

ANNUAL REPORT AND ACCOUNTS 2019

BOARD OF DIRECTORS & OTHER INFORMATION

Chairman Edward Carr

Vice Chairman Martin Callanan

Board

Noel Armitage
Patrick Brennan
Matt Cleary
Richard Collins
Padraig Coughlan
Sean Daly
Patrick Donnellan
Eoin Doorley
Michael Egan
Sean Fahy
Seamus Finn
Michael Flaherty
Gerry Hoade
Michael Kennedy
John Moylan
Sean C. Ryan

Chief Executive Conor Ryan

Secretary Billy Walsh

Auditors

McKeogh Gallagher Ryan,
23 Silver Street,
Nenagh,
Co. Tipperary.

Solicitors

Patrick F. Treacy & Co.,
29 Pearse Street,
Nenagh,
Co. Tipperary.

Principal Bankers

Allied Irish Banks plc.
Bank of Ireland plc.

Registered Office

Stafford Street,
Nenagh,
Co. Tipperary.

KEY Highlights



REVENUES
€265.6m



Operating
PROFIT
€1.04m



€49.6m
Shareholders'
Funds



EBITDA €7.5m

**Earnings Before Interest
Taxes and Amortization**

**Milk
Processed**



422m Litres

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Chairman's ADDRESS

This is an opportunity to reflect on 2019. It has been another year of significant growth in milk supply with our suppliers increasing volumes by another 8%. The market returns were disappointing during the peak months and this led to the co-op supporting the farm gate price at this time. But thankfully market sentiment improved in the later part of the year and prices increased at this stage. Overall, our average milk price for the year was close to 34 cents/litre.



Edward Carr, Chairman

The weather was favourable with good grass growth, allowing farmers build up good fodder stocks and this also helped to keep down production costs at farm level. Into the future there are significant environmental challenges facing us on a number of fronts. Principally, water and air quality need to be improved so that we can enhance our green image. At Arrabawn, we deploy resources, working with our suppliers to give guidance and help in achieving sustainable production into the future.

Farmers are the most important sector engaged in protecting the environment. They are the custodians of the environment and we must continue to commit to this very important mandate we have been given.



Liquid Milk

This is a very competitive business. We are fortunate now to have a very modern and efficient Liquid Milk Processing Plant and Warehouse which has the capacity to accommodate our growing volumes. While the contract system operated by the multiples is highly competitive, make no mistake about it – Arrabawn is now a

major force in the market and this is down to the excellence of our suppliers and the investment by the co-op over the last five years or more in world class facilities in Kilconnell.

We have a large number of key farmers who are committed to supplying milk all year round for this plant. The Capital that has been invested in this plant is now bearing fruit both in efficiency and scale.

Dairy Processing

Some 12 months ago we committed to proceed with another key investment in our manufacturing plant in Nenagh. The main part of this development, the Casein Plant, is almost completed and ready for the peak season of 2020 as planned. At present, the Effluent Treatment Plant is being expanded and following on from this the new entrance will be developed which will make a positive difference to the Nenagh Ingredients site and surrounding area. This overall development is the single biggest ever undertaken by the organisation and I would like to compliment the management and staff and all involved in bringing it to completion on time and on budget and most importantly without incident.





Agri Trading

While 2019 was a quieter year across this division compared to all the weather-related events that drove trading to record levels of 2018, your support for our Stores and Feed business was very much appreciated. This support plays a major part in our overall business. We will continue to offer quality products at a competitive price to assist you in operating your farm business.

During 2019, a Loyalty Scheme was introduced to complement the Feed Bonus Scheme as a reward to all our suppliers who trade strongly with the Co-Op.

The key points from our financial results are as follows:

Turnover for the year was €265m

E.B.I.T.D.A. €7.5m

Operating Profit €1.04m

Capital Spent 2019 - €19.7m

The Average Milk Price was 33.76c/ltr. (35.66c/ltr. in 2018)

Retirement of Jerry Ryan, Company Secretary and Farm Relations Manager

2019 saw the retirement of our Company Secretary and Farm Relations Manager Jerry Ryan. Jerry had given 44 years valued service to the organisation. I would like to thank Jerry for this remarkable lifetime commitment to the Co-Operative and wish him well in the future. Losing such a respected and experienced figure is a challenge but thankfully we were fortunate to have Billy Walsh in the organisation who has been appointed to the role of Company Secretary, which he will combine with his role of Head of Human Resources. In addition, Ronan Moran has been appointed to the position of Farmer Relations Advisor. I wish both Billy and Ronan good luck in their new roles.

I wish to thank the members of the Board and Representative Committee for their support and loyalty that they have given to the Society and to me as Chairman during the past year.

To all our members, suppliers, customers, management and staff for your support during the year and wish you well in the years ahead.

Edward Carr
Chairman



Presentation by Chairman Edward Carr and Vice Chairman Martin Callanan to outgoing Co-Op Secretary Jerry Ryan at the Arrabawn Dairy Conference.



Attendance at Arrabawn Dairy Conference held in the Abbey Court Hotel, Nenagh.

Chief Executive's REVIEW

On behalf of the co-operative I am pleased to announce that 2019 was a year of considerable progress for our business. Turnover for the year was €265.6 million, 2% below a record 2018. This reflected a reduction in returns from dairy markets despite growing milk volumes by over 8% and more normalised feed volumes. Our operating profit of €1million was achieved in a year when we saw solid performances both in our Ingredients and Agri businesses with a very competitive liquid milk market during this period. Milk prices were relatively stable during 2019 and got an unexpected lift in the last quarter of the year. The high butter prices of previous years returned to more normal levels and the reduction of intervention skim milk powders stocks helped prices of this commodity to reach back over €2,000 a tonne. A continued upward trend in milk prices was expected in 2020 but due to the Covid-19 pandemic, a cloud of uncertainty hangs over the market currently. Arrabawn achieved an EBITDA of €7.5 million and our shareholders funds stand at just under €50 million at year end. The average milk price paid in 2019 was 33.76c/ltr.



Conor Ryan, Chief Executive

Business Overview

In 2019 we processed a record 364 million litres of milk in the Nenagh plant. The recent investment programmes in milk intake, separation capacity and dryer capacity served us well also during 2019. Last year we moved onto the next stage of our investment plan, and in October we completed the construction and installation of a new casein plant. This investment gives increased capacity to handle an extra 50% of milk on the Nenagh site. Alongside this development, we also commenced the final phase of our effluent plant development which we hope to complete in August 2020. As part of the casein development we introduced heat pump technology to supplement refrigeration capacity. This allows a 20% reduction in carbon emissions on the site and it is the first step in a programme to ensure a more sustainable milk processing operation in Nenagh. We also commenced work on achieving ISO50001 energy certification for the Nenagh plant and this was achieved in early 2020. Last year's investment is the biggest single spend in the history of the co-operative and I would like to acknowledge the support of our farmers, the commitment and hard work of our management and staff and finally the external consultants who advised us; all helped achieve a successful project. This investment sets us up to handle future expansion of our suppliers, underpinning their futures in the process.



Our plant in Kilconnell is now fully completed from an investment perspective. We have a state-of-the-art processing operation and an excellent distribution warehouse located on the same site. We continue to grow volumes by working closely with our key customers.

The Agri division went from experiencing unprecedented demand for feed in 2018 back to more normalised levels in 2019. Overall, this element of our overall business enjoyed a good year and the investments in our retail stores has helped ensure that sales growth across all other categories to a wider customer base gives a good balance to the business.

Sustainability

Alongside the initiatives that have been highlighted already in this statement, Arrabawn is an active participant in the Agricultural Sustainability Support and Advice Programme (ASSAP). Through this programme we work with our farmers to ensure the water quality in the streams and rivers within our catchment area is of good quality. In conjunction with Teagasc, our advisors provide free support and advice to all our farmers on improving nutrient management with more targeted use of slurry and fertiliser and ensuring better farmyard management practices.

Arrabawn is also part of the dairy sustainability programme which is run through Bord Bia. This programme aims to ensure that Irish dairy products are recognised globally as being produced on farms with the best standards in animal welfare, good environmental practices and high standards of food safety.



Process Room



Control Room

Conclusion

A quick note of thanks to Board Members, members of the Representative Committee and all members of management and staff who have supported the co-operative in what has been a very busy 2019. A solid foundation has been put into the business over the last two years, in particular. We look forward to completing our programme in 2020 for the benefit of all of our members.

Conor Ryan
Chief Executive



High Care Area

Arrabawn Co-Operative Society Limited

Directors' Responsibilities Statement Year ended 31/12/19

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

The Industrial and Provident Societies Acts, 1893 to 2018 require the Board of Directors to prepare financial statements, in accordance with accounting standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council, and promulgated by the Institute of Chartered Accountants in Ireland for each financial year which give a true and fair view of the state of affairs of the Society and of its profit or loss for that period.

In preparing these financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with FRS 102 The financial reporting standard applicable in the UK and Republic of Ireland; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The directors are responsible for ensuring that the society keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the society, enable the assets, liabilities, financial position and profit or loss of the society to be determined with reasonable accuracy, enable them to ensure the financial statements and director's report comply with the Industrial and Provident Societies Acts, 1893 to 2018 and enable the financial statements to be audited. The Board is also responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors, are also responsible for preparing the Annual Report that complies with the requirements of the Industrial and Provident Societies Acts, 1893 to 2018.

The Board of Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:

Edward Carr
Chairman

Martin Callanan
Vice - Chairman

Arrabawn Co-Operative Society Limited

Independent Auditor's Report to the Shareholders of Arrabawn Co-Operative Society Limited Year ended 31/12/19

Opinion

We have audited the financial statements of Arrabawn Co-Operative Society Limited for the year ended 31/12/19 which comprise the income statement, statement of financial position, statement of changes in equity, statement of cash flows and related notes. The relevant financial reporting framework that has been applied in their preparation is the Industrial and Provident Societies Acts, 1893 to 2018 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the society as at 31/12/19 and of its loss for the year then ended; and
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of section 13 of the Industrial and Provident Societies Acts, 1893 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Arrabawn Co-Operative Society Limited

Independent Auditor's Report to the Shareholders of Arrabawn Co-Operative Society Limited (continued) Year ended 31/12/19

Opinion on other matters prescribed by the Industrial and Provident Societies Act

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the society were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the society or to cease operation, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As required by section 13(2) of the Industrial and Provident Societies Acts, 1893 to 2018 we examined the balance sheets showing the receipts and expenditure, funds and effects of the Society, and verified the same with books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

Arrabawn Co-Operative Society Limited

Independent Auditor's Report to the Shareholders of Arrabawn Co-Operative Society Limited (continued) Year ended 31/12/19

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities with the Group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the society's members, as a body, in accordance with section 13 of the Industrial and Provident Societies Acts, 1893 to 2018. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an 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 as a body, for our audit work, for this report, or for the opinions we have formed.

McKeogh Gallagher Ryan
Chartered Accountants & Statutory Auditors
23 Silver Street
Nenagh
Co. Tipperary

20/03/20

Arrabawn Co-Operative Society Limited
Income Statement
Year ended 31/12/19

	Note	2019 €	2018 €
Turnover	4	265,555,424	271,164,731
Cost of sales		(204,392,182)	(208,473,053)
Gross profit		61,163,242	62,691,678
Operating selling & distribution costs		(50,057,940)	(51,035,384)
Administrative expenses		(10,108,543)	(9,320,264)
Other operating income	5	42,308	44,853
Operating profit	6	1,039,067	2,380,883
Exceptional Items	8	(1,400,778)	-
Loss on financial assets at fair value through profit or loss		(164,088)	(1,022,714)
Income from other financial assets	9	4,606	1,233
Interest payable and similar charges	10	(1,658,289)	(1,314,994)
(Loss)/profit on ordinary activities before taxation		(2,179,482)	44,408
Tax on (loss)/profit on ordinary activities	11	549,651	141,145
(Loss)/profit for the financial year and total comprehensive income		(1,629,831)	185,553

All the activities of the society are from continuing operations.

The society has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 18 to 41 form part of these financial statements.

Arrabawn Co-Operative Society Limited
Statement of Financial Position
Year ended 31/12/19

	Note	2019 €	2018 €
Fixed assets			
Intangible assets	13	1,853,030	2,189,863
Tangible assets	14	66,872,986	55,970,559
Financial assets	15	2,596,299	2,804,429
		<u>71,322,315</u>	<u>60,964,851</u>
Current assets			
Stocks	16	16,866,182	17,721,590
Debtors	17	33,715,786	35,919,156
Cash at bank and in hand	18	3,869,123	7,251,835
		<u>54,451,091</u>	<u>60,892,581</u>
Creditors: amounts falling due within one year	19	<u>(43,433,958)</u>	<u>(47,599,603)</u>
Net current assets		<u>11,017,133</u>	<u>13,292,978</u>
Total assets less current liabilities		<u>82,339,448</u>	<u>74,257,829</u>
Creditors: amounts falling due after more than one year	20	<u>(32,471,748)</u>	<u>(22,002,051)</u>
Provisions for liabilities	25	<u>(301,417)</u>	<u>(832,760)</u>
Net assets		<u><u>49,566,283</u></u>	<u><u>51,423,018</u></u>
Capital and reserves			
Called up share capital presented as equity	27	10,289,030	9,589,635
Loan stock	28	-	404,354
Other reserves	29	1,560,901	1,900,752
Profit and loss account	29	37,716,352	39,528,277
Shareholders funds		<u><u>49,566,283</u></u>	<u><u>51,423,018</u></u>

The notes on pages 18 to 41 form part of these financial statements.

Arrabawn Co-Operative Society Limited
Statement of Changes in Equity
Year ended 31/12/19

	Called up share capital €	Reserve for own shares held €	Other reserves €	Profit and loss account €	Total €
At 01/01/2018	9,321,505	405,398	1,787,091	39,531,763	51,045,757
Profit for the year	-	-	-	185,553	185,553
Total comprehensive income for the year	-	-	-	185,553	185,553
Issue of shares	18,347	-	-	-	18,347
Issue of bonus shares	235,305	-	(235,305)	-	-
Share & loan stock interest	-	-	-	(189,039)	(189,039)
Cancellation of subscribed capital	(223,212)	-	-	-	(223,212)
Redemption of shares	(92,805)	-	-	-	(92,805)
Loan stock redeemed	-	(71,961)	-	-	(71,961)
Conversion of debt to equity	330,495	(330,495)	-	-	-
Convertible loan stock issued	-	401,412	-	-	401,412
Transfer to special share reserve	-	-	348,966	-	348,966
Total investments by and distributions to owners	268,130	(1,044)	113,661	(189,039)	191,708
At 31/12/18 and 01/01/19	9,589,635	404,354	1,900,752	39,528,277	51,423,018
Loss for the year	-	-	-	(1,629,831)	(1,629,831)
Total comprehensive income for the year	-	-	-	(1,629,831)	(1,629,831)
Issue of shares	14,239	-	-	-	14,239
Issue of bonus shares	339,851	-	(339,851)	-	-
Share & loan stock interest	-	-	-	(182,094)	(182,094)
Redemption of shares	(59,049)	-	-	-	(59,049)
Conversion of debt to equity	404,354	(404,354)	-	-	-
Total investments by and distributions to owners	699,395	(404,354)	(339,851)	(182,094)	(226,904)
At 31/12/19	10,289,030	-	1,560,901	37,716,352	49,566,283

Arrabawn Co-Operative Society Limited

Statement of Cash Flows

Year ended 31/12/19

	2019 €	2018 €
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,629,831)	185,553
<i>Adjustments for:</i>		
Depreciation of tangible assets	6,346,078	6,016,958
Amortisation of grant	(301,277)	(515,215)
Amortisation of intangible assets	336,833	336,833
Loss/(Gain) on financial assets at fair value through profit or loss	164,088	1,022,714
Income from other financial assets	(4,606)	(1,233)
Other interest receivable and rental income	(22,742)	(27,000)
Interest payable and similar charges	1,658,289	1,314,994
(Gain)/loss on disposal of tangible assets	(41,220)	(31,950)
Loss on disposal of Business Premises (Exceptional)	1,400,778	-
Tax on (loss)/profit on ordinary activities	(549,651)	(141,145)
<i>Changes in:</i>		
Stocks	855,408	87,128
Trade and other debtors	2,361,036	(8,899,392)
Trade and other creditors	(538,578)	(156,614)
Provisions and employee benefits	-	(80,000)
Tax relief at source not paid	2,074	1,933
Cash generated from operations	10,036,679	(886,436)
Interest paid	(1,891,661)	(1,549,853)
Rental Income received	22,742	27,000
Taxation Refunded	-	133,861
Taxation paid	(3,939)	(184,525)
Net cash from/(used in) operating activities	8,163,821	(2,459,953)
Cash flows from investing activities		
Purchase of tangible assets	(21,360,741)	(15,304,268)
Proceeds from sale of tangible assets	948,334	46,950
Purchase of other investments	(303,092)	-
Proceeds from sale of other investments	347,134	360,944
Dividends received	4,606	1,233
Receipt of Capital Grant	-	479,655
Reclassification of Grant to Revenue	(210,827)	-
Net cash used in investing activities	(20,574,586)	(14,415,486)

Arrabawn Co-Operative Society Limited
Statement of Cash Flows (continued)
Year ended 31/12/19

		2019 €	2018 €
Cash flows from financing activities			
Issue of ordinary share capital		14,239	18,347
Redemption of ordinary share capital		(59,049)	(92,805)
Net Issue of convertible loan stock		-	401,412
Repayment of long term loan		(1,165,553)	(306,961)
Issue of long term loan		13,915,696	12,058,958
Issue / (Payment) of finance lease liabilities		(3,008)	15,061
Loan stock redeemed		-	(71,961)
Net cash from financing activities		<u>12,702,325</u>	<u>12,022,051</u>
Net increase/(decrease) in cash and cash equivalents		291,560	(4,853,388)
Cash and cash equivalents at beginning of year	18	<u>(11,652,257)</u>	<u>(6,798,869)</u>
Cash and cash equivalents at end of year	18	<u>(11,360,697)</u>	<u>(11,652,257)</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements Year ended 31/12/19

1. General Information

Arrabawn Co-operative Society Limited is primarily engaged in the manufacture and sale of animal feedstuffs, the processing and sale of milk and derivative products and the sale of agri-goods from branches throughout the region. The society operates its dairy processing plants at its premises at Stafford Street, Nenagh, Co. Tipperary and Kilconnell, Co. Galway. The animal feed production plant is at Ballysimon Road, Limerick.

The Society is an Industrial and Provident Society registered and domiciled in Ireland. The Society is tax resident in Ireland.

The entity financial statements comply with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Industrial and Provident Societies Acts, 1893 to 2018.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities through profit or loss.

The financial statements are prepared in euros, which is the functional currency of the entity.

Consolidation

The consolidated financial statements incorporate the financial statements of Arrabawn Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2019. All intra - group transactions, balances, income and expenses are eliminated on consolidation.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually on despatch of the goods; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Interest Income

Interest Income is recognised using the effective interest method.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued)

Year ended 31/12/19

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Currency

The financial statements are presented in euro, which is the society's functional and presentation currency. Foreign currency transactions are initially translated in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to profit or loss. Non-Monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued) **Year ended 31/12/19**

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at a revalued amount, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	15 years
Patents, trademarks and licences	10 to 15 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess is recognised in profit or loss.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land	Not Depreciated
Freehold and leasehold properties	25 years
Plant and machinery	10 years
Motor vehicles	5 years
Leased assets	Not Depreciated

The Society's policy is to review the remaining useful life and residual value of tangible fixed assets. If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the society are assigned to those units.

Financial assets

Financial assets are initially recorded at cost, and subsequently stated at cost less any provision for diminution in value. Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Stocks

Stocks comprise consumable items and goods held for resale. Cost is calculated on a first in first out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition. Net realisable value comprises the actual or estimated selling price less all further costs to completion and to be incurred in marketing, selling and distribution.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Trade Debtors

Trade Debtors are recognised initially at transaction price and subsequently at amortised cost less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the society will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. All movements in the level of the provision required are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade Creditors

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Hire purchase and finance leases

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the society will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the society recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Financial instruments

A financial asset or a financial liability is recognised only when the society becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Employee benefits

Contributions to defined contribution pension plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

Short term benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits are recognised as an expense in the financial year in which employees provide the related service. The Society operates a variable pay scheme for employees. An expense is recognised in the consolidated income statement when the Society has a present legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

3. Critical accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

There are no judgements, apart from those involving estimates, involved in the preparation of financial statements.

(b) Critical accounting estimates and assumptions

The society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Establishing useful economic lives for depreciation purposes of tangible fixed assets

Long-lived assets, consisting primarily of Tangible fixed assets, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The society regularly review these asset useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation and amortisation charges for the period. Detail of the useful economic lives is included in the accounting policies.

(ii) Impairment of stocks

The society sells dairy products, agri products and DIY products and is subject to changing demands due to trend changes. As a result it is necessary to consider the recoverability of the carrying amount of stock at the end of each financial year. When calculating any stock impairment, the society considers the nature and condition of the stock, current estimated selling prices, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The level of provision required is reviewed on an on-going basis.

(iii) Impairment of debtors

The society makes an estimate of the recoverable value of trade and other debtors. The society uses estimates based on historical experience in determining the level of debts, which the company believes, will not be collected. These estimates include such factors as the current credit rating of the debtor, the ageing profile of debtors and historical experience. Any significant reduction in the level of customers that default on payments or other significant improvements that resulted in a reduction in the level of bad debt provision would have a positive impact on the operating results. The level of provision required is reviewed on an on-going basis.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

(iv) Provisions

The society makes provisions for legal and constructive obligations, which it knows to be outstanding at year-end. These provisions are generally made based on historical or other pertinent information, adjusted for recent trends where relevant. However, they are estimates of the financial costs of events that may not occur for some years. As a result of this and the level of uncertainty attaching to the financial outcomes, the actual outturn may differ significantly from that estimated.

4. Turnover

The whole of the turnover is attributable to the principal activity of the society wholly undertaken in Ireland.

5. Other operating income

	2019 €	2018 €
Rental income	22,742	27,000
Commission receivable	19,566	17,853
	<u>42,308</u>	<u>44,853</u>

6. Operating profit

Operating profit is stated after charging/(crediting):

	2019 €	2018 €
Amortisation of intangible assets	336,833	336,833
Depreciation of tangible assets	6,346,078	6,016,958
Amortisation of capital grants	(301,277)	(515,215)
Gain on disposal of tangible assets	(41,220)	(31,950)
General Operating, Selling & Distribution Costs	23,960,829	24,627,449
Fuel & Power	7,630,487	8,501,017
Wages & Salaries (Note 7)	<u>18,466,624</u>	<u>17,906,918</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

7. Staff costs

The average number of persons employed by the Society during the year, was as follows:

	2019 Number	2018 Number
Production & Administration	402	402

The aggregate payroll costs incurred during the year were:

	2019 €	2018 €
Wages and salaries	16,043,155	15,805,269
Social insurance costs	1,753,078	1,669,487
Other retirement benefit costs	670,391	432,162
	<u>18,466,624</u>	<u>17,906,918</u>

8. Exceptional items

	2019 €	2018 €
Loss on Disposal of Business Premises	(1,400,778)	-

9. Income from other financial assets

	2019 €	2018 €
Dividends received	<u>4,606</u>	<u>1,233</u>

10. Interest payable and similar charges

	2019 €	2018 €
Bank loans and overdrafts	1,657,457	1,314,512
Other loans made to the company:		
Finance leases and hire purchase contracts	832	482
	<u>1,658,289</u>	<u>1,314,994</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

11. Tax on (loss)/profit on ordinary activities

Major components of tax (income)

	2019 €	2018 €
Current tax:		
Irish current tax (income)/expense	(18,308)	21,936
Deferred tax:		
Origination and reversal of timing differences	(477,194)	174,415
Fair value adjustment - FRS 102	(54,149)	(337,496)
Total deferred tax (Note 24)	(531,343)	(163,081)
Tax on (loss)/profit on ordinary activities	(549,651)	(141,145)

Reconciliation of tax (income)

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in Ireland of 12.50% (2018: 12.50%).

	2019 €	2018 €
(Loss)/profit on ordinary activities before taxation	(2,179,482)	44,408
(Loss)/profit on ordinary activities by rate of tax	(272,435)	5,551
Effect of expenses not deductible / (allowable) for tax purposes	(199,176)	187,579
Effect of revenue exempt from tax	(576)	(154)
Research & Development tax credit	(5,685)	-
Adjustment in respect of previous periods	(20,473)	-
Tax on passive income at higher rate	2,843	3,375
Fair value adjustments re: FRS 102	(54,149)	(337,496)
Tax on (loss)/profit on ordinary activities	(549,651)	(141,145)

12. Share & Loan Stock Interest (Note 29)

	2019 €	2018 €
Share Interest	182,094	189,039
	<u>182,094</u>	<u>189,039</u>

The directors recommend a payment of share interest for 2019 of 2% (2018 - 2%).

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

13. Intangible assets

	Goodwill	Trade Brands	Total
	€	€	€
Cost			
At 01/01/19 and 31/12/19	2,694,519	3,102,500	5,797,019
Amortisation			
At 01/01/19	1,632,489	1,974,667	3,607,156
Charge for the year	163,333	173,500	336,833
At 31/12/19	1,795,822	2,148,167	3,943,989
Carrying amount			
At 31/12/19	898,697	954,333	1,853,030

	Goodwill	Trade Brands	Total
	€	€	€
Cost			
At 01/01/18 and 31/12/18	2,694,519	3,102,500	5,797,019
Amortisation			
At 01/01/18	1,469,156	1,801,167	3,270,323
Charge for the year	163,333	173,500	336,833
At 31/12/18	1,632,489	1,974,667	3,607,156
Carrying amount			
At 31/12/18	1,062,030	1,127,833	2,189,863

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

14. Tangible assets

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
Cost						
At 01/01/19	37,482,355	76,468	107,523,692	5,527,460	1,276,513	151,886,488
Additions	7,990,193	-	11,637,264	86,606	-	19,714,063
Disposals	(2,992,311)	-	(809,216)	(328,550)	-	(4,130,077)
At 31/12/19	<u>42,480,237</u>	<u>76,468</u>	<u>118,351,740</u>	<u>5,285,516</u>	<u>1,276,513</u>	<u>167,470,474</u>
Depreciation						
At 01/01/19	18,011,697	23,950	72,056,353	4,547,416	1,276,513	95,915,929
Charge for the year	835,030	3,059	5,168,260	339,729	-	6,346,078
Disposals	(593,357)	-	(807,392)	(263,770)	-	(1,664,519)
At 31/12/19	<u>18,253,370</u>	<u>27,009</u>	<u>76,417,221</u>	<u>4,623,375</u>	<u>1,276,513</u>	<u>100,597,488</u>
Carrying amount						
At 31/12/19	<u>24,226,867</u>	<u>49,459</u>	<u>41,934,519</u>	<u>662,141</u>	<u>-</u>	<u>66,872,986</u>

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
Cost						
At 01/01/18	32,619,094	76,468	95,722,077	5,203,815	1,276,513	134,897,967
Additions	4,863,261	-	11,801,615	499,904	-	17,164,780
Disposals	-	-	-	(176,259)	-	(176,259)
At 31/12/18	<u>37,482,355</u>	<u>76,468</u>	<u>107,523,692</u>	<u>5,527,460</u>	<u>1,276,513</u>	<u>151,886,488</u>
Depreciation						
At 01/01/18	17,374,871	20,891	67,035,212	4,352,743	1,276,513	90,060,230
Charge for the year	636,826	3,059	5,021,141	355,932	-	6,016,958
Disposals	-	-	-	(161,259)	-	(161,259)
At 31/12/18	<u>18,011,697</u>	<u>23,950</u>	<u>72,056,353</u>	<u>4,547,416</u>	<u>1,276,513</u>	<u>95,915,929</u>
Carrying amount						
At 31/12/18	<u>19,470,658</u>	<u>52,518</u>	<u>35,467,339</u>	<u>980,044</u>	<u>-</u>	<u>55,970,559</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Obligations under finance leases

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

At 31/12/19

Plant and
machinery

€

28,703

At 31/12/18

Plant and
machinery

€

31,318

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

15. Financial assets

	Other investments other than loans	Total
	€	€
Cost		
At 01/01/19	2,804,429	2,804,429
Additions	303,092	303,092
Disposals	(347,134)	(347,134)
Fair value adjustments	(164,088)	(164,088)
At 31/12/19	<u>2,596,299</u>	<u>2,596,299</u>
Provision for diminution in value		
At 01/01/19 and 31/12/19	-	-
Carrying amount		
At 31/12/19	<u>2,596,299</u>	<u>2,596,299</u>

	Other investments other than loans	Total
	€	€
Cost		
At 01/01/18	4,188,087	4,188,087
Additions	-	-
Disposals	(360,944)	(360,944)
Fair value adjustments	(1,022,714)	(1,022,714)
At 31/12/18	<u>2,804,429</u>	<u>2,804,429</u>
Provision for diminution in value		
At 01/01/18 and 31/12/18	-	-
Carrying amount		
At 31/12/18	<u>2,804,429</u>	<u>2,804,429</u>

In the opinion of the board, the value of investments is not less than as shown above. Included in other Investments other than loans are listed investments and other investments. All other investments outside of listed investments are measured at Cost less impairment.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

Listed investments

Included in financial assets are the following amounts in relation to listed investments:

At 31 December 2019

Carrying value

Market value

Stock exchange value

Other investments other than loans	Total
€	€
904,205	904,205
904,205	904,205
904,205	904,205

At 31/12/18

Carrying value

Market value

Stock exchange value

891,423	891,423
891,423	891,423
891,423	891,423

The listed investments are listed on the Irish Stock Exchange and Canadian Securities Exchange. The cost of listed investments included above are €593,315 (2018: €593,315).

Investments in group undertakings

	Registered office	Nature of business	Class of share	Shares held	
				2019 %	2018 %
Subsidiary undertakings					
Arra Co-Operative Society Ltd	Stafford St., Nenagh, Co. Tipperary.	Agri Co-Op	Ordinary	100	100

16. Stocks

Raw materials and consumables
Finished goods and goods for resale
Expense Stocks

2019 €	2018 €
2,820,335	2,960,143
11,980,834	12,530,408
2,065,013	2,231,039
16,866,182	17,721,590

The net replacement of stock is not expected to be materially different from that shown above.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

17. Debtors

	2019 €	2018 €
Trade debtors	32,265,413	32,733,713
Other debtors	1,450,373	3,185,443
	<u>33,715,786</u>	<u>35,919,156</u>

The fair value of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €1,968,156 (2018: €1,965,598).

18. Cash and cash equivalents

	2019 €	2018 €
Cash at bank and in hand	3,869,123	7,251,835
Bank overdrafts	(15,229,820)	(18,904,092)
	<u>(11,360,697)</u>	<u>(11,652,257)</u>

The bank and cash balance contain no restricted cash.

19. Creditors: amounts falling due within one year

	2019 €	2018 €
Bank loans and overdrafts	17,521,488	19,362,426
Trade creditors	25,344,691	27,638,014
Obligations under finance leases	4,021	3,009
Tax and social insurance:		
PAYE and social welfare	481,394	424,605
Corporation tax	(180,055)	(159,882)
Government grants (Note 23)	262,419	331,431
	<u>43,433,958</u>	<u>47,599,603</u>

Trade creditors include amounts owing to suppliers who have a reservation of title clause in their contracts of sale.

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

	2019 €	2018 €
Bank loans and overdrafts	31,790,805	20,873,996
Obligations under finance leases	8,032	12,052
Government grants (Note 23)	672,911	1,116,003
	<u>32,471,748</u>	<u>22,002,051</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

21. Details of indebtedness - Loans

Loans repayable, included within creditors, are analysed as follows:

	2019 €	2018 €
Indebtedness repayable other than by instalments:		
Bank loans < 1 year	2,291,668	458,334
Bank loans 2-5 year	10,999,997	5,833,336
Banks loans > 5 year	20,790,808	15,040,660
	<u>34,082,473</u>	<u>21,332,330</u>

22. Obligations under finance leases

The total future minimum lease payments under finance lease agreements are as follows:

	2019 €	2018 €
Not later than 1 year	(4,021)	(3,009)
Later than 1 year and not later than 5 years	(8,032)	(12,052)
	<u>(12,053)</u>	<u>(15,061)</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

23. Government grants

	2019 €	2018 €
At 01/01/19	1,447,434	1,482,994
Grants received or receivable	-	479,655
Grants reclassified as revenue	(210,827)	-
Released to the profit or loss	(301,277)	(515,215)
At 31/12/19	<u>935,330</u>	<u>1,447,434</u>

The amounts recognised in the financial statements for government grants are as follows:

	2019 €	2018 €
Recognised in creditors:		
Deferred government grants due within one year	262,419	331,431
Deferred government grants due after more than one year	672,911	1,116,003
	<u>935,330</u>	<u>1,447,434</u>

Grants received by the Society may be repayable in certain circumstances as outlined in the Grant Agreement. Grants awarded were capital in nature and there are no outstanding unfulfilled conditions.

24. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 €	2018 €
Included in provisions (note 25)	<u>301,417</u>	<u>832,760</u>

The deferred tax credit for the year (Note 11) consists of the tax effect of timing differences in respect of:

	2019 €	2018 €
Accelerated capital allowances / tax losses	(477,194)	174,415
Fair value adjustment of financial assets	(54,149)	(337,496)
	<u>(531,343)</u>	<u>(163,081)</u>

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

25. Provisions

	Deferred tax (note 24)	Total
	€	€
At 01/01/19	832,760	832,760
Charges against provision	(477,194)	(477,194)
Fair Value Adjustment - FRS102	(54,149)	(54,149)
At 31/12/19	301,417	301,417

	Deferred tax (note 24)	Total
	€	€
At 01/01/18	995,841	995,841
Charges against provision	174,415	174,415
Fair Value Adjustment - FRS102	(337,496)	(337,496)
At 31/12/18	832,760	832,760

26. Employee benefits

The amount recognised in profit or loss in relation to the total pension charge was €670,391 (2018:€432,162). Contributions of €91,530 were due to the schemes by the Society at 31 December 2019. These have been paid by the Society since the year end.

Defined contribution plans

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the society in an independently administered fund. The pension cost charge includes the 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. The most recent full actuarial valuation of the Irish Co-Operative Societies' Pension Scheme was carried out on 1st July 2017. The report is available for inspection by Scheme members but is not available to the public. The Scheme satisfied the statutory Funding Standard and Funding Standard Reserve requirements at the valuation date. An Actuarial Funding Certificate was prepared with an effective date of 1st July 2017 and confirmed that the Scheme satisfied the Funding Standard set out in Section 44(1) of the Pensions Act, 1990 at that effective date. A Funding Standard Reserve Certificate was also prepared with an effective date of 1st July 2017 and confirmed that the Scheme held sufficient additional assets to satisfy the funding Standard Reserve set out in Section 44(2) of the Pensions Act, 1990 at that effective date. In the most recent annual funding update, the Actuary's Statement dated 13th March 2019 confirms that the Actuary is reasonably satisfied that the Scheme continues to meet the Funding Standard reserve as at 30th June 2018. The financial assumptions relating to the return on investment, the rate of increase in pensionable pay or salaries, and price inflation are outlined in the actuarial valuation report.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

27. Share capital

Issued, called up and fully paid

Amounts presented in equity:

Ordinary shares of € 1.00 each (2018: € 1.00)

2019		2018	
Number	€	Number	€
10,289,030	10,289,030	9,589,635	9,589,635

Share movements

Ordinary shares:

At 01/01/19
 Bonus Issues from Bonus Reserves (Note 29)
 Issued during the year
 Conversion of Loan Stock to Shares
 Redeemed during the year
 At 31/12/19

Number	€
9,589,635	9,589,635
339,851	339,851
14,239	14,239
404,354	404,354
(59,049)	(59,049)
10,289,030	10,289,030

All ordinary shares are fully paid up.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

28. Loan Stock

Redeemable Loan Stock
Convertible Loan Stock

2019
€

2018
€

-
-
404,354
404,354

28. 1 Redeemable Loan Stock

Opening Balance
Loan Stock issued
Loan Stock Redeemed
Closing Balance

2019
€

2018
€

-
-
-
-
71,961
-
(71,961)
-

28. 2 Convertible Loan Stock

Opening Balance
Loan Stock issued during the year
Loan Stock Converted to Shares (note 27)
Closing Balance

2019
€

2018
€

404,354
-
(404,354)
-
333,437
401,412
(330,495)
404,354

29. Reserves

At 31/12/18
as previously stated

At 01/01/19

Bonus issue of shares
Loss for the year
Share & Loan Interest paid

At 31/12/19

Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
39,528,277	1,117,322	268,206	159,293	355,931	41,429,029
39,528,277	1,117,322	268,206	159,293	355,931	41,429,029
-	-	-	-	(339,851)	(339,851)
(1,629,831)	-	-	-	-	(1,629,831)
(182,094)	-	-	-	-	(182,094)
37,716,352	1,117,322	268,206	159,293	16,080	39,277,253

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

30. Financial commitments

(a) Capital Commitments

At the year end the society had the following commitments for capital expenditure:

	2019 € million	2018 € million
Contracted but not provided for	2.26	8.60
Authorised but not contracted for	0.50	15.25

31. Contingent assets and liabilities

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 €7,157,097 (2018: €7,420,631) under agreements between the society and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

Arrabawn Co-Operative Society Limited

Notes to the Financial Statements (continued) Year ended 31/12/19

32. Related party transactions

In the ordinary course of business, as farmers, the Committee members trade with the society on standard commercial terms. During the year the Society entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2019	2018	2019	2018
	€	€	€	€
Milk Purchases from Committee Members	3,697,486	3,941,062	(174,233)	(183,843)
Purchases by Committee Members	1,096,834	975,983	235,938	449,732

Key management includes the Board of Directors, all members of the Society Management including the Society Secretary. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	Number	Number
Board of Directors	18	18
Senior Management Team	15	15
	€	€
Directors Fees & Expenses	170,251	158,013
Key management compensation		
Salaries and other short-term employee benefits	2,048,324	1,912,930

33. Securities and guarantees

The Society's bank facilities comprise a combination of bank overdraft, bank factored debt, term debt and a bond guarantee. The bank overdraft, term loan facilities and bond guarantee provided to the society by Allied Irish Bank and Bank of Ireland are secured by fixed and floating debentures over the assets of the society. The debentures incorporate specific charges over land and buildings. The bank factored debt is secured on certain trade debtors of the Society.

34. Events after the end of the reporting period

There have been no significant events affecting the society since the year end that require reporting in the financial statements.

35. Approval of financial statements

The board of directors approved these financial statements for issue on 20 March 2020.

NOTES

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MILK

STATISTICS

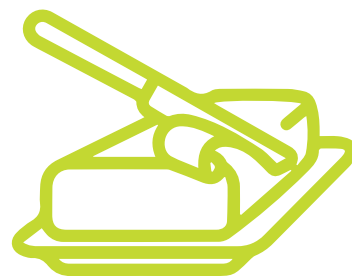


OWN

SUPPLIERS

2019 410.28m/Lt.

2018 380.79m/Lt.



AVERAGE

BUTTERFAT

2019 4.19%

2018 4.16%



AVERAGE

PROTEIN

2019 3.52%

2018 3.46%



AVERAGE

PRICE

2019 33.76c/Lt.

2018 35.66c/Lt.



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