Arrabawn Co-op

ANNUAL REPORT AND ACCOUNTS

2012

ARRABAWN CO-OPERATIVE SOCIETY LIMITED

Board of Directors & Other Information

Chairman	Patrick Meskell
Vice Chairmen	Patrick Brennan Sean Monahan
Board	Edward Carr Martin Callanan Matt Cleary Padraig Coughlan Michael Darcy Patrick Donnellan Michael Egan Sean Fahy Seamus Finn Michael Flaherty Gerry Hoade Michael Kennedy Michael Leamy Patrick McLoughlin 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

INTRODUCTION

The period under review, 2012, turned out to be a difficult year for milk producers, due mainly to a fall in the return for dairy products which, consequently, led to a drop in milk prices. All of this resulted from the market being oversupplied at the beginning of the year following on from a good year in 2011.

Reduction of returns on dairy commodities during the peak production period meant that the Co-op supported milk price over the key months in 2012.

The results highlight the importance of putting the new Milk Supply arrangements in place with the approval and support of all our members so that we are properly prepared and equipped to handle the growth in milk supplies that is expected once quotas come to an end in 2015. I will deal with our Milk Supply plans later in this report and outline the progress made to date in formulating the new arrangements.

FINANCIAL RESULTS

The key indicators from our financial results for the year are as follows:

- Turnover for the year was €185.2m which represented a very marginal increase of €0.1m on 2011.
- Operating Profit before Exceptional Items amounted to €1.14m in 2012 which was down from €2.1m in 2011.
- Profit before Tax was €0.4m which was a €5.8m decrease on 2011. However when the non-operating exceptional item relating to a share disposal is excluded from the 2011 figures the decrease is a more modest €1.15m.
- Turnover in the Dairy Division was €120.2m, down €12.4m on 2011 driven by a decline in Dairy Product prices versus 2011.
- Turnover in the Trading Division was €65m, up €12.5m on 2011 driven mainly by increased feed sales in 2012.
- Shareholders' Funds amounted to €35.3m at year end 2012 which represented no change on 2011.

MILK PROCESSING DIVISION

As referred to earlier, following a reasonably good year in 2011 for milk production across the main dairy producing countries of the world, the market was in over supply by the first quarter of 2012. This brought about a collapse in returns for dairy products which, in turn, led to a drop in the price being paid for milk. This volatile milk price, together with ongoing wet weather, resulted in a very difficult year for dairy farmers, and it was well into the Autumn before there was any uplift in the market.

However, at present there are reasonable grounds to be optimistic, as stocks are low and demand is reasonably strong.

I am also happy to report that during 2012 we continued to upgrade our production facility to allow us increase capacity and also have more flexibility with regard to the product we produce.

We are hopeful that the cost benefits resulting from this will be improved even further with the provision of a gas supply to Nenagh from the natural gas national network. We understand that a decision is imminent on this and Arrabawn Co-op would be the anchor customer. Based on feedback, we believe that this decision will be favourable and we are looking forward to this development as gas is such a clean and efficient fuel source that it will enable us pass on a better return to our milk suppliers.

DAIRY PRODUCTS DIVISION

Despite the intense competition in the fresh dairy products sector, I am happy to report that our Dairy Products Division performed well during the year. We continued to maintain our market share in what must be the most competitive sector in the whole retail industry in Ireland. This is a market that is undergoing significant change and it is extremely important not only to keep abreast of our competitors but to keep ahead of them at all times. The most notable development in recent times is the ongoing growth in the sales of own-label products, especially in the multiples, and a follow-on decline in the sale of branded milk.

To help address this development we have already commenced on a major rebranding and promotional strategy to maintain our profile and prevent any slippage in our position. We are also continuing to develop relationships with some of the larger multiples as a means of increasing volume and market share.

Efficiency in distribution as well as production are key factors in ensuring success for this part of our business and I can assure you that opportunities for improvement are under continuous review by our management team.

SUPERLEVY 2012/2013

While it is gratifying to report, and also reassuring to our members, that the Society will be significantly under quota for the Levy Year ending March, 2013, I feel compelled to urge caution. As there are two more years of milk quota regulation to be completed, there is absolutely no reason to anticipate any softening of the rules during this period.

We know from ICBF figures that there are more cows in our catchment area than are required to fill this quota. So, with reasonable weather conditions during this time, it is likely that quota could be exceeded in the next two years. I would sincerely urge every one of our suppliers to use this period to improve the health status of the animals in their herd so that they enter the post-quota period with a good young healthy and thriving herd.

ANIMAL FEEDS DIVISION

The dreadful weather for much of 2012 has erased memories of a reasonably good Spring during which grass growth and utilisation was very satisfactory. Feed prices were, at worst, in line with the previous year and prospects at that time looked reasonable.

However protein prices started to firm up early in the year on rumours of a drought in Argentina. In addition, a poor growing season in North America resulted in a continuous ramping up of prices as reports came in of low yields in soyabeans and maize.

This escalation of raw material prices worldwide coincided with very wet weather here in Ireland which was driving demand to unprecedented levels. This combination of increased demand for feed and high prices made 2012 a very difficult year for farmers.

The poor growing conditions resulted in a lower than expected yields in barley and quality problems in wheat. Cereal prices went up strongly in the course of the year and finished at over €200 for green grain at harvest time.

Prospects for this year are looking better. Record crops are being harvested in South America and with good sowing conditions big acreages are being planned in other regions. However it will take some time before we in Ireland achieve any benefit from this.

I wish to confirm that in order to significantly reduce overheads in this division the Board has decided to rationalise the production of our animal feed range of products by phasing out production at the Greenvale plant in Thurles and transferring it to our other plant, Dan O'Connor Feeds, in Limerick.

The Greenvale plant will cease production during the summer and there will be opportunities for redeployment to the Limerick plant as the transfer will create some additional jobs there.

STORES DIVISION

Like most businesses in the retail sector, our Stores Division is under pressure because of the recession. However, we continued to consolidate our operations in these stores by improving the range of technical services we provide to members and farmers generally. Our plan is to grow this business by extending and enlarging these services while at the same time continuing to offer our customers quality and value.

PLANNING FOR THE FUTURE – MILK SUPPLY TERMS AND CONDITIONS

During 2012 the Board devoted a great deal of time to considering how the Society should prepare and plan for the anticipated growth in milk supply when quotas are abolished in 2015.
In response to the feedback we received from milk suppliers of their expectations we prepared our new MILK SUPPLY TERMS AND CONDITIONS scheme. This will apply for the collection of milk from 1st June, 2013, and it has been circulated recently to all our members.

The key points in this document are as follows:

*A commitment that the Society will accept all milk our suppliers wish to produce. A cap for May and June is agreed to ensure plant efficiency is not compromised.

*To help put the plant and resources in place to process all of this milk.

*To bring about equality between producers by establishing a direct relationship between volume of milk supply and shareholding, commencing in June, 2013.

*To ensure that by the end of 2016 each milk supplier will have at least a minimum shareholding reflecting his milk supply.

*To cap the maximum rate of deduction for convertible loan stock at 0.7cent per litre.

*To extend the time limit for those members with low shareholding at present in order to enable them to achieve the minimum shareholding.

I wish to emphasise that in preparing this plan the Board and management believe that we have created a system that is fair and equitable to all. The plan has been carefully crafted with the objective of prioritising the long-term interests of our milk suppliers while at the same time ensuring the sustainability of the Co-op in the years to come.

I am convinced that our plan protects the interests of both our suppliers and the Co-op itself and is the best way forward for everyone after quotas are abolished. At a time when milk volume is expected to increase rapidly these Terms and Conditions will provide reasonable certainty to both the supplier and the Co-op that all the milk produced will be processed and sold at the best possible return for both parties.

THANKS

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

I also wish to thank the staff and the many people in different groups and organisations with whom the Society was involved during 2012.

The advice and support of everyone who had dealings in any way with the Co-op is greatly appreciated.

Our objective is to work together to strengthen the society so that it can deliver a better return to all, especially our members and the communities in which we operate.

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 2012 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 2012 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

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

Date: 13 March 2013

Consolidated Trading and Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 €	2011 €
Turnover			
Dairy Division		120,197,619	132,564,779
Trading Division		65,022,286	52,532,902
		185,219,905	185,097,681
Raw Materials & Goods for Resale		(142,377,463)	(143,751,503)
Gross profit		42,842,442	41,346,178
Operating & Administration Expenses	**2.1.**	(41,700,582)	(39,239,772)
Operating Profit before Exceptional Items		1,141,860	2,106,406
Non-Operating Exceptional Items	**2.2.**	-	4,606,627
Profit before Interest		1,141,860	6,713,033
Other Income		21,751	18,664
Interest payable and similar charges	**4**	(739,300)	(549,655)
Profit on ordinary activities before Tax		424,311	6,182,042
Tax on profit on ordinary activities	**5**	(144,027)	(1,354,266)
Profit on ordinary activities after Tax		280,284	4,827,776
Share & Loan Stock Interest	**6**	(113,090)	(100,237)
Retained Profit for the year	**18**	**167,194**	**4,727,539**

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

Patrick Brennan
Vice Chairman

Sean Monahan
Vice Chairman

Consolidated Balance Sheet
as at 31 December 2012

	Notes	2012 €	2011 €
Fixed assets			
Intangible assets	**7**	4,419,245	4,806,112
Tangible assets	**8**	28,650,294	27,409,488
Financial assets	**9**	3,409,936	3,648,862
		36,479,475	35,864,462
Current assets			
Stocks	**10**	17,160,863	13,403,725
Debtors	**11**	24,048,633	21,853,063
Bank and Cash		1,911,906	4,061,542
		43,121,402	39,318,330
Creditors - amounts falling due within one year	**12**	(37,766,003)	(32,301,956)
Net current assets		5,355,399	7,016,374
Total assets less current liabilities		41,834,874	42,880,836
Creditors: amounts falling due after more than one year	**13**	(2,678,789)	(4,754,095)
Deferred income	**14**	(3,825,318)	(2,848,127)
Net assets		**35,330,767**	**35,278,614**
Capital and reserves			
Share capital	**16**	5,886,440	5,801,709
Loan Stock	**17**	14,501	35,286
Reserves	**18**	29,429,826	29,441,619
		35,330,767	**35,278,614**

On behalf of the board

Patrick Meskell
Chairman

Patrick Brennan
Vice-Chairman

Sean Monahan
Vice-Chairman

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 €	2011 €
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities	(i)	378,450	6,273,830
Returns on investments and servicing of finance	22	(836,158)	(610,430)
Taxation	22	(1,249,785)	(102,978)
Capital expenditure and financial investment	22	(4,380,757)	959,517
Financing	22	(1,374,355)	(1,442,580)
(Decrease) / Increase in cash in the year		(7,462,605)	5,077,359

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

	Notes	2012 €	2011 €
(Decrease) /Increase in cash in the year		(7,462,605)	5,077,359
Cash used to reduce lease/hire purchase liability		112,807	218,958
Repayment of long term loan		1,146,507	1,131,072
Cash Flow from increase in loan/ hire purchase finance		(86,500)	(82,620)
Change in net funds resulting from cash flows	23	(6,289,791)	6,344,769
Net debt at 31 December 2011	23	(7,684,588)	(14,029,357)
Net debt at 31 December 2012	23	(13,974,379)	(7,684,588)

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

	2012 €	2011 €
Operating profit before exceptional items	1,141,860	2,106,406
Depreciation /Amortisation	3,540,253	3,635,623
(Increase) in stocks	(3,757,138)	(1,820,638)
(Increase)/Decrease in debtors	(2,272,062)	1,626,019
Increase in creditors	1,831,395	1,035,223
Sundry Income	11,471	15,459
Restructuring/Redundancy payments	(61,588)	(272,044)
(Profit) on disposal of assets	(55,741)	(52,218)
Net cash inflow/(outflow) from operating activities	378,450	6,273,830

On behalf of the board

Patrick Meskell
Chairman

Patrick Brennan
Vice-Chairman

Sean Monahan
Vice-Chairman

Notes on and forming part of the Financial Statements
for the year ended 31 December 2012

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 Fixed Assets and Amortisation

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 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.

Intangible Fixed Assets are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of each asset over its expected useful life by equal annual installments as follows;

Trade Brands	-	Straight line over ten to fifteen years
Goodwill	-	Straight line over fifteen years

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 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

	Note	2012 €	2011 €
Operating & Administration Expenses are comprised of:			
Wages & Salaries	3	12,984,285	12,912,397
Fuel & Power		9,037,701	7,930,513
General Operating, Selling & Distribution Costs		13,945,010	12,733,706
Administrative Expenses		2,193,333	2,027,533
Depreciation/Amortisation of Tangibles,Intangibles & Capital Grants		3,540,253	3,635,623
		41,700,582	39,239,772

2.2. Non Operating Exceptional Items

	2012 €	2011 €
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:	2012 Number	2011 Number
Production & Administration	290	287

Employment costs	Note	2012 €	2011 €
Wages and salaries		11,076,375	10,990,794
Social welfare costs		1,181,391	1,149,828
Pension costs	15	726,519	771,775
		12,984,285	12,912,397

4. Interest Payable and similar charges

	2012 €	2011 €
Bank Loans and Overdrafts	723,349	525,632
Lease finance charges and Hire Purchase interest	15,951	24,023
	739,300	549,655

5. Tax on profit on ordinary activities

Analysis of charge in period

	2012 €	2011 €
Corporation tax	64,673	1,248,651
Deferred Tax - timing differences	79,354	105,615
Tax on profit on ordinary activities	144,027	1,354,266

The rate of corporation tax mainly attributable to the Society is 12.5%. (2011 - 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:

	2012 €	2011 €
Profit on ordinary activities before taxation	424,311	6,182,042
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2011 : 12.5%)	53,039	772,755
Effects of:		
Disallowable Expenses - permanent	888	(575,026)
Disallowable Expenses - timing	(134,506)	(115,226)
Tax Exempt Income	(237)	(229)
Capital allowances for period in excess of depreciation	144,723	107,334
Value of tax losses utilised in year	-	(59,510)
Tax on passive income at higher rate	766	922
Adjustments to tax charge in respect of previous periods	-	(7,022)
Capital Gains Tax	-	1,124,653
Current tax charge for period	64,673	1,248,651

6. Share & Loan Stock Interest

	2012 €	2011 €
Share Interest	111,926	99,998
Loan Stock Interest	1,164	239
	113,090	100,237

The directors recommend a payment of share interest for 2012 of 2% (2011- 2%).

7. Intangible Fixed Assets

	Trade Brands €	Goodwill €	Total €
Cost			
At 31 December 2011	3,102,500	2,694,519	5,797,019
At 31 December 2012	3,102,500	2,694,519	5,797,019
Amortisation			
At 31 December 2011	501,855	489,052	990,907
Charge for year	223,500	163,367	386,867
At 31 December 2012	725,355	652,419	1,377,774
Net book values			
At 31 December 2012	2,377,145	2,042,100	4,419,245
At 31 December 2011	2,600,645	2,205,467	4,806,112

8. Tangible Fixed Assets

	Land and Buildings Freehold €	Long Leasehold Property €	Plant and Machinery €	Motor Vehicles €	Leased Assets €	Total €
Cost						
At 1 January 2012	26,208,011	69,068	59,964,280	3,914,835	1,379,447	91,535,641
Transfers	(26,379)	-	26,379	-	-	-
Additions	197,576	1,760	4,467,625	421,787	-	5,088,748
Disposals	-	-	(27,346)	(309,987)	-	(337,333)
At 31 December 2012	26,379,208	70,828	64,430,938	4,026,635	1,379,447	96,287,056
Depreciation						
At 1 January 2012	14,611,579	2,763	44,581,544	3,592,490	1,337,777	64,126,153
Transfers	(1,055)	-	1,055	-	-	-
On disposals	-	-	(20,735)	(302,357)	-	(323,092)
Charge for the year	479,589	2,833	3,129,622	197,846	23,811	3,833,701
At 31 December 2012	15,090,113	5,596	47,691,486	3,487,979	1,361,588	67,636,762
Net book values						
At 31 December 2012	11,289,095	65,232	16,739,452	538,656	17,859	28,650,294
At 31 December 2011	11,596,432	66,305	15,382,736	322,345	41,670	27,409,488

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:

	2012 €	2011 €
Plant & Machinery		
Net Book Value	72,860	145,026
Depreciation	75,489	164,209
Motor vehicles		
Net Book Value	128,413	76,155
Depreciation	30,206	19,141

9. Financial Fixed Assets

Trade Investments	2012 €	2011 €
Cost		
At 1st January 2012	3,648,862	4,118,127
Additions	322,900	177,800
Disposals	(561,826)	(647,065)
At 31 December 2012	3,409,936	3,648,862
Cost of quoted investments included above	2,436	2,436
Market valuation of quoted investments at year end	517,094	488,196

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 the IEX and are 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 2012.

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

	2012 €	2011 €
Finished Goods	7,562,029	6,144,645
Resale Goods	5,141,076	4,185,191
Expense Stocks	2,125,409	1,268,326
Raw Materials	2,332,349	1,805,563
	17,160,863	13,403,725

11. Debtors

	2012 €	2011 €
Amounts falling due within one year		
Trade debtors & prepayments	23,846,500	21,571,576
Other debtors (deferred tax)	202,133	281,487
	24,048,633	21,853,063

11.1. Deferred Taxation

	2012 €	2011 €
Balance at beginning of the year	281,487	387,102
Movement in year	(79,354)	(105,615)
Balance at end of the year	202,133	281,487

12. Creditors: amounts falling due within one year

	2012 €	2011 €
Bank overdrafts	12,135,866	6,822,897
Bank loans	1,444,274	1,186,280
Net obligations under finance leases and hire purchase contracts	101,686	107,188
Trade creditors & accruals	24,116,503	23,032,805
Corporation tax	(32,326)	1,152,786
	37,766,003	32,301,956

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

	2012 €	2011 €
Distribution of surplus	474,330	474,330
Other Creditors	-	650,000
Bank loans	2,071,984	3,476,485
Net obligations under finance leases and hire purchase contracts	132,475	153,280
	2,678,789	4,754,095

Bank Loan Analysis		
Repayable within one year or less, or on demand (Note 12)	1,444,274	1,186,280
Repayable between two and five years (Note 13)	2,071,984	3,476,485
Total Bank Loans	3,516,258	4,662,765

14. Deferred income

	2012 €	2011 €
Government Grants		
At beginning of year	2,848,127	2,950,207
Received in year	1,657,506	388,590
	4,505,633	3,338,797
Released in year	(680,315)	(490,670)
At end of year	3,825,318	2,848,127

15. Retirement Benefits

The total pension charge for the year was €726,519 (2011 - €771,775). Contributions of €41,716 were due to the scheme by the Society at 31 December 2012.

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 pension scheme. This is in accordance with the rules of Financial Reporting Standard 17.

The most recent full actuarial valuation of the Irish Co-Operative Societies' Pension Scheme was carried out on 1st July 2011. 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 valuation are those relating to the return on investment and the rate of increase in salaries. The rate of return on investment was assumed to exceed the rate of increase in salaries by 2.5% per annum.

At the date of the most recent full actuarial valuation of 1st July 2011, the Scheme did not meet the Minimum Funding Standard. An actuary's certificate to this effect has been included in the 2011 trustee annual report. At its annual review date of 1st July 2012 the Scheme did not meet the Minimum Funding Standard. An actuary's statement to this effect is been included in the trustee annual report for that year. 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 the scheme actuary. The actuary believes that there is a requirement for an increase in contribution rates to the Scheme to maintain the current benefits.

16. Share capital

	2012 €	2011 €
Opening Balance	5,801,709	5,749,613
Issued during the year	4,756	3,988
Redeemed during the year	(99,012)	(121,180)
Bonus Issues from Bonus Reserves	178,987	169,288
Closing Balance	5,886,440	5,801,709

17. Loan Stock

	2012 €	2011 €
Opening Balance	35,286	10,644
Loan Stock Issued	-	29,304
Loan Stock Redeemed	(20,785)	(4,662)
Closing Balance	14,501	35,286

18. Reserves

	Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
At 31 December 2011	28,214,275	419,780	268,206	159,293	380,065	29,441,619
Transfer Bonus Reserve	-	-	-	-	-	-
Issue of Bonus Shares	-	-	-	-	(178,987)	(178,987)
Retained profit for the year	167,194	-	-	-	-	167,194
At 31 December 2012	28,381,469	419,780	268,206	159,293	201,078	29,429,826

19. Capital Commitments

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

	2012 €	2011 €
Contracted For	1,436,032	2,107,000
Not Contracted For	1,216,500	2,583,000

20. Contingent Liabilities

Contingent liabilities arise from an irrevocable guarantee given for the year by the Society in respect of liabilities incurred by its subsidiary company, Cortare Limited, 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 €6,170,213 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.

	2012 €	2011 €
During the year the Society invoiced Board Members in respect of goods supplied to them	1,363,769	988,508
The net value of milk supplied by the Board Members amounted to	2,676,597	2,933,370
Amounts due from Board Members at 31st December	281,305	168,549
Amounts due to Board Members at 31st December	102,892	98,286

22. Gross cash flows

	2012 €	2011 €
Returns on investments and servicing of finance		
Interest paid	(726,822)	(544,459)
Interest element of finance lease rental payments	(3,664)	(11,307)
Dividends received	7,418	45,573
Share and Loan Stock interest paid	(113,090)	(100,237)
	(836,158)	(610,430)
Taxation		
Corporation tax paid	(1,249,785)	(102,978)
Capital expenditure and financial investment		
Payments to acquire intangible assets	(1,150,001)	(1,152,500)
Payments to acquire tangible assets	(5,190,559)	(3,543,770)
Receipts from sales of tangible assets	63,371	184,060
Acquisition of Convertible Loan Stock	(322,900)	(177,800)
Redemption of Convertible Loan Stock	561,826	622,974
Receipts from sales of investments	-	4,637,963
Receipt of capital grant	1,657,506	388,590
	(4,380,757)	959,517
Financing		
Issue of ordinary share capital	4,756	3,988
Redemption of ordinary share capital	(99,012)	(121,180)
Loan Stock subscribed	-	29,304
Loan Stock redeemed	(20,785)	(4,662)
New finance lease / hire purchase loan	86,500	82,620
Repayment of long term bank loan	(1,146,507)	(1,131,072)
Capital element of finance leases and hire purchase agreements repaid	(199,307)	(301,578)
	(1,374,355)	(1,442,580)

23. Analysis of changes in net debt

	Opening balance €	Cash flows €	Closing balance €
Cash at bank and in hand	4,061,542	(2,149,636)	1,911,906
Bank overdrafts	(6,822,897)	(5,312,969)	(12,135,866)
	(2,761,355)	(7,462,605)	(10,223,960)
Debt due within one year	(1,186,280)	(257,994)	(1,444,274)
Finance lease due within one year	(107,188)	5,502	(101,686)
Finance leases due after one year	(153,280)	20,805	(132,475)
Long term loan due after one year	(3,476,485)	1,404,501	(2,071,984)
	(4,923,233)	1,172,814	(3,750,419)
Net debt	**(7,684,588)**	**(6,289,791)**	**(13,974,379)**

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 13th March 2013 and signed on its behalf by

Patrick Meskell	***Patrick Brennan***	***Sean Monahan***
Chairman	***Vice Chairman***	***Vice Chairman***

Milk Statistics

	2012	2011
Own Suppliers	248.51m/lts.	249.52m/lts.
Average Butterfat	3.96%	3.91%
Average Protein	3.35%	3.36%
Average Price	31.39c/lt.	35.26c/lt.

Arrabawn Co-op

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