



Annual Report  
and Financial  
Statements

# 2015



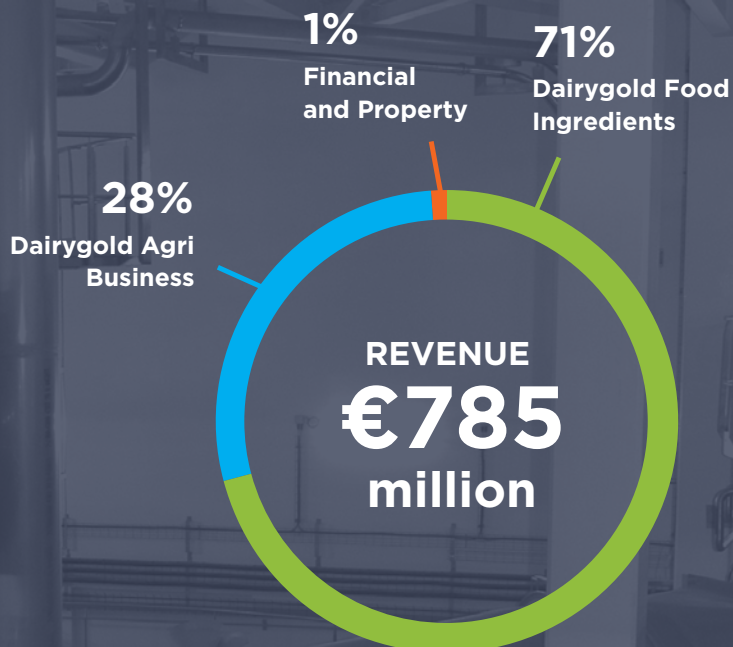
Dairygold Co-Operative Society Limited



# Key Highlights



**€19.2**  
million  
Operating Profit



**+18.7%**  
MILK VOLUMES

MILK PRICE  
SUPPORT



**€19.4**  
million

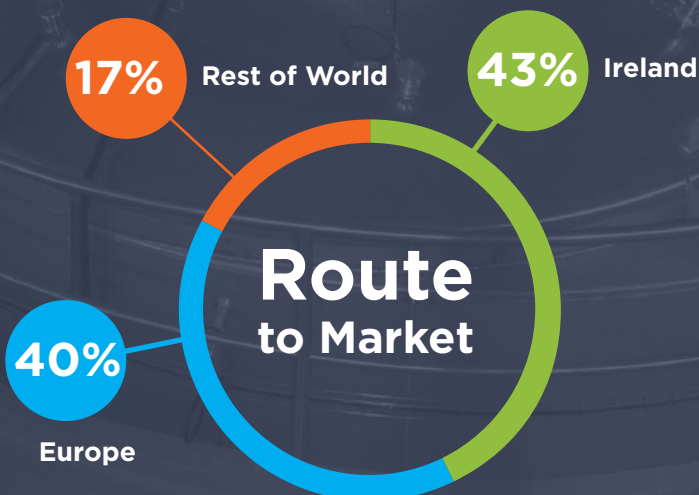


NET ASSET  
VALUE



INVESTMENT  
**€50.9**  
million

OVER €200 MILLION  
in last 7 YEARS



# Contents

Chairman's Statement	5
Chief Executive's Review	9
Sustainability	14
Financial Overview	16
Directors, Officers, Committees and Other Information	20
Statement of Board Responsibilities	26
Independent Auditor's Report	27
Consolidated Income Statement	28
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Statement of Accounting Policies	33
Notes to Financial Statements	39
Five Year Historical Information	64
Financial Performance Overview	66

**Cover shot:** Interior view of evaporator building at the new Dairy Nutrition and Ingredients Processing Complex in Mallow, Co Cork.



“Despite the very difficult market environment, the Society supported its Milk and Grain Suppliers, continued to progress its capital investment programme and maintained profitability.”





# Chairman's Statement

The steep fall in global dairy market returns over the course of the year made 2015 a very challenging year for all involved in the dairy sector. Despite the very difficult market environment, the Society balanced the ongoing development of the business and the needs of its Members by supporting milk price and continuing its capital investment programme while maintaining profitability. The Society remains well placed for continuing sustainable growth.

## In 2015, the Society:

- utilised its financial strength to cushion the full impact of the steep fall in international dairy market returns, by providing in excess of €20 million to support farm gate milk price and also by operating a number of support schemes to improve Members' cash flow;
- managed a seamless transition to post quota milk production by processing an extra 182 million litres of milk, which represented an 18.7% increase in milk volumes for the year. Overall in 2015, the Society received a record annual volume of 1,157 million litres of milk from Members;
- continued the largest capital investment programme in the Society's history, by progressing the regeneration of the Dairy Processing Site in Mallow, on schedule and on budget, with the new facility processing milk in March 2016;
- launched a new Loyalty Reward Scheme to reward Members and customers, on an annual basis, for their continued support of the Society;
- promoted the innovative and very successful 'Wrap it Pink' initiative, by making pink silage wrap available for sale to our customers. The Society helped raise awareness of breast cancer while raising much needed funds for the Irish Cancer Society; and
- encouraged Milk Supplier participation in the Bord Bia Sustainable Dairy Assurance Scheme ('SDAS'). Over 92% of our Milk Suppliers have signed up to the innovative scheme which will strengthen the Society's position in the international market.

In addition, in 2016 the Society introduced an attractive and popular Fixed Milk Price Scheme at 30.2 cent per litre inclusive of VAT and including the Balanced Scorecard and SDAS Payment, for a volume of up to 15% of 2015 supply.



## Post Quota Dairying

April 2015 saw the dawning of a new era, with the end of thirty years of milk quota restriction, which finally allowed farmers to produce milk without fear of super levy penalties. In 2015, the Society processed an extra 182 million litres of milk, an 18.7% increase over 2014. Overall the Society processed a record annual milk volume of 1,157 million litres. The Society was well prepared for the volume growth ensuring a smooth transition into the post quota era.

Milk forecasting has been a critical element in the success of our transition to the post quota era. It confirmed the phasing of the processing investment required to manage the expanding milk pool and allowed the Society to develop the sales and marketing plan for the increased product volumes.

The recent investments in the Castlefarm Dairy Campus and the regeneration of the Mallow facility have been critical to enable the Society process the increased milk volumes in both 2015 and 2016. The Society has also collaborated with its partner Ornua in the development of the new Kerrygold Butter Facility at the Castlefarm Dairy Campus, which creates significant opportunities and efficiencies for both parties.

The prudent management of expansion is important for the Society and its Members for sustainable growth. We urge Members to prepare business plans in advance of any on-farm investment in buildings, equipment, stock and land to avoid over-stretching, in a particularly volatile industry.



## Member Support

As a Co-Operative, the Society operates its business with a primary focus on the interests of its Members. We will always be flexible and responsive to Members' needs. During the year we introduced the following measures designed to help Members deal with the impact that falling dairy market returns were having on farm gate milk price:

- The Society supported farm gate milk price by in excess of €20 million over and above the return available from dairy markets, while ensuring banking covenants were met. This negatively impacted the Society's profitability in the year and increased Bank Debt;
- The Society also supported its Grain Producers by paying a leading price for grain delivered in 2015 when market prices disappointed;
- In addition, the Society operated a number of schemes during the year to improve Members' cash flow, including:
  - expanding its interest free deferred payment scheme for feed, fertiliser and certain other purchases, allowing customers to spread the cost of these purchases during January to April for payment over a four month period from June to September;
  - changing its Member funding thresholds to cease contributions to both the revolving fund and minimum shareholding, when milk price fell below 30 cent per litre; and
  - introducing a phased super levy payment scheme for the 2014/2015 milk quota year.
- In response to the ongoing volatility in 2016, the Society launched an attractive and popular Fixed Milk Price Scheme covering an eighteen month period from March 2016 to August 2017 inclusive. The Scheme allows Milk Suppliers to fix a volume of up to 15% of their 2015 milk supply over the period at 30.2 cent per litre.

The Society also continues its work at farm level to support its Milk Suppliers and is now in the third year of its current, very successful Dairygold Teagasc Joint Development Programme. During the year, Members turned out in large numbers for a series of very informative special interest events, organised across the Dairygold catchment area as part of the programme. We encourage all Milk Suppliers to actively engage in this very beneficial programme aimed at developing best in class practices and maximising on-farm profitability.

## Milk Quality

As a food business, quality is of critical importance to the Society. Our discerning business customers demand extremely high quality standards. Fortunately, the Society has an excellent record and reputation for quality which is paying dividends for the business.

It is great to see that in 2015 Dairygold's Milk Suppliers again recorded improved milk quality, including higher milk solids. I would like to particularly congratulate Mr. Dan Dennehy, his wife Valerie and their family, of Clonmoyle, Aghabullogue, Co. Cork, on winning the 2015 Dairygold Milk Quality Award.

Last year the Society's Milk Suppliers continued to sign up to the Bord Bia Sustainable Dairy Assurance Scheme (SDAS). The SDAS is a significant benefit to the Society in marketing its produce worldwide. I'm delighted to report that over 92% of our Milk Suppliers have now signed up to the Scheme and I urge any Members who haven't yet signed up, to do so because it is only when the Society can claim 100% compliance that we can really reap the rewards of this Scheme.

Later in this Report (page 14) we take a closer look at the Society's commitment to sustainability which is critical to the ongoing development of the Society.

We should be proud of the excellent quality of the product produced by the Society, which has again achieved international recognition with the Society's cheeses winning a total of 17 accolades at separate award ceremonies throughout 2015.



*Dairygold Milk Suppliers Dan and Valerie Dennehy who won the 2015 Dairygold Milk Quality Award pictured on their farm.*

## Member Training

Twenty two Members successfully completed the Member Up-Skilling Programme organised by the Society during the year. The programme which was open to all Members, including those on the Society's representative structure, was designed to increase participants' understanding of the dairy industry, markets and policy as well as increasing awareness of the Society, its operations and governance. Accredited by ICOS Skillnet the course qualifies participants for admission as members of the Plunkett Institute.

## Plunkett Institute

The Society is a founding member of the Plunkett Institute, which aims to promote best in class governance in Co-Operatives and formalise training and development of Co-Operative Directors. It provides a structure to recognise those who embrace these governance principles.

Inside Sales Team member graduate, Rebecca O'Sullivan.



## Farm Safety

The Society joined with other Irish Co-Operative Organisation Society ('ICOS') members to support the "FBD Champions for Change" Farm Safety Awareness Programme. As part of the programme all dairy co-operatives undertook to engage proactively with their members to promote farm safety. For its part Dairygold circulated "FBD Champions for Change" information packs to Members as well as displaying safety signs in all of its Retail outlets. Farm Safety was highlighted through product labelling and throughout the year in our monthly 'Farm News' newsletter.

## Loyalty Reward Scheme

A new Loyalty Reward Scheme was introduced in 2015 to reward Members and customers for their trading loyalty. The Scheme will pay annual cash and share bonuses to Members based on their level of purchases from, and milk supplied to, the Society over a 12 month period from November to the following October.

## Board and Management

We had two retirements from the Board during 2015, with both Mr. John McKeogh and Mr. John Malone having served their permitted service period. I would like to thank them both for their dedication, commitment and contribution to the Board over the last 10 years.

I want to congratulate Mr. Gerard O'Dwyer on his election to the Board to fill the vacancy created by the retirement of Mr. John McKeogh. I would also like to welcome Ms. Annette Flynn who has been co-opted to the Board as a non-executive director in place of Mr. John Malone. I wish them both well and look forward to their positive contributions to the Board.

In 2015, the Board established an Acquisition and Investments Committee, whose key role and responsibility is to review and consider proposals from management in relation to significant acquisitions, investments, disposals and capital expenditure.

I would like to thank all my fellow Board Members for their work on behalf of the Society over the past year. I also thank the Members of the General and Regional Committees for their important contribution to the Board decision making and Member communications.

On behalf of the Board I would like to recognise the leadership provided by our Chief Executive, Mr. Jim Woulfe together with the hard work, commitment and dedication of his management team and all Dairygold employees which has been fundamental to our success. Finally, I thank all Members and customers whose continued loyalty is critical to our future growth and prosperity.

## Conclusion

The Society has taken its first confident steps into a new phase of post quota growth and expansion but we recognise that the journey will not be without its challenges in a very volatile dairy industry. At processor and farm level we need to continue to plan for cycles of peaks and troughs. While the prevailing milk price outlook remains weak for 2016, the longer term view is positive and I'm confident that the market will re-adjust.

Meanwhile, the Society is financially strong and its operational capability is well established. On the investment side, we are geared for growth, processing efficiency and added value product portfolio development. Our supporting Agri Business is also performing well, providing competitively priced farm inputs. The Society will continue to support farming by maximising returns to our Milk and Grain Suppliers across the region.

James Lynch  
Chairman



## Dairygold's new Dairy Nutrition and Ingredients Processing Complex, Mallow.



*The new milk storage area.*



*The new milk intake building.*



*Exterior view of new dryer building.*



*Interior view of new dryer building.*



*The new dairy and milk separation plant.*





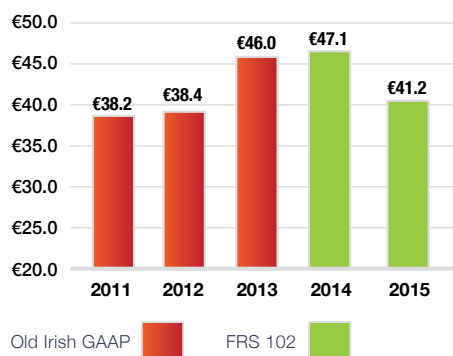
# Chief Executive's Review

2015 has been a testing year from a dairy market perspective, but a productive year overall for Dairygold. Despite the severe downturn in dairy market returns, Dairygold maintained its focus on maximising the value it adds to Members' produce and the value it adds to the business, while managing a seamless transition to the post quota era.

As a Co-Operative, Dairygold is committed to maximising Member Suppliers' income from farming. In that regard, over the course of the year Dairygold managed a planned reduction in its operating profit to provide in excess of €20 million in milk price support to our 3,000 Milk Supplier Members and paid a leading price for grain supplied. Despite the turbulent international dairy markets, Dairygold's strong financial position had the robustness to implement such a policy of milk price support.

Reflecting the significant fall in dairy market returns over the course of 2015, Dairygold recorded a turnover of €784.9 million (2014: €848.4 million) for the year generating EBITDA of €41.2 million (2014: €47.1 million).

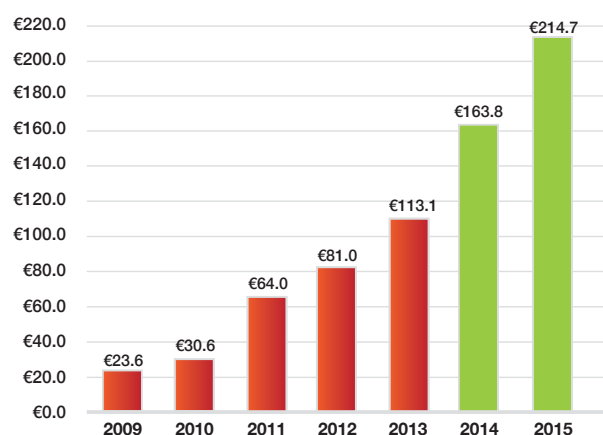
**EBITDA €million**



Dairygold reported an Operating Profit of €19.2 million, down from the previous year's figure of €28.6 million following a deliberate decision by the Board to support milk price payments to its Milk Suppliers.

Dairygold invested another €50.9 million (2014: €50.7 million) in its capital investment programme, the largest in the Society's history. Dairygold has now invested over €200 million in the business over the last seven years while maintaining a prudent level of net debt. 2015 year-end borrowings are higher as a result of the significant capital investment programme and the level of milk price support in 2015, comprising €96.2 million of bank debt and €10.9 million of Member Funding.

**Cumulative Investment €million**



Overall, in 2015, Dairygold recorded a strong financial performance growing the Net Asset Value of the business by €19.4 million to €315.5 million.

## Financial Statements

The Society's 2015 Financial Statements have been prepared under Financial Reporting Standard 102 ("FRS 102"), which is mandatory for the Society for the financial period commencing on or after 1 January 2015. For comparative purposes the Society's 2014 Financial Statements, previously reported under Irish Generally Accepted Accounting Principles ("old Irish GAAP") have been restated under FRS 102. This resulted in the restatement of some of the results and balances, changes to the names of primary financial statements, changes in the level of content and disclosure in the financial statements, the details of which are set out in the Financial Overview (see page 16).

## Dairy Markets

Favourable weather conditions across the major dairy producing countries, the cessation of milk quotas in Europe and a consecutive number of record grain harvests have combined to drive increased milk production across the globe. Meanwhile, lower Chinese demand and falling oil prices together with the continuing Russian trade sanctions, have contributed to a weakening in global demand.



*The new dryer installed at the Castlefarm Dairy Campus in Mitchelstown in 2014.*

This supply and demand imbalance has created an overhang of global stocks. Dairy prices fell significantly over the course of 2014 and 2015, as reflected by the movement in the Global Dairy Trade ("GDT") index which has fallen by over 55% from quarter one in 2014.

To counter the impact of the severe downward trend in dairy markets, Dairygold supported milk price over the year by in excess of €20 million. This, along with other farmer support measures, such as extended credit on farm inputs helped to cushion the extremities of the market downturn in a year which saw substantial milk volume growth at farm level.

Dairy markets have always been cyclical and they will rebalance, but a significant weakening in milk production or an upsurge in demand is needed to bring this about. In that regard there are some positives, with milk production in a number of larger exporting nations stabilising or falling along with some upturn in demand from China. However, with a stock overhang now prevailing, it will take some time to get normal commercial tension back into the marketplace. While price volatility will remain a feature of the market into the future, Ireland still has a real competitive advantage, through its sustainable grass based production system.

## Dairy Business

### *Irish Operations*

The main priority of our Irish dairy business in 2015 was the transition to a quota free operating environment. The cessation of milk quotas together with ideal farming weather conditions drove milk production at farm level with Dairygold receiving and processing 1,157 million litres of milk in 2015, ahead of our Members' forecasts. The forecasts proved to be a vital enabler in the planning, processing and selling of products. Particularly encouraging for the business was the increase in both milk quality and milk solids, both of which have also reached record levels.

The investment at the Castlefarm Dairy Campus in Mitchelstown came fully on stream in 2015 and proved to be a critical resource in processing the increased volumes.



*John O'Mahony, Head of Engineering who managed the Mallow Regeneration project and Stephen Kenny, Head of Production.*

The next phase of our Irish dairy business expansion plan which is the largest in the Society's history focused on the regeneration of the Dairy Processing facility in Mallow. The new state-of-the-art dairy nutrition and ingredients complex is now fully operational for the 2016 peak milk flow.

2015 also saw the commencement of Dairygold's collaboration with Ornua to locate the Kerrygold Butter Manufacturing and Packing Facility on the grounds of Dairygold's Castlefarm Dairy Campus in Mitchelstown.

This strategic partnership, due to be operational from June 2016, will deliver significant benefits to both parties through a commercial lease, direct cream supply and the provision of first class site services.

The quota era saw restricted investment in large-scale processing across the industry over the last 30 years. The shackles have now been removed from the opportunity to modernise plant and equipment. Dairygold's significant capital investment programme will bring the benefit of more efficient and cost effective processing.





More importantly, the investment provides the Society with the technical capability to deliver on added value growth objectives. A core objective of Dairygold's Post Quota Strategy is to grow sales internationally, in a number of higher value add sectors. Through its investments, Dairygold is now in a position to enhance its ongoing pursuit of adding value to our dairy production output.

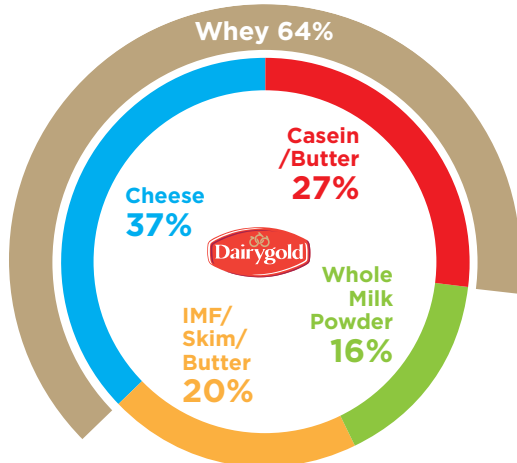
We are building high end processing capability that will support the development of dynamic business to business relationships ('B2B') with discerning world class international partners. We will have the ability to produce a more varied portfolio of products as appropriate, improving our ability to compete on the world stage.

### Overseas Operations

Following restructuring in 2014, Dairygold's overseas dairy operations are now centred on our UK cheese ingredient business, supplying into the foodservice and food manufacturing sectors. The UK continues to be a vital route to market and route to value for our quality products.

The business performed in line with expectations, driven by increased market share and improved customer service, despite the challenges of operating in an extremely competitive sector. The German business continues to perform strongly, growing its customer base in Central Europe.

### 2015 Product Portfolio (milk utilisation)



## Agri Business

### Agri Operations

Agri Operations incorporating feed, fertiliser and grain, turned in a strong performance in 2015. The favourable weather for farming did impact sales of feed and fertiliser, both of which were down on the previous year's volumes.

The 2015 grain harvest was prolonged due to the poor weather for harvesting. Dairygold purchased 130,000 tonnes of grain from its Suppliers, with high yields and good quality recorded for all grain varieties.

While Dairygold paid a leading price to its Grain Suppliers, the overall market price was again disappointing for Grain Producers due to a global oversupply and stock overhang.

At an organisational level our Agri sales team completed a successful restructuring during the year. The Sales Advisory and Service Team was reorganised around evolving customer needs, to deliver inside farm gate value and to retain and grow Dairygold's market share through consistently delivering "End to End" best in class levels of customer service. Agri Operations now provides three separate customer service and technical support teams, each with technical expertise aligned to each specific sector. In addition, Dairygold has set up an Inside Sales Team to support the field based sales teams.

### Retail

The Retail business delivered a solid performance in 2015, as increased farm activity across the Dairygold catchment area drove farm requisites and farm hardware sales. Lower prices were introduced throughout the year on many items, which were well received by customers.

I would like to acknowledge and thank all those involved in the very successful 'Wrap it Pink' initiative, which helped raise awareness of breast cancer while raising funds for the Irish Cancer Society.

While some confidence appears to be re-emerging in the retail sector in Ireland, there remains a number of challenges to sales growth, including continued weak consumer sentiment and intense competition for sales. Dairygold's retail business model, including the cost base, is currently being rationalised to ensure the Society has a sustainable model to deliver the most cost effective offering to its Members into the future.

Photographed at the launch of Dairygold's 'Wrap it Pink' campaign were back row (l to r) John O'Carroll, General Manager Agri-Retail, Niall Griffey, Area Sales Manager, Dairygold, Thomas Prendergast, Contractor and John O'Gorman, Dairygold Board Member with Dairygold supplier Joe Tobin, Cashel, Tipperary with his wife Joanne and their daughters Ciara and Chloe.



## Customer Initiatives

The Society introduced a number of customer initiatives during 2015, including:

- providing extended credit on purchases of feed, fertiliser and other products, assisting customer's cash flow requirements, and
- introducing a new Loyalty Reward Scheme for Dairygold Members and customers.

## Subsidiaries, Joint Ventures and Associates

Munster Cattle Breeding Group Limited had another successful year with an 8% increase in sales in both first inseminations and in DIY straws. It is encouraging to see that the number of milk recording herds has increased. The National Cattle Breeding Centre ('NCBC') continues to be a key partner of Munster Cattle Breeding Group, supplying high performance genetics.

The Malting Company of Ireland Limited, which Dairygold jointly owns with Glanbia plc., continues to provide an added value route to market for premium Irish barley. Co-Operative Animal Health Limited also jointly owned with Glanbia plc., continues to be a key supplier of competitively priced animal health and mineral products.

## Key Business Enablers

### People

As the milk pool expands, every extra litre will be sold on the export market. Milk expansion, in the coming years, will require a greater focus on export sales. As our business gets bigger and more complex, our Human Resources Department, in conjunction with our business divisions, is focussed on developing the correct skills base to match the excellent existing knowledge base, facilitating our future development. This will ensure that we will have the competence and capability to realise and maximise opportunities as they arise.



Finola Cahalane, Co-Op Superstore, Raheen.



Dairygold personnel at the Agri Careers Fair in the RDS.

Dairygold prides itself on its values which are intrinsic in everything we do;

- Customer Focus – 'Right first time',
- People Development and Respect – 'People who care',
- Continuous Improvement and Innovation – 'Find a better way' and
- Results Orientated – 'Deliver on targets'.

2015 also saw Dairygold partner for the fourth year with the Irish Management Institute and University College Cork, with a further 15 employees completing the IMI/UCC Diploma in High Performance Leadership.

Over the past four years, the Society has recruited over 60 graduates. The Dairygold Graduate Programme is a three year programme resulting in a Diploma in Management. It continues to bring new skills and new thinking to the Society. Dairygold is extremely committed to the continued development of its Graduate Programme and has invested significantly in changing and improving our approach to the process in recent years.

Dairygold also has a number of other initiatives and programmes designed to help its employees realise their full potential.

## Information Technology ('IT')

The Society continues to invest in leading edge information technology, including Customer Relationship Management software. IT capability throughout the organisation is vital to how we do business and we are continually re-engineering and reviewing its use and operation to maximise business performance.



## Continuous Improvement

Advance 2020, the Dairygold Continuous Improvement programme is now embedded in our culture and is part of how we operate on a day to day basis. The programme continues to deliver cost savings and drives increased operational efficiencies across all businesses.

## Sustainability

Dairygold is acutely aware of the importance of climate change and other environmental issues. The Conference of Parties 21 ("COP 21") held in Paris in December 2015 demonstrated that despite significant challenges, there is growing consensus towards the development of sustainable operations for all industries. With a greater focus by consumers on sustainability the Irish dairy industry is being proactive in demonstrating that its grass based dairy production systems are to the forefront in sustainable operations. Dairygold is an enthusiastic supporter of the industry's efforts in that regard. For its own part Dairygold has also formalised its own sustainability programme. The Society is committed to operating its business responsibly and in a manner which is sustainable from an economic, environmental and social perspective as further outlined on page 14.

## Strategic Direction

Dairygold's strategic journey to enhance value for Members can be categorised into three milestones:

- 2009-2012: Business Stability – a focus on growing operating profit, paying down bank debt, reducing the Reox liability and cementing a number of supply agreements with key strategic customers;
- 2012-2015: Post Quota Preparation – crafting a prudent Dairy Expansion Strategy partnered with a Milk Supply Agreement, underpinned by a phased Capital Investment Programme with an ambition to pay a leading milk price and maintain a strong Balance Sheet; and
- 2015-2020: Journey to Value Add and Growth – achieve world class production standards and transition from Food Ingredients to Nutrition both of which are underpinned by our reputation for customer excellence and innovation.

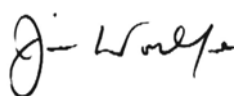
Dairygold's ambition over the next number of years is to see Dairygold steadily growing its involvement in the production of higher value nutritional products that offer specific diet and health benefits for customers. To this end, we will be adding additional people, processes and systems capabilities and resources.

## Thanks

2015 saw Dairygold move seamlessly into a post quota operating environment. That transition was facilitated by detailed planning and foresight, combined with a lot of hard work done over the last number of years, to develop and agree a Post Quota Strategy for the organisation. I want to thank Chairman, Mr. James Lynch, Vice Chairman, Mr. Thomas Feeney and other Board Members along with the General and Regional Committees and my colleagues at all levels in the organisation for the work they have done to help make it happen.

## Conclusion

Despite the severe challenges in dairy markets we are fortunate that Dairygold is a strong and growing business. Our Post Quota Strategy is being delivered in line with targets and strategically Dairygold is perfectly positioned to focus on value add and growth. However, we will stay focused on cost efficiency and our expansion will continue to be prudent and cautious. In this way, Dairygold will meet the challenges of the year ahead and continue to maximise returns to its Members. 2016 is going to be a very difficult and tough year from a dairy market perspective. We will need to be courageous and resilient to see it through.



**Jim Woulfe**  
Chief Executive



# Sustainability

Dairygold has served the needs of local farms for over 100 years and the principles of sustainability are at the very core of how it operates. Furthermore Dairygold believes that to be successful, a business must operate to these principles.

Dairygold understands that sustainability is not a policy, but is a culture which must permeate the entire organisation at all levels. In order to maintain and to develop this culture Dairygold has developed and implemented a formal Sustainability Programme. This encapsulates its principles into four sustainability pillars which govern its current practices and defines its goals and ambitions for the future. Through this it can guarantee a successful business for future generations.

The four sustainability pillars are;

## FARMS

As a Co-Op Dairygold has a unique relationship with its Members. Their grass based production systems are recognised as being highly carbon efficient and sustainable. Dairygold is committed to supporting its Members to grow profitable and sustainable enterprises. It invests in farm development programmes, advisory services and supplies competitively priced inputs to help them achieve this.

## SUPPLY CHAIN

Dairygold is committed to operating an integrated and sustainable supply chain, from farm to customer. It sources quality milk and grain from Members, supplies agri-inputs to farms and it processes milk into dairy ingredients for supply to its customers. Dairygold manages the impact of its operations at factory level. Dairygold influences its upstream suppliers to manage and improve their sustainability performance. Dairygold partners with customers to better understand and support their sustainability drivers.

## PEOPLE

With over 1,150 employees Dairygold is committed to making its business a great place to work. The Society's core values are – People Development and Respect; Continuous Improvement and Innovation, Customer Focus and Results Oriented. These values are embedded in how Dairygold does its business and are key to delivering success through its people. Dairygold proactively develop its people to enable them to contribute to its business and the broader community.

## COMMUNITY

Dairygold is committed to making a difference in the communities in which it operates. It supports rural communities through the provision of employment and the purchase of goods and services. It invests in farm development programmes to support its farmers and contributes to charities and community groups.

### FARMS



- Leader in the rollout of the national Sustainable Dairy Assurance Scheme ('SDAS') – currently over 93% of milk volume supplied to Dairygold is from SDAS participants
- €1m invested over three years in the Farm Development Programme run in conjunction with Teagasc, to support farmers to improve profitability and sustainability
- Actively promoted Farm Safety to its Members as part of the "FBD Champions for Change" farm safety awareness program

As part of Dairygold's commitment to sustainability it participates in the following sustainability initiatives:

## Origin Green

Dairygold is a member of Origin Green, a Bord Bia national sustainability programme for food manufacturers. It has developed a three year plan with both environmental and social sustainability targets and is on track to deliver significant improvements by the end of 2016.



## Sustainable Dairy Assurance Scheme

Dairygold is a leader nationally in the rollout of the Sustainable Dairy Assurance Scheme ('SDAS').

This is a farm level assurance scheme which includes criteria such as food safety, traceability, animal health, hygiene and various sustainability measures including a farm level carbon assessment using the Carbon Navigator.

The SDAS is the first national dairy scheme of its kind anywhere in the world, making Ireland the only country systematically measuring and improving its environmental performance on farm at a national scale. This demonstrates to Dairygold customers that its dairy products are produced under both Sustainability and Quality Assurance criteria.



# OUR 2015 PERFORMANCE



## PEOPLE

- Roll out of Dairygold Values and Behaviours to improve engagement and culture across the Society
- Training, developing and upskilling staff across the society
- Investment in employee leadership development through the Irish Management Institute

## COMMUNITY

- 'Wrap it Pink' silage wrap initiative to raise funds for the Irish Cancer Society
- Organised 'I WISH' event in Mallow to encourage female second level students to participate more in STEM (Science, Technology, Engineering, Maths) subjects
- Staff Charity Fundraising Event which raised much needed funds for three local charities
- Sponsorship of local charities, clubs, schools and community organisations across the Dairygold catchment area

## SUPPLY CHAIN

- Improved milk collection transport fuel efficiency by 6% since 2013, leading to reduced carbon emissions
- Water efficiency in cheddar production has improved by 20% since 2011
- Increased production of renewable biogas in the Anaerobic Digester, displacing fossil natural gas usage and reducing carbon emissions on the Castlefarm Campus
- Ongoing investment in energy and water efficiency technologies in the Mallow Facility
- Completed year 2 of a 3 year Origin Green Sustainability plan



Dairygold was shortlisted for 4 awards at the Green Awards Ceremony in 2016:

- GREEN FOOD AND BEVERAGE
- GREEN LARGE ORGANISATION
- GREEN MANUFACTURER
- GREEN TRANSPORT



*Dairygold won two awards at the 2016 Green Awards, the Green Transport Award and the Green Manufacturer Award*



# Financial Overview

## Statutory Financial Statements 2015

### Basis of Preparation

Dairygold's Financial Statements for 2015 have been prepared under Financial Reporting Standard 102 ("FRS 102").

This new standard replaces Irish Generally Accepted Accounting Principles ("Irish GAAP") and is mandatory for the Society for all financial periods beginning on or after 1 January 2015. For comparative purposes the 2014 financials, previously reported under Irish GAAP, have been restated under FRS 102.

FRS 102 has led to changes to the names of the primary financial statements as follows:

Primary Statements under old Irish GAAP	Primary Statements under FRS 102
Consolidated profit and loss account	Consolidated income statement
Consolidated statement of total recognised gains and losses	Consolidated statement of comprehensive income
Consolidated balance sheet	Consolidated statement of financial position
Consolidated cash flow statement	Consolidated statement of cash flows
<i>Previously disclosed by way of note 'Reconciliation of movement in shareholders' funds'</i>	Consolidated statement of changes in equity

Reporting under FRS 102 has resulted in changes to the reported 2014 results and balances:

- The Net Asset Value increased by €16.1 million, from €280.0 million to €296.1 million, primarily due to the following significant changes:
  - reflecting the increase in the value of investments in shares from cost to market value of €31.3 million,
  - reflecting the movement in investment property values of €0.2 million,
  - the elimination of intangible assets (excluding software) of (€9.7) million,
  - the present valuing of all financial assets which are non-interest bearing and not repayable on demand or within twelve months of (€1.4) million,
  - the impact of deferred and corporation taxation on the above of (€4.0) million.
- Operating Profit increased by €1.1 million, primarily due to:
  - elimination of the amortisation charge on intangible assets of €1.4 million,
  - treatment of the revaluation of investment properties of €0.6 million,
  - the reallocation of pension costs of (€0.6) million from interest to operating costs and of (€0.4) million relating to present valuing future income and accounting for foreign exchange contracts at fair value.

*(Please see Note 39 for full details of the financial impact of the transition to FRS 102)*



Despite 2015 being a challenging year for dairy markets, Dairygold delivered a strong financial performance, generating an Operating Profit of €19.2 million. It significantly supported its Milk Suppliers, in line with its Co-Operative ethos and continued to invest for the future sustainability of the business and its Members.

## 2015 Key Financial Highlights

- Delivered an Operating Profit of €19.2 million, after supporting milk price by in excess of €20.0 million.
- Dairygold invested a total of €50.9 million of cash in capital expenditure in 2015.
- The net bank debt of €96.2 million increased by €24.6 million, due to supporting milk price and the continuing significant capital investment.
- The Society's net asset value increased by €19.4 million to €315.5 million.



## Consolidated Income Statement

Turnover in 2015 decreased by €63.5 million compared with 2014. In the dairy business there was a significant fall in dairy market returns versus the prior year, which was partially offset by milk volume increases of c. 18.7%. In the Agri business turnover was down year on year driven by reduced feed and fertiliser volumes due to strong grass growth.

The overall Operating Profit of €19.2 million (2014: €28.6 million) decreased by €9.4 million from 2014. While the business benefited from the increased milk volumes, the Society supported its Milk Suppliers by in excess of €20.0 million through paying a milk price over and above market returns. This had the effect of reducing the expected margin the Society would normally generate from its Dairy business based on the increased volumes of milk.

The relatively strong Operating Profit of €19.2m after milk price supports was driven by:

- Processing and operating efficiencies gained from the continued investment in capital and continuous improvement initiatives;
- Ongoing cost control measures;
- Continuing to optimise product mix and routes to market; and
- Leveraging partnerships with key customers.

The share of joint ventures' and associates' performance was an operating loss of (€0.2) million in 2015 (2014: €0.0 million).

The net interest charges was €5.5 million (2014: €4.4 million), with the increase primarily driven by an increase in interest costs on Bank Debt and Member Funding of €0.4 million and increased interest costs associated with pensions of €0.5 million and €0.2 million relating to the unwinding of the discount factor for provisions.

The profit after tax for the financial year of €8.3 million (2014: €26.9 million), a reduction of €18.6 million, reflects a reduced operating profit of €9.4 million, a negative movement in values of quoted shares year-on-year of €9.8 million, profit on sale of business in 2014 of €2.6 million, an increase in net interest payable of €1.0 million and a reduction in share of joint ventures and associates of €0.2 million, partially offset by a reduction in the taxation charge of €4.4 million.

## Consolidated Statement of Financial Position

In 2015, the net asset value of the Society's Consolidated Statement of Financial Position increased by €19.4 million to €315.5 million (2014: €296.1 million). The increase primarily reflected the profit for the financial year of €8.3 million, positive non-cash movements related to the pension scheme of €12.1 million and positive exchange differences on retranslation of subsidiary undertakings of €1.3 million, partially offset by share interest paid of €1.2 million, net shares redeemed of €0.8 million, dividends paid to non-controlling interests in Munster Cattle Breeding Group Limited of €0.2 million and a negative reserve movement in joint ventures of €0.1 million.

Fixed assets of €333.3 million (2014: €331.8 million) comprising intangible assets, tangible assets, investment properties and financial assets, increased by €1.5 million, as a result of:

- capital expenditure of €28.0 million;
- an increase in the investment property assets valuation of €0.7 million; and
- the impact of positive currency movements of €0.4 million.

These increases were partially offset by:

- depreciation and amortisation charges of €23.4 million;
- a decrease in quoted and unquoted shares of €3.4 million;
- a decrease in the share of joint ventures and associates of €0.3 million; and
- a net reduction in Ornua loan stock of €0.5 million.

Net current assets less creditors falling due after more than one year of (€4.1) million (2014: (€9.5) million) increased by €5.4 million primarily as a result of:

- an increase in stocks of €12.9m to €129.3 million (2014: €116.4 million);
- an increase in debtors of €9.3m to €107.7 million (2014: €98.4 million);

- a decrease in creditors (excluding bank debt and finance leases) of €7.7 million to €144.9 million (2014: €152.6 million); and
- an increase in bank debt of €24.6 million to €96.2 million (2014: €71.6 million).

The capital grants' liability of €9.9 million (2014: €8.8 million) increased by €1.1 million as a result of the receipt of capital grants during the year of €2.5 million, partially offset by the amortisation credit for the year of €1.4 million.

The deferred tax liability of €3.8 million (2014: €2.2 million) increased by €1.6 million from 2014.

The consolidated statement of financial position at 31 December 2015 reflected a pension asset of €0.1 million (2014: pension liability of €15.2 million). The positive movement was driven by an increased return on pension assets of €7.1 million and a reduction in the liabilities of €8.2m reflecting a positive movement driven by an increase of 40 basis points in the discount rate to 2.6% reducing the liabilities by c. €20 million, the 2015 risk management initiatives yielded €4.6 million, which were partially offset by the inclusion of a provision of 0.8% for the cost of discretionary pension increases of €14 million.

The share capital decreased by €1.0 million to €93.1 million (2014: €94.1 million), reflecting shares redeemed of €1.5 million, shares cancelled of €0.4 million, partially offset by shares issued of €0.9 million. The level of shares issued was lower than 2014, as the requirement for Milk Suppliers to meet minimum shareholding levels was optional once the Dairygold quoted milk price fell below 30 cent per litre and ceased when the Dairygold quoted milk price fell below 27 cent per litre.

The revenue reserves increased by €20.1 million to €219.1 million (2014: €199.0 million) reflecting the profit for the financial year of €7.8 million (excluding non-controlling interests), positive non-cash movements related to the pension scheme of €12.1 million, positive exchange differences on retranslation of subsidiary undertakings of €1.3 million and a benefit of €0.2 million on shares cancelled, partially offset by share interest paid of (€1.2) million and a negative reserve movement in joint ventures of (€0.1) million.

## Consolidated Statement of Cash Flows

The cash and cash equivalents increase of €0.9m to €4.4m (2014: €3.5 million) reflects a positive exchange rate movement on cash and cash equivalents of €0.9 million (2014: €1.0 million) and a net cash inflow of €0.1 million. This net cash inflow reflects an increase in the long term bank loan facilities of €25.4 million and a net cash outflow for the year of €25.4 million, net of finance lease repayments.

The increase in the net bank debt of €24.6 million to €96.2 million (2014: €71.6 million), reflects the net cash outflow for the year of €25.4 million offset by the positive exchange rate movements on cash and cash equivalents of €0.9 million.

The net cash outflow of €25.4 million (less €0.5 million relating to other non-cash movements on the profit on the revaluation of investment properties and the present valuing of turnover), results from:

- Investment in the business of (€50.0) million (2014: €51.7 million), relates to investment in capital expenditure (net of grants and disposals) of €49.6 million and movements in financial assets of €0.4m;
- Increased working capital requirements of (€6.5) million (2014: €3.9 million), resulting primarily from increased stocks and debtors, offset by a increase in creditors;
- Payments of (€11.0) million (2014: €7.1 million) to cover net finance costs, taxation, pension costs, equity financing and share interest;
- EBITDA of €41.2 million (2014: €47.1 million), generated by the business after supporting milk price by in excess of €20 million; and
- Member funding receipts of €1.4 million (2014: €4.3 million) in relation to revolving fund and loan notes, inclusive of interest.

The Society's long term borrowings are subject to financial covenants calculated in accordance with the facility agreements with the lenders. The Society's Consolidated statement of financial position is robust. With a Net Debt to EBITDA ratio of 2.38 times, the Society has sufficient headroom to support its future growth plans.

## Pension

In 2015, the FRS 102 valuation resulted in a pension asset of €0.1 million (2014: liability of €15.2 million), reflecting an increase in assets of €7.1 million and a reduction of liabilities of €8.2 million. The increase in the scheme assets reflected a strong performance in a generally positive market environment. The reduction in liabilities was primarily driven by an improved discount factor of 2.60% (2014: 2.20%) and risk management initiatives implemented in 2015, which were partially offset by providing for an element of discretionary pension increases.

While 2015 resulted in the scheme returning to surplus, given the current volatility around financial markets and pension schemes in general, the Society continues to actively monitor the scheme and to proactively pursue further risk mitigation initiatives. A full actuarial valuation of the scheme is being undertaken by the Society in 2016, in line with legislative requirements.

## Member Funding

Member Funding was introduced in 2013 as part of the Society's overall funding strategy to support the delivery of its business growth ambitions.

Total Member Funding received (including accrued interest), to date is €10.9 million (2014: €9.5 million) €2.6 million in loan notes (2014: €2.0 million) and €8.3 million (2014: €7.5 million) in the revolving fund.





*Dairygold's successful 'Wrap it Pink' initiative grew to become a nationwide phenomenon and allowed Dairygold to raise €10,000 for the Irish Cancer Society.*

Member Funding contributions were discontinued during 2015 due to falling milk prices, in accordance with terms and conditions of both schemes and a Board decision to support our Milk Suppliers in a challenging year from a cash flow perspective.

## Non-Core Assets

### Financial Assets

The Society's investment portfolio includes investments which are managed in conjunction with a third party investment manager. The market value was €38.4 million (2014: €41.8 million) including Aryzta plc at €19.7 million (€47.25 per share), FBD plc at €0.4 million (€6.61 per share), One51 at €7.9 million (€1.60 per share) as at 31 December 2015 and an investment portfolio of €10.4 million.

The decrease of €3.4 million is primarily driven by the fall in the Aryzta valuation of €6.8 million partially offset by the increase in the One51 of €2.5 million.

### Property

The Society as at 31 December 2015, holds c.€45 million of non-core property assets. The primary focus is to maximise the value from these properties for the Society, through a combination of developmental, rental and commercialisation opportunities.

## Conclusion and Outlook

The Society has delivered a solid financial performance in 2015, after significantly supporting its Milk Suppliers against rapidly declining and uncertain dairy markets. The Society continues to invest in its processing capacity, routes to market and people capability to deliver on its future strategy to sustainably maximise returns to its Members. The Society is in a strong financially prudent net debt position. Uncertainty in relation to dairy markets continues in 2016.

# Directors, Officers, Committees and Other Information



**James Lynch**  
*Chairman*



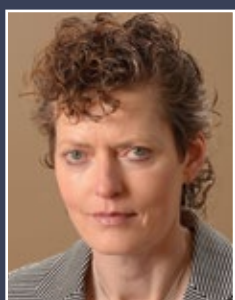
**Thomas Feeney**  
*Vice Chairman*



**Donal Buckley**



**Dan Flinter**



**Annette Flynn**



**Richard Hinchion**



**Edmund C. Lynch**



**Sean MacSweeney**



**Gerard O'Dwyer**



**John F. O'Gorman**



**Patrick O'Keeffe**



**John O'Sullivan**

## Board of Directors

**James Lynch**  
*Chairman*

**Thomas Feeney**  
*Vice Chairman*

**Donal Buckley**

**Dan Flinter**

**Annette Flynn**

**Richard Hinchion**

**Edmund C. Lynch**  
**Sean MacSweeney**

**Gerard O'Dwyer**

**John F. O'Gorman**

**Patrick O'Keeffe**

**John O'Sullivan**



**Jim Woulfe**  
*Chief Executive*



**Eamonn Looney**  
*Secretary*



## Board Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities in compliance with the highest standards of corporate governance. The committees and their membership are detailed below. All committees of the Board have written terms of reference dealing with their role and authority delegated by the Board. The Secretary of the Society acts as Secretary to each of these committees.

## Audit Committee

The Audit Committee comprises Ms Annette Flynn (Chairman) and Messrs Edmund C. Lynch, Patrick O'Keeffe and John O'Sullivan. The Chief Executive, Chief Financial Officer, Head of Internal Audit, other Directors, Senior Management and representatives of the external auditors may be invited to attend all or part of any meeting.

The role and responsibilities of the Audit Committee are set out in its written terms of reference and include:

- monitoring the integrity of the financial statements of the Society and reviewing significant financial reporting judgements contained therein;
- reviewing the annual financial statements before submission to the Board;
- monitoring and reviewing the operation and effectiveness of the internal audit function;
- considering and making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors and their terms of engagement;
- approving the remuneration of the external auditors for statutory audit work and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted. Reviewing the extent of any non-audit services and related fees;
- assessing annually the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- reporting to the Board on the operation of the Society's system of internal control and risk management, making any recommendations to the Board thereon;
- reviewing the arrangements by which employees of the Society may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that these arrangements allow for a proportionate and independent investigation of such matters and appropriate follow up action; and
- reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

The key activities undertaken by the Committee during 2015 under its Charter were as follows:

### *Financial Reporting*

The Audit Committee reviewed the statutory financial statements of the Society before submitting them to the Board of Directors for approval. This review focused on, but was not limited to, changes in accounting policies and practices, key judgement areas, the going concern assumption and compliance with accounting standards. Consideration was also given during 2015 to the move to FRS 102 and its implications to the reported 2014 results and balances. All reviews involved interacting with management and the external auditors.

### *Risk Management and Control*

The Audit Committee continued to review the risk registers and risk management systems of the Society on a rolling basis during 2015. It considered Internal Audit reports which formed part of the annual work plan approved by the Audit Committee.

### *Internal Audit*

The Audit Committee reviewed the effectiveness of the Internal Audit function including its terms of reference, resources, experience and expertise. It approved the annual Internal Audit plan ensuring its alignment with the key risks facing the Society. It reviewed the output from the Internal Audit programme during the year considering its reports which detailed any significant control issues, notable findings and managements' action plans to remediate any identified issues.

### *External Audit*

The Audit Committee considered a report on the independence and objectivity of the external auditors and approved their remuneration. The approach and scope of the audit work to be undertaken by the auditors which included planned levels of materiality, key risk and judgement areas were also reviewed. The Committee approved the terms of engagement for the audit. Subsequently, the Committee reviewed the findings of the auditors, assessed the effectiveness of the audit process and the external audit's management letter together with managements' responses. Also an observation was made by the Committee that the external audit should be put out to tender for the year commencing 1 January 2016 in line with best practice.

A formal policy is in place governing the use of the external audit firm for non-audit services. The aim of the policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the auditors. The policy of the Society is that the services of the auditors may be used for non-audit services provided that those services are not in conflict with auditor independence and where there are sound commercial reasons to use them.

### *Audit Committee Performance*

The Committee assessed its performance and is satisfied that it is functioning effectively and that it has met its terms of reference which have been broadened to reflect the evolving regulatory framework.



## Dairy Senior Leadership Team meeting with CEO

Pictured left to right:

**Chris Edge**, Head of Dairygold Food Ingredients, UK; **Jim Woulfe**, Chief Executive; **Conor Galvin**, Head of Commercial and Business Development and **Tim Healy**, Head of Dairygold Operations.

## Acquisition and Investments Committee

The Board has established an Acquisition and Investments Committee. The committee comprises Mr. James Lynch (Society Chairman), Mr. Thomas Feeney (Society Vice Chairman), Mr. Dan Flinter (Chairman of the Remuneration Committee), Ms. Annette Flynn (Chairman of the Audit Committee), and Mr. Edmund C. Lynch (Board nominee).

The Chairman of the Board will, unless otherwise decided by the Board, act as Chairman of the Acquisition and Investments Committee. The role and responsibilities of the Acquisition and Investments Committee are set out in its written terms of reference. The principal responsibilities of the committee are to:

- document the Society's acquisition and investments policies as approved by the Board and review these policies on an on-going basis to assess their effectiveness and recommend changes to the Board.
- review and consider proposals from management in relation to significant acquisitions, investments, disposals and capital expenditure to:
  - ensure that the proposed transaction / expenditure is consistent with the Society's strategic objectives;
  - evaluate and understand the implications and risks associated with any proposal that constitutes a significant acquisition of, or merger with, or investment in, another commercial entity;
  - understand the financial implications regarding the funding of a proposed acquisition and any subsequent resulting acquisitions and capital investments;
- understand the financing of projected working capital requirements;
- ensure the necessary financial, legal, commercial, technical, safety and personnel due diligence has been undertaken, considered and challenged;
- understand and evaluate any likely regulatory consequences;
- evaluate and understand the consequences of any proposal that constitutes a significant disposal of a business or asset of the Society or its subsidiaries;
- understand the proposed communication plan with regard to all Members, employees, suppliers, customers and other Stakeholders in both the Society and the acquired or disposed of business or businesses;
- keep up to date with and be fully informed about strategic issues and commercial changes affecting the Society and the markets in which it operates;
- recommend to the Board as to whether any proposed transaction, investment or capital expenditure should be approved, amended or declined. The final decision rests with the Board; and
- investigate and consider any other matter as requested by the Board.



## Remuneration Committee

The Remuneration Committee comprises Messrs Dan Flinter (Chairman), James Lynch, Thomas Feeney and John F. O’Gorman. The role and responsibilities of the Remuneration Committee are set out in its written terms of reference. The principal responsibilities of the committee are to:

- determine the policy for the remuneration of the Chief Executive, Secretary and Direct Reports of the Chief Executive as well as the Society’s policy on remuneration and/or expenses payable to members of the Board, members of the Regional Committees, General Committee and members of any sub-committee established from time to time;
- review and sanction new or amended salaries, performance related pay, retirement benefit and/or other benefits for Senior Executives of the Society whose remuneration is to be determined by the committee; and

- agree the policy and/or procedures for authorisation of claims for expenses of Senior Executives, the Board, and members of the Regional Committees, General Committee and any other sub-committee established from time to time.

## Rules Committee

The Rules Committee comprises Messrs James Lynch (Chairman), Thomas Feeney, John F. O’Gorman and Patrick O’Keeffe. The principal responsibilities of the committee are to:

- review the rules of the Society on a periodic basis to ensure they are consistent in their application and aligned to the Society’s strategic objectives;
- advise and make recommendations in conjunction with the General Committee, as necessary, to the Board of the Society with regard to any alterations or amendments required to the rules; and
- make recommendations on policy matters, to the Board of the Society, in relation to the implementation of the rules.

## Other information

### Chief Executive

Jim Woulfe

### Secretary

Eamonn Looney

### Auditor

Deloitte,  
No. 6 Lapp’s Quay, Cork.

### Registered Office

Clonmel Road,  
Mitchelstown,  
Co. Cork.

### Principal Bankers

Allied Irish Banks plc  
Bank of Ireland  
HSBC Bank plc  
Rabobank Ireland plc  
Ulster Bank Ireland Limited

### Solicitors

Arthur Cox  
McCann Fitzgerald



## Agri Business Team meeting with CFO and HR

Pictured left to right:

**Michael Harte**, Chief Financial Officer; **Sean O’Sullivan**, General Manager Agri Operations; **John O’Carroll**, General Manager Agri Retail; and **Adrian Beatty**, Head of Human Resources.

## General Committee

View from a pipe bridge carrying on site services at Mallow.



### Mallow

Mr. Donal Buckley  
Mr. Vincent Buckley  
Mr. Michael Duane  
Mr. John Fitzgerald  
Mr. John Hedigan  
Mr. John Kenny  
Mr. Finian Magner  
Mr. Timothy McSweeney  
Mr. Michael O'Hanlon  
Mr. Andrew O'Keeffe  
Ms. Elizabeth Sheehan  
Mr. Donal Shinnick  
Mr. Peter Twomey

### Mitchelstown

Mr. Patrick Clancy  
Mr. John W. Coughlan  
Mr. Robert Drake  
Mr. Thomas Feeney  
Mr. John A. Fox  
Mr. Michael Gowen  
Mr. Jeremiah Linehan  
Mr. Martin O'Doherty  
Mr. Patrick O'Keeffe  
Ms. Mary Twomey-Casey

### Mid-Cork

Mr. Patrick Ahern  
Mr. John Bernard  
Mr. Donal Creedon  
Mr. Jerome Desmond  
Mr. Brendan Hinchion  
Mr. Richard Hinchion  
Mr. John Joe Kelleher  
Mr. Sean MacSweeney  
Mr. Don McSweeney  
Mr. Michael Murphy  
Mr. Gerard O'Connell  
Mr. Daniel P. O'Donovan  
Mr. Patrick O'Driscoll  
Mr. Bertie O'Leary  
Mr. Cornelius O'Riordan

### Tipperary

Mr. Ciaran McGrath  
Mr. Eamonn Morrissey  
Mr. John F. O'Gorman  
Mr. Michael Tobin  
Mr. Michael Tuohy

### Cork/East Cork

Mr. Liam Lane  
Mr. Patrick D. Lehane  
Mr. Edmund C. Lynch  
Mr. Sean O'Brien  
Mr. Barry O'Connor  
Mr. Patrick O'Donovan  
Mr. Timothy O'Leary  
Mr. John O'Sullivan

### Limerick

Mr. Maurice Curtin  
Mr. Vincent Griffin  
Mr. William Hickey  
Mr. Daniel Hogan  
Mr. Roger Keogh  
Mr. James Lynch  
Mr. John McKeogh  
Mr. Gerard O'Dwyer  
Mr. David Woulfe



# Regional Committees

## AGHABULLOGUE/ RYLANE

Mr. Patrick Ahern  
Mr. Edward Twomey

## AHADILLANE

Mr. Donal Barrett  
Mr. Patrick Sexton

## ALLENSBRIDGE

Mr. Cornelius Murphy

## ANGLESBORO

Mr. William Bourke

## ANNACOTTY/ BIRDHILL/KILLALOE

Mr. Michael Caplis  
Mr. John McKeogh  
Mr. Laurence McNamara

## ARAGLEN

Mr. Thomas Feeney  
Mr. Patrick O'Donoghue

## ARDAGH/OLDMILL

Mr. Denis Hayes  
Mr. John Hough  
Mr. David Woulfe

## ARDFINNAN

Mr. Shane Mason

## BALLINAMONA

Vacancy

## BALLINDANGAN

Mr. Martin O'Doherty  
Mr. Patrick O'Keeffe

## BALLINGEARY

Mr. Sean O'Sullivan

## BALLINHASSIG

Mr. James Crowley  
Mr. Michael J. Murphy

## BALLYCLOUGH

Mr. Donal Buckley  
Mr. Martin O'Brien  
Mr. Andrew O'Keeffe

## BALLYHOOLY

Mr. Jeremiah Linehan  
Vacancy

## BALLYLOOBY

Mr. Stephen Keating  
Mr. Eamonn Morrissey

## BALLYMAKEERA

Mr. Daniel Hallissey  
Mr. Bertie O'Leary

## BALLYPOREEN

Mr. Patrick M. Clancy  
Mr. Michael Sweeney

## BALLYRICHARD/ COBH

Mr. Anthony Barry  
Mr. Andrew Bird  
Ms. Ann Moore  
Mr. Patrick O'Donovan  
Ms. Martina O'Neill  
Mr. Thomas Russell

## BAWNMORE

Mr. Cornelius O'Riordan

## BENGOUR

Mr. Patrick O'Driscoll

## BERRINGS/DRIPSEY

Mr. Denis B. O'Mahony  
Mr. John Walsh

## BLACK ABBEY/ KILDIMO

Mr. Patrick O'Brien  
Mr. Seamus O'Riordan  
Mr. Michael Reidy

## BOHERLAHAN

Mr. Joseph Tobin  
Mr. Michael Tuohy

## BUNRATTY

Mr. James Lynch  
Mr. Kevin McInerney

## BUTTEVANT/ TEMPLEMARY

Mr. Denis O'Connell  
Mr. Donal Shinnick  
Mr. Ian Wharton

## CAHIR

Mr. Thomas Marnane  
Mr. Michael Tobin

## CAPPAMORE

Mr. Sean Meehan

## CARRIGALINE

Mr. John Bernard  
Mr. Thomas Casey  
Mr. Patrick Foott  
Mr. Gerard O'Connell

## CARRIGNAVER

Mr. Laurence Crowley

## CASTLETOWNROCHE/ KILLAVULLEN

Mr. Henry Fitzgerald  
Mr. Finian Magner  
Vacancy

## CAUM/MACROOM

Mr. Michael Murphy

## CHURCHTOWN / LISCARROLL

Mr. John Hedigan  
Mr. Michael Mangan

## CLOGHEEN

Mr. John Flynn  
Mr. John F. O'Gorman

## CLONDROHID

Mr. Finbarr O'Connell  
Mr. Stephen Roche

## CLOVERFIELD/ CORELISH

Mr. Sean O'Brien

## COACHFORD/ KILCOLMAN

Mr. Dan Dennehy  
Mr. Denis Finnegan

## C.M.P.

Mr. Timothy Cashman  
Mr. John Kingston  
Mr. Patrick D. Lehaney  
Mr. James Murphy  
Mr. Donal O'Brien  
Mr. Timothy O'Leary  
Mr. John O'Sullivan

## CORROGHURM/ MITCHELSTOWN

Mr. Patrick Condon  
Mr. Martin Fox  
Mr. David Kent Jnr  
Mr. Eamonn O'Brien  
Mr. Don Whelan

## COURTRACK

Mr. Vincent Buckley  
Mr. Timothy McSweeney

## DARRAGH

Mr. James Condon  
Mr. Thomas Hyland

## DONERAILE

Mr. Michael Duane  
Ms. Elizabeth Sheehan

## DONOUGHMORE

Mr. Liam Foley  
Mr. Fintan McSweeney

## DROMBANNA

Mr. William Hickey  
Mr. John O'Brien  
Mr. William Walsh

## DROMTARIFFE

Mr. Peter Duggan  
Mr. Eamonn Tarrant

## GALBALLY

Mr. Michael Donovan  
Vacancy

## GARRYSPELLANE

Mr. John P. Tobin  
Vacancy

## GLANWORTH

Mr. Denis Joyce  
Ms. Mary Twomey-Casey

## GLOSHA/ REARCROSS

Mr. Roger Keogh  
Mr. Eamonn O'Toole

## GRANAGH/MILTOWN

Mr. Vincent Griffin  
Mr. Gerard Kennedy

## HOLLYFORD

Mr. Vincent Carr

## HOSPITAL/ KILTEELY/SARSFIELD

Mr. Patrick Hanley  
Mr. Liam O'Carroll

## INCHIGEELA/ TEERGAY

Mr. Donal Creedon

## KILBEHENNY

Mr. William O'Doherty  
Mr. Martin Russell

## KILCORNEY

Mr. John Browne  
Mr. Tim Leader

## KILDORRERY

Mr. Robert Drake  
Mr. John Walsh

## KILLOWEN/ MOSSGROVE

Mr. John Canty  
Mr. Don McSweeney

## KILLUMNEY

Mr. Jerome Desmond  
Mr. Thomas M. Griffin

## KILNAMARTYRA

Mr. Brendan Hinchion  
Mr. Jerry O'Riordan

## KILROSS

Mr. Daniel Hogan  
Mr. John O'Neill

## KILWORTH

Mr. John Clancy  
Mr. Michael Gowen

## KNOCKADEA

Mr. John W. Coughlan  
Mr. John A. Fox

## KNOCKLONG/ GORMANSTOWN

Mr. Geoffrey Walsh

## LISSARDA

Mr. Richard Hinchion  
Mr. Sean MacSweeney

## LOMBARDSTOWN

Mr. Frank O'Connor  
Mr. Michael O'Hanlon  
Mr. Peter Twomey

## MALLOW

Mr. Colman Cronin  
Mr. John Kenny

## MILLSTREET/ BALLYDALY

Mr. Diarmuid Corkery  
Vacancy

## MOGEELY

Mr. John Dunne  
Mr. Liam Lane  
Mr. Edmund C. Lynch  
Mr. Patrick Millerick  
Mr. Denis O'Brien  
Mr. Sean O'Brien  
Mr. Maurice Smiddy

## MOURNEABBEY

Mr. Derry Cronin  
Mr. John Fitzgerald

## MUSKERRY

Mr. Daniel P. O'Donovan

## NEWMARKET-ON- FERGUS

Mr. Kieran Woods

## NORTH TIPPERARY

Mr. Michael Darcy

## OOLA

Mr. Gerard O'Dwyer

## OUTRATH

Mr. Matthew McEniry  
Mr. Ciaran McGrath  
Mr. Martin Moloney  
Mr. John O'Donnell  
Mr. Thomas Prendergast  
Mr. Thomas Ryan

## PARK

Mr. Kevin Galvin  
Mr. Matthew Hurley  
Mr. Barry O'Connor  
Mr. Michael J. Riordan

## RATHDUFF

Mr. John Aherne  
Mr. Teddy Buckley

## RUSHEEN

Mr. Sean Corkery

## SHINAUGH

Mr. Felix O'Neill

## SHOUNLARAGH/ TOGHER

Mr. Donal O'Donovan

## TEMPLEMARTIN

Mr. Michael P. Murphy

## TERELTON/TOAMES

Mr. John Joe Kelleher  
Mr. Liam O'Riordan

## TOURNAFULLA/ MEENAHOLA

Mr. Denis Ahern  
Mr. Maurice Curtin  
Mr. Donal Fitzgerald

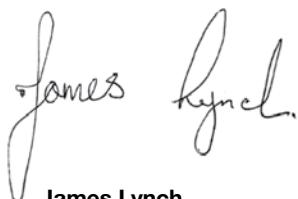
## Statement of Board Responsibilities

The Industrial and Provident Societies Acts, 1893 to 2014 require the Board to provide for the preparation of financial statements, in accordance with accounting standards generally accepted in Ireland, for each financial year which gives a true and fair view of the state of affairs of the Society and of the result of the Society for that period. In preparing those financial statements, the Board shall cause:

- suitable accounting policies to be selected and applied consistently;
- reasonable and prudent judgements and estimates to be made;
- the financial statements to be prepared on a going concern basis.

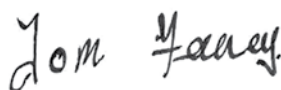
In accordance with Rule 63 of the Society's rules, the Board shall cause proper books of account and records to be kept as are necessary to give a true and fair view of the Society's business and affairs. The Board is also responsible for safeguarding the assets of the Society and shall cause reasonable steps to be taken to provide adequate protection in this regard.

On behalf of the Board:



**James Lynch**  
Chairman

15 March 2016



**Thomas Feeney**  
Vice Chairman

15 March 2016



# Independent Auditor's Report

## to the Members of Dairygold Co-Operative Society Limited

We have audited the financial statements of Dairygold Co-Operative Society Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Statement of Accounting Policies and the related notes 1 to 41. The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This 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. 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.

## Respective responsibilities of the Board and Auditor

As explained more fully in the Statement of Board Responsibilities, the Board are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group as at 31 December 2015 and of the profit of the Group for the year then ended; and
- have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

## Matters on which we are required to report by the Industrial and Provident Societies Act

As required by section 13(2) of the Industrial and Provident Societies Acts, 1893 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.



Deloitte  
Chartered Accountants and Statutory Audit Firm  
Cork  
15 March 2016

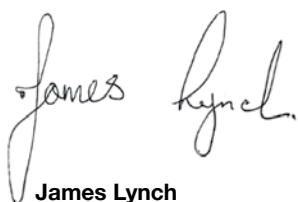
# Consolidated Income Statement

for the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
<b>TURNOVER</b>	2	<b>784,869</b>	848,394
Cost of sales		<b>(610,995)</b>	(676,171)
<b>Gross Profit</b>		<b>173,874</b>	172,223
Operating costs		<b>(133,348)</b>	(125,780)
Grant amortisation		<b>1,402</b>	1,428
Intangible asset amortisation		<b>(2,831)</b>	(2,736)
Depreciation		<b>(20,597)</b>	(17,150)
Change in fair value of investment properties		<b>713</b>	642
<b>OPERATING PROFIT</b>	3	<b>19,213</b>	28,627
Share of (losses)/gains of joint ventures		<b>(260)</b>	17
Share of gains/(losses) of associates		<b>32</b>	(40)
Profit arising on the sale of businesses	4	<b>-</b>	2,563
<b>Profit on ordinary activities before investment income, interest and taxation</b>		<b>18,985</b>	31,167
(Net losses)/net gains on change in financial assets at fair value through profit and loss	5	<b>(4,274)</b>	5,501
Interest payable and similar charges	6	<b>(5,756)</b>	(4,932)
Interest receivable and similar income	6	<b>279</b>	487
<b>PROFIT on ordinary activities before taxation</b>		<b>9,234</b>	32,223
Taxation charge on profit on ordinary activities	8	<b>(946)</b>	(5,335)
<b>PROFIT after taxation</b>		<b>8,288</b>	26,888
<b>Attributable to:</b>			
Non-controlling interests	28	<b>442</b>	449
Owners of the parent entity		<b>7,846</b>	26,439
<b>PROFIT for the financial year</b>		<b>8,288</b>	26,888

The above results are derived from continuing operations.

On behalf of the Board:



**James Lynch**  
Chairman

15 March 2016



**Thomas Feeney**  
Vice Chairman

15 March 2016



# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

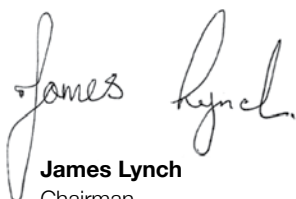
	Notes	2015 €'000	2014 €'000
Profit for the financial year		<b>8,288</b>	26,888
Share of joint ventures' reserves movements	11	<b>(126)</b>	5
Share of associates' reserves movements	12	-	3
Exchange differences on retranslation of subsidiary undertakings		<b>1,272</b>	1,364
Return on plan assets (excluding amounts included in net interest cost)	24	<b>7,141</b>	30,592
Experience gains arising on pension scheme liabilities	24	<b>1,208</b>	1,930
Changes in assumptions underlying the present value of pension scheme liabilities	24	<b>5,692</b>	(50,852)
Deferred tax associated with movement on defined benefit pension scheme	8	<b>(1,902)</b>	2,355
<b>Total other comprehensive income/(expense)</b>		<b>13,285</b>	(14,603)
<b>Total comprehensive income for the year</b>		<b>21,573</b>	12,285
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests	28	<b>442</b>	449
Owners of the parent entity		<b>21,131</b>	11,836
		<b>21,573</b>	12,285

# Consolidated Statement of Financial Position

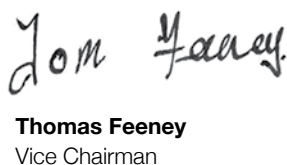
as at 31 December 2015

	Notes	2015 €'000	2014 €'000
<b>FIXED ASSETS</b>			
Intangible assets	9	7,596	9,858
Tangible assets	10	263,485	257,150
Investment properties	10	12,019	10,369
Financial assets:			
Investments in joint ventures	11	5,639	5,997
Investments in associates	12	382	350
Other investments	13	44,138	48,035
		<b>333,259</b>	<b>331,759</b>
<b>CURRENT ASSETS</b>			
Stocks	14	129,250	116,370
Debtors	15	107,676	98,390
Cash at bank and in hand		4,394	3,460
		<b>241,320</b>	<b>218,220</b>
<b>CREDITORS falling due within one year</b>	16	<b>(141,334)</b>	<b>(142,538)</b>
		<b>99,986</b>	<b>75,682</b>
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>433,245</b>	<b>407,441</b>
<b>CREDITORS falling due after more than one year</b>	17	<b>(104,121)</b>	<b>(85,182)</b>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Capital grants	22	(9,894)	(8,768)
Deferred taxation	23	(3,771)	(2,203)
<b>NET ASSETS excluding pension asset/(liability)</b>		<b>315,459</b>	<b>311,288</b>
<b>PENSION ASSET/(LIABILITY)</b>	24	<b>66</b>	<b>(15,152)</b>
<b>NET ASSETS</b>		<b>315,525</b>	<b>296,136</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	25	93,127	94,124
Profit and loss account	27	219,087	198,973
<b>EQUITY attributable to the owners of the parent entity</b>		<b>312,214</b>	<b>293,097</b>
Non-controlling interests	28	3,311	3,039
<b>CAPITAL EMPLOYED</b>		<b>315,525</b>	<b>296,136</b>

On behalf of the Board:

  
**James Lynch**  
Chairman

15 March 2016

  
**Thomas Feeney**  
Vice Chairman

15 March 2016



# Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Notes	Share capital €'000	Capital reserves €'000	Revaluation reserve €'000	Bonus reserve €'000	Profit and loss account €'000	Shareholders' equity €'000	Non-controlling interests €'000	Total equity €'000
<b>At 1 January 2014</b>		<b>93,430</b>	<b>1,007</b>	<b>6,946</b>	<b>138</b>	<b>169,733</b>	<b>271,254</b>	<b>2,590</b>	<b>273,844</b>
Adjustments to the profit and loss account re FRS 102 transitional adjustments						10,619	10,619		10,619
Transfer of revaluation reserve to profit and loss account				(6,946)		6,946	-		-
Transfer of capital reserves to profit and loss account			(1,007)			1,007	-		-
Reclass of bonus reserve to accruals					(138)	-	(138)		(138)
		93,430	-	-	-	188,305	281,735	2,590	284,325
Profit for the year						26,439	26,439	449	26,888
Other comprehensive income						(14,603)	(14,603)		(14,603)
Total comprehensive income for the year						11,836	11,836	449	12,285
Share interest	26					(1,168)	(1,168)		(1,168)
Issue of ordinary shares including conversions	25	1,908				-	1,908		1,908
Shares redeemed	25	(1,214)				-	(1,214)		(1,214)
<b>At 31 December 2014</b>		<b>94,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,973</b>	<b>293,097</b>	<b>3,039</b>	<b>296,136</b>
Profit for the year						7,846	7,846	442	8,288
Other comprehensive income						13,285	13,285		13,285
Total comprehensive income for the year						21,131	21,131	442	21,573
Share interest	26					(1,177)	(1,177)		(1,177)
Dividends paid	28					-	-	(170)	(170)
Issue of ordinary shares including conversions	25	931				-	931		931
Shares redeemed	25	(1,525)				-	(1,525)		(1,525)
Shares cancelled	25	(403)				160	(243)		(243)
<b>At 31 December 2015</b>		<b>93,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219,087</b>	<b>312,214</b>	<b>3,311</b>	<b>315,525</b>

# Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Net cash inflow from operating activities	29	<b>30,618</b>	41,545
<b>Investing activities</b>			
Distribution received from associates		-	1,141
Interest received		<b>11</b>	41
Payments to acquire intangible fixed assets		<b>(569)</b>	(1,014)
Payments to acquire tangible fixed assets		<b>(51,797)</b>	(54,189)
Payments to acquire financial fixed assets		<b>(4,087)</b>	(4,367)
Receipts on disposal of tangible fixed assets		<b>217</b>	427
Receipts on disposals of financial fixed assets		<b>3,744</b>	3,016
Capital grants received	22	<b>2,528</b>	1,939
Receipts on the sale of businesses		-	2,943
Purchase of a business	31	-	(1,667)
Net cash flow from investing activities		<b>(49,953)</b>	(51,730)
<b>Financing activities</b>			
Increase in long term loans		<b>25,700</b>	14,300
Repayments of capital element of finance leases		<b>(227)</b>	(223)
Movement in net bank debt		<b>25,473</b>	14,077
Equity share interest paid		<b>(1,275)</b>	(1,141)
Dividends paid to non-controlling interests	28	<b>(170)</b>	-
Interest paid		<b>(5,234)</b>	(5,015)
Issue of share capital	25	<b>931</b>	1,906
Redemption of shares	25	<b>(1,230)</b>	(940)
Redemption of convertible stock	20	-	(2)
Loan notes		<b>598</b>	426
Revolving fund		<b>832</b>	3,935
Redemption of loan stock	21	<b>(525)</b>	(665)
Advances received for members' loan notes		-	(25)
Net cash flow from financing activities		<b>19,400</b>	12,556
Increase in cash and cash equivalents		<b>65</b>	2,371
Effect of exchange rates on cash and cash equivalents		<b>869</b>	999
Cash and cash equivalents at 1 January		<b>3,460</b>	90
Cash and cash equivalents at 31 December	30	<b>4,394</b>	3,460



# Statement of Accounting Policies

The significant accounting policies adopted by the Society are summarised below. They have been applied consistently throughout the year.

## General information and basis of accounting:

The financial statements have been prepared in accordance with accounting standards issued by the Financial Reporting Council and the Industrial and Provident Societies Acts, 1893 to 2014.

Dairygold Co-Operative Society Limited is a society registered in Ireland under the Industrial and Provident Societies Acts, 1893 to 2014. The registered office is Clonmel Road, Mitchelstown, Co. Cork.

The financial statements have been prepared in compliance with Financial Reporting Standard 102 ("FRS 102") as it applies to the financial statements of the Society for the year ended 31 December 2015.

The Society transitioned from old Irish GAAP to FRS 102 as at 1 January 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 39.

The financial statements are prepared under the historical cost convention modified to include certain items at fair value.

The functional currency is considered to be euro as that is the currency of the primary economic environment that the Society operates in. The financial statements are prepared in euro which is the presentational currency of the Society.

## Basis of Consolidation:

The consolidated financial statements incorporate:

- a) the financial statements of Dairygold Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2015;
- b) the Society's share of the results and post-acquisition reserves of joint ventures and associates as reported in the latest audited financial statements. This is to 31 December 2014 for these joint ventures and associates;

- c) any material adjustments for joint ventures (arising between the date of their latest financial statements as above and the year end of the Society) and consequently Co-Operative Animal Health Limited and the Malting Company of Ireland Limited results are incorporated to 31 December 2015; and

- d) any material differences between the Society's accounting policies and that of its joint ventures and associates where required.

The results of subsidiaries, joint ventures and associates acquired or disposed of are included in or excluded from the financial statements from the effective date of acquisition or disposal.

The interests of non-controlling shareholders in subsidiary companies reflect their proportion of the net assets of the relevant subsidiaries.

The results of overseas subsidiary companies are translated into euros at the average rate for the year. The assets and liabilities of overseas subsidiary companies have been consolidated at the rate of exchange on the consolidated statement of financial position date. Exchange differences arising on the retranslation of the opening statement of financial position of overseas subsidiary companies together with differences in exchange rates on the translation of the income statement are recognised in the consolidated statement of comprehensive income.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## Going Concern:

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and CEO's Review together with the Financial Overview. The Society meets its day to day working capital requirement through banking facilities in place which are due for renewal in 2017.

The Society's forecasts and projections taking account of reasonably possible changes in trading performance show that the Society should be able to operate within the level of its current facilities. The Society has held discussions with its banking partners about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Turnover:

Turnover comprises of the following:

- i) The invoiced value of goods and services to third parties, including EU export refunds and excluding value added tax. Turnover is recognised when the Society receives the right to consideration as ownership and risk passes to third parties. Rebates are recognised by the Society on a receipts basis;
- ii) The value of rental income earned in the year; and
- iii) Property sales are recognised when unconditional contracts of sale of the properties are in place, no significant obligations are remaining and the resulting receivable is collected.

When the expected receipt of turnover is deferred beyond normal credit terms, then it is discounted back to its present value.

Cost of sales comprise of the cost of purchases and carriage inwards.

## Share Trading:

### Accounting for Transactions

Investment transactions are initially accounted for on the trade date at transaction price. Subsequently, they are measured at fair value through profit and loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

# Statement of Accounting Policies

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

## *Investment Income and Expenses*

Dividends are recognised as income on the dates that securities are first quoted "ex-dividend" to the extent information thereon is reasonably available to the Society. Interest income is recognised by the Society on an accruals basis. Income from quoted companies is stated gross of withholding tax.

## **Financial Instruments:**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 entity after deducting all of its liabilities.

## *Financial Assets and Liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the consolidated statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit and loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the entity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## *Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value with changes in fair value recognised through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

## *Equity Instruments*

Equity instruments issued by the Society are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

## *Convertible Loan Notes*

The convertible loan notes issued by the Society are classified as financial liabilities in accordance with the substance of the contractual arrangement.



# Statement of Accounting Policies

## *Derivative Financial Instruments*

The Society uses forward foreign currency contracts to reduce exposure to foreign exchange risk and not for speculative purposes. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

## *Fair Value Measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## **Financing Costs:**

Financing costs are amortised in equal annual instalments over the term of the relevant financing facility.

## **Discount Factor:**

When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability or asset. The risks specific to the liability shall be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation.

## **Intangible Assets and Amortisation:**

Costs incurred on the acquisition of computer software are capitalised as intangible assets, as are costs directly associated with developing computer software programmes.

Computer software costs recognised as assets are written off over their estimated useful lives by annual instalments at the following annual rates:

Computer software 7.5% - 33.3%

## **Tangible Fixed Assets and Depreciation:**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price including legal and brokerage fees, import duties, any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, including non-refundable purchase taxes after deductions made for discounts and rebates. Own costs are capitalised where relevant and where the criteria for capitalisation is met.

Depreciation is calculated to write off the cost of tangible fixed assets less estimated residual value, other than freehold land and tangible fixed assets in the course of construction, over their estimated useful lives by equal annual instalments at the following annual rates:

Buildings: 2.0% - 10.0%

Plant and machinery: 7.5% - 33.3%

Motor vehicles: 12.5% - 25.0%

Tangible fixed assets in the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when they are commissioned and ready for their intended use.

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of its fair value less costs to sell and its value in use). Fair value less costs to sell is defined as the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those to be realised on its eventual disposal.

## *Development Assets*

Development fixed assets held for their development potential, are valued at historical cost, less depreciation and any impairment. Development assets principally comprise of land.

## *Investment Properties*

Investment properties for which fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value annually with any change recognised in the consolidated income statement.

## *Retirement of Assets*

The fixed asset register is reviewed to identify assets that are no longer in use. These assets are retired from the fixed asset register on an on-going basis.

## **Leased Assets:**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership are capitalised in the consolidated statement of financial position at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and the asset's useful life. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the consolidated income statement so as to produce a constant periodic charge on the remaining balance of the liability.

Rentals in respect of operating leases are charged in the consolidated income statement on a straight line basis over the lease term.

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.

# Statement of Accounting Policies

## Financial Fixed Assets:

### *Associate and Joint Venture Undertakings*

Associate undertakings are those undertakings in which the Society has a significant interest in the equity capital and over which it is able to exercise significant influence. Joint venture undertakings are those undertakings in which the Society has a joint interest in the equity capital and over which it jointly exercises control. The Society's interests are stated at cost, plus its share of post-acquisition reserves, less provision for permanent diminution in value.

Joint ventures and associates are accounted for using the equity method. The Society's share of the profits or losses of joint ventures and associates are included in the consolidated income statement. The Society's interests in their net assets are included as fixed asset investments in the consolidated statement of financial position at an amount representing the Society's share of the fair values of the net assets at acquisition plus the Society's share of post-acquisition retained profits or losses.

### *Unquoted Financial Assets*

Investments in unquoted financial assets are those in which the Society does not exercise a significant or participating interest. The Society's interest in these undertakings is stated at cost, less provision for diminution in value.

A provision is made for impairment in value, particularly in the case where impairment is evidenced by losses crystallised post year end. This is reassessed on a yearly basis.

## Stocks:

Stocks are valued at the lower of cost and estimated selling price less costs to sell.

Cost in the case of raw materials, goods for resale and expense stocks comprise the purchase price including transport and other directly attributable costs. These are valued on a first-in, first-out basis.

Cost in the case of work-in-progress and finished goods comprises direct material and labour costs and an appropriate proportion of manufacturing overhead based on normal production levels. These are valued using the weighted average cost formula.

Estimated selling price less costs to sell represents the estimated selling price less costs to completion and all appropriate holding, selling and distribution expenses.

Provision is made for obsolete, slow moving or defective items where appropriate.

## Taxation:

Current tax, including Irish corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Society intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Deferred Taxation:

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the consolidated statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax. Timing differences are differences between the Society's taxable profits and its 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.

Deferred tax is provided on fair value adjustments in respect of non-trading quoted shares and investment properties.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is considered that it is more likely than not that there will be suitable future taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date.

Deferred tax liabilities are recognised for timing differences arising from investments in associates, except where the Society is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

The tax expense or income is presented in the same component of the consolidated income statement or the consolidated statement of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

## Capital Grants:

Grants receivable in respect of tangible fixed assets are included in the financial statements when the amounts have been ascertained and are released to the consolidated income statement in equal annual instalments over the expected useful lives of the relevant assets.

## Revenue Grants:

Revenue based grants are accounted for in the year in which the related expenditure is incurred and are dealt with directly through the consolidated income statement.

## Provisions:

A provision is recognised when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are charged against the profits of the Society, reviewed at each consolidated statement of financial position date and adjusted to reflect current best estimate. Where material, provisions are discounted.

## Research and Development:

Expenditure on research and development is written off to the consolidated income statement in the year in which it is incurred. Research and development tax credits are recognised on an accrual basis in the tax charge in the consolidated income statement.

# Statement of Accounting Policies

## Foreign Currencies:

Foreign currency transactions entered into by entities during the year have been translated at the foreign exchange rates at the time of these transactions.

Monetary assets and liabilities arising in foreign currencies have been retranslated at the foreign exchange rates at the consolidated statement of financial position date.

Exchange differences have been included in the consolidated income statement for the year, with the exception of exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in the consolidated statement of comprehensive income.

## Retirement Benefits:

### Defined Benefit

For defined benefit pension schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period, the cost of the plan introductions, benefit changes, settlements and curtailments. These are included as part of staff costs. The net interest cost on the net defined benefit asset is charged to the consolidated income statement and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit asset) are recognised immediately in the consolidated statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained at least triennially and are updated at each financial position date.

### Defined Contribution

For defined contribution pension schemes the amounts charged to the consolidated income statement in respect of pension costs and other post-retirement benefits, are the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

Other long term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Where the Society is a participating employer in a multi-employer defined benefit pension scheme and its share of the underlying assets and liabilities cannot be identified on a consistent and reasonable basis, the scheme is accounted for as a defined contribution scheme.

## Critical Accounting Judgements and Key Sources of Estimation Uncertainty:

In the application of the Society's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical Judgements in Applying the Society's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Society has made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### a) Revaluation of Investment Properties

The Society carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Society engaged independent professional commercial property consultants to determine the fair value at 31 December 2015. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate.

#### b) Pension Benefits

The cost of the defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country.

The Society made the decision to only pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees and had been reflected in the year end pension asset. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation. Further details are given in note 24.



# Statement of Accounting Policies

## *Key Sources of Estimation Uncertainty*

The following estimates have had the most significant effect on amounts recognised in the financial statements:

### a) Discount Factor in Calculating Present Values

A discount factor is used in the calculation of the present value of some of the assets and liabilities. This discount factor is based on management's estimation of the market rate of interest for similar assets/liabilities.

### b) Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that the Society will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Examples of these are provisions for obsolete, slow moving or defective item of stocks and provisions for bad debts.

### c) Stock

Included in note 3 is the impairment of stock recognised as an expense. Estimated selling price less costs to sell represents the Society's best estimate of the selling price that will be achieved in the market less costs in relation to completion and all appropriate holding, selling and distribution expenses.

### d) Useful Economic Lives

The useful economic lives of tangible and intangible assets are key assumptions concerning the future at the reporting date. In determining these estimates, the Society have considered: the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence and any other limits on the use of assets.

### e) Deferred Taxation

Management estimation is required to determine the amount of the deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 23.

# Notes to Financial Statements

for the year ended 31 December 2015

## 1 Financial management

The conduct of its ordinary business operations necessitates the Society holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity and cash flow risk and credit risk. The Society's approach is to centrally manage these risks against comprehensive policy guidelines, which are summarised below.

The Society does not engage in holding or issuing speculative financial instruments or derivatives. The Society finances its operations by a mixture of retained profits, short to medium-term committed borrowings, member funding and short-term uncommitted borrowings. The Society borrows in a number of currencies at floating rates of interest and uses derivatives where appropriate to generate the desired effective currency profile. Risk management, other than price risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates the financial risks in close cooperation with the Society's business units. The Board provides principles for overall risk management covering areas such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. For further details regarding the Society's financial instruments, see note 37.

### *Market risk*

#### **(a) Currency risk**

Although the Society is based in Ireland with the euro as its functional currency, it has geographic investment and operating exposures outside the eurozone. As a result, currency movements, particularly movements in the sterling/euro exchange rate and US dollar/euro exchange rate, can affect the Society's consolidated statement of financial position and consolidated income statement. The Society also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Group Treasury assists Society entities in managing their foreign exchange risk against their functional currency. Society entities are required to hedge material foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis, using appropriate currency derivative instruments.

Between 31 December 2015 and 1 January 2016, if the euro had weakened/strengthened by 5% against the US dollar and sterling with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar and sterling denominated hedged trade receivables.

#### **(b) Interest rate risk**

The Society's objective in relation to interest rate management is to minimise the impact of interest costs in order to protect reported profitability. This is achieved by determining a long-term strategy against a number of policy guidelines in consultation with our professional advisors, which focus on:

- (a) the amount of floating rate indebtedness anticipated over such a period and
- (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability.

The Society borrows at floating rates of interest and constantly reviews the resulting exposure to interest rate fluctuations.

#### **(c) Price risk**

The Society is exposed to share price risk because of investments held by the Society in listed and unlisted shares on the consolidated statement of financial position. The Acquisition and Investments Committee has a role in monitoring and managing this risk. The impact of a 5% increase or decrease in listed equity prices at year end would have resulted in a €1.9 million gain/loss (2014: €2.1 million gain/loss).

#### **(d) Liquidity and cash flow risk**

The Society's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve the continuity of funding, the Society's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. This means that at any time the lenders providing facilities in respect of this finance requirement are committed up to the date of renewal of such facilities. For further details regarding the Society's borrowing facilities, see note 18.

# Notes to Financial Statements

for the year ended 31 December 2015

## 1 Financial management (continued)

### (e) Credit risk

Credit risk is managed on a Society wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Society's credit risk management policy in relation to trade receivables involves continuously assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and credit risk is covered by credit insurance.

### Capital risk management

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated based on equity as shown in the consolidated statement of financial position which amounted to €315.5 million (2014: €296.1 million).

In order to maintain or adjust the capital structure, the Society may adjust the amount of share interest paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt.

The Society monitors debt capital on the basis of interest cover and debt to EBITDA ratios. At 31 December 2015, the Society's net debt/adjusted EBITDA ratio was 2.38 times (2014: 1.52 times), which is deemed by management to be satisfactory. Adjusted EBITDA for the purpose of financing ratios is as per the Society's financing agreements.

## 2 Turnover

	2015 €'000	2014 €'000
Turnover: group and share of joint ventures'	806,004	867,688
Less: share of joint ventures' turnover	(21,135)	(19,294)
Group turnover	784,869	848,394
<b>Geographical analysis by destination:</b>		
Ireland	338,104	363,104
United Kingdom	143,263	156,477
Rest of Europe	170,557	204,203
Rest of World	132,945	124,610
	784,869	848,394
<b>Principal activities by class of business:</b>		
Food ingredients	559,088	618,677
Agri business	221,207	226,547
Financial and property	4,574	3,170
	784,869	848,394
<b>Analysis of turnover by category:</b>		
Sale of goods	767,224	833,177
Rendering of services	12,757	11,662
Others including sale of shares and property activities	4,888	3,555
	784,869	848,394



# Notes to Financial Statements

for the year ended 31 December 2015

## 3 Operating profit

	2015 €'000	2014 €'000
<b>Operating profit is stated after charging/(crediting):</b>		
Research and development expenditure	1,821	1,204
Foreign exchange differences	(1,407)	(1,469)
Amortisation of intangible assets - Note 9	2,831	2,736
Depreciation of tangible fixed assets - Note 10	20,597	17,150
Impairment of plant and machinery (included in operating costs) - Note 10	86	1,820
Reversal impairment of plant and machinery (included in operating costs) - Note 10	(342)	-
Capital grants amortisation - Note 22	(1,402)	(1,428)
Cost of stock recognised as an expense	610,995	676,171
Impairment of stock recognised as an expense	10,400	9,700

## 4 Profit arising on the sale of businesses

	2015 €'000	2014 €'000
Profit on sale of businesses	-	2,563

In 2014, the Society sold certain assets, including the trade and the Irish Land brand of an element of its German business, Dairymgold Deutschland Handlesgesellschaft mbH to Ornua. This element of the business focussed on selling a range of cheddar and farmhouse variety cheeses to retailers in Central Europe.

The Society also agreed to sell certain assets, including the trade of its non-core cheese powder and flavourings French business, Dairymgold Food Ingredients (France) SAS to the Kerry Group.

## 5 (Net losses)/net gains on change in financial assets at fair value

	2015 €'000	2014 €'000
(Loss)/gain on quoted shares measured at fair value	(4,274)	5,501

## 6 Finance costs

	2015 €'000	2014 €'000
<b>Interest payable and similar charges:</b>		
Bank interest payable and similar charges	(5,141)	(4,867)
Net interest payable and similar charges relating to pensions	(303)	-
Unwinding of the discount factor for provisions	(219)	-
Share of joint ventures' net interest payable	(93)	(65)
	<b>(5,756)</b>	<b>(4,932)</b>
<b>Interest receivable and similar income:</b>		
Bank interest receivable	11	41
Net interest receivable and similar income relating to pensions	-	171
Unwinding of the discount factor for receivables	268	275
	<b>279</b>	<b>487</b>
	<b>(5,477)</b>	<b>(4,445)</b>

# Notes to Financial Statements

for the year ended 31 December 2015

## 7 Payroll costs

	2015 Number	2014 Number
<b>The weekly average number of employees:</b>		
Dairygold Food Ingredients	615	613
Dairygold Agri Business	534	532
	<b>1,149</b>	<b>1,145</b>
<b>Payroll costs comprise:</b>	<b>€'000</b>	<b>€'000</b>
Wages and salaries	52,429	50,901
Social welfare costs	5,318	5,352
Other retirement benefit costs	1,767	3,950
	<b>59,514</b>	<b>60,203</b>

## 8 Taxation charge on profit on ordinary activities

	2015 €'000	2014 €'000
Corporation tax:		
Irish tax	(964)	(3,241)
Foreign tax	(242)	(998)
	<b>(1,206)</b>	<b>(4,239)</b>
Prior year provision movement:		
Irish tax	(99)	-
	<b>(99)</b>	<b>-</b>
Tax charge	<b>(1,305)</b>	<b>(4,239)</b>
Share of associates' tax	-	(47)
Share of joint ventures' tax	25	(25)
Total corporation tax	<b>(1,280)</b>	<b>(4,311)</b>
Deferred tax credit/(charge) - Note 23:		
Origination and reversal of timing differences	334	(1,024)
Total tax	<b>(946)</b>	<b>(5,335)</b>
<b>Tax included in the consolidated statement of comprehensive income</b>		
The tax (charge)/credit is made up as follows:		
Deferred tax associated with movement on the defined benefit pension scheme - Note 23	<b>(1,902)</b>	2,355

# Notes to Financial Statements

for the year ended 31 December 2015

## 8 Taxation charge on profit on ordinary activities (continued)

The tax assessed for the year is different from the standard rates of corporation tax, as follows:

	2015 €'000	2014 €'000
Profit before tax	9,234	32,223
Tax on profit on ordinary activities at standard Irish corporation tax rate	(1,154)	(4,028)
Effects of:		
Expenses allowable for tax purposes	105	51
Research and development tax credits	100	100
Excess depreciation over capital allowances	(532)	(258)
Higher tax rates (non-trading income)	(142)	(130)
Non taxable income	12	565
Losses brought forward	571	405
Share of associate's tax	-	(47)
Share of joint ventures' tax	25	(25)
Chargable gain	-	(239)
Payments in respect of previous periods	(99)	-
Higher tax rates (overseas)	(166)	(705)
Deferred tax - origination and reversal of timing differences	334	(1,024)
	(946)	(5,335)

## 9 Intangible assets

### SOFTWARE DEVELOPMENT COSTS

	2015 €'000	2014 €'000
<b>Cost</b>		
At 1 January	22,515	21,501
Additions	569	1,014
At 31 December	23,084	22,515
<b>Amortisation</b>		
At 1 January	12,657	9,921
Charged during the year	2,831	2,736
At 31 December	15,488	12,657
<b>Net Book Value</b>		
At 31 December	7,596	9,858



# Notes to Financial Statements

for the year ended 31 December 2015

## 10 Tangible assets

	Land & buildings €'000	Development assets €'000	Plant & machinery €'000	Motor vehicles €'000	Construction In Progress €'000	Total €'000
<b>COST</b>						
At 1 January 2014	126,315	-	229,791	5,085	32,475	393,666
Additions	1,663	17,176	8,425	569	67,542	95,375
Impairment	-	-	(1,820)	-	-	(1,820)
Disposals	(1,224)	-	(36,018)	(198)	-	(37,440)
Transferred from CIP	156	-	32,319	-	(32,475)	-
Translation adjustments	278	-	675	2	-	955
At 31 December 2014	127,188	17,176	233,372	5,458	67,542	450,736
Additions	4,281	-	10,117	540	12,489	27,427
Reclassification	5,470	-	(5,470)	-	-	-
Impairment	-	-	(83)	(3)	-	(86)
Reversal of impairment	-	-	342	-	-	342
Disposals	(1,412)	-	(25,090)	(80)	-	(26,582)
Transferred to investment properties	-	(937)	-	-	-	(937)
Transferred from CIP	22,491	-	(871)	-	(21,620)	-
Translation adjustments	316	-	728	1	-	1,045
<b>At 31 December 2015</b>	<b>158,334</b>	<b>16,239</b>	<b>213,045</b>	<b>5,916</b>	<b>58,411</b>	<b>451,945</b>
<b>DEPRECIATION</b>						
At 1 January 2014	37,682	-	171,985	3,192	-	212,859
Charged during year	3,496	-	13,122	532	-	17,150
Relating to disposals	(835)	-	(35,980)	(198)	-	(37,013)
Translation adjustments	87	-	502	1	-	590
At 31 December 2014	40,430	-	149,629	3,527	-	193,586
Charged during year	3,860	-	16,083	654	-	20,597
Relating to disposals	(906)	-	(25,396)	(63)	-	(26,365)
Translation adjustments	118	-	523	1	-	642
<b>At 31 December 2015</b>	<b>43,502</b>	<b>-</b>	<b>140,839</b>	<b>4,119</b>	<b>-</b>	<b>188,460</b>
<b>NET BOOK VALUE</b>						
At 31 December 2015	<b>114,832</b>	<b>16,239</b>	<b>72,206</b>	<b>1,797</b>	<b>58,411</b>	<b>263,485</b>
At 31 December 2014	86,758	17,176	83,743	1,931	67,542	257,150

Included in disposals for the year are retirements of fixed assets which are no longer in use, with a net book value of €nil. These assets had a total cost and related accumulated depreciation of €25 million (2014: €37 million).

Included within land and buildings at the year end are assets held under finance leases of €2,100,000 (2014: €1,989,228).

During the year an impairment loss of €86,000 was recognised. This loss primarily related to provisions against the value of plant and machinery of the business where certain assets were disposed of (see Note 4).

# Notes to Financial Statements

for the year ended 31 December 2015

## 10 Tangible assets (continued)

<b>INVESTMENT PROPERTIES</b>	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
<b>VALUATION</b>		
At 1 January	<b>10,369</b>	-
Additions	-	9,727
Transfer from tangible assets	<b>937</b>	-
Revaluations	<b>713</b>	642
At 31 December	<b>12,019</b>	10,369

Investment properties are stated at open market value at 31 December 2015. The directors have taken appropriate independent advice from Power and Associates, professional commercial property consultants and have taken into account general market indicators when considering the valuation of investment property assets at 31 December 2015. Investment properties held abroad were valued by local valuers in previous years with the requisite knowledge of the local industry. These valuations, along with general market conditions in the locality were reviewed by Power and Associates at 31 December 2015. The appropriateness of such valuations has been considered by the Society and it is satisfied that the valuation of investment properties located abroad are materially correct as at 31 December 2015.

## 11 Investment in joint ventures

	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Share of net assets - 1 January	<b>5,863</b>	5,931
Share of net results	<b>(235)</b>	(73)
Share of joint ventures' reserve movements	<b>(126)</b>	5
Share of net assets - 31 December	<b>5,502</b>	5,863
Loans to joint ventures - Note 33	<b>137</b>	134
Balance	<b>5,639</b>	5,997

The joint ventures have been included in the financial statements at the cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends/distributions received.

Details of the joint ventures are included in Note 36 to these financial statements.

# Notes to Financial Statements

for the year ended 31 December 2015

## 12 Investments in associates

	2015 €'000	2014 €'000
Share of net assets - 1 January	350	1,883
Share of net results	32	(87)
Share of associates' reserve movements	-	3
Distributions and transfer to debtors	-	(1,449)
Balance	382	350

The associates have been included in the financial statements at the cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends/distributions received.

In 2011, Reox Holdings plc issued subordinated unsecured loan notes of €19 million to the Society. These loan notes were repayable over six years (commencing in 2012) in annual instalments of €3 million each year for five years and €4 million to be repaid in December 2017. On 31 March 2014 these loan notes were redeemed as part of the "Debt for Asset" transaction that occurred with Reox Holdings plc - see note 31, Acquisition of a business.

Details of the associates are included in Note 36 to these financial statements.

## 13 Other investments

	2015 €'000	2014 €'000
<b>UNQUOTED</b>		
Shares at cost - 1 January	444	444
Additions	32	-
Disposals	(81)	-
Shares at cost - 31 December	395	444
<b>QUOTED</b>		
Shares at fair value - 1 January	41,782	34,696
Additions	3,209	3,344
Disposals	(2,333)	(1,759)
(Decrease)/Increase in fair value quoted shares	(4,274)	5,501
Shares at fair value - 31 December	38,384	41,782
<b>LOAN STOCK</b>		
Loan stock at fair value - 1 January	5,809	6,043
Additions	615	751
Redemptions	(1,330)	(1,257)
Unwinding of the discount factor	265	272
Loan stock at fair value - 31 December	5,359	5,809
<b>TOTAL</b>	<b>44,138</b>	<b>48,035</b>

In the opinion of the Board of Directors, the value of the unquoted investments is not less than that shown above.

Fair value in respect of the quoted financial assets was determined with reference to the quoted market price at the reporting date.

The loan stock refers to unconverted loan stock received from Ornua based on the Society's trading activity with it.



# Notes to Financial Statements

for the year ended 31 December 2015

## 14 Stocks

	2015 €'000	2014 €'000
Raw materials	17,630	16,853
Finished goods	91,046	80,520
Goods for resale	16,412	14,571
Expense stocks	4,162	4,426
	<b>129,250</b>	<b>116,370</b>

There is no material difference between the above amounts and the replacement cost of stocks.

The amount expensed in the period in respect of stocks, whereby the estimated selling price less costs to sell was lower than the cost, was €10.4 million (2014: €9.7 million).

## 15 Debtors falling due within one year

	2015 €'000	2014 €'000
Trade debtors	88,136	77,380
Prepayments and accrued income	15,260	15,747
Amounts due from related parties	1,433	2,662
VAT	2,847	2,601
	<b>107,676</b>	<b>98,390</b>

The invoice discounting facility of €60 million is secured on certain trade debtors. All debtor values are shown in the consolidated statement of financial position at their gross value.

## 16 Creditors falling due within one year

	2015 €'000	2014 €'000
Bank loans, invoice discounting and overdrafts	7,500	-
Obligations under finance leases - Note 19	554	289
Trade creditors	54,528	26,649
Derivative financial instruments - Note 37	95	131
Provisions, accruals and deferred income	74,392	112,005
Amounts due to related parties	1,958	518
Corporation tax	381	453
PAYE and PRSI	1,519	1,986
Loan stock - Note 21	407	507
	<b>141,334</b>	<b>142,538</b>

# Notes to Financial Statements

for the year ended 31 December 2015

## 17 Creditors falling due after more than one year

	2015 €'000	2014 €'000
Bank loans falling due between one and two years	92,500	-
Bank loans falling due between two and five years	-	74,300
Obligations under finance leases - Note 19	-	492
Loan notes (including interest accrued)	2,568	1,970
Revolving fund (including interest accrued)	8,353	7,521
Corporation tax	208	277
Convertible stock - Note 20	222	222
Loan stock - Note 21	270	400
	<b>104,121</b>	<b>85,182</b>

## 18 Loans

	2015 €'000	2014 €'000
Loans repayable, included within creditors, are analysed as follows:		
<i>Wholly repayable within five years:</i>		
Bank loans falling due within one year	7,500	-
Bank loans falling due between one and two years	92,500	7,500
Bank loans falling due between two and five years	-	66,800
Loan notes (including interest accrued)	2,568	1,970
<i>Not wholly repayable within five years:</i>		
Revolving fund (including interest accrued)	8,353	7,521
	<b>110,921</b>	<b>83,791</b>

The above loans are repayable as follows:

	Bank Loans €'000	Loan Notes €'000	Revolving Fund €'000
Year ending 31 December 2016	7,500		
Year ending 31 December 2017	92,500		
Year ending 31 December 2018		1,582	
Year ending 31 December 2019		430	
Year ending 31 December 2020		556	3,815
Year ending 31 December 2021			3,924
Year ending 31 December 2022			614
	<b>100,000</b>	<b>2,568</b>	<b>8,353</b>

### Bank Loans

The Society has entered into bank guarantees on behalf of its subsidiaries. The amounts guaranteed at the consolidated statement of financial position date were €100 million (2014: €74.3 million) and they are secured by fixed and floating charges on the assets of the Society and its subsidiaries.

The interest rate applying to the bank loans is EURIBOR plus a margin of between 2.25% to 3.25%.

The terms of the bank loans restrict the Society from making significant acquisitions or disposals without the consent of the banks.

# Notes to Financial Statements

for the year ended 31 December 2015

## 18 Loans (continued)

### *Loan Notes*

Members were offered the opportunity to invest on a voluntary basis in a loan note. The scheme commenced in 2013 and ran for three years. Members who subscribed to the loan note will be repaid their investment in full plus accumulated interest on the fifth anniversary of their investment. The interest rate applying to the loan note is 3 month EURIBOR plus 4%. Interest is accrued on an annual basis.

### *Revolving Fund*

The revolving fund is a compulsory mechanism by which Milk Suppliers contribute to the funding of the Society with monies contributed repaid in full, together with accumulated interest when the period expires. Contributions will be made over seven years from 2013 to 2019, with a maximum of sixty monthly deductions over the seven year period. The interest rate applying to contributions is 3 month EURIBOR plus 2.5%. Interest is accrued on an annual basis.

Members funding contributions were discontinued during 2015 due to falling milk price in accordance with scheme terms and conditions.

## 19 Obligations under finance leases

	2015 €'000	2014 €'000
Falling due within one year	554	289
Falling due after more than one year	-	492
	<b>554</b>	<b>781</b>

The terms of the finance lease restrict the Society from disposing of the asset held under the lease.

## 20 Convertible stock

	2015 €'000	2014 €'000
At 1 January	222	226
Conversion to share capital - Note 25	-	(2)
Stock redeemed	-	(2)
At 31 December	<b>222</b>	<b>222</b>

'A' convertible stock can be converted into ordinary shares based on conditions set out in the rules of the Society and subject to agreements at the time of the stock issue.

## 21 Loan stock

	2015 €'000	2014 €'000
At 1 January	907	1,298
Arising on share redemption - Note 25	295	274
Loan stock redemption	(525)	(665)
At 31 December	<b>677</b>	<b>907</b>
Falling due within one year	407	507
Falling due after more than one year	270	400



# Notes to Financial Statements

for the year ended 31 December 2015

## 22 Capital grants

	2015 €'000	2014 €'000
At 1 January	8,768	8,257
Received during the year	2,528	1,939
Credited to consolidated income statement	(1,402)	(1,428)
At 31 December	9,894	8,768

Grants of €17,436,000 (2014: €14,908,000) which have been received under agreements between the Society, its subsidiaries, Enterprise Ireland and the European Agricultural Guidance and Guarantee Fund may become repayable should certain circumstances set out in the agreements occur.

## 23 Deferred taxation

	2015 €'000	2014 €'000
At 1 January	2,203	3,534
(Credited)/charged to consolidated income statement - Note 8	(334)	1,024
Charged/(credited) to consolidated statement of comprehensive income - Note 8	1,902	(2,355)
At 31 December	3,771	2,203

An analysis of the deferred tax balance is as follows:

Timing differences	1,976	2,515
Tax losses carried forward	(1,402)	(2,058)
Tax on increase in market value of quoted shares	3,020	3,559
Tax on revaluation of investment properties	169	81
Tax on defined benefit pension surplus/(deficit)	8	(1,894)
At 31 December	3,771	2,203

The Society had an unrecognised deferred tax asset of €755,000 (2014: €813,000) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

## 24 Pension asset/(liability)

### *Dairygold Pension Schemes*

The Society operates and contributes to a number of externally funded defined benefit and defined contribution pension schemes in Ireland.

### ***Dairygold Co-Operative Society Limited Pension Plan 2010***

This is a defined benefit pension plan which was established as a result of the merger of four defined benefit pension plans sponsored by the Society. The accounting calculations reported herein relate to this plan and are based on accounting policies, actuarial methods and assumptions which are consistent with the requirements of FRS 102 and were selected by the Society having taken advice from Mercer who are the Society's professional pension service providers.

The cash contributions payable to the plan are determined from a full actuarial valuation undertaken by the Scheme Actuary at intervals not exceeding three years. The last such valuation of the plan was undertaken as at 1 January 2013 in accordance with generally accepted actuarial principles and assumptions. The principal assumptions used in the valuation of accrued liabilities were that investment return would exceed future general salary inflation by 3.25% per annum and pension increases by 0.75% per annum in respect of existing pensioners and 1.5% per annum in respect of future pensioners. At the effective date of that valuation, the value of the assets were €232 million which was sufficient to cover approximately 98% of the benefits that had accrued to Members, after allowing for future expected increases in pensionable remuneration. The valuation report is not available for public inspection.

# Notes to Financial Statements

for the year ended 31 December 2015

## 24 Pension asset/(liability) (continued)

The main financial assumptions employed in the accounting valuation as at 31 December 2015 are:

	2015	2014
	%	%
Inflation rate increase	1.50	1.50
General payroll rate increase	1.80	1.80
Pension payment increase	1.20	1.00
Discount rate	2.60	2.20

### Interest income on plan assets:

Interest income on plan assets for 2016 will be determined using an interest rate of 2.60% which is derived from the discount rate from the previous year end.

### Discount rate assumption:

In setting the discount rate, as with all other assumptions, the Society obtained independent actuarial advice from Mercer. The discount rate is set by reference to the yield on high (AA rated) quality bonds denominated in euro with duration equivalent to the duration of the liabilities.

Mercer has advised that the discount rate selected of 2.60% (2014: 2.20%) reflects the market yield on high quality corporate bonds at 31 December 2015. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of FRS 102.

### Discretionary benefits assumption:

The Society made the decision only to pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees and has been reflected in the year end pension asset. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation. A future discretionary increase of 0.8% was applied resulting in an increase in the present value of scheme liabilities of €14.0 million.

### Pension levy:

The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year. A further levy of 0.15% was introduced in the 2014 Finance Act for 2014 and 2015, bringing the levy due in 2015 to 0.15% (2014: 0.75%).

During 2012, the Society informed the Trustees of the plan that the cost of the pension levy would have to be borne by the members of the plan, primarily in the form of adjustments to their benefits. Therefore the Society has, in its consolidated income statement for 2015, recognised the cost of the levy in the form of an addition of €0.42 million (2014: €1.9 million) to its service cost but this was counterbalanced by a negative past service cost of €0.42 million (2014: €1.9 million) to reflect the benefit adjustments that will be made to fund the levy.

### Compulsory transfer value exercise:

In 2015, the Society initiated a Compulsory Transfer Value (CTV) and a limited Enhanced Transfer Value (ETV) exercise, generating a gain in the consolidated income statement of €3.0 million and a reduction in liabilities of €4.6 million.

# Notes to Financial Statements

for the year ended 31 December 2015

## 24 Pension asset/(liability) (continued)

### Mortality assumptions:

Membership of the Society's pension plan is too small to allow a statistical analysis of mortality experience suitable for facilitating a scheme specific projection of future experience. In the circumstances, standard mortality tables have been employed. These tables include allowance for projected future improvements in mortality rates.

The assumption adopted in the accounting calculations is consistent with that which the Scheme Actuary adopted in the full funding valuation and also with statistics published by the Society of Actuaries in Ireland. They incorporate an allowance for expected future mortality improvements in line with Central Statistics Office projections. These assumptions would be regarded by Mercer to be a "best estimate" and they are in line with those adopted by most Irish public limited companies.

The assumed life expectations on retirement at age 65 are noted below.

### Weighted average life expectancy:

	As at 31 December 2015		As at 31 December 2014	
	Male	Female	Male	Female
Members age 65 (current life expectancy)	<b>22.8</b>	<b>24.8</b>	22.7	24.7
Members age 45 (life expectancy from age 65)	<b>25.0</b>	<b>27.1</b>	24.9	27.0

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	% Impact on scheme liabilities
Discount rate	Increase by 0.50%	Decrease by 8.9%
Rate of inflation	Increase by 0.50%	Increase by 7.0%
Rate of salary growth	Increase by 0.50%	Increase by 2.0%
Rate of mortality	Members live for 1 year longer	Increase by 2.9%

### Plan assets

The weighted average asset allocation at the year end was as follows:

	2015	2014
	%	%
Equities	<b>49.7%</b>	49.5%
Bonds	<b>44.2%</b>	45.2%
Properties	<b>6.0%</b>	5.2%
Cash	<b>0.1%</b>	0.1%
	<b>100%</b>	100%

# Notes to Financial Statements

for the year ended 31 December 2015

## 24 Pension asset/(liability) (continued)

The plan assets have not been invested in any of the Society's own financial instruments nor in properties or other assets used by the Society.

**The overall surplus/(deficit) in the scheme at 31 December is:**

	2015 €'000	2014 €'000
Equities	137,168	133,390
Bonds	121,958	121,486
Properties	16,569	13,942
Cash	419	225
Fair value of assets	276,114	269,043
Present value of scheme liabilities	(276,048)	(284,195)
Closing pension asset/(liability)	66	(15,152)

**The amounts included within operating profit in the consolidated income statement for the year are as follows:**

	2015 €'000	2014 €'000
Cost arising from employee service in the reporting period	4,114	4,798
Gain due to passing the pension levy to members	(419)	(1,901)
Settlements and curtailments	(3,033)	-
Administrative expenses	515	495
Total charged within operating profit	1,177	3,392

**The amounts included within finance charges in the consolidated income statement for the year under are as follows:**

	2015 €'000	2014 €'000
Interest income on plan assets	5,837	9,074
Interest on past service scheme liabilities	(6,140)	(8,903)
Net interest (payable)/receivable and similar (charges)/income relating to pension	(303)	171

**The analysis of amounts recognised in the consolidated statement of comprehensive income are as follows:**

	2015 €'000	2014 €'000
Return on plan assets (excluding amounts included in net interest cost)	7,141	30,592
Experience gains arising on the pension scheme liabilities	1,208	1,930
Changes in assumptions underlying the present value of pension scheme liabilities	5,692	(50,852)
Remeasurement gains and losses recognised in other comprehensive income	14,041	(18,330)



# Notes to Financial Statements

for the year ended 31 December 2015

## 24 Pension asset/(liability) (continued)

<b>Movement in pension scheme assets:</b>	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Value at 1 January	<b>269,043</b>	235,974
Return on assets	<b>5,837</b>	9,074
Return on plan assets (excluding amounts included in net interest cost)	<b>7,141</b>	30,592
Employer contributions	<b>2,657</b>	2,709
Plan participants' contributions	<b>1,284</b>	1,319
Benefit payments and expenses	<b>(9,848)</b>	(10,625)
Value at 31 December	<b>276,114</b>	269,043
<b>Movement in pension scheme liabilities:</b>	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Value at 1 January	<b>(284,195)</b>	(232,283)
Interest expense	<b>(6,140)</b>	(8,903)
Cost (excluding interest):		
(i) Net cost arising from employee service in the reporting period	<b>(3,695)</b>	(2,897)
(ii) Gains on curtailments/changes/introductions/settlements	<b>3,452</b>	1,901
Cash flows		
(i) Benefit payments from plan assets	<b>7,140</b>	7,981
(ii) Participant contributions	<b>(1,284)</b>	(1,319)
(iii) Insurance premiums for risk benefits	<b>238</b>	247
(iv) Settlement payments	<b>1,536</b>	-
Remeasurements		
(i) Effect of the changes in the assumptions	<b>5,692</b>	(50,852)
(ii) Effect of experience adjustments	<b>1,208</b>	1,930
Value at 31 December	<b>(276,048)</b>	(284,195)

### *Irish Co-Operative Societies Pension Scheme*

The Society also participates in an industry wide Irish Co-Operative Societies Pension Scheme. This is a multi-employer defined benefit scheme. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Society is accounting for the pension scheme as if it were a defined contribution scheme in accordance with FRS 102. The charge in the consolidated income statement in respect of this plan was €146,000 (2014: €180,000).

A Section 50 application, submitted to the Pensions Authority on 2 February 2015, was approved on 10 March 2015 and members were advised of the implications to their individual pension entitlements. A valuation, with an effective date of 1 July 2014 was concluded in March 2015. The valuation reflected the revised benefits following the Section 50 application. It indicated that, on the basis of the method and assumptions employed, the Scheme's assets were sufficient to provide for 100% of the Scheme's accrued liabilities. The last Actuarial Funding Certificate and Funding Standard Reserve Certificate for the Scheme were completed as at 8 April 2015, following the receipt of the Section 50 direction. These certificates confirmed that the Scheme satisfied both the Funding Standard and Funding Standard Reserve requirements at that effective date.

### *Pension Cost*

The total pension cost charged to the operating profit was €1,767,000 (2014: €3,950,000) which comprised of €1,177,000 (2014: €3,392,000) in respect of the defined benefit pension scheme, as noted above, and €590,000 (2014: €558,000) in respect of the defined contribution schemes (which includes €146,000 (2014: €180,000) regarding the Irish Co-Operative Pension Scheme noted above). Valuations have been performed in accordance with the requirements of FRS 102, as at 31 December 2015. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

# Notes to Financial Statements

for the year ended 31 December 2015

## 25 Share capital

Ordinary shares of €1 each	2015 €'000	2014 €'000
<i>Issued and fully paid</i>		
At 1 January	94,124	93,430
Shares issued	931	1,906
Conversion of convertible stock - Note 20	-	2
Shares redeemed	(1,525)	(1,214)
Shares cancelled - in accordance with Rule 14	(243)	-
Shares cancelled - in accordance with Rule 15	(160)	-
At 31 December	93,127	94,124
	2015 €'000	2014 €'000
Cash paid	(1,230)	(940)
Arising as loan stock - Note 21	(295)	(274)
Shares redeemed	(1,525)	(1,214)

From 2013 onwards, the Society has accelerated the payment of the value of shares redeemed, whereby the value of shares redeemed up to €5,000 or 40% of such value, if greater, is paid in cash in that year. The balance is transferred to a loan stock account, which is being paid in equal instalments over the following three years.

In common with other Societies incorporated under the Industrial and Provident Societies Acts, 1893 to 2014, the Society does not have an authorised share capital. The rules make provision for the issue of shares at the discretion of the Board and for the issue of convertible stock and loan capital. Any issues have taken place at par.

### Minimum Shareholding

Each Milk Supplier is required to achieve and maintain a shareholding in the Society equivalent to 4.0 cent per litre of milk supplied. Where a Milk Supplier's shareholding is less than 4.0 cent per litre at the end of any year, a contribution of 0.5 cent per litre will be deducted from his or her monthly milk payment in the following year until the Supplier achieves the required threshold of 4.0 cent per litre of milk supplied. This commenced in 2013. Deductions are converted into shares in the Society.

A decision was taken by the Board that the requirement to meet minimum shareholding levels was optional once the Dairygold quoted milk price fell below 30 cent per litre and ceased once the Dairygold milk price fell below 27 cent per litre.

## 26 Share interest

	2015 €'000	2014 €'000
Share interest paid @ 1.25% (2014 : 1.25%)		
Ordinary share capital	(1,177)	(1,168)
	(1,177)	(1,168)

The Board has recommended that share interest of 1.25% be paid on the share capital in issue at 31 December 2015. This will amount to €1,164,000 (2014: €1,177,000) and is subject to approval at the Annual General Meeting.

# Notes to Financial Statements

for the year ended 31 December 2015

## 27 Reserves

The profit and loss reserve represents the cumulative profits and losses of the Society.

## 28 Non-controlling interests

	2015 €'000	2014 €'000
At 1 January	3,039	2,590
Profit after tax	442	449
Dividends paid	(170)	-
At 31 December	3,311	3,039

## 29 Reconciliation of operating profit to net cash inflow from operating activities

	2015 €'000	2014 €'000
Operating profit	19,213	28,627
Amortisation of intangible assets	2,831	2,736
Depreciation	20,597	17,150
Capital grants amortisation	(1,402)	(1,428)
<b>EBITDA</b>	<b>41,239</b>	<b>47,085</b>
Impairment of fixed assets	86	1,820
Reversal of impairment of fixed assets	(342)	-
Profit on the revaluation of investment properties	(713)	(642)
Present valuing of turnover	231	272
Difference between current service pension cost and payments made	(1,480)	684
Cash related to business terminations and restructuring	-	(99)
<b>Working capital movements</b>		
Increase in stocks	(12,880)	(6,855)
(Increase)/decrease in debtors	(9,286)	16,217
Increase/(decrease) in creditors	15,671	(13,241)
<b>Taxation</b>		
Corporation tax paid	(1,908)	(3,696)
Net cash inflow from operating activities	30,618	41,545

## 30 Cash and cash equivalents

	2015 €'000	2014 €'000
Cash and bank balances	4,394	3,460

# Notes to Financial Statements

for the year ended 31 December 2015

## 31 Acquisition of a business

In 2014, the Society acquired the property assets of Reox Holdings plc in return for releasing both a €16,000,000 loan note and the indemnity associated with certain legacy property related liabilities, plus a cash payment of €478,000 from the Society to Reox Holdings plc.

	€'000
<b>Book value acquired:</b>	
Development assets	17,176
Investment properties	7,899
<b>Value acquired</b>	<b>25,075</b>
<b>Satisfied by:</b>	
Loan note cancellation	16,000
Liabilities taken on	7,408
Consideration paid	478
Acquisition costs	1,189
	<b>25,075</b>
<b>Cash impact of acquisition:</b>	
Consideration paid	478
Acquisition costs	1,189
	<b>1,667</b>

## 32 Capital commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €13,896,451 (2014: €32,540,000).

## 33 Related party transactions

The Society's related parties, as defined by FRS 102, the nature of the relationships and the extent of transactions with them are summarised below. The Society views key management personnel, directors, close members of their family and companies controlled by them, joint venture undertakings, associate undertakings and non-wholly owned subsidiaries as related parties under the standard.

The Society purchases goods and services from its joint ventures and associates and sells goods and services to its joint ventures and associates on standard commercial terms. The purchases from and sales to the joint ventures and associates during 2015 amounted to €9,867,000 (2014: €9,341,000) and €3,482,000 (2014: €5,416,000) respectively. The trading balances outstanding by and to the Society amounted to €1,953,000 (2014: €510,000) and €1,051,000 (2014: €2,375,000) respectively at the year end. The Society has provided a loan of €137,000 (2014: €134,000) to its joint venture, The Malting Company of Ireland Limited.

The Society purchases and sells goods and services from and to a non-wholly owned subsidiary, Munster Cattle Breeding Group Limited and its subsidiaries, on standard commercial terms. During 2015 the purchases from and sales to Munster Cattle Breeding Group Limited amounted to €12,000 (2014: €12,000) and €614,000 (2014: €569,000) respectively. The trading balances outstanding by and to the Society amounted to €7,000 (2014: €nil) and €219,000 (2014: €4,000) respectively at the year end.



# Notes to Financial Statements

for the year ended 31 December 2015

## 33 Related party transactions (continued)

Payments made by the Society to the pension schemes are included in Note 24. No amounts were prepaid or owing to the schemes at the end of the year.

In the ordinary course of business, some key management and directors, in their capacity as farmers and/or directors of trading companies are involved in trade with the Society on standard commercial terms. The aggregate level of purchases from and sales to these related parties during the year amounted to €1,512,000 (2014: €1,825,000) and €2,933,000 (2014: €3,114,000) respectively. The trading balances outstanding by and to the Society amounted to €5,000 (2014: €8,000) and €382,000 (2014: €299,000) respectively at the year end. No specific reserve has been required in 2015 (2014: €nil) for bad or doubtful debts in respect of amounts owed by key management or directors and companies controlled by them.

Directors of the Society, in aggregate, had loan note balances of €108,000 (2014: €96,000) and revolving fund balances of €42,000 (2014: €36,000) owing to them at the year end, both inclusive of accrued interest.

### Key Management Personnel Remuneration

The following sets out the key management remuneration of €3,105,000 (2014: €3,078,000) analysed between the Senior Leadership Team and the Board of Directors.

	2015	2014
	Number	Number
Senior Leadership Team	9	8
	€'000	€'000
Basic salaries	1,668	1,476
Performance related pay	297	497
Other emoluments	209	196
Employer's PRSI	246	245
Employer's pension and retirement fund contributions	262	241
	<b>2,682</b>	<b>2,655</b>
	2015	2014
	Number	Number
Board of Directors	12	12
	€'000	€'000
Directors' fees	423	423

### Reox Holdings plc

During the period to 31 March 2014, the Society and Reox Holdings plc (Reox) had a number of commercial arrangements. These are summarised as follows:

- The Society had guaranteed lease obligations in respect of certain former subsidiaries of Reox. Reox had indemnified the Society for any costs that might arise in respect of those obligations.
- The Society supplied electricity to certain properties owned by Reox. All charges for supply of such electricity were based on arm's length commercial terms.

Reox owed the Society €16 million as at 31 December 2013 in unsecured loan notes. On 31 March 2014, the Society completed a "Debt for Asset" transaction with Reox. The Society acquired the Reox property assets with a net book value of €23.9 million (excluding acquisition costs of €1.2 million) in return for releasing both a €16 million loan note and the indemnity associated with certain legacy property related liabilities, plus a cash payment of €0.5 million from the Society to Reox.

At an Extraordinary General Meeting of Reox Holdings plc on 7 November 2014, the shareholders passed a resolution that Reox Holdings plc was to be wound up via a members' voluntary winding up.

# Notes to Financial Statements

for the year ended 31 December 2015

## 34 Contingent liabilities

Certain sales to Ornua are based on “on account” prices and are subject to adjustment when the prices are finally agreed. Provision is made as and when required for future deficits in the product categories.

The Society has guaranteed the liabilities for the financial year ended 31 December 2015 of its Irish subsidiaries and as a result they are exempted from filing their individual accounts under the provisions of Section 357 of the Companies Act, 2014.

## 35 Post balance sheet events

No significant post balance sheet events have occurred that require reporting in the financial statements.

## 36 Principal operating subsidiaries, joint ventures and associates

<b>Subsidiaries</b>	<b>Country of Incorporation</b>	<b>% Holding</b>	<b>Activity</b>
Agricola Properties Limited	Ireland	100.0%	Property
Dairygold Agri Business Limited	Ireland	100.0%	Procuring, distributing and retailing of agri and non agri supplies and farm inputs
Dairygold Deutschland Handelsgesellschaft mbH	Germany	100.0%	Sales & distribution
Dairygold Finance Limited	Ireland	100.0%	Finance company
Dairygold Food Ingredients Limited	Ireland	100.0%	Dairy ingredients
Dairygold Food Ingredients (U.K.) Limited	U.K.	100.0%	Dairy ingredients
Dairygold Food Ingredients (France) SAS	France	100.0%	Dairy ingredients
Munster Cattle Breeding Group Limited	Ireland	66.0%	AI and farm services
Watfore Limited	Ireland	100.0%	Property
<b>Joint Ventures</b>	<b>Country of Incorporation</b>	<b>% Holding</b>	<b>Activity</b>
Co-Operative Animal Health Limited	Ireland	50.0%	Farm services
The Malting Company of Ireland Limited	Ireland	50.0%	Malting
<b>Associates</b>	<b>Country of Incorporation</b>	<b>% Holding</b>	<b>Activity</b>
National Cattle Breeding Centre Limited	Ireland	20.0%	AI services

The Companies and Societies operate principally in the countries of incorporation. Only the principal operating subsidiaries are listed above. The names and addresses of the registered offices of all the subsidiaries, joint ventures and associates are available from the Secretary of Dairygold Co-Operative Society Limited.

# Notes to Financial Statements

for the year ended 31 December 2015

## 37 Financial instruments

The carrying value of the financial assets and liabilities are summarised by category below:

	2015 €'000	2014 €'000
<b>Financial assets</b>		
<i>Measured at fair value through profit and loss</i>		
Investments in listed equity instruments - Note 13	38,384	41,782
<i>Debt instruments measured at amortised cost</i>		
Convertible loan stock - Note 13	5,359	5,809
<i>Measured at undiscounted amounts receivable</i>		
Trade debtors - Note 15	88,136	77,380
Amounts due from related undertakings - Note 15	1,433	2,662
<i>Equity instruments measured at cost less impairment</i>		
Investments in unlisted equity instruments - Note 13	395	444
<b>Financial liabilities</b>		
<i>Measured at fair value through profit and loss</i>		
Forward foreign currency contracts - Note 16	(95)	(131)
<i>Measured at amortised cost</i>		
Bank loans - Note 18	(100,000)	(74,300)
Revolving fund - Note 18	(8,353)	(7,521)
Loan notes - Note 18	(2,568)	(1,970)
Loan stock - Note 21	(677)	(907)
Obligations under finance leases - Note 19	(554)	(781)
Convertible stock - Note 20	(222)	(222)
<i>Measured at undiscounted amounts payable</i>		
Trade and other creditors - Note 16	(54,528)	(26,649)
Amounts due to related parties - Note 16	(1,958)	(518)

The Society purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. At 31 December 2015, there were forward open foreign exchange contracts of approximately €7,470,000 (2014: €3,530,000), on which there was an unrealised foreign exchange loss of €1,000 based on sales made in 2015 (2014: loss of €113,000 relating to 2014 sales) and a loss of €94,000 on 2016 related sales (2014: loss of €18,000 relating to 2015 sales). These losses were calculated by comparing the fair value of the forward contracts at the year end to the expected cash flows.

The fair values of the assets and liabilities held at fair value through profit and loss at the consolidated statement of financial position date are determined using quoted prices.

The Society's income, expense, gains and losses in respect of financial instruments are summarised below:

	2015 €'000	2014 €'000
<b>Interest Income</b>		
Total interest income for financial assets at amortised cost	268	275
<b>Fair value gains and losses</b>		
On financial assets (including listed investments) measured at fair value through profit and loss	(4,274)	5,501

# Notes to Financial Statements

for the year ended 31 December 2015

## 38 Future operating lease income

	2015 €'000	2014 €'000
The total future minimum lease receipts under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	69	33
- between one and five years	103	226
- after five years	10,385	9,354
At 31 December	10,557	9,613

## 39 Transition to FRS 102

2015 is the first year that the Society has presented its financial statements under FRS 102 issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous Irish GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

The impact of the transition to FRS 102 is as follows:

	At 31 December 2014 €'000	At 1 January 2014 €'000
<b>Reconciliation of equity</b>		
Quoted shares measured at fair value through profit and loss	5,501	25,749
Corporation tax impact on revaluing quoted shares	(74)	(274)
Deferred tax impact on revaluing quoted shares	(614)	(2,945)
Elimination of goodwill	-	(10,034)
Reversal of goodwill amortisation	1,312	-
Reversal of translation adjustments on goodwill	(635)	-
Elimination of other intangible assets (excluding software)	-	(465)
Reversal of other intangible assets amortisation (excluding software)	116	-
Revaluation of investment properties previously held as tangible fixed assets	172	-
Reversal of depreciation of investment properties previously held as tangible fixed assets	62	-
Deferred tax on revaluation of investment properties	(81)	-
Present valuing of loan stock	(272)	(1,087)
Unwinding of the present valuing of the loan stock	272	-
Present valuing of loan to joint venture	-	(304)
Unwinding of the present valuing of the loan to joint venture	3	-
Derivatives	(110)	(21)
Reclassification of bonus reserve to creditors	-	(138)
Total of the transitional adjustments	5,652	10,481
Transitional adjustments at 1 January 2014	10,481	-
Capital employed reported under previous Irish GAAP	280,003	273,844
Capital employed reported under FRS 102	296,136	284,325



# Notes to Financial Statements

for the year ended 31 December 2015

## 39 Transition to FRS 102 (continued)

The following were the significant changes arising from the transition to FRS 102:

### **Quoted shares measured at fair value through profit and loss**

Under FRS 102, the quoted shares are recorded in the consolidated statement of financial position at their fair value and accounted for at fair value through profit and loss. Under previous Irish GAAP these were recognised at cost less impairment.

### **Corporation tax impact on revaluing quoted shares**

As a result of accounting for all of the quoted shares at fair value under FRS 102, the Society has accounted for the corporation tax impact of the change in value of the trading quoted shares.

### **Deferred tax impact on revaluing quoted shares**

As a result of accounting for all of the quoted shares at fair value under FRS 102, the Society has accounted for the deferred tax impact of the change in value of the non-trading quoted shares.

### **Goodwill and other intangible assets (excluding software)**

Under previous Irish GAAP, goodwill is presumed to have a useful life not exceeding twenty years, if no reliable estimate can be made. At the date of transition, no reliable estimate of the useful life was available and therefore the net book value was eliminated. In addition the amortisation charge and foreign exchange translation adjustments for the year ended 31 December 2014 have been reversed.

Under previous Irish GAAP, intangible assets (excluding software) were presumed to have a useful life not exceeding twenty years, if no reliable estimate can be made. At the date of transition, no reliable estimate of the useful life was available and therefore the net book value was eliminated. In addition, the amortisation charge of intangible assets (excluding software) for the year ended 31 December 2014 was reversed.

### **Investment properties previously held as tangible fixed assets**

Under FRS 102, a mixed use property shall be separated between investment property and property, plant and equipment. Under previous Irish GAAP, the classification of the property was based on the majority of the property's use. At the date of transition, the value of an investment property which was part of a mixed use property was separated from land and buildings and this investment property was revalued on 31 December 2014. In addition the depreciation charge on the buildings of the investment property for the year ended 31 December 2014 was reversed.

### **Deferred tax on revaluation of investment properties**

Under FRS 102, deferred tax is to be provided on changes in the fair values of investment properties. Under previous Irish GAAP, no deferred tax was required to be provided on these changes.

### **Loan stock**

The loan stock received from Ornua is based on the Society's trading activity with it and is redeemed under a specific timeframe. Under FRS 102, this would constitute a financing arrangement and as such the financial asset shall be measured as being the present value of future payments discounted at a market rate of interest. Under previous Irish GAAP, no such discounting was required. The transitional adjustment reflects the discounting of the existing loan stock at that date whereas the adjustments for the year ended 31 December 2014 reflect the discounting of the unconverted loan stock received during the year and the unwinding of the discount on the existing loan stock by one year.

### **Loan to joint venture**

Under FRS 102, this loan would constitute a financing arrangement as it is non-interest bearing and as such the financial asset shall be measured as being the present value of future payments discounted at a market rate of interest. Under previous Irish GAAP, no such discounting was required. The transitional adjustment reflects the discounting of the loan whereas the adjustment for the year ended 31 December 2014 reflects the annual unwinding of the discount.

### **Derivatives**

Under FRS 102, forward foreign currency contracts are recorded on the consolidated statement of financial position at fair value and accounted for at fair value through profit and loss. Under previous Irish GAAP the transactions were recorded at the contracted rates with the unrealised gains or losses disclosed in the notes to the financial statements.

### **Reclassification of bonus reserve to creditors**

One of the procedures for the transition from Irish GAAP to FRS 102, is that items previously recognised under Irish GAAP as one type of asset, liability or component of equity should be reclassified if they are a different type of asset, liability or component of equity under FRS 102. The bonus reserve is a potential obligation as a result of a past event and therefore has been reclassified as a creditor.

# Notes to Financial Statements

for the year ended 31 December 2015

## 39 Transition to FRS 102 (continued)

At 31 December 2014  
€'000

### Reconciliation of profit for the year ended 31 December 2014

Profit for the financial year ended 31 December 2014 under previous Irish GAAP	22,546
Quoted shares - measured at fair value through profit and loss	5,501
Corporation tax impact on revaluing quoted shares	(74)
Deferred tax impact on revaluing quoted shares	(614)
Reversal of goodwill amortisation	1,312
Reversal of other intangible assets amortisation (excluding software)	116
Revaluation of investment properties	470
Revaluation of investment properties previously held as tangible fixed assets	172
Reversal of depreciation of investment properties previously held as tangible fixed assets	62
Deferred tax on revaluation of investment properties	(81)
Present valuing of loan stock	(272)
Unwinding of the present valuing of loan stock	272
Unwinding of the present valuing of the loan to joint venture	3
Derivatives	(110)
Defined benefit pension scheme	(2,415)
Profit for the financial year ended 31 December 2014 under FRS 102	26,888

### Investment properties

Under FRS 102, changes in the fair value of investment properties are recorded in the consolidated income statement. Under previous Irish GAAP, these changes were recorded in the statement of total recognised gains and losses.

### Defined benefit pension scheme

Under previous Irish GAAP, the expected return on plan assets was based on long term expectations at the beginning of the period for returns for each asset class and was set by the Directors, having taken advice from the actuaries. FRS 102 requires that the net interest on the net defined benefit pension liability is calculated using the liability discount rate for the scheme. There was no impact on the shareholders' equity on transition as a result of the above but it affects the allocation of interest between the consolidated income statement and the consolidated statement of comprehensive income. As such there was a decrease in profit arising from this adjustment which was offset by a corresponding increase in the consolidated statement of comprehensive income.

## 40 Restatement of comparatives

Certain prior year figures included within the financial statements and related notes are reclassified to ensure comparability with the current year presentation.

## 41 Approval of financial statements

The financial statements were approved by the Board of Directors on 15 March 2016.

## Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

### Five year consolidated income statement

	FRS 102		PREPARED UNDER Old Irish GAAP		
	2015 €'000	2014 €'000	2013 €'000	2012 €'000	2011 €'000
<b>TURNOVER</b>	<b>784,869</b>	848,394	847,407	731,233	757,833
<b>OPERATING PROFIT</b>	<b>19,213</b>	28,627	27,942	20,854	22,164
Share of joint ventures	(260)	17	(118)	-	-
Share of associates	32	(40)	54	(12)	999
Exceptional items	-	2,563	1,841	(1,841)	-
(Net losses)/net gains in financial assets at fair value through profit and loss	(4,274)	5,501	-	-	-
Net interest payable	(5,477)	(4,445)	(1,952)	(2,151)	(841)
<b>PROFIT before taxation</b>	<b>9,234</b>	32,223	27,767	16,850	22,322
Taxation	(946)	(5,335)	(2,145)	(2,494)	(577)
<b>PROFIT after taxation</b>	<b>8,288</b>	26,888	25,622	14,356	21,745
Non-controlling interests	(442)	(449)	(424)	(602)	(578)
<b>PROFIT for the financial year</b>	<b>7,846</b>	26,439	25,198	13,754	21,167

### Five year consolidated statement of financial position

	2015 €'000	2014 €'000	2013 €'000	2012 €'000	2011 €'000
<b>Net Assets Employed:</b>					
Fixed assets	333,259	331,759	239,484	220,622	224,551
Stocks	129,250	116,370	109,515	88,570	85,296
Debtors	107,676	98,390	120,386	100,633	96,407
Creditors	(144,901)	(152,639)	(129,472)	(92,419)	(93,627)
Net bank debt	(96,160)	(71,621)	(60,914)	(56,832)	(67,242)
Capital grants	(9,894)	(8,768)	(8,257)	(9,618)	(4,652)
Deferred taxation liability	(3,771)	(2,203)	(128)	(1,117)	(779)
Pension asset/(liability)	66	(15,152)	3,230	1,427	4,346
	<b>315,525</b>	<b>296,136</b>	<b>273,844</b>	<b>251,266</b>	<b>244,300</b>
<b>Financed by:</b>					
Shareholders' funds	312,214	293,097	271,254	249,100	242,736
Non-controlling interests	3,311	3,039	2,590	2,166	1,564
<b>CAPITAL EMPLOYED</b>	<b>315,525</b>	<b>296,136</b>	<b>273,844</b>	<b>251,266</b>	<b>244,300</b>

# Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

## Five year consolidated cash flow

	FRS 102		PREPARED UNDER Old Irish GAAP		
	2015 €'000	2014 €'000	2013 €'000	2012 €'000	2011 €'000
<b>EBITDA:</b>					
Operating profit	<b>19,213</b>	28,627	27,942	20,854	22,164
Amortisation of intangible assets	<b>2,831</b>	2,736	1,359	1,381	1,119
Depreciation	<b>20,597</b>	17,150	18,091	17,211	15,704
Grants	<b>(1,402)</b>	(1,428)	(1,361)	(1,067)	(840)
<b>EBITDA</b>	<b>41,239</b>	47,085	46,031	38,379	38,147
Investments	<b>(50,933)</b>	(50,692)	(32,118)	(17,050)	(33,384)
Working capital	<b>(6,495)</b>	(3,879)	(12,061)	(3,680)	(1,997)
Finance costs	<b>(5,223)</b>	(4,974)	(4,342)	(4,747)	(5,056)
Equity share interest paid	<b>(1,275)</b>	(1,141)	(1,126)	(1,154)	(1,186)
Equity financing	<b>(994)</b>	299	204	(1,463)	(1,475)
Member funding	<b>1,430</b>	4,336	5,155	315	-
Taxation paid	<b>(1,908)</b>	(3,696)	(4,684)	(244)	(601)
Other	<b>(1,249)</b>	956	(180)	(690)	(92)
Decrease/(Increase) in cash in the year	<b>(25,408)</b>	(11,706)	(3,121)	9,666	(5,644)
Non cash movements	<b>869</b>	999	(961)	744	734
Movement in net bank debt	<b>(24,539)</b>	(10,707)	(4,082)	10,410	(4,910)
Net bank debt at 1 January	<b>(71,621)</b>	(60,914)	(56,832)	(67,242)	(62,332)
<b>NET BANK DEBT AT 31 DECEMBER</b>	<b>(96,160)</b>	<b>(71,621)</b>	<b>(60,914)</b>	<b>(56,832)</b>	<b>(67,242)</b>

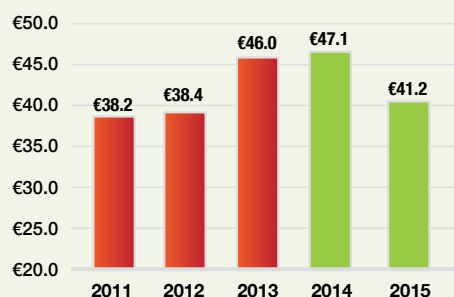
## Analysis of net bank debt

	At 1 January 2015 €'000	Cash flow €'000	Non cash movement €'000	At 31 December 2015 €'000
Cash and bank balances	3,460	65	869	4,394
Finance leases	(781)	227	-	(554)
Bank loans due within one year	-	-	(7,500)	(7,500)
Bank loans due after one year	(74,300)	(25,700)	7,500	(92,500)
	(71,621)	(25,408)	869	(96,160)

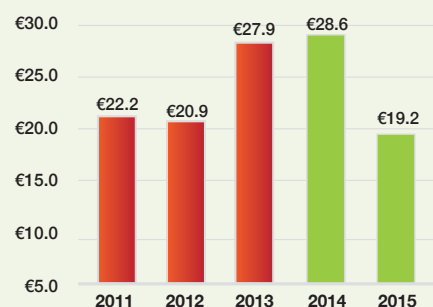


# Financial Performance Overview

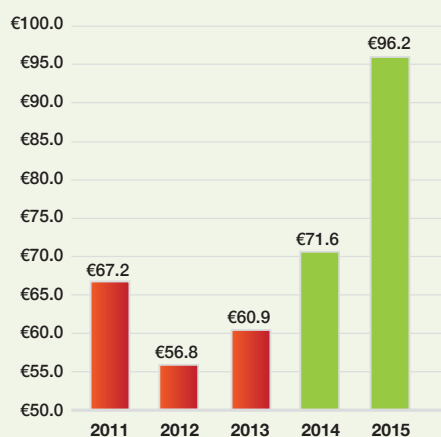
(Supplementary information not covered by the Independent Auditor's Report)



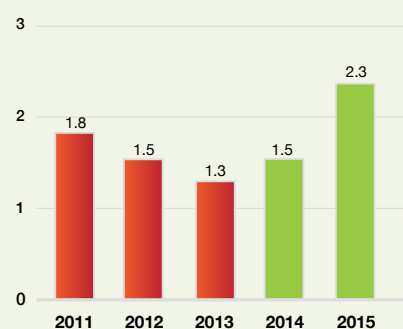
**EBITDA €million**



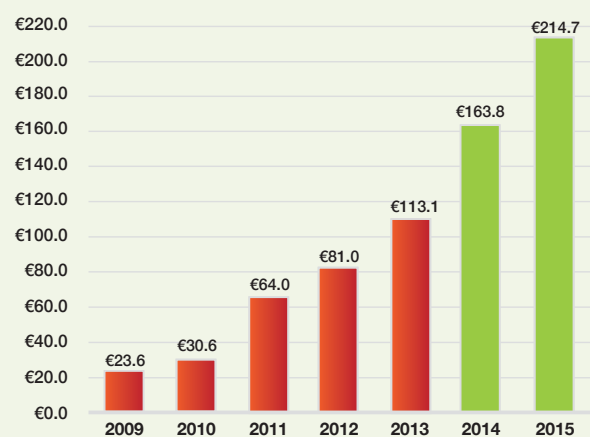
**Operating Profit €million**



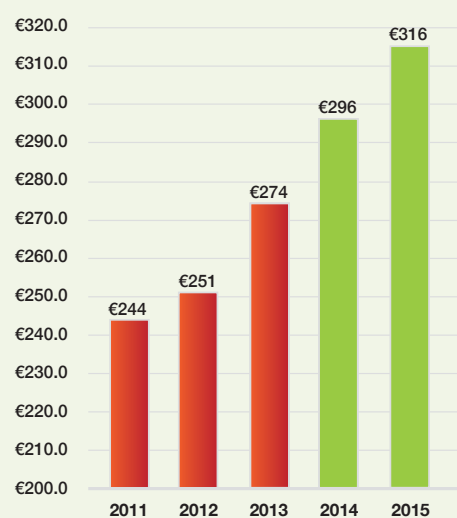
**Net Bank Debt €million**



**Net Bank Debt: EBITDA**



**Cumulative Investment €million made over the last seven years**



**Net Asset Value €million**

Prepared under

Old Irish GAAP



FRS 102







[www.dairygold.ie](http://www.dairygold.ie)