Arrabawn Co-op

ANNUAL REPORT AND ACCOUNTS

2014

Arrabawn Co-operative Society Limited

Board of Directors & Other Information

Chairman	Sean Monahan
Vice Chairmen	Edward Carr John Ryan
Board	Patrick Brennan Martin Callanan Matt Cleary Padraig Coughlan Sean Daly Patrick Donnellan Michael Egan Sean Fahy Seamus Finn Michael Flaherty John Fletcher Gerry Hoade Michael Kennedy Patrick McLoughlin Patrick Meskell John Moylan Sean Ryan Sean C. Ryan John Woods
Chief Executive	Conor Ryan
Secretary	Jerry Ryan

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

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

Bankers
Allied Irish Banks plc.
Rabobank.

Registered Office
Nenagh,
Co. Tipperary.

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Chairman's Address

I am delighted to report that 2014 was a very successful year for the Society during which our milk suppliers delivered a record 277 million litres – the highest volume of milk ever recorded for the society since the original co-operative was first established over 100 years ago. I think this is a significant milestone for the Society and is a vote of confidence in the prospects for the dairy sector and the future of Arrabawn.

The key points from our financial results are as follows:

***Turnover for the year was €213 million.**

***Dairy Division turnover was €158 million**

***Trading Division turnover was €55 million**

***Gross profit increased by €2.5 million to €48.5 million**

***Operating profit increased by €1.7million to €4.4million.**

***Net debt was reduced by €0.8m to €9.25million**

***The average price for milk was 38.27cent per litre.**

Despite the fall in turnover – due entirely to the drop in feed sales in the Trading Division that had been boosted the previous year by the extreme weather conditions – there were substantial increases in our Gross Profit – up by €2.5 million – and Operating Profit – up by €1.7 million.

When one considers that we paid our suppliers one of the top prices in the country for milk during the year, these results were excellent, and they place Arrabawn in a very strong position for the future. We are confident that recent and current capital investments in our processing plants are delivering a return which can be passed back to our suppliers and shareholders.

Milk Processing Division

Work is ongoing at this time on the installation of our new evaporator and gas boilers. When commissioned, this evaporator will enable us to add value to our whey stream as we will be able to manufacture both permeate powder and whey protein concentrate.

The connection of the Nenagh plant to the national natural gas network will be in place by mid summer and this will give us a cheaper, cleaner, more efficient source of fuel.

All the work undertaken is being done on the basis of eventually delivering a better return to our suppliers and I am confident that the benefits of these projects will be available later this year and will continue long into the future.

Liquid Milk

Despite intense competition at retail level in this sector, we have continued to increase sales in our distribution area and this has enabled us to increase the contract volume for next winter for our liquid milk suppliers.

Sean Monahan
Chairman

Presently work is underway at our Kilconnell processing plant on the installation of a second pasteurisation line to enable us to increase throughput there. Since this plant was built ten years ago it has seen major growth through the acquisition of the Dawn Galway business together with the development and expansion of our supply relationship with the Aldi group.

In order to enhance facilities at this plant we have submitted a planning application to Galway Co. Council to increase cold storage space and loading facilities, and will review our plans for further investment there when, hopefully, planning permission is granted.

Trading Division

Feed tonnage sales and turnover were down in 2014 compared to 2013. This was due to the fact that 2013 was an exceptional year because of extremes in the weather which resulted in unprecedented demand for feed, especially in the first six months. Sales in 2014 returned to normal and were similar to those achieved in 2012.

I am glad to report that, as expected, the integration of Greenvale into Dan O'Connor Feeds in Limerick has resulted in significant cost savings. This highly automated plant is now operating very efficiently and is perfectly geared to meet the demands of our customer base which is increasing steadily every year.

I am also happy to report that our retails stores provide a very competitive service to our customers across our catchment area. We are continuing to grow the range of goods and services on offer in these stores and I am confident that they will continue to make a significant contribution to our results in the coming years.

Super Levy and Post Quota Era

As we announce these results there are still a number of weeks left to the end of the super levy year. While we do not know yet how much exactly we will finish over quota we are certain that we will exceed it. We estimate that close to 50% of our suppliers will have some levy liability, and we have plans in place to help ease the burden of paying this.

As mentioned, our suppliers last year delivered the highest ever volume recorded for the Society – 277 million litres. From extensive feedback from farmers right across our catchment region, we know that the appetite and potential is there to increase the volume further. I wish to reassure all our suppliers that we have more than adequate capacity in place in both our plants to handle any expansion they might be planning.

I am sure there will be many challenges for us as farmers in the years ahead, but it is good to know that the challenge posed by the quota regime is gone forever, and as a result we can all look forward with confidence to the “post quota” era. I anticipate that there will be many new entrants into milk production in this era. They will be very welcome to Arrabawn and we will be delighted to help them develop their business.

New Rules for Board and Representative Committee

This year will see the first step in the restructuring on our Board of Directors and our Representative Committee. This particular rule change provides for appropriate representation in each branch area relative to the number of shareholders, milk suppliers and level of trading of the branch.

Consequently, some branch areas will have less seats and as a result some people will not be returned to the Board and Committee. Therefore, I would urge you to discuss these changes locally in your area and to seek a nomination yourself or nominate people to fill the vacancies as they arise.

We should all take great pride in being part of a Co-Op whose structure gives you a voice and I urge that you use it. I welcome new members to the Representative Committee and I look forward to working with you for the betterment of the Society. The more we work together the stronger our Co-op will be.

The Future

Our development plan has been and continues to be one that allows us to process all your milk into high value added products and deliver the best possible return to you. Over the last few years we have increased the capacity of our casein plant to such an extent that now, for most of the year, we have a choice on what products we can make at any particular time. The new evaporator will allow us add value to the whey stream arising from casein production and we have increased the range of skim milk powders we produce. Thus, we now have the flexibility to switch between products to meet market demands and improve market returns.

I wrote to each supplier recently outlining a number of changes we have planned for 2015. These issues were ones that were raised by our members through our Board and Representative Committee, and I believe we have responded fairly to them all.

In particular I would draw your attention to the flexibility we have incorporated into our share requirement scheme. As a supplier, you now have the option to cease contributing to shareholding when you have the minimum of 1.5 cent of shares per litre of milk supplied. Our preferred and recommended level of shareholding is 2.5 c/lt, but now you can decide what level you wish to achieve. This share drive has been very successful and it demonstrates to our customers and bankers the commitment our members have to the development of their own Society.

During the year we received an unsolicited proposal from another Co-operative. This proposal was considered by the Board and they decided it should be evaluated professionally. A well-known, highly respected and independent consultancy firm was retained to carry out the review. Their report clearly confirmed that the proposal submitted to us completely undervalued the Society, and subsequently the Board unanimously rejected the proposal.

On behalf of the Board, I wish to point out that Arrabawn is in a very strong financial position, as our results demonstrate, and we will not be intimidated into accepting an offer which is not in the best interests of all our members. It has always been our policy to be open to discussions with other processors about any arrangements that might be of benefit to our members, and this will remain our policy going forward.

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 all the staff and the different groups and organisations with whom the Society was involved with during 2014.

The advice and support of everyone who had dealings with the Co-Op in anyway is greatly appreciated.

Sean Monahan
Chairman

Arrabawn Co-op

Chief Executive's Review 2014

Chief Executive's Review 2014

Both divisions in Arrabawn performed to expectations in the year gone by. This resulted in a very solid performance for the organisation showing a 60% increase in profits from the previous year. Our operating profit margin was at 2.08% up from 1.26% in 2013 which ranks well up with our peer group processors. Milk price in 2014 averaged out at 38.27c/litre back slightly on the record price in 2013. Arrabawn was in a position to hold this particularly in the second six months of the year due to increased flexibility at plant level and the product range we produce, at a time when market prices worldwide were taking a severe tumble.

Our balance sheet represents a very solid society and we have seen our total capital and reserves go from €37.6m to €42m. Given the significant capital expenditure in 2014 net debt was reduced by €0.8m to €9.25m, this further underlines the strong performance for the period.

Dairy Division

2014 was a year of significant change in the Nenagh plant. We have finally succeeded in bringing a supply of natural gas to Nenagh and to facilitate this we have installed two new state of the art gas boilers which will replace the original heavy fuel oil boilers installed back in the mid seventies. This is vital for the competiveness of our plant and from June 2015 we hope to have installed and be generating our steam supply from natural gas. Natural gas will help Arrabawn reduce its carbon emissions by 25% and will be of huge help in ensuring that we are a sustainable manufacturing site into the future. Further to this investment we also put in place a new CIP system for our main plant. Finally work commenced on a new evaporator to ensure we are in position to add value to our whey stream and have capacity to handle all extra milk which the post quota era will bring.

During the peak months of 2014 we were in a position to facilitate other processors who were struggling with capacity issues due to the exceptional year we had. This was a significant test for our plant and gave great confidence facing into 2015 and the abolition of quotas when we expect significant increases in the quantity of milk to be processed.

The development of new products in the value added area is key to Arrabawns future. Providing our customers with the functionality and meeting the quality standards that are expected by global customers on a continuous basis. Over the last 3 years we have followed a programme to allow us put much more of our farmer's milk into the higher value added sector, while ensuring that we also have capacity in place for suppliers. This programme is nearing completion and should ensure that our plant in Nenagh is well invested in for the next decade. This business has undergone significant change and I would like to acknowledge the willingness of our workforce to embrace change at all times for the betterment of our business.

For 2014 the liquid section of Arrabawn saw further growth and despite high raw material prices the business performed to expectation due to increased efficiencies within the plant and by improving our distribution system. The liquid milk market in Ireland remains very competitive and is changing at a fast pace continuously.

We continue to ensure that our plant in Kilconnell processes the best quality milk and that this milk is processed to the highest standards to meet customer expectations at all times. During the year we commenced stage 1 of a plan to allow for increased capacity on this site, we have put in place a new separation and pasteurisation plant which allows us increase 3 fold the volumes through the plant in this area. This project is due for completion in Mid April 2015.

Conor Ryan
Chief Executive

The dairies ran some very innovative marketing campaigns during 2014 to ensure our brand is kept vibrant; this follows up the rebranding exercise of 2013 when we upgraded all our Arrabawn packaging.

Agri Trading

2014 resumed to a more normal pattern of trading following the fodder crisis of 2013 where we saw excessive demand and very high prices. Good weather conditions benefited grass production and helped record levels of milk production on farms. Prices for fertiliser saw a €20/tonne reduction on 2013 levels and feed prices were back by over €36/tonne.

2014 was the first full year we saw the benefit of the consolidation of our feed business onto the one site in Dan O'Connor Feeds in Limerick. The mill has surpassed our expectations in terms of efficiency and having the capability to service both pellet and coarse products from one site has helped both customer service and logistics.

Bord Bia Quality Assurance

This scheme has been in operation since mid-2014 and at this time approximately one third of our farms have been certified. While we are very happy with the rate at which farms are joining the scheme it is essential that we quickly have all farms certified.

The purpose of this scheme is to demonstrate that Irish farming is operating to the highest possible standard and by participating in the scheme we have an independently audited process to show to customers the commitment of our farmers. To be meaningful we need all farms certified and our target is to have this process complete in the next 12 months.

Conclusion

Finally I would like to thank all Board and Committee Members for their contribution through 2014. From April 2015 we enter a new era with the abolition of quotas and as a result of the investments in our business over the last 3 years we are in a good position to provide a competitive milk price back to our shareholders while processing all the milk that is produced by our suppliers.

Conor Ryan
Chief Executive

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 2014 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes as set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is Irish Law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report, 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. The Directors are also responsible for the preparation of the financial statements giving a true and fair view.

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 2014. 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 and express an opinion on the financial statements in accordance with Irish Law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 2014. 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)

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Group's affairs as at the 31st December 2014 and of the Group's profit for the year then ended; and

- have been properly prepared in accordance with the requirements of the Irish Industrial and Provident Societies Act 1893 to 2014.

Matters on which we are required to report by the Irish Industrial and Provident Societies Act 1893 to 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit
- In our opinion proper books of account have been kept by the Group.
- The Group's balance sheet is in agreement with the books of account
- In our opinion the information given in the Chairmans' Report is consistent with the financial statements.

Quinlan Holohan & Co

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

Date: 26 February 2015

Consolidated Trading Profit and Loss Account

for the year ended 31 December 2014

	Notes	2014 €	2013 €
Turnover			
Dairy Division		158,193,911	149,854,704
Trading Division		54,944,761	70,611,822
		213,138,672	220,466,526
Raw Materials & Goods for Resale		(164,639,255)	(174,441,896)
Gross profit		48,499,417	46,024,630
Operating & Administration Expenses	**2.1.**	(44,057,869)	(43,256,898)
Operating Profit before Exceptional Items		4,441,548	2,767,732
Operating Exceptional Items	**2.2.**	-	(266,769)
Profit before Interest		4,441,548	2,500,963
Other Income		25,442	21,713
Interest payable and similar charges	**4**	(884,423)	(765,661)
Profit on ordinary activities before Tax		3,582,567	1,757,015
Tax on profit on ordinary activities	**5**	(452,105)	(249,998)
Profit on ordinary activities after Tax		3,130,462	1,507,017
Share & Loan Stock Interest	**6**	(114,412)	(103,501)
Retained Profit for the year	**18**	**3,016,050**	**1,403,516**

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

Sean Monahan
Chairman

Edward Carr
Vice Chairman

John Ryan
Vice Chairman

Consolidated Balance Sheet
as at 31 December 2014

	Notes	2014 €	2013 €
Fixed assets			
Intangible assets	**7**	3,645,509	4,032,377
Tangible assets	**8**	33,993,649	30,010,335
Financial assets	**9**	3,154,034	3,151,134
		40,793,192	37,193,846
Current assets			
Stocks	**10**	15,649,090	16,787,715
Debtors	**11**	19,581,929	23,878,745
Bank and Cash		4,209,444	3,487,818
		39,440,463	44,154,278
Creditors: amounts falling			
Creditors - amounts falling due within one year	**12**	(33,285,797)	(38,092,031)
Net current assets		6,154,666	6,062,247
Total assets less current liabilities		46,947,858	43,256,093
Creditors: amounts falling due after more than one year	**13**	(2,338,816)	(2,479,933)
Deferred income	**14**	(2,643,350)	(3,217,458)
Net assets		**41,965,692**	**37,558,702**
Capital and reserves			
Share capital	**16**	6,390,022	6,137,433
Loan Stock	**17**	2,265,945	847,027
Reserves	**18**	33,309,725	30,574,242
		41,965,692	**37,558,702**

On behalf of the board

Sean Monahan
Chairman

Edward Carr
Vice-Chairman

John Ryan
Vice-Chairman

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Notes	2014 €	2013 €
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities	(i)	8,611,593	9,486,151
Returns on investments and servicing of finance	22	(992,666)	(876,599)
Taxation	22	(324,546)	36,806
Capital expenditure and financial investment	22	(7,807,190)	(5,627,274)
Financing	22	1,208,812	(707,699)
Increase in cash in the year		696,003	2,311,385
Reconciliation of net cash flow to movement in net funds (Note 23)			
Increase in cash in the year		696,003	2,311,385
Cash used to reduce lease/hire purchase liability		87,465	93,759
Repayment of long term loan		120,813	1,438,359
Cash Flow from increase in loan/ hire purchase finance		(26,150)	-
Change in net funds resulting from cash flows	23	878,131	3,843,503
Net debt at 31 December 2013	23	(10,130,876)	(13,974,379)
Net debt at 31 December 2014	23	(9,252,745)	(10,130,876)
Note (i)			
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities			
Operating profit before exceptional items		4,441,548	2,767,732
Depreciation /Amortisation		4,285,822	3,917,026
Decrease in stocks		1,138,625	373,148
Decrease in debtors		4,032,011	105,393
(Decrease) / Increase in creditors		(5,214,732)	2,600,464
Sundry Income		13,731	12,662
Restructuring/Redundancy payments		(55,000)	(275,680)
(Profit) on disposal of assets		(32,504)	(14,594)
Tax relief at source not paid		2,092	-
Net cash inflow/(outflow) from operating activities		8,611,593	9,486,151

On behalf of the board

Sean Monahan
Chairman

Edward Carr
Vice-Chairman

John Ryan
Vice-Chairman

Notes on and forming part of the Financial Statements
for the year ended 31 December 2014

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 2014. 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, which are denominated in euro's, 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. Assets under construction are not depreciated. Depreciation is calculated to write off 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. Grants

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.

Revenue Grants

Revenue grants are accounted for in the year in which the related expenditure is incurred and are dealt with directly through the Profit & Loss Account.

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

Transactions denominated in foreign currencies during the year have been translated at the rate of exchange ruling at the date of the transactions or at a contracted rate where there are matching forward contracts. Monetary assets and liabilities arising in foreign currencies have been translated into Euro at rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

1.16 Factored debts

Factored debt where full recourse is held by the lender is recognised as a liability and included in Creditors: amounts falling due within one year.

2. Operating Profit

	2014 €	2013 €
2.1. Operating & Administration Expenses		
Operating & Administration Expenses are comprised of:		
Wages & Salaries **(Note 3)**	13,878,476	13,391,538
Fuel & Power	8,236,888	8,899,738
General Operating, Selling & Distribution Costs	15,075,921	14,674,793
Administrative Expenses	2,580,762	2,373,803
Depreciation/Amortisation of Tangibles,Intangibles & Capital Grants	4,285,822	3,917,026
	44,057,869	43,256,898

2.2. Operating Exceptional Items

	2014 €	2013 €
Restructuring including redundancy costs	-	266,769
	-	266,769

3. Employees and Remuneration

Number of employees

The numbers of employees at the end of the year were:	2014 Number	2013 Number
Production & Administration	307	304

Employment costs

	2014 €	2013 €
Wages and salaries	12,024,506	11,566,217
Social welfare costs	1,258,339	1,213,929
Pension costs **(Note 15)**	595,631	611,392
	13,878,476	13,391,538

4. Interest Payable and similar charges

	2014 €	2013 €
Bank Loans and Overdrafts	872,335	751,937
Lease finance charges and Hire Purchase interest	12,088	13,724
	884,423	765,661

5. Tax on profit on ordinary activities

Analysis of charge in period	2014	2013
	€	€
Corporation tax	181,759	182,143
Deferred Tax - timing differences	270,346	67,855
Tax on profit on ordinary activities	452,105	249,998

The rate of corporation tax mainly attributable to the Society is 12.5%. (2013 - 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:

	2014	2013
	€	€
Profit on ordinary activities before taxation	3,582,567	1,757,015
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2013 : 12.5%)	447,821	219,627
Effects of:		
Disallowable Expenses - permanent	1,923	1,008
Disallowable Expenses - timing	(48,679)	(31,366)
Tax Exempt Income	(294)	(279)
Capital allowances for period in excess of depreciation	60,298	120,732
Value of tax losses utilised in year	(280,480)	(93,851)
Tax on passive income at higher rate	1,170	852
Adjustments to tax charge in respect of previous periods	-	(34,580)
Current tax charge for period	181,759	182,143

6. Share & Loan Stock Interest

	2014	2013
	€	€
Share Interest	114,265	103,187
Loan Stock Interest	147	314
	114,412	103,501

The directors recommend a payment of share interest for 2014 of 2% (2013- 2%).

7. Intangible Fixed Assets

	Trade Brands	Goodwill	Total
Cost	€	€	€
At 31 December 2013	3,102,500	2,694,519	5,797,019
At 31 December 2014	3,102,500	2,694,519	5,797,019
Amortisation			
At 31 December 2013	948,855	815,787	1,764,642
Charge for year	223,500	163,368	386,868
At 31 December 2014	1,172,355	979,155	2,151,510
Net book values			
At 31 December 2014	1,930,145	1,715,364	3,645,509
At 31 December 2013	2,153,645	1,878,732	4,032,377

8. Tangible Fixed Assets

	Land and Buildings Freehold €	Long Leasehold Property €	Plant and Machinery €	Motor Vehicles €	Leased Assets €	Total €
Cost						
At 1 January 2014	26,452,935	76,468	69,541,082	4,106,109	1,379,447	101,556,041
Transfers	-	-	-	-	-	-
Additions	1,456,620	-	6,911,483	161,297	-	8,529,400
Disposals	-	-	(116,373)	(24,500)	(102,934)	(243,807)
At 31 December 2014	27,909,555	76,468	76,336,192	4,242,906	1,276,513	109,841,634
Depreciation						
At 1 January 2014	15,535,372	8,655	51,101,846	3,520,386	1,379,447	71,545,706
On disposals	-	-	(80,849)	(24,500)	(102,934)	(208,283)
Charge for the year	464,883	3,059	3,775,281	267,339	-	4,510,562
At 31 December 2014	16,000,255	11,714	54,796,278	3,763,225	1,276,513	75,847,985
Net book values						
At 31 December 2014	11,909,300	64,754	21,539,914	479,681	-	33,993,649
At 31 December 2013	10,917,563	67,813	18,439,236	585,723	-	30,010,335

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:

	2014 €	2013 €
Plant & Machinery		
Net Book Value	25,278	3,323
Depreciation	872	69,536
Motor vehicles		
Net Book Value	90,130	113,362
Depreciation	32,081	14,781

9. Financial Fixed Assets

Trade Investments	2014 €	2013 €
Cost		
At 31 December 2013	3,151,134	3,409,936
Additions	471,000	347,000
Disposals	(468,100)	(605,802)
At 31 December 2014	3,154,034	3,151,134
Cost of quoted investments included above	2,436	2,436
Market valuation of quoted investments at year end	884,536	754,242

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 2014.

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

	2014 €	2013 €
Finished Goods	7,665,065	7,433,174
Resale Goods	5,083,126	5,612,713
Expense Stocks	1,702,405	1,820,290
Raw Materials	1,198,494	1,921,538
	15,649,090	16,787,715

11. Debtors

	2014 €	2013 €
Amounts falling due within one year		
Trade debtors & prepayments	19,717,997	23,744,467
Other debtors (deferred tax)	(136,068)	134,278
	19,581,929	23,878,745

11.1. Deferred Taxation

	2014 €	2013 €
Balance at beginning of the year	134,278	202,133
Movement in year	(270,346)	(67,855)
Balance at end of the year	(136,068)	134,278

12. Creditors: amounts falling due within one year

	2014 €	2013 €
Bank overdrafts and factored debt	11,426,016	11,400,393
Bank loans	125,000	125,000
Net obligations under finance leases and hire purchase contracts	46,687	87,698
Trade creditors & accruals	21,642,166	26,292,318
Corporation tax	45,928	186,622
	33,285,797	38,092,031

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

	2014 €	2013 €
Distribution of surplus	474,330	474,330
Bank loans	1,832,086	1,952,899
Net obligations under finance leases and hire purchase contracts	32,400	52,704
	2,338,816	2,479,933

Bank Loan Analysis

	2014 €	2013 €
Repayable within one year or less, or on demand **(Note 12)**	125,000	125,000
Repayable between two and five years **(Note 13)**	1,832,086	1,952,899
Total Bank Loans	1,957,086	2,077,899

14. Deferred income

Government Grants

	2014 €	2013 €
At beginning of year	3,217,458	3,825,318
Received in year	37,500	-
	3,254,958	3,825,318
Released in year	(611,608)	(607,860)
At end of year	2,643,350	3,217,458

15. Retirement Benefits

The total pension charge for the year was €595,631 (2013 - €611,392). Contributions of €62,352 were due to the scheme by the Society at 31 December 2014. These have been paid to the scheme by the Society since the year end.

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 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. 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.

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 trustee annual report.

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.

The trustee has prepared and submitted an application to the Pensions Board for a Section 50 Order under the Pensions Act. If the Pensions Board grants the Section 50 Order it will ensure that the Scheme will meet the Minimum Funding Standard.

16. Share capital

	2014	2013
	€	€
Opening Balance	6,137,433	5,886,440
Issued during the year	9,799	73,507
Redeemed during the year	(37,777)	(81,614)
Bonus Issues from Bonus Reserves	280,567	259,100
Closing Balance	6,390,022	6,137,433

17. Loan Stock

	2014	2013
	€	€
Redeemable Loan Stock	3,686	7,853
Convertible Loan Stock	2,262,259	839,174
	2,265,945	847,027

17.1. Redeemable Loan Stock

	2014	2013
	€	€
Opening Balance	7,853	14,501
Loan Stock Issued	-	971
Loan Stock Redeemed	(4,167)	(7,619)
Closing Balance	3,686	7,853

17.2. Convertible Loan Stock

	2013	2013
	€	€
Opening Balance	839,174	-
Convertible Loan Stock issued during the year	1,423,819	839,174
Convertible Loan Stock Redeemed	(734)	-
	2,262,259	839,174

The Board of the Society has resolved that by the end of 2016 each milk supplier must hold a "minimum shareholding level" in the Society. The level required is determined by the volume of milk supplied. In order to acheive this level, where necessary a deduction is being made from the milk price paid to suppliers from the 1st June 2013. This deduction will be applied towards the issue of convertible loan stock in the Society. The loan stock will be converted to ordinary shares. A supplier with surplus loan stock may apply to the Board for encashment of the surplus. Any such encashment is at the sole discretion of the Board. A supplier retiring from milk production may apply to the Board to redeem his/her ordinary shares and cancel membership. The acceptance of any such application for redemption and the redemption scheme (including the period of years over which the redemption is effected) is at the sole discretion of the Board.

18. Reserves

	Profit and Loss Account	Special Share Reserve	Capital Reserve	General Reserve	Bonus Share Reserve	Total
	€	€	€	€	€	€
At 31 December 2013	29,384,985	419,780	268,206	159,293	341,978	30,574,242
Transfer Bonus Reserve	-	-	-	-	-	-
Issue of Bonus Shares	-	-	-	-	(280,567)	(280,567)
Retained profit for the year	3,016,050	-	-	-	-	3,016,050
At 31 December 2014	32,401,035	419,780	268,206	159,293	61,411	33,309,725

19. Financial Commitments

(a) Capital Committments

Future Capital Expenditure approved but not provided for in the Financial Statements is as follows:	2014	2013
	€	€
Contracted For	3,060,000	-
Not Contracted For	1,600,000	7,420,000

(b) Forward Contracts

The Society has entered into forward foreign currency contracts to reduce transactional exposures arising from purchases of capital expenditure in US Dollars. The foreign currency contracts are denominated in the same currency as the hedged item. At the end of the year, the Society has entered into a contract whereby it committed to buying dollars with an equivalent euro nominal value of €1,080,648. (2013: Nil)

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 €6,207,713 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.

	2014	2013
	€	€
During the year the Society invoiced Board Members in respect of goods supplied to them	1,213,017	1,376,844
The net value of milk supplied by Board Members amounted to	3,349,203	3,486,855
Amounts due from Board Members at 31st December	255,520	216,540
Amounts due to Board Members at 31st December	159,754	110,655

22. Gross cash flows

	2014 €	2013 €
Returns on investments and servicing of finance		
Interest paid	(879,696)	(775,469)
Interest element of finance lease rental payments	(4,727)	(3,320)
Dividends received	6,170	5,691
Share and Loan Stock interest paid	(114,413)	(103,501)
	(992,666)	(876,599)
Taxation		
Corporation tax paid	(324,546)	(30,099)
Corporation tax repaid	-	66,905
	(324,546)	36,806
Capital expenditure and financial investment		
Payments to acquire intangible assets	-	(650,000)
Payments to acquire tangible assets	(7,874,294)	(5,249,860)
Receipts from sales of tangible assets	32,504	13,784
Payments to acquire fixed asset investments	(100,000)	-
Acquisition of Convertible Loan Stock	(371,000)	(347,000)
Redemption of Convertible Loan Stock	468,100	605,802
Receipt of capital grant	37,500	-
	(7,807,190)	(5,627,274)
Financing		
Issue of ordinary share capital	9,799	73,507
Issue of convertible loan stock	1,423,819	839,174
Redemption of ordinary share capital	(37,777)	(81,614)
Loan Stock subscribed	-	971
Loan Stock redeemed	(4,901)	(7,619)
New finance lease / hire purchase loan	26,150	-
Repayment of long term bank loan	(120,813)	(1,438,359)
Capital element of finance leases and hire purchase agreements repaid	(87,465)	(93,759)
	1,208,812	(707,699)

23. Analysis of changes in net debt

	Opening balance €	Cash flows €	Closing balance €
Cash at bank and in hand	3,487,818	721,626	4,209,444
Bank overdrafts	(11,400,393)	(25,623)	(11,426,016)
	(7,912,575)	696,003	(7,216,572)
Debt due within one year	(125,000)	-	(125,000)
Finance lease due within one year	(87,698)	41,011	(46,687)
Finance leases due after one year	(52,704)	20,304	(32,400)
Long term loan due after one year	(1,952,899)	120,813	(1,832,086)
	(2,218,301)	182,128	(2,036,173)
Net debt	**(10,130,876)**	**878,131**	**(9,252,745)**

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

The Group'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 bank guarantee provided to the group by ACC loan management, Allied Irish Bank and Rabobank are secured by fixed and floating debentures over the assets of the group. The debentures incorporate specific charges over land and buildings. The bank factored debt is secured on certain trade debtors of the Group.

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 26th February 2015 and signed on its behalf by

Sean Monahan	***Edward Carr***	***John Ryan***
Chairman	***Vice Chairman***	***Vice Chairman***

Milk Statistics

	2014	2013
Own Suppliers	276.76m/lts.	262.33m/lts.
Average Butterfat	4.02%	3.96%
Average Protein	3.42%	3.38%
Average Price	38.27c/lt.	38.87c/lt.

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