ANNUAL REPORT AND ACCOUNTS

2011

ARRABAWN CO-OPERATIVE SOCIETY LIMITED

Board of Directors & Other Information

Chairman	Patrick Meskell
Vice Chairmen	Michael Kennedy Sean Monahan
Board	Patrick Brennan Edward Carr Martin Callanan Matt Cleary Michael Darcy Patrick Donnellan Michael Egan Sean Fahy Seamus Finn Michael Flaherty Gerry Hoade Michael Leamy Patrick McLoughlin Gerard Rigney John Ryan Sean Ryan Sean C. Ryan Michael Walsh John Woods
Chief Executive	Conor Ryan
Secretary	Jerry Ryan

Registered Office
Nenagh,
Co. Tipperary.

Auditors
Quinlan Holohan & Co.,
Chartered Accountants,
& Registered Auditors,
Nenagh,
Co. Tipperary.

Solicitors
Patrick F. Treacy & Co.,
Nenagh,
Co. Tipperary.

Bankers
Allied Irish Banks plc.
Bank of Ireland.
ACC Bank.

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Chairman's Report

For this, my first Annual General Meeting as Chairman of the Society, I am glad to report that the results for the year under review were satisfactory considering the current economic circumstances. The key points from those results are:

- Turnover for the year was €185.1 million which is an increase of €16 million, or 9.5%, on 2010.
- Operating Profit before Exceptional Items amounted to €2.1 million in 2011 which was down from €4.2 million in 2010.
- Profit before Tax was €6.2 million, up from €1.9 million in 2010. This figure includes a non-operating exceptional item of €4.6 million in relation to a share disposal.
- Turnover in the Dairy Division was €132.6 million, up from €116.7 million in 2010. This was due mainly to a full year contribution from the Dawn Dairies business in Galway (which was acquired in June, 2010) plus an increase in world dairy product prices.
- Turnover in the Trading Division was €52.5 million which was similar to 2010.
- Net Debt at year end was €7.7 million which was a reduction of €6.3 million on the 2010 figure.
- Shareholders' Funds amounted to €35.3 million compared with €30.6 million in 2010, an increase of over 15%.

MARKET PROSPECTS

At this time there is intense downward pressure on dairy product prices due to oversupply in the market place and the difficult world economic climate however the long term prospects for dairy markets are looking favourable. The main driver for growth is expected to be the continued increase in demand globally, arising from population growth in various countries and an increasing preference by consumers for dairy products right around the world.

While milk production in Ireland is expected to increase significantly in the period from now to 2020, many experts predict only modest growth in total EU milk production in the same period.

However in other countries, such as the USA, New Zealand and Australia, significant growth in production is also anticipated. Most of this additional production will be required in regions that are already short of milk, such as China, South East Asia and North Africa.

It is important to bear in mind that the market in which we operate is exposed to the laws of supply and demand. Consequently, as dairy farmers, we need to be extremely conscious of the fact that the price of milk will fluctuate accordingly. When making investment plans for our farms we should ensure that any such plans are based on realistic product returns and are not based on the current prices or on some aspirational prices that are plucked out of the air. In addition, we should give recognition to the possible adverse impact of factors such as poor weather or disease.

MILK PROCESSING

Over the last few years, thanks to grant assistance from the Department of Agriculture and Food, through Enterprise Ireland, significant upgrading of our milk processing plant has been undertaken. More work was carried out during the past winter, and you will be glad to hear that the plant is now operating at a high level of efficiency and also to a standard that is required in a highly competitive market.

FRESH PRODUCTS

This was the first full year of trading since the acquisition of the Dawn Dairies business in Galway. Operationally, the acquisition has been integrated effectively into our business and is yielding a return in improved efficiency. This is most welcome, particularly in the very competitive market situation which we have at present. Consumers have become very cost conscious, and understandably so, and the retailers are continuing to apply great pressure on margins.

I am happy to report that in a static market we have succeeded in retaining our volume share and we believe that this business will play an important part in our future growth.

SUPERLEVY

I would like to draw your attention to the fact that, based on the information we have about the cow numbers in our catchment area, we anticipate that superlevy will be a major issue each year until quotas are finally abolished.

It is important to remember that each supplier is responsible for managing their own milk output relative to the quota on their farm. Anyone who chooses to ignore quota restraint does so in the full knowledge that they are liable for superlevy in the event that the country and the Society exceeds its quota.

MILK POST 2015

In spring 2010 we commissioned a survey of milk producers to establish a picture of the likely level of production in our area after the abolition of quotas. This survey was carried out on 20% of our suppliers selected across all regions and with different quota sizes. The results indicated a significant growth in production of almost 40%.

This spring your board commissioned another survey to help us plan the future development of the Society. For this survey all our suppliers were circulated with a simple set of questions and there was a response rate of over 60%. The results were very interesting and encouraging.

Over 75% of those who replied intend to increase milk output. This means that if all goes according to plan the milk volume by 2015 will be up 30-40%. On top of that, further increases will come each year post 2015.

These two surveys have yielded similar results. There is great enthusiasm among most farmers to increase milk output. In addition to that, there is an expectation that the Society will have processing capability in place by then to handle this extra milk.

In early 2012 we also organised a series of meeting to listen to the views of our members on what you believe is required post 2015. The board and management are reviewing the feedback at present, and it is my intention to revert to you with a plan of action for 2015 and thereafter in the next few months.

Agri Division

Grass growth and utilisation in 2011 was among the best the country has seen in many years. The result was that during the normally high feed consumption months of March and April there was plenty of grass available due to the good grazing conditions. Combined with quota concerns towards the end of the year and reduced cattle numbers, this contributed to a decrease in demand for compound feed.

Price volatility continued to be a significant factor in the business as weather scares affected crops in different parts of the world. For example, material could not be shipped out of Russia and Ukraine at the end of the year because of severe frost affecting canal and river transport.

Prices for grain off farm were in line with the previous year and, in an effort to take some of the volatility out of the market, we are entering forward price contracts with growers for the coming harvest.

Higher protein materials are currently forecast to be more expensive for the coming year. However there is a possibility that high starch materials like maize and wheat might drop in price if there is a good harvest across the world as there are large wheat stocks on hand.

All our stores traded well during the year and we thank all our customers for their support. The major event in this division was the opening of the store in Mountbellew following on from the fire in the Abbeyknockmoy store in 2010. This store has enhanced our presence in the region where we can now offer a better service and wider range of products to our customers and members.

We are continuing to develop the technical expertise that we have available within the Co-op for the benefit of all our customers. As the cost of inputs look like remaining firm for the year, I would encourage you to use the services that we can provide to help you make your farm more efficient and to maximise your yields. At present the services include soil fertility, animal health, mastitis control and forage analysis.

MANY THANKS

I wish to thank the members of the Representative Committee and the Board for their work and commitment on behalf of the Society during the year.

In particular, I wish to acknowledge the contribution made by the previous Chairman, Michael Flaherty, who stepped down after three successful years in that role. The key drivers for Michael were honesty and fairness, and on behalf of all the members I thank him for his contribution while chairman. Michael continues to serve as a board member.

I wish to thank everyone involved with the Society during 2011. In addition I wish to express my appreciation and thanks to the many organisations and groups with which we are involved for their support and assistance during the year.

Finally, as the economic recession continues to affect many people in all walks of life all over the country, can I ask you to support local businesses when ever possible in order to help protect and sustain local employment. By working together, we will all grow stronger together.

Patrick Meskell
Chairman

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

We have audited the financial statements of Arrabawn Co-Operative Society Limited Group for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes as set out on pages 7 to 20. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 - 11.

This report, including the opinion, has been prepared for and only for the Society members as a body and for no other purpose. Our audit work has been undertaken so that we might state to the Society members those matters we are required to state to them in an independent 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 Society and the Society's members, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Board of Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland.

In preparing those financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for ensuring that the Group keeps proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Industrial & Provident Societies Acts 1893 to 1978. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial & Provident Societies Acts 1893 to 1978. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the Group's profit and loss account and balance sheet are in agreement with the books of account. We also report to you our opinion as to:

- whether the Group has kept proper books of account;
- whether the Chairman's Report is consistent with the financial statements;

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Report.

Independent Auditors' Report (continued)

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Industrial & Provident Societies Acts 1893 to 1978.

We have obtained all the information and explanations that we consider necessary for the purposes of our audit. The financial statements are in agreement with the books of account. In our opinion proper books of account have been kept by the Group.

In our opinion the information given in the Chairman's report is consistent with the financial statements.

Quinlan Holohan & Co.
Chartered Accountants & Registered Auditors
15 Summerhill
Nenagh
Co. Tipperary

Date: 14 March 2012

Consolidated Trading and Profit and Loss Account

for the year ended 31 December 2011

	Notes	2011 €	2010 €
Turnover			
Dairy Division		132,564,779	116,681,526
Trading Division		52,532,902	52,422,803
		185,097,681	169,104,329
Raw Materials & Goods for Resale		(143,751,503)	(130,664,740)
Gross profit		41,346,178	38,439,589
Operating & Administration Expenses	**2.1.**	(39,239,772)	(34,195,618)
Operating Profit before Exceptional Items		2,106,406	4,243,971
Operating Exceptional Items	**2.2.**	-	(2,132,308)
Operating Profit after Exceptional Items		2,106,406	2,111,663
Non-Operating Exceptional Items	**2.3.**	4,606,627	-
Profit before Interest		6,713,033	2,111,663
Other Income		18,664	79,210
Interest payable and similar charges	**4**	(549,655)	(320,611)
Profit on ordinary activities before Tax		6,182,042	1,870,262
Tax on profit on ordinary activities	**5**	(1,354,266)	(75,874)
Profit on ordinary activities after Tax		4,827,776	1,794,388
Share & Loan Stock Interest	**6**	(100,237)	(102,486)
Retained Profit for the year	**18**	**4,727,539**	**1,691,902**

Turnover and Operating Profit arose solely from continuing operations

There are no recognised gains or losses other than the profit or loss for the above two financial years.

On behalf of the board

Patrick Meskell
Chairman

Michael Kennedy
Vice Chairman

Sean Monahan
Vice Chairman

Consolidated Balance Sheet
as at 31 December 2011

	Notes	2011 €	2010 €
Fixed assets			
Intangible assets	**7**	4,806,112	5,190,480
Tangible assets	**8**	27,409,488	27,419,537
Financial assets	**9**	3,648,862	4,118,127
		35,864,462	36,728,144
Current assets			
Stocks	**10**	13,403,725	11,583,087
Debtors	**11**	21,853,063	23,627,065
Bank and Cash		4,061,542	3,001,334
		39,318,330	38,211,486
Creditors - amounts falling due within one year	**12**	(32,301,956)	(34,291,248)
Net current assets		7,016,374	3,920,238
Total assets less current liabilities		42,880,836	40,648,382
Creditors: amounts falling due after more than one year	**13**	(4,754,095)	(7,054,550)
Deferred income	**14**	(2,848,127)	(2,950,207)
Net assets		**35,278,614**	**30,643,625**
Capital and reserves			
Share capital	**16**	5,801,709	5,749,613
Loan Stock	**17**	35,286	10,644
Reserves	**18**	29,441,619	24,883,368
		35,278,614	**30,643,625**

On behalf of the board

Patrick Meskell
Chairman

Michael Kennedy
Vice-Chairman

Sean Monahan
Vice-Chairman

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Notes	2011 €	2010 €
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities	(i)	6,273,830	(1,804,424)
Returns on investments and servicing of finance	22	(610,430)	(416,774)
Taxation	22	(102,978)	(195,200)
Capital expenditure and financial investment	22	959,517	(4,528,918)
Financing	22	(1,442,580)	737,082
Increase /(Decrease) in cash in the year		5,077,359	(6,208,234)

Reconciliation of net cash flow to movement in net funds (Note 23)

	Notes	2011 €	2010 €
Increase /(Decrease) in cash in the year		5,077,359	(6,208,234)
Cash used to reduce lease/hire purchase liability		218,958	169,615
Repayment of long term loan		1,131,072	1,069,539
Cash Flow from increase in loan/ hire purchase finance		(82,620)	(1,958,390)
Change in net funds resulting from cash flows	23	6,344,769	(6,927,470)
Net debt at 31 December 2010	23	(14,029,357)	(7,101,887)
Net debt at 31 December 2011	23	(7,684,588)	(14,029,357)

Note (i)

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2011 €	2010 €
Operating profit before exceptional items	2,106,406	4,243,971
Depreciation /Amortisation	3,635,623	3,134,102
(Increase) in stocks	(1,820,638)	(2,265,283)
Decrease/(Increase) in debtors	1,626,019	(8,413,599)
Increase in creditors	1,035,223	3,459,973
Sundry Income	15,459	27,007
Restructuring/Redundancy payments	(272,044)	(1,833,354)
(Profit) on disposal of assets	(52,218)	(157,241)
Net cash inflow/(outflow) from operating activities	6,273,830	(1,804,424)

On behalf of the board

Patrick Meskell
Chairman

Michael Kennedy
Vice Chairman

Sean Monahan
Vice Chairman

Notes on and forming part of the Financial Statements
for the year ended 31 December 2011

1. Statement of accounting policies

The significant accounting policies adopted by the Society are:

1.1. Basis of preparation

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish law comprising the Industrial and Provident Societies Acts, 1893 to 1978. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

1.2. Accounting Convention

The financial statements are prepared under the historical cost convention.

1.3. Basis of Consolidation

The Consolidated Accounts include the financial statements of the Parent Society and each of its Subsidiaries.

1.4. Turnover

Turnover represents the invoiced value of goods and services to third parties exclusive of Value Added Tax.

1.5. Tangible Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the the cost or valuation, less residual value, of each asset systematically over its expected useful life, as follows:

Land	-	Not Depreciated
Buildings	-	Straight line over sixteen to twenty five years
Plant and machinery	-	Straight Line over six to ten years
Motor vehicles	-	Straight Line over four to five years

1.6. Leasing and hire purchase commitments

Fixed assets acquired under hire purchase contracts and finance leases which transfer substantially all the risks and rewards of ownership to the Society are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful economic lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account on a straight line basis over the period of the lease.

1.7. Tangible Financial Assets

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.8. Intangible Assets

Goodwill is the difference between the fair value of the consideration given on the acquisition of a business and the aggregate fair value of the separate net assets acquired.

Purchased goodwill and trade brands are amortised through the Profit and Loss Account over their estimated economic lives by equal annual instalments.

Purchased goodwill and trade brands are reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1.9. Capital Grants

All capital grants are treated as deferred credits and are included in the balance sheet.

Capital grants received are credited to the Profit and Loss Account on the same basis as the related fixed assets are depreciated.

1.10. Taxation

Corporation tax is calculated on the profits for the year after taking account of manufacturing relief, capital allowances and group relief.

1.11. Deferred Taxation

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

1.12. Stocks and work in progress

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

Cost in the case of raw materials, bought-in-goods and expense stocks comprises purchase price including transport. Cost in the case of finished goods comprises direct material and labour costs and an attributable proportion of direct production overheads.

Net realisable value represents the estimated sale price less costs to completion.

1.13. Debtors

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

1.14. Pensions

The Society contributes to pension schemes covering the majority of its employees.

The contributions payable to the schemes are charged to the Profit and Loss account for the period to which they relate.

1.15. Foreign Currencies

Monetary assets and liabilities arising in foreign currencies have been translated into Euro at rates ruling at the balance sheet date. Foreign currency transactions during the year have been translated at the rates ruling at the time of the transactions. Exchange differences have been included in the trading results for the year.

2. Operating Profit

2.1. Operating & Administration Expenses

Operating & Administration Expenses are comprised of:	Note	2011 €	2010 €
Wages & Salaries	3	12,912,397	11,799,420
Fuel & Power		7,930,513	6,444,193
General Operating, Selling & Distribution Costs		12,733,706	10,949,745
Administrative Expenses		2,027,533	1,868,158
Depreciation/Amortisation of Tangibles,Intangibles & Capital Grants		3,635,623	3,134,102
		39,239,772	34,195,618

2.2. Operating Exceptional Items

	2011 €	2010 €
Costs associated with the restructuring of Dawn Division	-	(2,132,308)

2.3. Non Operating Exceptional Items

	2011 €	2010 €
Profit on sale of Investments	4,606,627	-

3. Employees and Remuneration

Number of employees

The numbers of employees at the end of the year were:	2011 Number	2010 Number
Production & Administration	287	299

Employment costs

	Note	2011 €	2010 €
Wages and salaries		10,990,794	10,009,336
Social welfare costs		1,149,828	1,030,866
Pension costs	15	771,775	759,218
		12,912,397	11,799,420

4. Interest Payable and similar charges

	2011 €	2010 €
Bank Loans and Overdrafts	525,632	302,378
Lease finance charges and Hire Purchase interest	24,023	18,233
	549,655	320,611

5. Tax on profit on ordinary activities

Analysis of charge in period	2011 €	2010 €
Corporation tax	1,248,651	110,491
Deferred Tax - timing differences	105,615	(34,617)
Tax on profit on ordinary activities	1,354,266	75,874

The rates of corporation tax mainly attributable to the Society are 12.5%. (2010 - 10% and 12.5%). The liability to corporation tax is reduced due to the utilisation of capital allowances and losses forward .

The current tax charge for the year is higher than the current tax charge that would result from applying the standard rate of Irish corporation tax to net profit. The differences are explained below:

	2011 €	2010 €
Profit on ordinary activities before taxation	6,182,042	1,870,262
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2010 : 12.5%)	772,755	233,783
Effects of:		
Disallowable Expenses - permanent	(575,026)	3,792
Disallowable Expenses - timing	(115,226)	(19,593)
Tax Exempt Income	(229)	(791)
Capital allowances for period in excess of depreciation	107,334	89,656
Value of tax losses utilised in year	(59,510)	(169,129)
Tax on passive income at higher rate	922	3,163
Adjustments to tax charge in respect of previous periods	(7,022)	5,780
Manufacturing Relief	-	(52,738)
Capital Gains Tax	1,124,653	16,568
Current tax charge for period	1,248,651	110,491

6. Share & Loan Stock Interest

	2011 €	2010 €
Share Interest	99,998	102,177
Loan Stock Interest	239	309
	100,237	102,486

The directors recommend a payment of share interest for 2011 of 2% (2010- 2%).

7. Intangible Fixed Assets

	Trade Brands €	Goodwill €	Total €
Cost			
At 31 December 2010	3,100,000	2,694,519	5,794,519
Additions	2,500	-	2,500
At 31 December 2011	3,102,500	2,694,519	5,797,019
Amortisation			
At 31 December 2010	278,355	325,684	604,039
Charge for year	223,500	163,368	386,868
At 31 December 2011	501,855	489,052	990,907
Net book values			
At 31 December 2011	2,600,645	2,205,467	4,806,112
At 31 December 2010	2,821,645	2,368,835	5,190,480
The estimated useful lives are as follows:	10/15 years	15 years	

8. Tangible Fixed Assets

	Land and Buildings Freehold €	Long Leasehold Property €	Plant and Machinery €	Motor Vehicles €	Leased Assets €	Total €
Cost						
At 1 January 2010	26,010,453	-	56,815,769	3,992,578	1,379,447	88,198,247
Additions	309,797	69,068	3,193,732	295,865	-	3,868,462
Disposals	(112,239)	-	(45,221)	(373,608)	-	(531,068)
At 31 December 2011	26,208,011	69,068	59,964,280	3,914,835	1,379,447	91,535,641
Depreciation						
At 1 January 2010	14,214,141	-	41,646,537	3,692,786	1,225,246	60,778,710
On disposals	(86,341)	-	(25,922)	(279,721)	-	(391,984)
Charge for the year	483,779	2,763	2,960,929	179,425	112,531	3,739,427
At 31 December 2011	14,611,579	2,763	44,581,544	3,592,490	1,337,777	64,126,153
Net book values						
At 31 December 2011	11,596,432	66,305	15,382,736	322,345	41,670	27,409,488
At 31 December 2010	11,796,312	-	15,169,232	299,792	154,201	27,419,537

Freehold land is not depreciated and is included under land and buildings
Included above are assets held under finance leases or hire purchase contracts as follows:

	2011 €	2010 €
Plant & Machinery		
Net Book Value	309,235	309,235
Depreciation	169,028	169,028
Motor vehicles		
Net Book Value	76,155	92,066
Depreciation	19,141	52,049

9. Financial Fixed Assets

Trade Investments	2011 €	2010 €
Cost		
At 31 December 2010	4,118,127	4,338,311
Additions	177,800	484,400
Disposals	(647,065)	(704,584)
At 31 December 2011	3,648,862	4,118,127
Cost of quoted investments included above	2,436	54,392
Market valuation of quoted investments at year end	488,196	5,296,684

In the opinion of the Board, the value of investments is not less than as shown above. No value has been attributed to deferred shares in the Irish Dairy Board. Shares held in One51 plc are quoted on IEX and not included in the above market valuation as trading is restricted on this stock exchange.

9.1. Subsidiaries

The Society held 100% of the share capital of the following entities at the 31 December 2011.

Subsidiaries	Country of registration	Nature of business	Shares held class	Proportion of shares held
Arra Co-Operative Society Ltd	Ireland	Agri Co-Op	Ordinary	100%
Cortare Ltd	Ireland	Manufacture animal feeds	Ordinary	100%

10. Stocks

	2011 €	2010 €
Finished Goods	6,144,645	5,102,904
Resale Goods	4,185,191	3,748,134
Expense Stocks	1,268,326	1,202,197
Raw Materials	1,805,563	1,529,852
	13,403,725	11,583,087

11. Debtors

	2011 €	2010 €
Amounts falling due within one year		
Trade debtors & prepayments	21,571,576	23,239,963
Other debtors (deferred tax)	281,487	387,102
	21,853,063	23,627,065

11.1. Deferred Taxation

	2011 €	2010 €
Balance at beginning of the year	387,102	352,485
Movement in year	(105,615)	34,617
Balance at end of the year	281,487	387,102

12. Creditors: amounts falling due within one year

	2011 €	2010 €
Bank overdraft	6,822,897	10,840,049
Bank loans	1,186,280	1,221,849
Net obligations under finance leases and hire purchase contracts	107,188	188,573
Trade creditors & accruals	23,032,805	22,033,665
Corporation tax	1,152,786	7,112
	32,301,956	34,291,248

13. Creditors: amounts falling due after more than one year

	2011 €	2010 €
Distribution of surplus	474,330	474,330
Other Creditors	650,000	1,800,000
Bank loans	3,476,485	4,571,988
Net obligations under finance leases and hire purchase contracts	153,280	208,232
	4,754,095	7,054,550

Bank Loan Analysis

	2011 €	2010 €
Repayable within one year or less, or on demand (Note 12)	1,186,280	1,221,849
Repayable between two and five years	3,476,485	4,571,988
Total Bank Loans	4,662,765	5,793,837

14. Deferred income

	2011 €	2010 €
Government grants		
At beginning of year	2,950,207	2,945,406
Received in year	388,590	622,258
	3,338,797	3,567,664
Released in year	(490,670)	(617,457)
At end of year	2,848,127	2,950,207

15. Retirement Benefits

The total pension charge for the year was €771,775 (2010 - €759,218). Contributions of €64,156 were due to the scheme by the Society at 31 December 2011.

Defined Contribution scheme

The society operates a defined contribution pension scheme. The assets of the scheme are held seperately from those of the society in an independently administered fund. The pension cost charge represents contributions made by the society to this scheme for the year.

The Irish Co-operative Societies Pension Scheme

The Society participates in an industry-wide Irish Co-operative Societies Pension Scheme. This is a multi-employer defined benefit pension scheme. However, as the underlying assets and liabilities attributable to the 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. This is in accordance with the rules of Financial Reporting Standard 17.

The most recent full actuarial valuation of the scheme was carried out on 1st July 2008. The report is available for inspection by scheme members but is not available to the public.

In general the assumptions which have the most significant effect on the results of the actuarial valuations are those relating to the return on investments and the rate of increase in salaries. The rate of return on investment is assumed to exceed the rate of increase in salaries by 2.5% per annum.

At the date of the most recent full actuarial valuation the actuarial value of the assets of the scheme was sufficient to cover 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings and discretionary pension increases. At its annual review date of 1st July 2009 and 1st July 2010, the Scheme did not meet the minimum funding standard. An actuary's statement to this effect has been included in the trustee annual reports for 2009 and 2010. Where a scheme fails to meet the minimum funding standard, the trustees are required to develop a Funding Proposal in conjunction with participating employers and scheme actuary.

16. Share capital

	2011 €	2010 €
Opening Balance	5,749,613	5,573,946
Issued during the year	3,988	110,710
Redeemed during the year	(121,180)	(85,690)
Bonus Issues from Bonus Reserves	169,288	150,647
Closing Balance	5,801,709	5,749,613

17. Loan Stock

	2011 €	2010 €
Opening Balance	10,644	17,818
Loan Stock Issued	29,304	552
Loan Stock Redeemed	(4,662)	(7,726)
Closing Balance	35,286	10,644

18. Reserves

	Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
At 31 December 2010	23,886,736	419,780	268,206	159,293	149,353	24,883,368
Transfer Bonus Reserve	(400,000)	-	-	-	400,000	-
Issue of Bonus Shares	-	-	-	-	(169,288)	(169,288)
Retained profit for the year	4,727,539	-	-	-	-	4,727,539
At 31 December 2011	28,214,275	419,780	268,206	159,293	380,065	29,441,619

19. Capital Commitments

Future Capital Expenditure approved but not provided for in the Financial Statements is as follows:

	2011 €	2010 €
Contracted For	2,107,000	1,392,000
Not Contracted For	2,583,000	6,068,000

20. Contingent Liabilities

Contingent liabilities arise from irrevocable guarantees given for the year by the Society in respect of all liabilities incurred by subsidiaries listed in note 9.1 who have availed of the exemption under Section 17 of the Companies (Amendment) Act 1986.

The Society is party to various legal matters including a High Court action. The Board is of the opinion that none of these cases will impact in a materially adverse manner on the financial status of the group.

Grants received of €4,512,706 under agreements between the Society and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

21. Related party transactions

In the ordinary course of their business, Committee members trade with the Society on standard commercial terms. All transactions are carried out on the same terms as those applied to dealings with unrelated parties.

	2011 €	2010 €
During the year the Society invoiced Board Members in respect of goods supplied to them	988,508	817,415
The net value of milk supplied by the Board Members amounted to	2,933,370	2,204,861
Amounts due from Board Members at 31st December	168,549	116,451
Amounts due to Board Members at 31st December	98,286	90,866

22. Gross cash flows

	2011 €	2010 €
Returns on investments and servicing of finance		
Interest paid	(544,459)	(311,881)
Interest element of finance lease rental payments	(11,307)	(6,334)
Dividends received	45,573	3,927
Share and Loan Stock interest paid	(100,237)	(102,486)
	(610,430)	(416,774)
Taxation		
Corporation tax paid	(102,978)	(195,200)
Capital expenditure and financial investment		
Payments to acquire intangible assets	(1,152,500)	(2,100,519)
Payments to acquire tangible assets	(3,543,770)	(3,435,452)
Receipts from sales of tangible assets	184,060	170,966
Acquisition of Convertible Loan Stock	(177,800)	(484,400)
Redemption of Convertible Loan Stock	622,974	698,229
Receipts from sales of investments	4,637,963	-
Receipt of capital grant	388,590	622,258
	959,517	(4,528,918)
Financing		
Issue of ordinary share capital	3,988	110,710
Redemption of ordinary share capital	(121,180)	(85,690)
Loan Stock subscribed	29,304	552
Loan Stock redeemed	(4,662)	(7,726)
New long term bank loan	-	1,700,000
New hire purchase loan	82,620	258,390
Repayment of long term bank loan	(1,131,072)	(1,069,539)
Capital element of finance leases and hire purchase agreements repaid	(301,578)	(169,615)
	(1,442,580)	737,082

23. Analysis of changes in net debt

	Opening balance €	Cash flows €	Closing balance €
Cash at bank and in hand	3,001,334	1,060,208	4,061,542
Bank overdrafts	(10,840,049)	4,017,152	(6,822,897)
	(7,838,715)	5,077,360	(2,761,355)
Debt due within one year	(1,221,849)	35,569	(1,186,280)
Finance lease due within one year	(188,573)	81,385	(107,188)
Finance leases due after one year	(208,232)	54,952	(153,280)
Long term loan due after one year	(4,571,988)	1,095,503	(3,476,485)
	(6,190,642)	1,267,409	(4,923,233)
Net debt	**(14,029,357)**	**6,344,769**	**(7,684,588)**

24. Going concern

The Group has generated an operating profit in a challenging economic environment. After making enquiries and considering future market and economic uncertainties, the directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

25. Securities

Banking facilities provided to the group by ACC bank, Allied Irish Bank and Bank Of Ireland are secured by fixed and floating debentures over the assets of the group. The debentures incorporate specific charges over land and buildings.

26. Accounting Periods

The current and comparative financial statements are for a full year.

27. Approval of financial statements

The financial statements were approved by the Board on 14th March 2012 and signed on its behalf by

Patrick Meskell	***Michael Kennedy***	***Sean Monahan***
Chairman	***Vice Chairman***	***Vice Chairman***

Milk Statistics

	2011	2010
Own Suppliers	249.52m/Lts	240.57m/Lts.
Average Butterfat	3.91%	3.87%
Average Protein	3.36%	3.36%
Average Price	35.26c/lt.	31.08c/lt.

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