Annual Report and Accounts 2014

Dairygold Co-Operative Society Limited

Our Everyday Goal

"To maximise our Member Suppliers' income from farming, in a sustainable manner, by maximising the value we add to current and future milk and grain supply and by minimising the cost of farm inputs, while sustainably growing the Net Asset Value of the business"

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"Dairygold is a well invested and efficient processor, delivering a strong financial performance and paying leading milk and grain prices"

Chairman's Statement

2014 was a good year for Dairygold Co-Operative Society Limited and its farmer members, as perfect weather conditions provided strong grass growth and an excellent grain harvest. Record levels of milk production saw Dairygold process 975 million litres of milk, its highest ever volume.

Highlights of the year

During 2014, the Society:

- enjoyed another very strong financial performance, while supporting milk and grain prices to farmers.
- completed its €33.5 million investment at Castlefarm. The new expanded facility was commissioned ahead of schedule and began processing milk in time for 2014 peak milk supply.
- began work on the €83.5 million regeneration of its dairy processing site in Mallow to deliver a world-class dairy processing facility.
- acquired all of the remaining property assets of Reox Holdings plc in a Debt for Asset transaction. This arrangement allowed the Society to strengthen its balance sheet with the addition of a number of commercial properties offsetting the debt due.
- announced the investment of €1 million in a new three year Dairy Development Programme to be run jointly with Teagasc to support the Society's Milk Suppliers in profitable and sustainable dairying in the post-quota era.
- welcomed An Taoiseach, Mr. Enda Kenny T.D. and other members of his cabinet who attended special events in Mitchelstown to mark the commissioning of the Society's new dryer in Castlefarm and in Mallow to lay the foundation stone for the Society's regeneration of the Mallow production facility.
- launched its new online Agri retail store where customers can now shop for over 5,000 products from a computer, tablet or smart phone with the products being delivered to their door.
- welcomed the Irish Dairy Board's ("IDB") announcement of its decision to build a new Kerrygold Butter Centre of Excellence at Dairygold's Castlefarm Dairy Processing Campus in Mitchelstown. The fully integrated state-of-the-art butter production and packing facility will support the continued growth of the Kerrygold brand.
- became a full member of Bord Bia's sustainability programme, Origin Green.

Ready for Expansion

On the publication of this report the Irish dairy industry will no longer be operating under the restriction of milk quotas. Milk Suppliers will be free to produce as much milk as their farms and ambitions will allow. The work that the Society has done over the last number of years will support our Milk Suppliers in realising those ambitions.

Volume forecasting by our Milk Suppliers, which indicates future processing requirements, is now an annual event and has underpinned the investment of €117 million in processing infrastructure at our sites in Mallow and Mitchelstown. The benefits of this investment to the Society and the farming families in the region were officially recognised by An Taoiseach, Mr. Enda Kenny T.D. and other members of his Cabinet, when they visited both sites in September 2014.

Milk volume forecasting will continue to determine the timing and extent of investment required in the business and will ensure that the Society operates at optimum efficiency from a processing capacity perspective.

These are major milestones in the Society's ongoing development and have been made possible because our Milk Suppliers made a commitment to support us on that journey. Dairygold Milk Suppliers are fortunate in that they farm on some of the best dairying pasture land in the country.

With your continued commitment to forecasting milk supply volumes and our guarantee to process that milk flow in the most efficient manner possible, Suppliers and the Society can reap the benefits that expansion will bring and maintain our leading role in the Irish dairy industry well into the future.

Member Support

The Society continues its work at farm level to support Milk Suppliers' expansion ambitions. The Society announced a €1 million investment in a new three year Dairy Development Programme run jointly with Teagasc. The programme is designed to help Milk Suppliers achieve profitable and sustainable dairying. The programme focuses on a range of educational issues including grassland management, herd health and financial mangement.

Ever so conscious of the increased importance of good farm and financial management as we enter into a period of milk production expansion, the Society organised a number of special interest events in late 2014 aimed at assisting dairy farmers in soil fertility, financial planning and cash flow management.

The Society introduced an optional phased super levy payment scheme for the 2014/2015 milk quota year. Increased milk production is leading to a high super levy penalty in the last year of the milk quota regime which will impact Milk Suppliers' cash flow at a time when it is most needed. The scheme will allow Milk Suppliers to spread the repayment over three years facilitating an easing on cash flow as we enter the post quota era.

Dairygold Milk Suppliers, Eugene Lyons and his son Eugene of Clonmoyle, Aghabullogue, Co. Cork who won the 2014 Dairygold Milk Quality Award are pictured on their farm with Dairygold Milk Advisor Ger Hennessy.

Dairygold supplier Oliver Looney, his wife Stella and their children, Ben, Isabelle and Ella pictured with Simon Coveney T.D. Minister for Agriculture, Food & the Marine, at the launch of the Dairygold/Teagasc Joint Farm Development Programme at the Looney farm in Burnfort, Mallow.

As part of our on-going commitment to improve Member Services, 2014 saw the continued roll-out of our user-friendly "MyMilk App", providing timely information on milk supply and which is now being actively used by 25% of our Milk Suppliers.

Sustainability

An essential element in Dairygold's Post Quota Strategy is to secure markets for our Members expanded dairy output. During 2014, Dairygold became an active member of Bord Bia's sustainability programme, Origin Green. This ground-breaking programme requires participating food companies to commit to a range of initiatives which ensure that their food is produced in a sustainable manner. The Society has been shortlisted for the "Green Awards 2015 - Green Business and Sustainability" in 3 separate categories, with the awards ceremony scheduled to take place on 08 April 2015.

Meanwhile at farm level, over 70% of our Milk Suppliers have signed up to participate in Bord Bia's national Sustainable Dairy Assurance Scheme (SDAS). Having all Dairygold Milk Suppliers achieve SDAS certification is extremely important for the Society. The Society's ability to demonstrate that its milk is produced sustainably under an accredited scheme will be a key strength in meeting customer requirements and building international sales.

Dairygold's Milk Advisors have been assisting participating Milk Suppliers and the results of the on-farm audits have been very encouraging, with an average audit score for Dairygold Members of 93%.

Quality Awards

In 2014 Dairygold won the coveted Kerrygold Trophy for the Best Irish Cheddar at the internationally renowned Nantwich Cheese Show, which is the biggest event of its kind in the world. Dairygold enjoyed its best ever performance at the show winning 13 other awards including 6 gold medals. Dairygold also enjoyed success at the British Cheese Awards where our American Style Soft Cheese won a silver medal.

These awards are a significant achievement for Dairygold and represent international recognition of our high quality cheeses and our Milk Suppliers' commitment to producing highest quality milk.

The high standards achieved on Milk Suppliers' farms and the quality of the milk produced is recognised each year at the Dairygold Milk Quality Awards. Congratulations to Eugene Lyons, his wife Chrissie and their son Eugene from Aghabullogue, Co. Cork who won the award in 2014.

Farm Safety

Unfortunately, 2014 has been a very bad year for farm safety with a record number of fatalities, many of them children. It is ironic that the recent spate of farm deaths comes at a time when there has never been a greater focus on farm safety. However, we must continue to draw attention to the importance of safety especially for our children.

The Society is a strong supporter of all farm safety initiatives and I take this opportunity to ask all Members to make a conscious effort to raise the issue of farm safety with your neighbours.

By engaging in these conversations, we can all help each other to become more safety conscious and work to ensure that 2015 sees a significant reduction in the number of farm accidents.

Rules Review

Over the past number of years, a significant number of Suppliers have converted their farm businesses into companies or partnerships and this needed to be catered for in the Society's Rule Book. The overall representative structure and associated terms were also examined. Following a review by the Board and Committee Structure, a set of equitable proposals were approved by Members at the Society's Special General Meeting in May. The resulting changes to the rules have been implemented.

Board and Management

This is my first Annual Report since I had the privilege of being elected Chairman of the Society in January 2015. It is an honour for me to take on the role at such a time of unprecedented opportunity and challenge for the dairy industry. I congratulate my fellow Board Member, Mr. Tom Feeney, on his election as Vice Chairman and I look forward to working with him.

A view of the new Niro 3 dryer installed during 2014 at Dairygold's Dairy Processing Campus at Castlefarm, Mitchelstown as part of the €33.5 million investment there.

I would like to thank my fellow Board Members for their tireless 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 Society over the last year.

I would like to pay particular tribute to my predecessor, Mr. Bertie O'Leary, who guided the Society through a period of major change during his chairmanship of the Society and indeed his ten years as a Member of the Board. I welcome Mr. Sean MacSweeney to the Board and I look forward to his contribution during his tenure.

I would also like to express the Board's appreciation to our Chief Executive, Mr. Jim Woulfe, for his leadership and commitment and also his management team and all employees for their work and dedication during 2014. Finally, I want to thank all Members and customers whose continued loyalty is critical to our future growth and prosperity.

Conclusion

This is an exciting time for Dairygold. Your Society is a well invested and efficient processor, delivering a strong financial performance and paying leading milk and grain prices. Events beyond our control on world markets will present challenges but the long term fundamentals of world population growth and rising demand for dairy products are positive. With your support I am confident that we can realise the benefits of the post quota era and continue the proud record of strong performance we have enjoyed.

James Lynch

James Lynch
Chairman

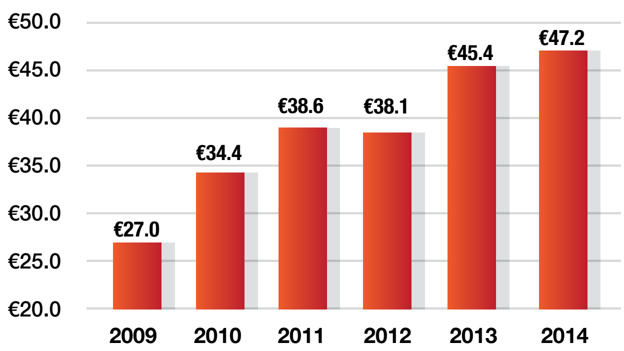
"Dairygold today, is a lean and efficient farmer owned business with a clear vision and growth plan. We are a cheese and dairy ingredients supplier with a focus on building our nutritional product portfolio"

Chief Executive's Review

2014 saw another very strong operational and financial performance by Dairygold. Despite adverse market conditions in the second half of the year the Society continued to pay a competitive milk price to Members and record a strong operating profit.

Turnover at €848.8 million was in line with 2013 despite the substantial drop in global dairy market returns in the second half of the year. In line with its ethos and everyday goal, the Society supported the milk price during the year while reporting a strong operating profit, in line with the prior year, of €27.2 million on core activities with an EBITDA of €47.2 million, an increase of €1.8 million on 2013.

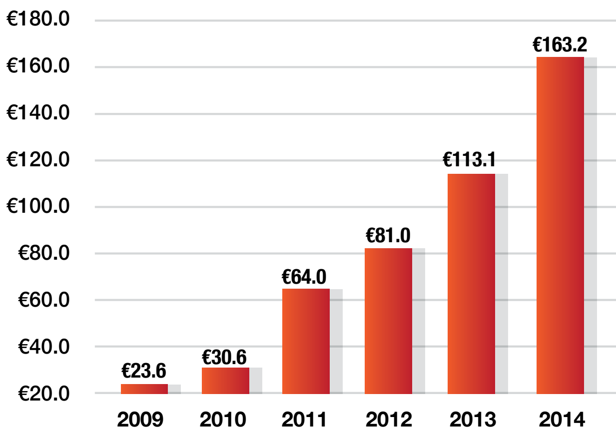
EBITDA Core Activities € million



During a year of significant downward price movement in international dairy markets, the Society's diverse product portfolio allowed it to optimise product mix and achieve the best returns available. In addition, the ongoing significant capital investment programme in processing infrastructure enabled the Society to achieve enhanced value added activity and greater production efficiencies.

The Society's 2014 results continue the trend of strong financial performance, while maximising the returns to our Suppliers for their milk and grain supplied and minimising their input costs. The Society has now invested €163.2 million in the business over the last six years while maintaining a prudent level of net debt. 2014 year-end bank net debt of €71.6 million was €10.7 million higher than 2013, primarily as a result of the significant capital investment programme completed in Castlefarm and underway in Mallow. The Society's overall borrowings, including Member Funding of €9.5 million, were €81.1 million and well within our banking covenants.

Cumulative Investment € million



Overall, the 2014 financial and operational performance resulted in the Society's net asset value increasing to €280.0 million.

Dairy Markets

2014 clearly highlighted the volatility of international dairy markets. From early 2014, international markets began to weaken creating significant downward pressure on dairy returns as the year progressed.

International dairy prices fell by circa 50% between February and December 2014, primarily due to strong worldwide milk supply increasing from a normal 2.5% to 4.5%, driven by favourable weather and an abundance of cheaper grain. This coincided with weaker demand, particularly from China and the impact of the Russian dairy import ban.

Price volatility will remain a feature of the market into the future. The current over supply and lower dairy product prices should reduce milk production in countries where production costs are high. This, or a negative weather event, will allow a supply/demand rebalance to emerge.

Looking to the longer term, grass-based dairy farming in Ireland has a competitive advantage when compared to other milk producing countries. This, combined with upward demand pressures of a growing world population and a rapidly expanding middle class in key markets in Asia and elsewhere should mean that the overall long-term trend is a positive one.

Food Ingredients Ireland

2014 has been a year of records for the Food Ingredients Ireland business as it processed the highest ever annual volume of milk at 975 million litres, with a peak week record supply of 32.5 million litres and the highest ever milk solids percentages. This reflected excellent grazing conditions and improved on-farm efficiencies combined with strong prices which all drove quality on-farm production.

The key feature for the business during the year was the continued progression of the Post Quota Milk Processing Plan. The Society is now well advanced across all elements of the plan, including on-farm, processing, resources and route to market.

In 2014, the €33.5 million investment to upgrade the speciality ingredients facility at the Castlefarm Dairy Processing Campus was commissioned. The investment involved new milk intake bays, new dairy plant for pasteurisation and separation, new evaporation plant and systems, a new 6 tonne per hour multi-purpose milk dryer, as well as a multi-format automated bag-off facility. The milk processing capability of the new dryer is 9 million litres of milk per week.

The Castlefarm Dairy Processing Campus will be further enhanced as a centre for dairy processing following the decision by the IDB to locate its new Kerrygold Butter manufacturing and Centre of Excellence at the Campus. This new state-of-the-art facility will be fully integrated into the infrastructure of the Campus with Dairygold becoming the key supplier of cream and a wide range of services.

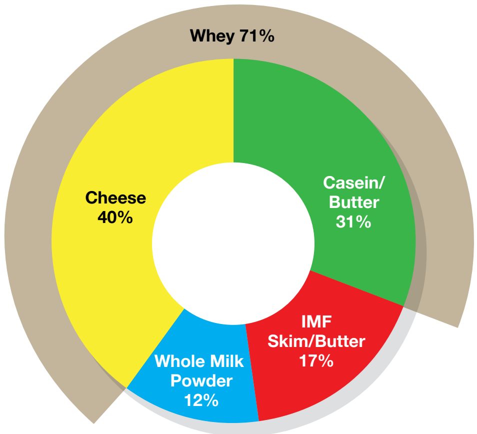
The Society has commenced its €83.5 million investment in a state-of-the-art Mallow milk processing facility. This major project involves the regeneration of the site, including the construction of a new processing facility comprising new milk assembly and storage facilities, new dairy plant for pasteurisation and separation, a new energy efficient evaporation system and a new multi-format automated bag-off facility.

It will integrate the current drying operations with a new higher specification 7½ tonne per hour dryer to produce a suite of dairy ingredient milk powders up to infant milk formula standards.

Elements of the investment including milk assembly and storage, pasteurisation and separation will be in operation for the 2015 milk season. The investment plan is to have the new evaporator and dryer in operation for the 2016 milk season, with the infrastructure necessary to facilitate the installation of another dryer, at a later stage if required, depending on milk volumes. When the dryer is commissioned in 2016, it will have the capacity to process 7½ million litres of milk per week when processing whole milk powder.

Our customers continually expect excellence. The processing and operational standards that we now set for our industry mirror more that of the pharmaceutical sector.

Dairygold's 2014 Product Portfolio (milk utilisation)



The Society's commercial strategy for the post quota era has been crystallised in 2014. This identified the optimum product portfolio, target markets and the most appropriate routes to those markets to maximise the commercial equation. The strategy includes building on the current "Dairygold Direct" key strategic "Business 2 Business" relationships such as the supply of ingredients for infant milk formula sector and cheese solutions to the food manufacturing sector. It also involves further strengthening the relationship with the IDB primarily through the supply of product in the "Business 2 Consumer" channel for consumer products such as Kerrygold Butter, Pilgrims Choice Cheddar, Regato Cheese and Kerrygold Whole Milk Powder.

Dairy Day

On 19 September 2014, the Society marked the current €117 million investment in Mitchelstown and Mallow, by welcoming An Taoiseach, Mr. Enda Kenny T.D. and other Government Ministers along with representatives of state agencies, dairy industry bodies, farming organisations and agri-business interests to both sites.

This was a significant milestone for the Society, celebrating its history and exciting future as it executes the plan to realise the opportunities that the post quota era offers the Society and its Members.

The event was a major success in promoting the organisation, its capability and achievements and the importance of the business to the region and the industry.

Food Ingredients Overseas

The UK business based in Crewe and Leeds performed well despite operating in an increasingly competitive retail sector with significant margin pressure. The business is a leading ingredient solutions provider to the key players in the UK food manufacturing and foodservice channels. The business has developed a strong Customer Focus and Innovation capability which continues to be leveraged to meet existing customer development requirements and to attract new opportunities. The UK business is a key route to market for Dairygold Ireland's range of dairy cheese and speciality ingredients.

There were some significant developments in the German and French businesses in 2014. During the year the Board decided to focus Dairygold's German business on its "Business 2 Business" activity in the dairy ingredients and cheese solutions sectors. This resulted in a decision to sell certain assets, including the trade and the Irish Land brand, of its "Business 2 Consumer" business to the IDB, which has a very strong branded presence in the retail market. This element of the business focussed on selling a range of cheddar and farmhouse variety cheeses to retailers in Germany and neighbouring countries. The transaction has been completed.

Following a comprehensive review of the French business, it was decided to sell its non-core cheese powder and flavourings business as it did not have the scale to compete effectively within the sector. The Kerry Group has acquired certain assets, including the trade of the business, with Dairygold operating the business for a transitional period up to June 2015.

Pictured laying the foundation stone for the €83.5 million regeneration of the Dairy Processing Site in Mallow (l to r) are Cllr. Alan Coleman, Mayor of Cork County; Ms. Julie Sinnamon, CEO, Enterprise Ireland; An Taoiseach, Mr. Enda Kenny T.D.; Mr. Terence O'Rourke, Chairman, Enterprise Ireland; Mr. James Lynch, Chairman, Dairygold; Mr. Bertie O'Leary, 2014 Chairman, Dairygold; Mr. Jim Woulfe, CEO, Dairygold; Minister for Agriculture, Food & the Marine, Mr. Simon Coveney T.D. and Minister for Jobs, Enterprise & Innovation, Mr. Richard Bruton T.D.

Agri Operations

The Agri Operations business had a very strong year. Fertiliser sales were up 6% year-on-year, despite the overall market being down 6%. This excellent performance was achieved based on its competitive offering and through a variety of promotional activities including rebate incentives and early delivery allowances. Fertiliser retail prices were, on average, €32 per tonne lower than 2013.

The excellent weather and grass growing conditions in 2014 and milk quota concerns resulted in ruminant feed sales being down year-on-year, with the average retail price being lower by €31 per tonne.

The 2014 harvest was completed under very favourable weather conditions with good yields and excellent quality achieved across all crops. Grain Suppliers supplied over 128,000 tonnes, 11% up on 2013. The Society paid a leading price for grain, but regrettably due to the market environment the price paid was over 11% lower than 2013 and the lowest price paid since 2009.

Agri Retail Stores

The Retail business continues to operate satisfactorily, building on market momentum and opportunities identified, whilst being challenged by its infrastructure.

Farmers continued to invest in their own farms in preparation for the post quota era as evidenced by strong sales of steel, timber and sheds whilst improved customer sentiment, together with favourable weather, resulted in increased sales in gardening, décor and DIY.

In 2014, Dairygold introduced a number of initiatives to enhance its retail business model. In June, the e-commerce website was launched, providing customers with an alternative and convenient way of availing of its retail offering. In addition, Dairygold launched its complimentary activity initiative which saw the opening of Café Noir at the Raheen Co-Op Superstore. Dairygold continues to evaluate other such opportunities to enhance its existing customers' in-store experience and to attract new customers.

The cost base of retail operations continues to challenge the Society. We will continue to examine and find more innovative and cost effective ways of meeting our existing customers' service and value expectations as well as reaching a wider customer base.

Subsidiaries, Joint Ventures and Associates

Munster Cattle Breeding Group Limited had another successful year with first inseminations up 7% on 2013 and volume increases also achieved in semen sales, milk recording and herd health. The new bull stud facility, which is operated by the National Cattle Breeding Centre Limited, recorded its first full year of operation in Ballyvorisheen, Mallow.

Co-Operative Animal Health Limited and the Malting Company of Ireland Limited, both joint ventures, delivered satisfactory performances in 2014, despite operating in very challenging environments.

Reox Holdings plc

During the year the Society finalised an agreement with Reox Holdings plc ("Reox") which resulted in the Society acquiring Reox's property assets in a Debt for Asset transaction. This agreement eliminated the Society's financial exposure to Reox, strengthening the Balance Sheet and allowing the Society to focus on business growth and its Post Quota Strategy. Towards the end of 2014, Reox shareholders voted to enter into a members' voluntary liquidation, which resulted in an initial distribution to shareholders pre year-end and it is envisaged that the liquidation will be completed in 2015.

Property

The Society now has a significant non-core property portfolio, including those generating rental income, vacant properties and sites with potential development opportunities. Our primary focus will continue to be on our core businesses, but there is a requirement to actively manage the non-core property portfolio from both a value enhancement and a maintenance perspective. The Society will, on an ongoing basis, evaluate opportunities to create gains from these assets.

16 Dairygold employees were awarded a Diploma in High Performance Leadership from University College Cork in association with the Irish Management Institute in September 2014. This was the second group of 16 to graduate while a third group are currently pursuing the programme.

Continuous Improvement and People Development

The Continuous Improvement Programme (Advance 2020) introduced in 2011, to assist the business in increasing its competitive edge, has been of significant benefit to the Society in enhancing both its operational and financial performance. The Programme continues to evolve and is now operating across the Society.

Our planned growth over the coming years requires the Society to enhance its people capability to ensure the business delivers on its strategic goals.

The Society is focussed on developing the correct skill base, and a range of people development initiatives continue to be progressed. These include the development of our current employees and I wish to congratulate the second group of 16 Dairygold employees who in September 2014 were awarded a Diploma in High Performance Leadership from University College Cork in association with the Irish Management Institute. A third group of employees are participating in the programme for the current academic year and I wish them well with their studies.

In addition, our successful graduate programme currently has 50 graduates working in the different businesses and functions, bringing new skills and thinking throughout the organisation.

Industry Consolidation

Following more than three decades of milk volume constraints, the Irish dairy industry is on the cusp of significant growth following the ending of the quota regime. However, this growth will require a significant increase in investment right across the supply chain from farm production to processing and in marketing, R&D and new product development, as all "new/expansion milk" is destined for export markets. For a sector that operates on low margins, unnecessary expenditure and waste should be eliminated where possible and maximum efficiency achieved.

Dairygold believes that there is merit in exploring the opportunity to optimise efficiency via partnership and consolidation with other processors who share a similar business philosophy. We believe that further consolidation would improve efficiency and help to maximise milk price returns to all farmers.

While Ireland has seen a limited degree of dairy industry consolidation in recent years it remains fragmented by international standards. Commentators and stakeholders acknowledge that further consolidation is necessary to maximise the global opportunities ahead. With that in mind, Dairygold pursued exploratory discussions with neighbouring Co-Operatives on consolidation opportunities. Whilst these have not led to engagement, we keep a very open mind on the matter.

Thanks

2014 saw the continued implementation of our Post Quota Strategy. The support and commitment of the Board was instrumental, both in the development of the strategy and in securing support from the overwhelming majority of our Members. We are all in their debt for that achievement.

View of dryer buildings under construction in Mallow, looking north west.

I wish to thank the Board, the General and Regional Committees, as well as the various state agencies and other partner organisations including our banking syndicate who have been enormously supportive during the year.

Mr. Bertie O'Leary retired at the end of the year, having served his ten year permitted term on the Board. I wish to thank him for his dedication and support and I wish him well for the future. At the first Board meeting of 2015, Mr. James Lynch was elected Chairman and Mr. Tom Feeney was elected Vice Chairman. I look forward to working with both of them in the coming years.

I wish to express my thanks to my management colleagues and all staff for their support and commitment. Without such 'team support' the delivery of the strategy would not have been possible.

Conclusion

The Society will continue to maximise returns to Milk and Grain Suppliers and will be prudent and cautious in its capital investment programme. The Society maintains an unrelenting focus on a customer centric culture, right first time processes, value added initiatives and cost efficiency in order to maximise returns. Through this methodology, I am confident that the Society and its Milk Suppliers are well positioned to meet the challenges ahead.

Jim Woulfe
Chief Executive

Financial Overview

2014 has been another very successful year for Dairygold Co-Operative Society Limited, continuing to build on the financial and operational success of recent years. The Society generated an Operating Profit of €27.2 million, after paying a leading milk price, from its core activities in 2014.

2014 Key Financial Highlights

- Dairygold generated an Operating Profit for the year from its core dairy and agri business activities of €27.2 million.
- Dairygold invested a total of €53.3 million of cash, net of grants, in capital expenditure in 2014.
- The Society's net bank debt position, despite significant capital investment, only increased by €10.7 million, to €71.6 million. Member funding has contributed a total of €9.5 million.
- The Society's net asset value increased by €6.2 million, to €280.0 million.

Profit and Loss Account

The overall Operating Profit of €27.5 million (2013: €27.9 million) decreased by €0.4 million from 2013, including the share trading performance of €0.3 million (2013: €0.6 million). Despite significant downward price pressure in international dairy markets, Operating Profit on core activities of €27.2 million was broadly in line with 2013 due to:

- optimising product and customer mix;
- processing and operating efficiencies following the continued investment in capital and continuous improvement.

Turnover in 2014 increased by €1.4 million compared with 2013, from €847.4 million to €848.8 million. The increase was driven primarily in Dairygold Food Ingredients with sales volumes increasing, offsetting the decline in dairy market returns. Agri Operations turnover was down year on year driven by reduced feed volume sales as a result of the improved weather.

The share of joint ventures' and associates' performance was an operating loss of €23,000 in 2014 (2013: operating loss of €64,000).

Net interest payable was €2.9 million (2013: €2.0 million).

Interest payable of €4.9 million (2013: €4.5 million) was partially offset by a finance credit of €2.0 million (2013: €2.5 million).

The taxation charge for the year of €4.6 million (2013: €2.1 million) relates primarily to corporation tax on profits and a deferred tax charge. This increase reflects the higher taxation relating to the sale of certain assets in the Society's overseas businesses.

Profit after taxation for the financial year was €22.5 million (2013: €25.6 million) and the retained profit was €20.9 million (2013: €24.0 million) after paying share interest of €1.2 million (2013: €1.2 million) to Members and the deduction of €0.4 million (2013: €0.4 million) for minority interest. The decrease in retained profit primarily reflects the increased net interest payable, higher tax charges and the benefit of a financial asset impairment credit in 2013, which were partially offset by profits on the sale of businesses.

Balance Sheet

In 2014, the net asset value of the Society's Consolidated Balance Sheet increased by €6.2 million to €280.0 million. The increase primarily reflected the retained profit for the year of €20.9 million, the positive impact of currency movements on net investments of €2.0 million, an unrealised surplus on the revaluation of investment properties of €0.5 million, an increase in minority interest of €0.4 million and net shares issued of €0.7 million.

These were partially offset by a decrease in the pension asset, accounted for through reserves of €18.4 million, resulting in a pension liability at year end.

Fixed assets of €311.4 million comprising tangible assets, investment properties, intangible assets and financial assets, increased by €71.9 million, from €239.5 million primarily as a result of:

- capital expenditure investment of €79.2 million;
- development and investment property assets valued at €25.5 million;
- an increase in the value of quoted investments of €1.6 million;
- the impact of positive currency movements of €1.0 million.

These increases were partially offset by:

- depreciation and amortisation charges of €21.4 million;
- a decrease in the share of joint ventures' and associates' of €11.6 million;
- impairments and disposals of tangible assets of €2.2 million; and
- a net reduction in IDB loan stock of €0.2 million.

Net current assets less creditors falling due after more than one year of (€8.9) million (2013: €39.5 million) were down €48.4 million, primarily as a result of:

- an increase in stocks of €6.9 million to €116.4 million;
- a decrease in debtors of €22.0 million to €98.4 million;
- an increase in creditors (excluding bank debt) of €22.6 million to €152.0 million; and
- an increase in bank debt of €10.7 million to €71.6 million.

The net pension liability at 31 December 2014 was €13.3 million (2013: asset of €3.2 million). The difference was driven by a reduction in the discount rate of 170 basis points, partially offset by improvement in the asset returns and reductions relating to assumptions regarding inflation, payroll, the commutation factor and discretionary pension payment increases.

The capital grants' liability of €8.8 million increased by €0.5 million as a result of the receipt of capital grants during the year, partially offset by the amortisation credit for the year.

The deferred tax liability of €0.5 million increased by €0.3 million from 2013.

The share capital increased by €0.7 million to €94.1 million, reflecting shares issued of €1.9 million less shares redeemed of €1.2 million.

The revenue reserves increased by €4.5 million to €174.3 million, resulting from the retained profit for the year of €20.9 million and the positive impact of currency movements of €2.0 million, partially offset by the actuarial loss on the pension asset of €18.4 million.

Cash Flow

The net cash outflow of €11.7 million and the positive non cash movement of €1.0 million during 2014 are the drivers of the increase in the net bank debt of €10.7 million to €71.6 million at 31 December 2014. The net cash outflow of €11.7 million results from:

- the investment in the business of €50.1 million primarily relating to investment in capital expenditure.
- increased working capital requirements of €4.0 million, resulting primarily from increased stock and decreased creditors balances, partially offset by an decrease in debtors.
- payments of €9.5 million to cover net finance costs, taxation, pension contributions, net share issues and share interest.
- EBITDA of €47.5 million, which was generated from the business (incorporating a profit of €0.3 million from share trading).
- Member funding receipts in relation to revolving fund and loan notes of €4.4 million, inclusive of interest.

Pension

An actuarial valuation of the pension scheme was undertaken in 2013. This confirmed that the pension scheme met the Minimum Funding Standard as at the valuation date, 01 January 2013. The scheme actuaries have outlined that the Minimum Funding Standard position has improved to cover 110% of liabilities.

However, given the current challenges around financial markets and pension schemes in general, the Society is keeping the scheme under review on an on-going basis.

Andrew Hedderman, Raheen Co-Op Superstore.

Member Funding

In addition to the €1.9 million shares issued in 2014, through the minimum shareholding mechanism, the Society received €0.4 million of loan notes and €3.9 million in revolving fund contributions, both inclusive of interest.

This Member Funding compliments the Society's bank funding in delivering the Society's business growth and development strategy.

Reox Holdings plc

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 in return for releasing both the €16.0 million loan note and the indemnity associated with certain legacy property related liabilities, plus a cash payment of €0.5 million to Reox.

This transaction eliminates the Society's financial exposure to Reox, as the Society has received assets in exchange for an unsecured loan note, thereby strengthening the Society's balance sheet.

Non-Core Assets

Financial Assets

The Society's investment portfolio, managed in conjunction with a third party investment manager, had a market value of €41.8 million including ARYZTA AG at €26.5 million (€63.50 per share), FBD at €0.6 million (€11.43 per share) and One51 plc at €5.4 million (€1.10 per share) as at 31 December 2014. The investment portfolio was carried on the Society's Balance Sheet at cost, less any impairment provision, at €10.5 million (2013: €8.9 million) as at 31 December 2014.

Property

Following the Debt for Asset transaction with Reox, the Society now holds circa €45 million of non-core properties. The primary focus is to maximise the value from these properties to the Society, through a combination of developmental, rental and commercialisation opportunities.

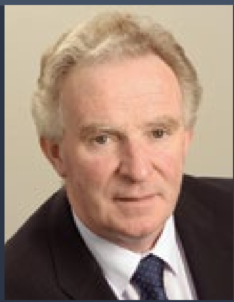
Conclusion and Outlook

The Society has delivered a strong financial performance in 2014, despite the challenges faced as a result of declining dairy market returns. The Society continues, with a strong balance sheet and conservative net debt position, to invest in its future, to take advantage of the growth opportunities that the post quota era brings.

The expanded Dairygold Food Ingredients site at Castlefarm, Mitchelstown, Co. Cork.

Directors, Officers, Committees and Other Information

James Lynch
Chairman



Thomas Feeney
Vice Chairman

Donal Buckley

Dan Flinter

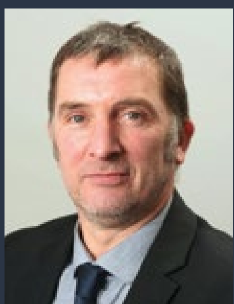
Richard Hinchion

Edmund C. Lynch

Sean MacSweeney

John Malone

John McKeogh



John F. O'Gorman

Patrick O'Keeffe

John O'Sullivan

Board of Directors

1. **James Lynch**
   Chairman
2. **Thomas Feeney**
   Vice Chairman
3. **Donal Buckley**
4. **Dan Flinter**
5. **Richard Hinchion**
6. **Edmund C. Lynch**
7. **Sean MacSweeney**
8. **John Malone**
9. **John McKeogh**
10. **John F. O'Gorman**
11. **Patrick O'Keeffe**
12. **John O'Sullivan**

Jim Woulfe
Chief Executive

Eamonn Looney
Secretary

Senior Management Team

Pictured left to right: **Sean O'Sullivan**, *General Manager Agri Operations;* **Eamonn Looney**, *Secretary;* **Chris Edge**, *Head of Dairygold Food Ingredients, UK and Europe;* **Tim Healy**, *Head of Dairygold Food Ingredients, Ireland;* **Jim Woulfe**, *Chief Executive;* **John O'Carroll**, *General Manager Agri Retail;* **Conor Galvin**, *Head of Strategic Development;* **Michael Harte**, *Chief Financial Officer;* **Adrian Beatty**, *Head of Human Resources.*

Other information

Chief Executive

Jim Woulfe

Registered Office

Clonmel Road,
Mitchelstown,
Co. Cork.

Secretary

Eamonn Looney

Principal Bankers

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

Auditor

Deloitte & Touche,
No. 6 Lapp's Quay, Cork.

Solicitors

Arthur Cox
McCann Fitzgerald

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 Messrs Dan Flinter (Chairman), Edmund C. Lynch, John McKeogh and Patrick O'Keeffe. 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 in them;
- 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 terms of engagement of the external auditors;
- 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 proportionate and independent investigation of such matters and appropriate follow up action;
- 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 2014 under its Charter were as follows:

Financial Reporting

The Audit Committee reviewed the statutory accounts of the Society and following the appropriate engagement with the external auditors, recommended their adoption by the Board.

Risk Management and Control

The Audit Committee continued to review the risk registers for the Society on a rolling basis during 2014. It considered the reports of the internal audit department which formed part of the annual work plan of that function and which had been approved by the Audit Committee.

The focus of the work of the internal audit department was reviewed by reference to best practice externally.

External Audit

The Audit Committee reviewed the report of external audit on the processes they have in place to ensure their independence and objectivity. The remuneration of external audit was approved by the Audit Committee. The Audit Committee reviewed the external audit plan and the subsequent findings from the annual audit. The Audit Committee reviewed external audit's management letter and management's response.

A policy is in place governing the use of external audit for non-audit services. The policy of the Society is that the services of the external auditor 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 so use them.

Remuneration Committee

The Remuneration Committee comprises Messrs John Malone (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, incentive bonus(es), retirement benefit and or other benefits for Senior Executives of the Society whose remuneration is to be determined by the committee;
- 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.

General Committee

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;
- make recommendations on policy matters, to the Board of the Society, in relation to the implementation of the rules.

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. Donal F. Hurley
Mr. John Joe Kelleher
Mr. Sean MacSweeney
Mr. Don McSweeney
Mr. Michael Murphy
Mr. Gerard O'Connell
Mr. Daniel P. O'Donovan
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. Patrick Millerick
Mr. Sean O'Brien
Mr. Barry O'Connor
Mr. Timothy O'Leary
Mr. John O'Sullivan

Limerick

Mr. Maurice Curtin
Mr. William Hickey
Mr. Daniel Hogan
Mr. John Hough
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 Lenihan
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. Patrick Foott
Mr. Jeremiah McCarthy
Mr. Gerard O'Connell

CARRIGNAVAR
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. Denis Finnegan
Vacancy

C.M.P.
Mr. Timothy Cashman
Mr. John Kingston
Mr. Patrick D. Lehane
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

COURTBRACK
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. Timothy Blackburn
Mr. Michael Donovan

GARRYSPILLANE
Mr. Morgan Murphy
Mr. John P. Tobin

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
Vacancy

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
Vacancy

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

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 F. Hurley

TEMPLEMARTIN
Mr. Michael P. Murphy

TERELTON/TOAMES
Mr. John Joe Kelleher
Mr. Liam O'Riordan

TOURNAFULLA/ MEENAHELA
Mr. Denis Aherne
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

16 March 2015

Thomas Feeney
Vice Chairman

16 March 2015

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 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholders' Funds, the Statement of Accounting Policies and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Group'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 Group's members those matters we are required to state to them in an auditors' 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board of Directors and Auditors

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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 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 2014 and of the profit for the year then ended; and
- have been prepared in accordance with Generally Accepted Accounting Practice in Ireland.

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 Group, 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 + Touche

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Cork

16 March 2015

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated profit and loss account

for the year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
TURNOVER	1	**848,776**	847,407
OPERATING PROFIT before amortisation	2	**28,949**	29,301
Goodwill and other intangible asset amortisation	10	**(1,428)**	(1,359)
OPERATING PROFIT		**27,521**	27,942
Share of gains/(losses) of joint ventures		**17**	(118)
Share of (losses)/gains of associates		**(40)**	54
Financial asset impairment credit	3	**-**	1,841
Profit arising on sale of businesses	4	**2,563**	-
Interest payable and similar charges	5	**(4,932)**	(4,461)
Interest receivable and similar income	5	**1,983**	2,509
PROFIT on ordinary activities before taxation		**27,112**	27,767
Taxation charge on profit on ordinary activities	7	**(4,566)**	(2,145)
PROFIT after taxation		**22,546**	25,622
Minority interest	23	**(449)**	(424)
PROFIT for the financial year		**22,097**	25,198
Share interest	8	**(1,168)**	(1,163)
RETAINED PROFIT for the year	21	**20,929**	24,035

The above results are derived from continuing operations.

On behalf of the Board:

James Lynch

James Lynch
Chairman

16 March 2015

Tom Feeney

Thomas Feeney
Vice Chairman

16 March 2015

Consolidated balance sheet

as at 31 December 2014

	Notes	2014 €'000	2013 €'000
FIXED ASSETS			
Tangible assets	9	**268,774**	194,215
Investment properties	9	**8,369**	-
Intangible assets	10	**9,706**	10,499
Financial assets	11	**24,520**	34,770
		311,369	239,484
CURRENT ASSETS			
Stocks	12	**116,370**	109,515
Debtors	13	**98,390**	120,386
Bank and cash		**3,460**	1,466
		218,220	231,367
CREDITORS falling due within one year	14	**(142,198)**	(125,058)
NET CURRENT ASSETS		**76,022**	106,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**387,391**	345,793
CREDITORS falling due after more than one year	15	**(84,905)**	(66,794)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	17	**(8,768)**	(8,257)
Deferred taxation	18	**(457)**	(128)
		293,261	270,614
PENSION (LIABILITY)/ASSET	19	**(13,258)**	3,230
NET ASSETS		**280,003**	273,844
CAPITAL AND RESERVES			
Share capital	20	**94,124**	93,430
Capital reserves	21	**1,007**	1,007
Revaluation reserve	21	**7,416**	6,946
Bonus reserve	21	**138**	138
Profit and loss account	21	**174,279**	169,733
SHAREHOLDERS' FUNDS		**276,964**	271,254
Minority interest	23	**3,039**	2,590
CAPITAL EMPLOYED		**280,003**	273,844

On behalf of the Board:

James Lynch

James Lynch
Chairman

16 March 2015

Tom Feeney

Thomas Feeney
Vice Chairman

16 March 2015

Consolidated cash flow statement

for the year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
Net cash inflow from operating activities	*25*	**45,241**	33,188
Distribution received from associates		**1,141**	-
Returns on investments and servicing of finance	*26*	**(4,974)**	(4,342)
Taxation paid		**(3,696)**	(4,684)
Capital expenditure and financial investment	*27*	**(54,188)**	(31,516)
Acquisitions and disposals		**1,276**	-
Equity share interest paid		**(1,141)**	(1,126)
Management of liquid resources	*28*	**(690)**	(509)
Financing	*29*	**5,325**	5,868
Decrease in cash in the year		**(11,706)**	(3,121)

Reconciliation of net cash flow to movement in net bank debt

for the year ended 31 December 2014

	2014 €'000	2013 €'000
Decrease in cash in the year	**(11,706)**	(3,121)
Non cash movements	**999**	(961)
Movement in net bank debt	**(10,707)**	(4,082)
Net bank debt at 1 January	**(60,914)**	(56,832)
Net bank debt at 31 December	**(71,621)**	(60,914)

Analysis of net bank debt

	At 1 January 2014 €'000	Cash flow €'000	Non cash movement €'000	At 31 December 2014 €'000
Cash and bank balances	1,466	995	999	**3,460**
Invoice discounting and overdrafts	(1,376)	1,376	-	**-**
Finance leases	(225)	(64)	-	**(289)**
	(135)	2,307	999	**3,171**
Debt due after one year	(60,000)	(14,300)	-	**(74,300)**
Finance leases	(779)	287	-	**(492)**
	(60,779)	(14,013)	-	**(74,792)**
	(60,914)	(11,706)	999	**(71,621)**

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2014

	2014 €'000	2013 €'000
Profit for the financial year	**22,097**	25,198
Share of joint ventures' reserves movements	**5**	(57)
Share of associates' reserves movements	**3**	(49)
Currency translation difference on net investment	**1,999**	(1,297)
Unrealised surplus on revaluation of investment properties	**470**	-
Difference between actual and expected return on pension scheme assets	**28,177**	(2,575)
Experience gains/(losses) arising on pension scheme liabilities	**1,930**	(629)
Effects of changes in assumptions underlying the present value of pension scheme liabilities	**(50,852)**	2,632
Deferred tax credit/(charge) associated with movement on pension scheme	**2,355**	(257)
Total recognised gains relating to the year	**6,184**	22,966

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
Total recognised gains relating to the year		**6,184**	22,966
Share interest	*8*	**(1,168)**	(1,163)
Issue of ordinary shares including conversions	*20*	**1,908**	1,817
Shares redeemed	*20*	**(1,214)**	(1,466)
Net change in shareholders' funds		**5,710**	22,154
Opening shareholders' funds		**271,254**	249,100
Closing shareholders' funds		**276,964**	271,254

Statement of accounting policies

The significant accounting policies adopted by the Society are:

Basis of Preparation:

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.

Accounting Convention:

The financial statements, which are denominated in euros, are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of Consolidation:

The consolidated financial statements incorporate:

a) the accounts of Dairygold Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2014;

b) the Society's share of the results and post acquisition reserves of joint ventures and associates (other than Reox Holdings plc) as reported in the latest audited financial statements. This is to 31 December 2013 for these joint ventures and associates;

c) any material adjustments for joint ventures and associates (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 Malting Company of Ireland Limited results are incorporated to 31 December 2014;

d) the Society's share of the results of Reox Holdings plc from 01 January 2014 to 07 November 2014, the date of the members' voluntary liquidation of Reox Holdings plc;

e) 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 minority shareholders in subsidiary companies reflect the minority's 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 ruling on the balance sheet date. Exchange differences arising on the retranslation of the opening balance sheets of overseas subsidiary companies together with differences in exchange rates on the translation of the profit and loss account are included in reserves.

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;

iii) Property sales, when unconditional contracts of sale of the properties are in place, no significant obligations are remaining and the resulting receivable is collected.

Share Trading:

Accounting for Transactions
Investment transactions are accounted for on the trade date. All investments are stated at cost and are not subsequently revalued. Realised gains and losses on investment disposals are calculated using the first in first out method based on the difference between the original cost and the disposal amount.

A provision is made for impairment in value, particularly in the case where impairment is permanent, as evidenced by losses crystallising post year end. This is reassessed on a yearly basis, based on current market prices and valued at the lower of cost and market value.

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 net of any withholding tax.

Financing Costs:

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

Tangible Fixed Assets and Depreciation:

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets 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 net realisable value and value in use). Net realisable value is defined as the amount at which an asset could be disposed of net of any direct selling costs. 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.

Statement of accounting policies

Development Assets
Development assets held for their development potential, are valued at historical cost, less depreciation and any impairment.

Investment Properties
Investment properties are revalued annually and are not depreciated or amortised. Where the valuation indicates an impairment in the value of the property, the impairment is charged to the profit and loss account. All other fluctuations in value are transferred to a revaluation reserve.

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. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Goodwill:

Goodwill arising on acquisitions representing the excess of the total cost of the Society's investment over the fair value of the separable net assets acquired is amortised over its expected useful economic life of a maximum of twenty years, on a straight line basis. The carrying value of goodwill is reviewed annually and provision is made for any impairment. Impairment losses are recognised in the profit and loss account.

Intangible Assets:

Purchased intangible assets are included at cost and amortised over a maximum of ten years, depending on their estimated useful economic life in equal annual instalments. A provision is made for any impairment in value.

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 gross equity method and equity method respectively. The Society's share of the profits or losses of joint ventures and associates are included in the consolidated profit and loss account. The Society's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet 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. Goodwill arising on acquisition of joint ventures and associates is dealt with as stated above.

Other investments
Trade investments are those undertakings 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 permanent diminution in value.

Stocks:

Stocks are valued at the lower of cost and net realisable value.

Cost in the case of raw materials, goods for resale and expense stocks comprise the purchase price including transport and other directly attributable costs.

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.

Net realisable value represents the estimated sales price less costs to completion and all appropriate holding, selling and distribution expenses.

Taxation:

Corporation tax is calculated on the result for the year after taking account of capital allowances and any relevant reliefs.

Deferred Taxation:

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

i) provision is not made for tax on gains arising from the revaluation of fixed assets unless there is a binding agreement for the disposal of these assets;

ii) deferred tax assets are recognised only to the extent that the Board of Directors consider 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 existing tax rates and law.

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 profit and loss account 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 profit and loss account.

Debtors:

Known bad debts are written off and specific provision is made for any amount the collection of which is considered doubtful. A further general provision is also maintained.

Statement of accounting policies

Provisions:

Provisions are charged against the profits of the Society where there may exist a liability arising from present obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate. Where material, some provisions are discounted.

Research and Development:

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred. Research and development tax credits are recognised on an accruals basis.

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 balance sheet date. Exchange differences have been included in the profit and loss account for the year.

Member Funding:

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 (Euro Interbank Offered Rate) plus 2.5%. Interest is accrued on an annual basis.

Loan Notes
Members are offered the opportunity to invest on a voluntary basis in a loan note. The scheme commenced in 2013 and will run for three years. Members who subscribe to the loan note will be repaid their investment in full plus accumulated interest on the fifth anniversary of their investment. A total of €15 million will be offered and the offer will close once the voluntary €15 million target has been subscribed to. The interest rate applying to the loan note is 3 month EURIBOR plus 4%. Interest is accrued on a yearly basis.

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 in to shares in the Society.

Pensions:

Defined Benefit
Under Financial Reporting Standard 17, Retirement Benefits, pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability, which is estimated by reference to appropriate yield curves.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged and credited to finance costs.

Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

Defined Contribution
Retirement benefits to employees are funded by contributions from the company and employees. Payments are made to pension trusts which are financially separate from the Society.

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.

Notes to financial statements

for the year ended 31 December 2014

1 Turnover

	2014 €'000	2013 €'000
Turnover: group and share of joint ventures'	**868,070**	866,316
Less: share of joint ventures' turnover	**(19,294)**	(18,909)
Group turnover	**848,776**	847,407
Geographical analysis by destination:		
Ireland	**363,376**	378,370
United Kingdom	**156,477**	152,106
Rest of Europe	**204,203**	195,864
Rest of World	**124,720**	121,067
	848,776	847,407
Principal activities by class of business:		
Food Ingredients	**619,059**	593,153
Agri Business	**226,547**	250,012
Dairygold Finance and others	**3,170**	4,242
	848,776	847,407

Segmental information, by market, has not been given because, in the opinion of the Board of Directors, to do so would be prejudicial to the interests of the Society.

2 Operating profit

	2014 €'000	2013 €'000
Turnover - Note 1	**848,776**	847,407
Less:		
Raw materials and consumables	**676,895**	661,813
Payroll costs - Note 6	**59,559**	55,965
Operating costs	**59,099**	63,682
Depreciation - Note 9	**19,948**	18,091
Grant amortisation - Note 17	**(1,428)**	(1,361)
Change in stock of finished goods and goods for resale	**5,754**	19,916
Operating profit before amortisation	**28,949**	29,301

3 Financial asset impairment

	2014 €'000	2013 €'000
Financial asset impairment	**-**	1,841

The financial asset impairment reversal in 2013 reflects the Society's interest in its long term shareholding in One51 plc.

4 Profit arising on the sale of businesses

	2014 €'000	2013 €'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, Dairygold Deutschland Handlesgesellschaft mbH to the Irish Dairy Board. 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, Dairygold Food Ingredients (France) SAS to the Kerry Group.

5 Net interest (payable)/receivable and similar (charges)/income

	2014 €'000	2013 €'000
Interest payable and similar charges		
Bank interest payable and similar charges	**(4,867)**	(4,399)
Share of joint ventures' net interest payable	**(65)**	(62)
	(4,932)	(4,461)
Interest receivable and similar income		
Bank interest receivable	**41**	57
Net interest receivable and similar income relating to pensions	**1,942**	2,452
	1,983	2,509
	(2,949)	(1,952)

6 Payroll costs

	2014 Number	2013 Number
The weekly average number of employees:		
Dairygold Food Ingredients	**613**	586
Dairygold Agri Business	**532**	531
	1,145	1,117
Payroll costs comprise:	**€'000**	€'000
Wages and salaries	**50,901**	48,025
Social welfare costs	**5,352**	5,044
Pension costs	**3,306**	2,896
	59,559	55,965

Notes to financial statements

for the year ended 31 December 2014

7 Taxation charge on profit on ordinary activities

	2014 €'000	2013 €'000
Corporation tax		
Irish tax	**(3,167)**	(2,713)
Foreign tax	**(998)**	(489)
	(4,165)	(3,202)
Prior year provision movement		
Irish tax	**-**	6
	-	6
Tax charge	**(4,165)**	(3,196)
Share of associates' tax	**(47)**	83
Share of joint ventures' tax	**(25)**	(21)
Total corporation tax	**(4,237)**	(3,134)
Deferred tax (charge)/credit - Note 18	**(329)**	989
Total tax	**(4,566)**	(2,145)

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

	2014	2013
Profit before tax	**27,112**	27,767
Corporation tax at standard rate	**(3,389)**	(3,471)
Effects of:		
Expenses allowable for tax purposes	**51**	618
Research and development tax credits	**100**	100
Excess depreciation over capital allowances	**(258)**	(424)
Higher tax rates (non-trading income)	**(130)**	(101)
Non taxable income	**-**	25
Losses brought forward	**405**	360
Chargeable gain	**(239)**	-
Higher tax rates (overseas)	**(705)**	(309)
	(4,165)	(3,202)

8 Share interest

	2014 €'000	2013 €'000
Share interest paid @ 1.25% (2013: 1.25%)		
Ordinary share capital	**(1,168)**	(1,163)
	(1,168)	(1,163)

The Board has recommended that share interest of 1.25% be paid on the share capital in issue at 31 December 2014. This will amount to €1,177,000 (2013: €1,168,000) and is subject to approval at the Annual General Meeting.

9 Tangible assets

	Land & buildings €'000	Development assets €'000	Plant & machinery €'000	Motor vehicles €'000	Construction In Progress €'000	Total €'000
COST OR VALUATION						
At 1 January 2014						
Cost	92,394	-	195,420	5,085	32,475	**325,374**
Valuation	35,749	-	55,872	-	-	**91,621**
	128,143	-	251,292	5,085	32,475	**416,995**
Additions	1,663	17,176	9,439	569	67,542	**96,389**
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						
Cost	93,267	17,176	200,015	5,458	67,542	**383,458**
Valuation	35,749	-	55,872	-	-	**91,621**
	129,016	17,176	255,887	5,458	67,542	**475,079**
DEPRECIATION						
At 1 January 2014	37,682	-	181,906	3,192	-	**222,780**
Charged during year	3,558	-	15,858	532	-	**19,948**
Relating to disposals	(835)	-	(35,980)	(198)	-	**(37,013)**
Translation adjustments	87	-	502	1	-	**590**
At 31 December 2014	40,492	-	162,286	3,527	-	**206,305**
NET BOOK VALUE						
At 31 December 2014	**88,524**	**17,176**	**93,601**	**1,931**	**67,542**	**268,774**
At 31 December 2013	90,461	-	69,386	1,893	32,475	194,215

A professional valuation of substantially all the Society's land, buildings and plant and machinery was undertaken by Lisney during 1996. The basis of valuation was depreciated replacement cost or, where appropriate, open market value. The valuation was incorporated into the financial statements and the surplus arising taken to the revaluation reserve. The valuers also estimated the remaining useful lives of the assets.

The Society has not adopted a policy of annual revaluations as permitted by Financial Reporting Standard 15, Tangible Fixed Assets.

The Board of Directors has taken the view that a reasonable valuation of the cost of tangible fixed assets under a historical cost basis would be €343 million.

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 €37 million.

INVESTMENT PROPERTIES	**2014 €'000**	2013 €'000
VALUATION		
At 1 January	**-**	-
Additions	**7,899**	-
Revaluations	**470**	-
At 31 December	**8,369**	-

Investment properties are stated at open market value at 31 December 2014. 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 2014.

10 Intangible assets

GOODWILL	2014 €'000	2013 €'000
COST		
At 1 January	**21,590**	22,016
Translation adjustments	**1,388**	(426)
At 31 December	**22,978**	21,590
AMORTISATION		
At 1 January	**11,556**	10,522
Charged during year	**1,312**	1,242
Translation adjustments	**753**	(208)
At 31 December	**13,621**	11,556
NET BOOK VALUE		
At 31 December	**9,357**	10,034
OTHER INTANGIBLE ASSETS		
COST		
At 1 January and 31 December	**844**	844
AMORTISATION		
At 1 January	**379**	262
Charged during year	**116**	117
At 31 December	**495**	379
NET BOOK VALUE		
At 31 December	**349**	465
NET BOOK VALUE TOTAL	**9,706**	10,499

The carrying value of goodwill relates to a number of UK and Irish businesses acquired in previous years. The other intangible assets relate to customer lists acquired. All intangible assets are amortised over a maximum of 20 years, with the exception of customer lists which are amortised over 10 years.

11 Financial assets

	2014 €'000	2013 €'000
JOINT VENTURES		
Share of net assets - 1 January	**5,931**	-
Transferred from associates	**-**	6,189
Share of net results	**(73)**	(201)
Share of joint ventures' reserve movements	**5**	(57)
Share of net assets - 31 December	**5,863**	5,931
Loans to joint ventures - Note 32	**435**	435
Balance	**6,298**	6,366
ASSOCIATES		
Share of net assets - 1 January		
Net assets other than goodwill	**1,883**	7,984
Transferred to joint ventures	**-**	(6,189)
Share of net results	**(87)**	137
Share of associates' reserve movements	**3**	(49)
Distribution and transfer to debtors	**(1,449)**	-
Share of net assets - 31 December	**350**	1,883
Loan notes - Note 32	**-**	10,000
Balance	**350**	11,883
UNQUOTED		
Shares at cost - 1 January and 31 December	**444**	444
QUOTED		
Shares at cost - 1 January	**8,947**	6,972
Additions	**3,344**	3,008
Disposals	**(1,759)**	(2,874)
Impairment credit	**-**	1,841
Shares at cost - 31 December	**10,532**	8,947
LOAN STOCK		
At 1 January	**7,130**	7,862
Additions	**1,023**	877
Redemptions	**(1,257)**	(1,609)
At 31 December	**6,896**	7,130
TOTAL	**24,520**	34,770

a) The joint ventures and associates are 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.

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

c) The market value of the quoted investments at 31 December 2014 was €41,778,000 (2013: €34,696,000).

d) The loan stock refers to unconverted loan stock received from the Irish Dairy Board based on the Society's trading activity with it.

11 Financial assets (continued)

Details of principal subsidiaries, joint ventures and associates are included in Note 37 to these financial statements.

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 30, Acquisition of a Business.

12 Stocks

	2014	2013
	€'000	€'000
Raw materials	**14,235**	15,156
Finished goods	**80,288**	74,581
Goods for resale	**14,572**	14,525
Expense stocks	**7,275**	5,253
	116,370	109,515

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

13 Debtors falling due within one year

	2014	2013
	€'000	€'000
Trade debtors	**77,380**	105,414
Prepayments and accrued income	**15,747**	5,505
Amounts due from related parties	**2,662**	6,440
Corporation tax	**-**	87
VAT	**2,601**	2,940
	98,390	120,386

14 Creditors falling due within one year

	2014	2013
	€'000	€'000
Bank loans, invoice discounting and overdrafts	**-**	1,376
Obligations under finance leases - Note 16	**289**	225
Trade creditors	**26,649**	33,716
Provisions, accruals and deferred income	**111,867**	86,008
Amounts due to related parties	**518**	1,073
Corporation tax	**382**	-
PAYE and PRSI	**1,986**	1,996
Loan stock - Note 24	**507**	664
	142,198	125,058

15 Creditors falling due after more than one year

	2014 €'000	2013 €'000
Bank loans falling due between two and five years	**74,300**	60,000
Obligations under finance leases - Note 16	**492**	779
Advances received for members' loan notes	**-**	25
Loan notes (including interest accrued)	**1,970**	1,544
Revolving Fund (including interest accrued)	**7,521**	3,586
Convertible stock - Note 22	**222**	226
Loan stock - Note 24	**400**	634
	84,905	66,794

16 Obligations under finance leases

	2014 €'000	2013 €'000
Falling due within one year - Note 14	**289**	225
Falling due after more than one year - Note 15	**492**	779
	781	1,004

17 Capital grants

	2014 €'000	2013 €'000
At 1 January	**8,257**	9,618
Receivable during year	**1,939**	-
Credited to profit and loss account	**(1,428)**	(1,361)
At 31 December	**8,768**	8,257

18 Deferred taxation

	2014 €'000	2013 €'000
At 1 January	**128**	1,117
Charged/(credited) to profit and loss account - Note 7	**329**	(989)
At 31 December	**457**	128

The deferred tax arose due to timing differences, relating to the manner in which items are treated in the profit and loss account from an accounting perspective as opposed to from a taxation perspective, in addition to the existence of losses forward. The Society had unrecognised deferred tax assets of €813,000 (2013: €1,341,000) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

Deferred tax in relation to the pension schemes is dealt with under the pension note in accordance with the provisions of Financial Reporting Standard 17, Retirement Benefits.

19 Pension (liability)/asset

Dairygold Pension Schemes

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

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 Financial Reporting Standard 17, Retirement Benefits and were selected by the Society having taken advice from Mercer who are the company'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 was €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.

The main financial assumptions employed in the accounting valuation as at 31 December 2014 are:

	2014	2013	2012
	%	%	%
Inflation rate increase	**1.50**	1.80	2.00
General payroll rate increase	**1.80**	2.30	2.50
Pension payment increase	**1.40**	1.60	1.80
Discount rate	**2.20**	3.90	4.10
The expected long-term rates of return for:			
Equities	**N/A**	7.00	8.00
Bonds	**N/A**	3.10	2.70
Property	**N/A**	6.50	7.00
Cash	**N/A**	0.30	0.75

Expected return on assets:
The "expected return on assets" will, in accordance with the requirements of FRS 102, be replaced in the 2015, and subsequent income statements by "interest income on plan assets". This in turn will be derived from the discount rate at the previous year end. Therefore the interest income on plan assets for 2015 will be determined using an interest rate of 2.2%.

In developing the expected long term rate of return on asset assumptions used in previous financial statements, consideration was given to the prevailing yield on low risk investments (government bonds), the historical level of risk premium associated with the other classes in which the portfolio is invested (equities) and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long term rate of return on asset assumptions for the portfolio.

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 2.2% (2013: 3.9%) reflects the market yield on high quality corporate bonds at 31 December 2014. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits.

Discretionary benefits assumption:
In 2014, Dairygold made the decision 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 liability, resulting in a reduction in the liability of €23 million.

19 Pension (liability)/asset (continued)

Commutation assumption:

In 2014, a commutation factor of 20% was applied (2013: 15%). This has resulted in a reduction in the year end pension liability of €3 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 total levy due in 2014 to 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 profit and loss account for 2014, recognised the cost of the levy in the form of an addition of €1.9 million (2013: €1.4 million) to its service cost but this was counterbalanced by a negative past service cost of €1.9 million (2013: €1.4 million) to reflect the benefit adjustments that will be made to fund the levy.

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 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 plcs.

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

Weighted average life expectancy:

	As at 31 December 2014		As at 31 December 2013	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.7**	**24.7**	22.6	23.9
Members age 45 (current life expectancy)	**24.9**	**27.0**	25.0	26.0

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 0.25%	Decrease by 4.8%
Rate of inflation	Increase by 0.50%	Increase by 7.7%
Rate of salary growth	Increase by 0.50%	Increase by 2.1%
Rate of mortality	Members live for 1 year longer	Increase by 2.8%

Plan assets

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

	2014	2013
	%	%
Equities	**49.5%**	43.4%
Bonds	**45.2%**	51.7%
Properties	**5.2%**	4.5%
Cash	**0.1%**	0.4%
	100%	100%

19 Pension (liability)/asset (continued)

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

	2014	2013	2012
	€'000	€'000	€'000
Fair value of assets:			
Equities	**133,390**	102,464	110,287
Bonds	**121,486**	122,003	110,408
Property	**13,942**	10,636	9,939
Cash	**225**	871	1,057
	269,043	235,974	231,691
Present value of scheme liabilities	**(284,195)**	(232,283)	(230,060)
(Deficit)/surplus in scheme	**(15,152)**	3,691	1,631
Related deferred tax	**1,894**	(461)	(204)
Closing pension (liability)/asset	**(13,258)**	3,230	1,427

The amounts included within operating profit for the year under Financial Reporting Standard 17, Retirement Benefits, are as follows:

	2014	2013
	€'000	€'000
Current service cost	**4,649**	3,784
Past service credit	**(1,901)**	(1,402)
Total charged within operating profit	**2,748**	2,382

The amounts included within finance charges for the year under Financial Reporting Standard 17, Retirement Benefits, are as follows:

	2014	2013
	€'000	€'000
Expected return on the pension scheme assets	**10,994**	11,881
Interest on past service scheme liabilities	**(9,052)**	(9,429)
Net interest receivable and similar income relating to pension	**1,942**	2,452

The analysis of amounts recognised in the statement of total recognised gains and losses are as follows:

	2014	2013
	€'000	€'000
Actual return less expected return on the pension scheme assets	**28,177**	(2,575)
Experience gains/(losses) arising on the scheme liabilities	**1,930**	(629)
Changes in assumptions underlying the present value of the scheme liabilities	**(50,852)**	2,632
Actuarial loss recognised in statement of total recognised gains and losses	**(20,745)**	(572)

19 Pension (liability)/asset (continued)

Movement in pension scheme assets:	**2014**	2013
	€'000	€'000
Value at 1 January	**235,974**	231,691
Expected return on assets	**10,994**	11,881
Actual return less expected return on pension scheme assets	**28,177**	(2,575)
Employer contributions	**2,708**	2,562
Plan participants' contributions	**1,319**	1,345
Benefit payments and expenses	**(10,129)**	(8,930)
Value at 31 December	**269,043**	235,974

Movement in pension scheme liabilities:		
Value at 1 January	**(232,283)**	(230,060)
Current service cost	**(4,649)**	(3,784)
Past service credit	**1,901**	1,402
Interest cost	**(9,052)**	(9,429)
(Losses)/gains on liabilities	**(48,922)**	2,003
Plan participants' contributions	**(1,319)**	(1,345)
Benefit payments and expenses	**10,129**	8,930
Value at 31 December	**(284,195)**	(232,283)

The history of experience gains and losses has been:

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Difference between the expected and actual return on scheme assets	**28,177**	(2,575)	17,581	(20,853)	(88)
Percentage of scheme assets	**10.47%**	(1.09%)	7.59%	(10.11%)	(0.04%)
Experience gains and losses arising on the scheme liabilities	**1,930**	(629)	4,471	1,424	(3,036)
Percentage of past service scheme liabilities	**0.68%**	(0.27%)	1.94%	0.71%	(1.50%)
Amount that has been recognised in statement of total recognised gains and losses	**(20,745)**	(572)	(6,484)	(18,603)	4,496
Percentage of past service scheme liabilities	**(7.30%)**	(0.25%)	(2.82%)	(9.24%)	2.28%

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 Financial Reporting Standard 17, Retirement Benefits. The charge in the profit and loss account in respect of this plan was €180,000 (2013: €204,000).

The most recent actuarial valuation of the scheme was carried out as at 01 July 2011. At this date the actuarial value of the assets of the scheme was insufficient to cover 100% of the benefits that had accrued to members. The funding level was 79% at 01 July 2011 and has been subject to continuous review. The valuation also confirmed that the scheme did not satisfy the statutory minimum funding standard at that date. The actuarial report for this scheme is available for inspection by members of the scheme but not for public inspection. A Section 50 application, submitted on 02 February 2015, has been approved by the Pensions Board.

19 Pension (liability)/asset (continued)

Pension Cost

The total pension cost charged to the operating profit was €3,306,000 (2013: €2,896,000). Valuations have been performed in accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits, as at 31 December 2014. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

20 Share capital

Issued ordinary shares of €1 each	**2014 €'000**	2013 €'000
At 1 January	**93,430**	93,079
Shares issued	**1,906**	1,817
Conversion of convertible stock - Note 22	**2**	-
Shares redeemed	**(1,214)**	(1,466)
At 31 December	**94,124**	93,430

	2014 €'000	2013 €'000
Cash paid	**(940)**	(1,077)
Arising as loan stock - Note 24	**(274)**	(389)
Shares redeemed	**(1,214)**	(1,466)

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.

21 Reserves

	Capital reserves €'000	Revaluation reserve €'000	Bonus reserve €'000	Profit & Loss account €'000
At 1 January 2014	1,007	6,946	138	169,733
Arising on currency translation	-	-	-	1,999
Actuarial loss recognised in the statement of total recognised gains and losses (net of deferred tax)	-	-	-	(18,390)
Share of joint ventures' reserves movements	-	-	-	5
Share of associates' reserves movements	-	-	-	3
Revaluation gain recognised in the statement of total recognised gains and losses	-	470	-	-
Returned Profit for year	-	-	-	20,929
At 31 December 2014	**1,007**	**7,416**	**138**	**174,279**
Society and subsidiaries	1,007	7,416	138	173,973
Joint ventures and associates	-	-	-	306
At 31 December 2014	**1,007**	**7,416**	**138**	**174,279**

22 Convertible stock

	2014 €'000	2013 €'000
At 1 January	**226**	228
Conversion to share capital - Note 20	**(2)**	-
Stock redeemed	**(2)**	(2)
At 31 December	**222**	226

'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.

23 Minority interest

	2014 €'000	2013 €'000
At 1 January	**2,590**	2,166
Profit on ordinary activities after tax	**449**	424
At 31 December	**3,039**	2,590

24 Loan stock

	2014 €'000	2013 €'000
At 1 January	**1,298**	1,443
Arising on share redemption - Note 20	**274**	389
Loan stock repayment - Note 28	**(665)**	(534)
At 31 December	**907**	1,298
Falling due within one year	**507**	664
Falling due after more than one year	**400**	634

25 Reconciliation of operating profit to net cash inflow from operating activities

	2014 €'000	2013 €'000
Operating profit	**27,521**	27,942
Depreciation	**19,948**	18,091
Capital grants credit	**(1,428)**	(1,361)
Goodwill and other intangible asset amortisation	**1,428**	1,359
Impairment of fixed assets	**1,820**	-
Difference between current service pension cost and payments made	**40**	(180)
Cash related to business restructuring	**(99)**	(602)
Increase in stocks	**(6,855)**	(20,945)
Decrease/(increase) in debtors	**16,217**	(16,666)
(Decrease)/increase in creditors	**(13,351)**	25,550
Net cash inflow from operating activities	**45,241**	33,188

26 Returns on investments and servicing of finance

	2014 €'000	2013 €'000
Interest received	**41**	57
Interest paid	**(5,015)**	(4,399)
	(4,974)	(4,342)

27 Capital expenditure and financial investment

	2014 €'000	2013 €'000
Payments to acquire tangible fixed assets	**(55,203)**	(32,142)
Payments to acquire financial fixed assets	**(4,367)**	(3,885)
Receipts on disposal of fixed assets	**427**	28
Receipts on disposals of financial fixed assets	**3,016**	4,483
Capital grants	**1,939**	-
	(54,188)	(31,516)

28 Management of liquid resources

	2014 €'000	2013 €'000
Redemption of loan stock - Note 24	**(665)**	(534)
Advances received for members' loan notes	**(25)**	25
	(690)	(509)

29 Financing

	2014 €'000	2013 €'000
Issue of share capital	**1,906**	1,817
Redemption of shares	**(940)**	(1,077)
Redemption of convertible stock	**(2)**	(2)
Loan notes	**426**	1,544
Revolving fund	**3,935**	3,586
	5,325	5,868

30 Acquisition of a business

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

The Society acquired the property assets 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.

31 Financial commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €32,540,000 (2013: €10,631,000).

At 31 December 2014, there were forward open foreign exchange contracts of approximately €3,530,000 (2013: €2,500,000), on which there was an unrealised foreign exchange loss of €113,000 based on sales made in 2014 (2013: loss of €nil relating to 2013 sales) and a loss of €19,000 on 2015 related sales (2013: loss of €21,000 relating to 2014 sales).

32 Related party transactions

The Society's related parties, as defined by Financial Reporting Standard No. 8, Related Party Disclosures, the nature of the relationships and the extent of transactions with them are summarised below. The Society views key management personnel, directors and companies controlled by them, 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 2014 amounted to €9,341,000 (2013: €10,223,000) and €5,416,000 (2013: €3,909,000) respectively. The trading balances outstanding by and to the Society amounted to €510,000 (2013: €661,000) and €2,375,000 (2013: €440,000) respectively at the year end. The Society has provided a loan of €435,000 (2013: €435,000) 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 2014 the purchases from and sales to Munster Cattle Breeding Group Limited amounted to €12,000 (2013: €25,000) and €569,000 (2013: €486,000) respectively. The trading balance outstanding to the Society amounted to €4,000 (2013: €41,000) at the year end.

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 €1,825,000 (2013: €1,852,000) and €3,114,000 (2013: €3,452,000) respectively. The trading balances outstanding to the Society at the year end were €291,000 (2013: €411,000). No specific reserve has been required in 2014 (2013: 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, contributed €107,000 (2013: €108,000) to loan notes and had deductions of €22,000 (2013: €20,000) made in respect of the revolving fund, both inclusive of accrued interest.

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 below:

i) 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.

ii) 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 €16.0 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.

Subsequent to the completion of the Debt for Asset transaction, the Society acquired property related net debtors from Reox of €124,000.

At an Extraordinary General Meeting of Reox Holdings plc on 07 November 2014, the shareholders passed a resolution that Reox Holdings plc was to be wound up via a members' voluntary liquidation.

On 22 December 2014, the Society received an initial distribution of €1,160,000 from Reox, following the members' voluntary liquidation. At 31 December 2014, the remaining balance is included in prepayments.

33 Contingent liabilities

Certain sales to the Irish Dairy Board Limited 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 (as defined in Section 5 (c) (iii) of the Companies (Amendment) Act, 1986) for the financial year ended 31 December 2014 of its Irish subsidiaries and as a result they are exempted from filing their individual accounts under the provisions of Section 17 of the Companies (Amendment) Act, 1986.

Grants of €14,908,000 (2013: €13,645,000) 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.

34 Securities and guarantees

The Society has entered into bank guarantees on behalf of its subsidiaries. The amounts guaranteed at the balance sheet date were €74,300,000 (2013: €61,376,000) and they are secured by fixed and floating charges on the assets of the Society and its subsidiaries.

The following liabilities disclosed under creditors falling due within one year are secured by the Society:

	2014 **€'000**	2013 €'000
Invoice discounting	**-**	1,376

The invoice discounting facility of €60,000,000 is secured on certain trade debtors. All debtor values are shown in the balance sheet at their gross value.

35 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.

36 Post balance sheet events

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

37 Principal operating subsidiaries, joint ventures and associates

Subsidiaries	**Country of Incorporation**	**% Holding**	**Activity**
Agricola Properties Limited	Ireland	100.0%	Property
Dairygold Agri Business Limited	Ireland	100.0%	Procuring, distribution and retailing of agri and non agri supplies and farm inputs
Dairygold Deutschland Handlesgesellschaft 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

Joint Ventures	**Country of Incorporation**	**% Holding**	**Activity**
Co-Operative Animal Health Limited	Ireland	50.0%	Farm services
The Malting Company of Ireland Limited	Ireland	50.0%	Malting

Associates	**Country of Incorporation**	**% Holding**	**Activity**
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.

38 Approval of financial statements

The financial statements were approved by the Board of Directors on 16 March 2015.

Five year historical information

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

Five year profit and loss account

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
TURNOVER	**848,776**	847,407	731,233	757,833	693,559
Core activities	**27,244**	27,322	20,559	22,579	18,926
Share trading	**277**	620	295	(415)	7,310
OPERATING PROFIT	**27,521**	**27,942**	**20,854**	**22,164**	**26,236**
Share of joint ventures	**17**	(118)	-	-	-
Share of associates	**(40)**	54	(12)	999	(7,514)
Exceptional items	**2,563**	1,841	(1,841)	-	(18)
Net interest payable	**(2,949)**	(1,952)	(2,151)	(841)	(419)
PROFIT before taxation	**27,112**	27,767	16,850	22,322	18,285
Taxation	**(4,566)**	(2,145)	(2,494)	(577)	(1,177)
PROFIT after taxation	**22,546**	25,622	14,356	21,745	17,108
Minority interest	**(449)**	(424)	(602)	(578)	(352)
PROFIT for the financial year	**22,097**	25,198	13,754	21,167	16,756
Share interest	**(1,168)**	(1,163)	(1,179)	(1,205)	(1,233)
RETAINED PROFIT	**20,929**	24,035	12,575	19,962	15,523

Five year balance sheet

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Net Assets Employed:					
Fixed assets	**311,369**	239,484	220,622	224,551	192,718
Stocks	**116,370**	109,515	88,570	85,296	86,853
Debtors	**98,390**	120,386	100,633	96,407	105,801
Creditors	**(152,022)**	(129,472)	(92,419)	(93,627)	(92,808)
Net bank debt	**(71,621)**	(60,914)	(56,832)	(67,242)	(62,332)
Capital grants	**(8,768)**	(8,257)	(9,618)	(4,652)	(5,492)
Deferred taxation liability	**(457)**	(128)	(1,117)	(779)	(364)
Pension (liability)/asset	**(13,258)**	3,230	1,427	4,346	16,913
	280,003	**273,844**	**251,266**	**244,300**	**241,289**
Financed by:					
Shareholders' funds	**276,964**	271,254	249,100	242,736	240,303
Minority interest	**3,039**	2,590	2,166	1,564	986
CAPITAL EMPLOYED	**280,003**	**273,844**	**251,266**	**244,300**	**241,289**

Five year historical information

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

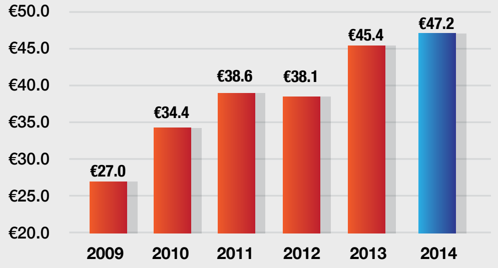
Five year cash flow

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
EBITDA Core Activities:					
Operating profit	**27,244**	27,322	20,559	22,579	18,926
Depreciation	**19,948**	18,091	17,211	15,704	15,211
Goodwill	**1,428**	1,359	1,381	1,119	1,090
Grants	**(1,428)**	(1,361)	(1,067)	(840)	(837)
	47,192	**45,411**	**38,084**	**38,562**	**34,390**
EBITDA share trading	**277**	620	295	(415)	7,310
EBITDA	**47,469**	**46,031**	**38,379**	**38,147**	**41,700**
Investments	**(50,050)**	(32,118)	(17,050)	(33,384)	(6,988)
Working capital	**(3,989)**	(12,061)	(3,680)	(1,997)	(11,838)
Pension (adjustment to actual amount paid)	**40**	(180)	(690)	(92)	694
Finance costs	**(4,974)**	(4,342)	(4,747)	(5,056)	(4,540)
Equity share interest paid	**(1,141)**	(1,126)	(1,154)	(1,186)	(1,235)
Equity financing	**299**	204	(1,463)	(1,475)	(1,171)
Member funding	**4,336**	5,155	315	-	-
Taxation paid	**(3,696)**	(4,684)	(244)	(601)	(1,722)
Decrease/(increase) in cash in the year	**(11,706)**	(3,121)	9,666	(5,644)	14,900
Non cash movements	**999**	(961)	744	734	654
Movement in net bank debt	**(10,707)**	(4,082)	10,410	(4,910)	15,554
Net bank debt at 1 January	**(60,914)**	(56,832)	(67,242)	(62,332)	(77,886)
NET BANK DEBT AT 31 DECEMBER	**(71,621)**	**(60,914)**	**(56,832)**	**(67,242)**	**(62,332)**

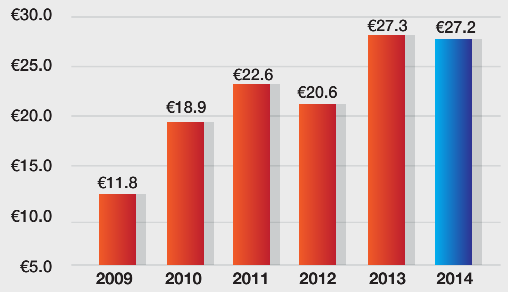
Financial performance overview

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

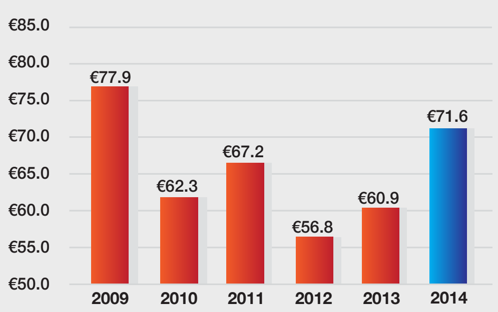
EBITDA Core Activities €million



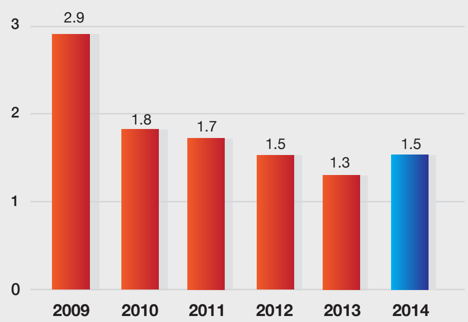
Operating Profit Core Activities €million



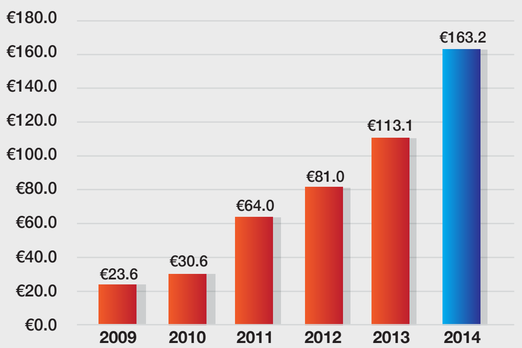
Net Bank Debt €million



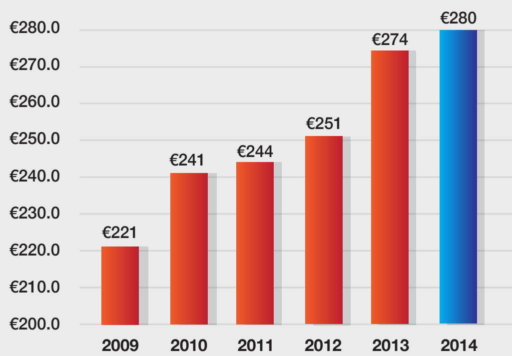
Net Bank Debt: EBITDA (Core Activities)



Cumulative Investment €million



Net Asset Value €million



Notes

Notes

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