	2022 €
Trade debtors	11,638,197	13,180,624
Corporation tax recoverable	-	313,469
Carbery Creameries Limited	31,350,187	29,620,838
Withholding tax	304,963	266,851
Prepayments and accrued income	1,156,270	1,770,160
	<u>44,449,617</u>	<u>45,151,942</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.



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

20 Creditors: amounts falling due within one year

	2023	2022
	€	€
Bank overdraft	-	-
Lease liability (Note 21)	185,545	312,184
Trade creditors & accruals	16,142,033	19,933,931
Corporation tax payable	65,236	-
Other taxation and social security	310,177	333,745
	<u>16,702,991</u>	<u>20,579,860</u>
Included in other taxation and social security are the following amounts:		
PAYE/PRSI	<u>310,177</u>	<u>333,745</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 €6.4M (2022: €7.8M) 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.

21 Creditors: amounts falling due after more than one year

	2023	2022
	€	€
Lease liability	256,731	568,888
less amount falling due within one year (note 20)	<u>(185,545)</u>	<u>(312,184)</u>
	<u>71,186</u>	<u>256,704</u>
Repayable as follows:		
Between two and five years	71,186	256,704
After five years	-	-
	<u>71,186</u>	<u>256,704</u>
Total amounts falling due after more than one year	<u>71,186</u>	<u>256,704</u>

The effective rate of interest on the leases was 1.40% (2022: 1.42%). 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 Provision for liabilities

Deferred taxation

	2023 €	2022 €
At 1 January	304,331	751,443
Charged to Consolidated Income Statement	265,250	(447,112)
At 31 December	569,581	304,331

23 Called up share capital

	2023 €	2022 €
Allotted, called up and fully paid shares of €1 each:		
At 1 January	6,438,178	6,384,573
Bonus shares issued (see below)	2,309,776	103,120
Subscribed for during the year	8,100	8,100
Shares cancelled during the year	(226,076)	(57,615)
At 31 December	8,529,978	6,438,178

The ordinary shares have no right to fixed income.

During the year the Society issued the following bonus shares:

	2023 €	2022 €
Shares issued for redemption bonus	75,699	26,574
Based on trading with the Society for 2022 (2022: for 2021)	90,823	76,546
Bonus Issue of 1 for 3 shares	2,143,254	-
	2,309,776	103,120



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 2023 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 schemes 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 24th January 2024 for the Irish Co-Operative Societies' Pension Scheme confirms that the actuary is reasonably satisfied that that Scheme continued to meet the Funding Standard and the Funding Standard Reserve as at 30th June 2023; the Actuary's Statement dated 9th October 2023 for the Dairy Executives Pension Fund confirms that the actuary is reasonably satisfied that that Scheme continued to meet the Funding Standard and the Funding Standard Reserve as at 31st March 2023.

Defined Contribution Pension Schemes

The Society operates a defined contribution pension scheme 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 €446,858 (2022: €392,894).

25 Other Reserves

	Capital reserves €	Redemption reserve €	Fair value investment reserve €	Total €
At 1st January 2023	30,677,943	75,985	617,869	31,371,797
Currency translation gain on net assets of associate	(1,231,162)	-	-	(1,231,162)
Issue of bonus shares	-	(75,699)	-	(75,699)
Transfer from/(to) Profit & Loss Account	-	-	538,537	538,537
At 31st December 2023	<u>29,446,781</u>	<u>286</u>	<u>1,156,406</u>	<u>30,603,473</u>

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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

	2023	2022
	€	€
Consolidated profit for the financial year	7,855,660	8,248,075
Adjustments for:		
Share of operating results of associate and joint venture	(6,543,472)	(9,226,761)
Investment & other income	(1,955,151)	844,201
Exceptional item	-	500,000
Interest payable & similar charges	1,533,139	990,936
Taxation charge in the Consolidated Income Statement	2,400,855	2,338,339
Depreciation of tangible fixed assets	2,013,630	2,008,868
Profit on sale of tangible fixed assets	(30,000)	(32,193)
Amortisation of goodwill	469,392	443,225
Tax paid on operating activities (note 27)	(144,886)	(767,467)
Decrease/(Increase) in stocks	1,430,684	(1,590,243)
Decrease/(Increase) in debtors	388,856	(1,326,576)
(Decrease)/Increase in creditors	(3,815,466)	3,347,297
Net cash inflow from operating activities	3,603,241	5,777,701

27 Tax paid

	2023	2022
	€	€
Tax paid on operating activities	144,886	767,467
Tax paid on investing activities	18,679	97,537
	163,565	865,004

28 Components of cash and cash equivalents

	2023	2022
	€	€
Cash at bank and in hand	8,784,737	8,292,410
Bank overdrafts	-	-
	8,784,737	8,292,410

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

29 Capital Commitments

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

	2023 €	2022 €
Contracted for	1,253,000	1,651,500
Authorised but not Contracted for	60,000	60,000

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:

	2023 €	2022 €
<i>Financial assets at fair value through the Consolidated Income Statement</i>		
Listed fixed asset investments	6,087,195	5,347,723
<i>Financial assets that are equity instruments measured at cost less impairment</i>		
Unlisted fixed asset investments	874,934	819,974
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors (including Carbery balance)	42,988,384	42,800,536
Other debtors	304,963	266,851
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	16,142,033	19,933,931
Obligations under finance leases	256,731	568,888



Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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 €3,271,678 (2022: €4,119,267) and €1,560,057 (2022: €1,744,147) respectively. At 31 December 2023 trading balances amounted to €203,785 (2022: €297,923).

Total sales to Carbery Creameries Limited for the year were €96.0M (2022: €132.8M).

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 2023 there were 12 monthly meetings, 2 special meetings, 4 audit committee meetings, 3 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:
Joe Burke RIP (until 28th December)	15	3,406	
Raymond Collins	28	6,145	Audit Committee and Remuneration Committee
William Collins	20	4,143	Audit Committee
Marguerite Crowley (from June '23)	18	4,622	
John Hurley	18	3,826	Audit Committee
Peter Kelly	14	3,486	
Donal McCarthy	25	6,900	Investment Committee and Remuneration Committee
Donie O'Donovan (until June '23)	7	1,460	Investment Committee (until June '23)
James O'Donovan	16	3,454	Investment Committee (from June '23)
Michael John O'Donovan	18	4,047	Remuneration Committee
Peadar O'Driscoll	14	3,163	
Finn O'Mahony	11	2,762	Investment Committee (from June '23)
Jerome O'Mahony (until June '23)	9	1,891	Investment Committee & Remuneration Committee (both until June '23)
Jerry O'Neill (from June '23)	10	2,128	Remuneration Committee (from June '23)
Derry Scannell	15	3,324	Investment Committee (from June '23)
		54,757	

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 2023 amounted to €935,486 (2022: €885,668).

32 Events after the Balance Sheet Date

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

Drinagh Co-Operative Limited
Notes to the Financial Statements For the Year Ended 31 December 2023

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 half of 2024.

34 Analysis of changes in net funds/(debt)

	At 1 January 2023 €	Cashflows €	At 31 December 2023 €
Cash at bank and in hand	8,292,410	492,327	8,784,737
Bank overdrafts	-	-	-
	<u>8,292,410</u>	<u>492,327</u>	<u>8,784,737</u>
Obligations under finance leases	(568,888)	312,157	(256,731)
	<u>7,723,522</u>	<u>804,484</u>	<u>8,528,006</u>

35 Approval of the financial statements

The Board of Directors approved the financial statements on the 26th April 2024.



The historical exhibition at the Drinagh Centenary
 Family Day celebrations in July 2023

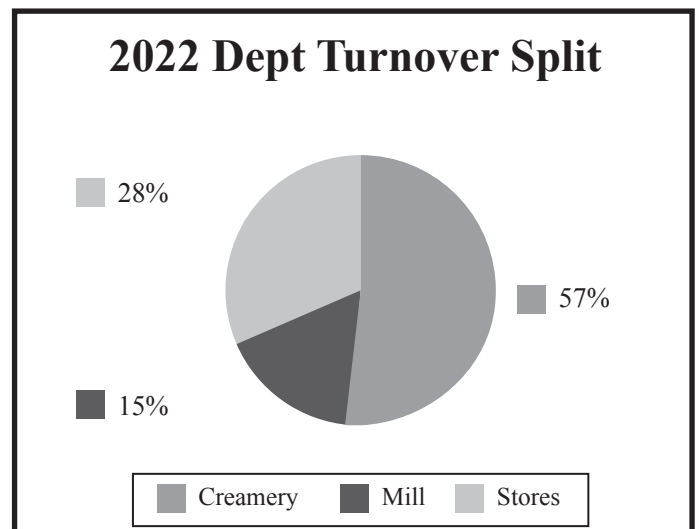
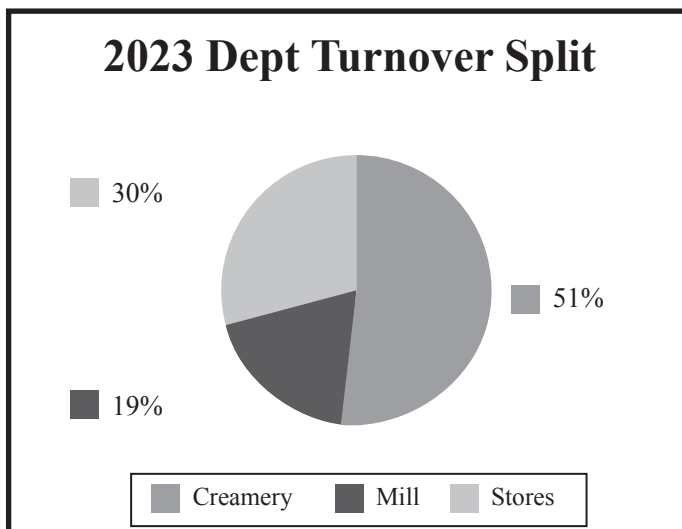
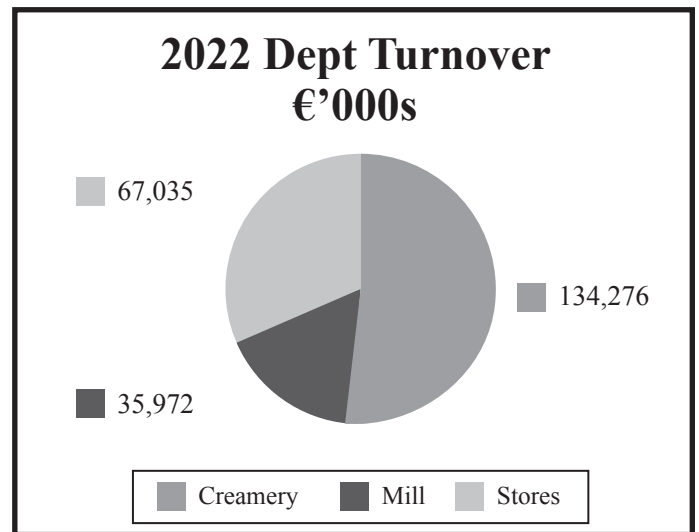
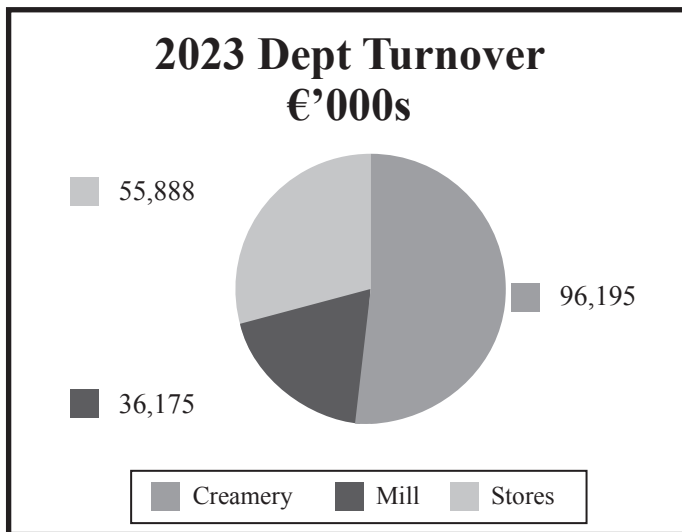
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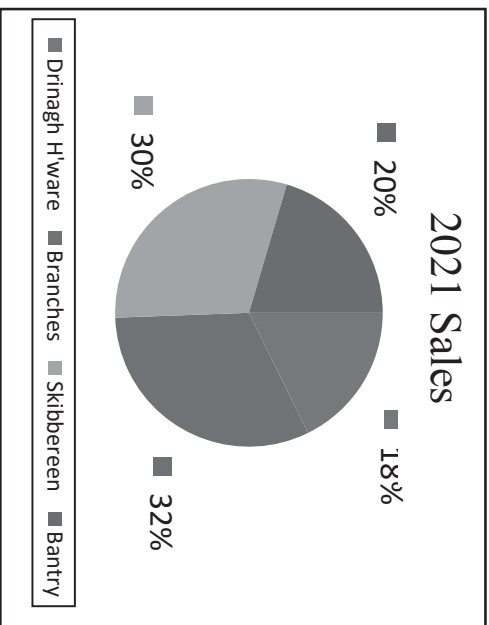
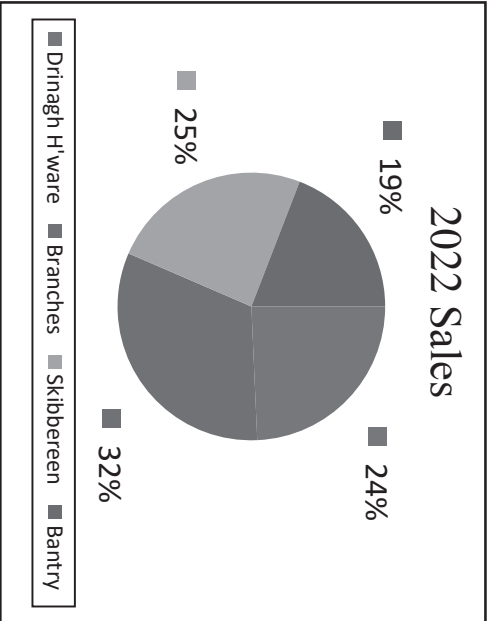
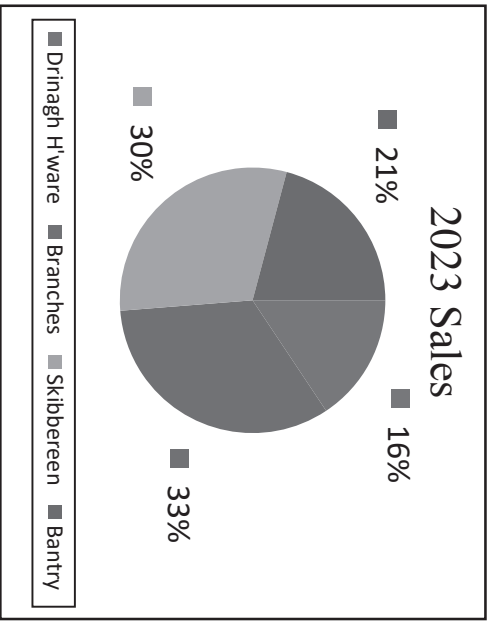
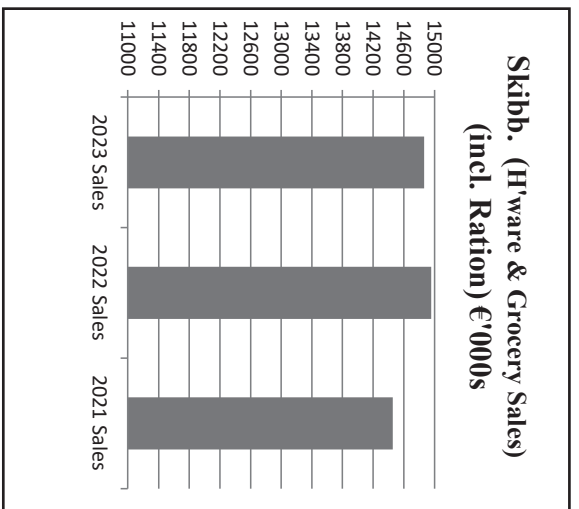
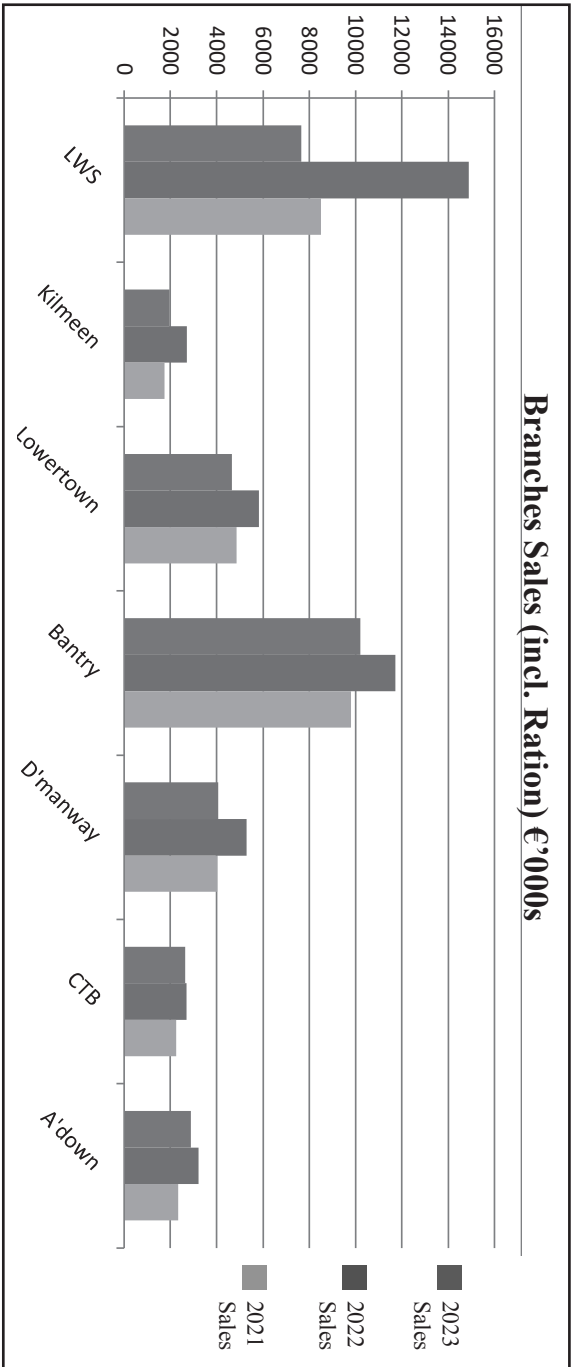


APPENDICES

Appendix I Group Turnover

	2023	2022
	€	€
Creamery	96,194,758	134,276,082
Mill	36,174,538	35,972,363
Stores	55,887,882	67,034,527
Other Turnover	29,955	21,877
	188,287,133	237,304,849





Appendix II

Operating Costs Analysis

	2023	2022
	€	€
<u>Production Costs</u>		
Packaging	274,098	221,773
Fuel & Oil	89,211	95,909
Electricity	857,384	1,191,270
Laboratory Expenses	8,049	12,150
Cleaning, Protective Clothing & Pest Control	219,052	148,935
Maintenance, Repairs & Parts	762,854	626,351
	2,210,648	2,296,388
<u>Administrative Overhead</u>		
Rent, Rates & Insurance	595,578	554,177
Advertising, Printing & Stationery	187,325	159,669
Computer Services	331,987	265,399
Postage & Telephone	134,403	113,780
Audit, Legal & Consultancy	241,548	241,365
Committee Expenses	87,061	88,841
Centenary Costs	103,456	51,663
Sundries	72,093	66,939
Subscriptions	150,893	142,997
Provision for Bad Debts	-	180,647
	1,904,344	1,865,477

APPENDICES

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

	2023					2022						
	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	3,291,031	6,735,542	(280,732)	88,662	-	9,834,503	3,694,790	9,018,390	72,327	136,044	-	12,921,551

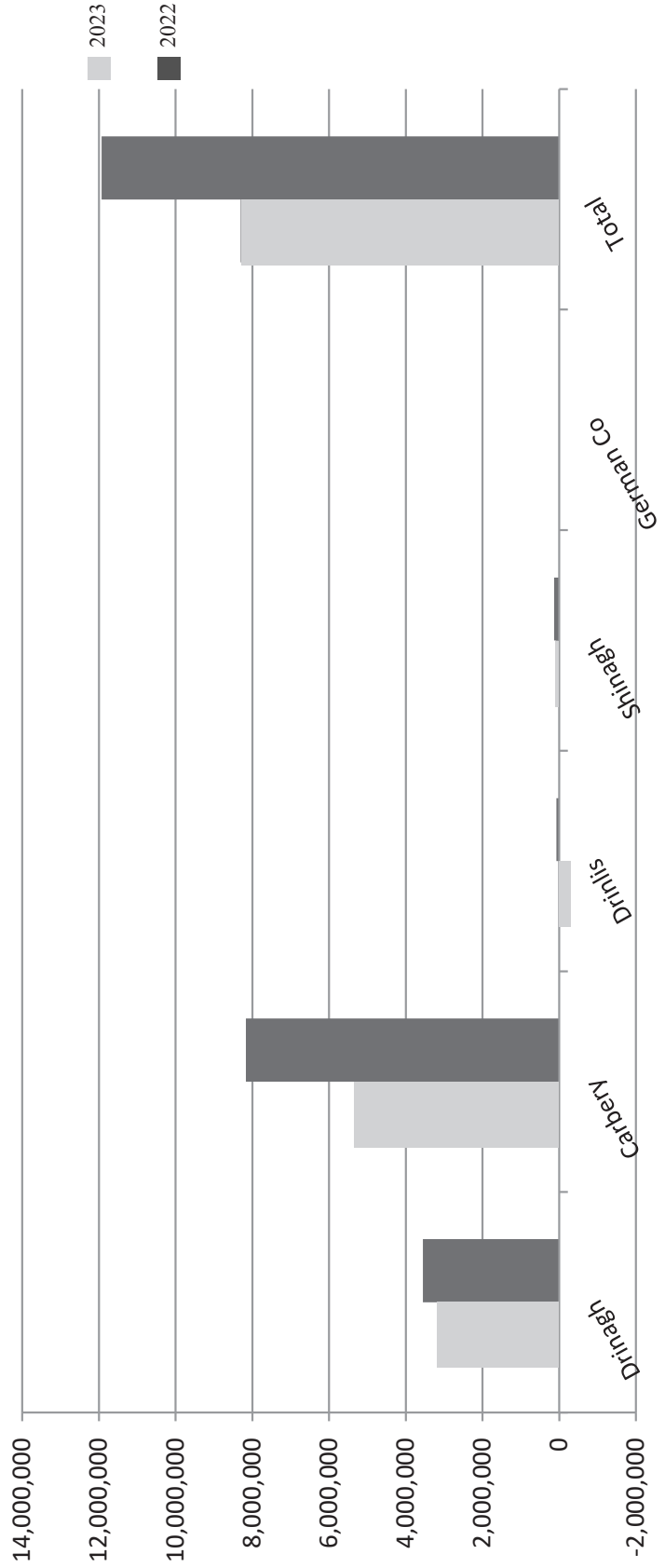
Appendix IV Investment & Other Income

	2023					2022						
	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	813,851	73,405	-	-	1,516	888,772	399,836	9,223	-	-	(32,900)	376,159
Fair Value Adjustment	809,832	-	-	-	-	809,832	(1,330,146)	-	-	-	-	(1,330,146)
Other Income	180,781	-	-	-	-	180,781	47,587	-	-	-	-	47,587
Rental Income	42,647	-	-	-	-	42,647	53,660	-	-	-	-	53,660
Other Finance Income	-	33,118	-	-	-	33,118	-	8,539	-	-	-	8,539
	1,847,112	106,523	-	-	1,516	1,955,151	(829,063)	17,762	-	-	(32,900)	(844,201)

Appendix V Interest Payable & Similar Charges

	2023				2022					
	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total	Drinagh Co-Operative Ltd.	Carbery	Drinlis Properties	German Subsidiary	Total
Bank Interest & Charges	€ 141,509	€ 1,391,630	€ -	€ -	€ 1,533,139	€ 140,744	€ 850,192	€ -	€ -	€ 990,936

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



APPENDICES

Appendix VII

Movement in Profit & Loss Account

	2023					2022						
	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)	3,291,031	6,735,542	(280,732)	88,662	-	9,834,503	3,694,790	9,018,390	72,327	136,044	-	12,921,551
Investment & Other Income (App IV)	1,847,112	106,523	-	-	1,516	1,955,151	(829,063)	17,762	-	(32,900)	-	(844,201)
Interest Payable & Similar Charges (App VI)	(141,509)	(1,391,630)	-	-	-	(1,533,139)	(140,744)	(850,192)	-	-	-	(990,936)
Exceptional Item	-	-	-	-	-	-	(500,000)	-	-	-	-	(500,000)
Taxation	(807,519)	(1,585,556)	6,306	(14,086)	-	(2,400,855)	(71,250)	(2,222,660)	(24,332)	(20,097)	-	(2,338,339)
Profit for the financial year	4,189,115	3,864,879	(274,426)	74,576	1,516	7,855,660	2,153,733	5,963,300	47,995	115,947	(32,900)	8,248,075
Dividends	(64,298)	(304,547)	-	-	-	(368,845)	(63,741)	(226,467)	-	-	-	(290,208)
Retained Profit for the Year	4,124,817	3,560,332	(274,426)	74,576	1,516	7,486,815	2,089,992	5,736,833	47,995	115,947	(32,900)	7,957,867
Remeasurement Gain/(Loss) in Respect of Defined Benefit Pension Scheme	-	(102,085)	-	-	-	(102,085)	-	(126,726)	-	-	-	(126,726)
Deferred Tax on Actuarial (Gain)/Loss	-	(7,170)	-	-	-	(7,170)	-	(1,024)	-	-	-	(1,024)
Fair Value Investment Reserve Movement	(538,537)	-	-	-	-	(538,537)	907,782	-	-	-	-	907,782
Share of Hedge Instrument	-	-	-	-	-	-	-	-	-	-	-	-
Redemption Reserve Movement	-	(81,678)	-	-	-	(81,678)	-	63,561	-	-	-	63,561
Issue of Bonus Shares	(2,234,077)	-	-	-	-	(2,234,077)	(76,546)	-	-	-	-	(76,546)
Movement in Profit & Loss Account	1,352,203	3,369,399	(274,426)	74,576	1,516	4,523,268	2,921,228	5,672,644	47,995	115,947	(32,900)	8,724,914

Appendix VIII

Annual Comparatives

Financial	2023	2022	2021	2020	2019	
Turnover	€ 000	188,287	237,305	171,918	151,834	142,758
Consolidated Profit for the Year after Tax	€ 000	7,856	8,248	10,496	8,109	10,720
Shareholders Funds	€ 000	183,231	177,384	167,652	153,485	149,344
Statistical						
Number of Milk Suppliers	No.	521	530	536	536	540
Milk Intake	Litres (Mill)	212.0	218.6	219.8	213.7	204.9
Average Butterfat	%	4.29	4.25	4.22	4.2	4.13
Average Protein	%	3.54	3.56	3.51	3.52	3.55



The 2023 Drinagh board of directors
Back from left, Jerry O'Neill, Michael John O'Donovan, Peadar O'Driscoll, Peter Kelly, Joe Burke RIP, John Hurley, Finn O'Mahony and James O'Donovan
Front, from left, Seamus Daly, chief executive; Marguerite Crowley, Derry Scannell, Donal McCarthy, chairman; Raymond Collins, vice-chairman; William Collins, and Donal Murphy, minutes secretary.



An ariel view of Drinagh Central taken during the Drinagh Centenary Family Day celebrations on 29th July 2023.

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