Arrabawn

Together we grow

2018
ANNUAL REPORT AND ACCOUNTS

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 Eoin Doorley Michael Egan Sean Fahy Seamus Finn Michael Flaherty Gerry Hoade Michael Kennedy Sean Monahan John Moylan Sean C. Ryan
CHIEF EXECUTIVE	Conor Ryan
SECRETARY	Jerry Ryan

AUDITORS
Quinlan Holohan & Partners,
23 Silver Street,
Nenagh,
Co. Tipperary.

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

PRINCIPAL BANKERS
Allied Irish Banks plc.
Bank of Ireland plc.

REGISTERED OFFICE
Nenagh,
Co. Tipperary.

Arrabawn

Together we grow

KEY HIGHLIGHTS

REVENUES

€271.2m

up from

€249.1m

Operating

PROFIT

€2.38m

€51.4m

Shareholders' Funds

EBITA €8.2m

Earnings Before Interest Taxes and Amortization

Milk Processed

391m Litres

Arrabawn

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CHAIRMAN'S ADDRESS

Edward Carr, *Chairman*

When one looks back on 2018 many things stand out in the memory. The heavy snow last spring very heavy in some areas and very late in the year. This had a big impact on the length of our Winter and suppressed milk volume and output at an important part of the season, but it gives me an opportunity to thank all our drivers both milk collection and feed delivery who braved the difficult conditions and ensured no milk was lost.

It is also an opportunity for me to thank our many suppliers who used their farm equipment to re-open or maintain roads open roads in rural areas that the various councils could not reach.

Having survived that period of difficult weather we were all hoping for a good year. However, good is relative and a long summer drought had a major impact on grass growth in much of our area, to some extent our year was saved by very good weather at the back end.

I highlight the impact of the weather last year to emphasise that in spite of all the difficulties it put in our way, you our milk suppliers still increased output by 5.3%.

Milk volumes have increased faster and stronger than anyone imagined, since 2012 the volume purchased from you our suppliers have increased by 53%, on top of that the level of milk solids in the same period has increased by 60%. This growth has come in part from increased cow numbers, some new entrants to dairy which as a co-operative society we welcome and wish well in their new venture, but I think an often overlooked reason is better stock from improved breeding and better management of this stock through grassland management in particular.

This growth in output has necessitated a major reinvestment in our milk processing facility in Nenagh. We have commenced late in 2018 the construction of a new Casein plant.

New Casein Plant under construction

Associated work for this project is an extension to our effluent treatment plant and the creation of a new front entrance to the Nenagh processing site. Over the last few years our fresh milk facility in Kilconnell has received significant investment, the last phase of which was an extension to warehousing and loading bays which was completed in 2018.

The planned expenditure for this development is €30m and accordingly to part finance this we require you our milk suppliers to make a contribution. Having considered a number of options, last November we announced details of a Revolving Convertible Loan Stock and associated with that a rise in the share requirement to a level of 4 cent per litre of milk supplied.

This scheme has been explained in detail at Area Meetings over the winter and in our newsletter. I would like thank you for your support for this development and we look forward to commissioning this plant later this year and for it to be fully operational in 2020.

FRESH PRODUCTS

This sector is a key part of our business. We have a large number of dedicated suppliers who provide fresh milk all through the year, but as a market sector it is highly competitive and the use of a one-year contract system by the large multiples generates a lot of uncertainty. We are fortunate to now have a state of the art plant which is running efficiently to compliment a steady high quality milk supply which ensures we are a strong force in this market. We successfully broadened our customer base by becoming a supplier to Lidl in late 2018, we also expanded our product range with the production of flavoured milk and launched complete milk.

AGRI TRADING

With your support we operate a large number of retails stores across our area, our aim is to provide quality product and service at a competitive price for your benefit. A key development in this sector during the year was the commencement of the building of a new store in Athenry which I am happy to say opened a few weeks ago.

We appeal for your support for these stores and our feed business, they exist for your benefit but can only grow and prosper with your support. Presently we are developing a loyalty scheme to reward those who trade strongly with us and full details of this will be available shortly.

MANUFACTURING PLANT

As I referred to earlier, 2018 saw us process our largest volume of milk yet in Nenagh of 326m litres. Milk price was very dependent on a strong butter market which helped compensate for very low SMP returns. One of the drivers in our decision to increase Casein output is that it typically gives a better return than SMP. A key focus during last year and again for this year will be to develop markets for the planned increased casein output which will come on line in 2020.

The key points from our financial are as follows:

Turnover for the year was €271.2m (2017 - €249.1m)

E.B.I.T.D.A. €8.2m (€1.8m decrease on 2017)

Operating Profit €2.38m (€2.3m decrease on 2017)

Capital Additions for the year was €17.2m

Net Debt at year end €32.99m (€16.6m increase on 2017)

The Average Milk Price was 35.66c/lt. (37.45c/lt. in 2017)

This is my first year as Chairman, I want to pay tribute to all those who have gone before me but in particular to my immediate predecessor Sean Monahan who for the last few years worked extremely hard for the betterment of the Society. I hope I live up to the standard set and I am willing to talk to anyone who has suggestions that will be for the benefit of the Society.

I wish to thank the members of the Board and the Representative Committee for their support, assistance and guidance during the year. I would like to thank the management and staff for their dedication and commitment to the Society and finally I want to thank you our members for your support during the year and wish you well for the year ahead.

Edward Carr
Chairman

Newly built Agri Retail Store Athenry

CHIEF EXECUTIVE'S REVIEW

Conor Ryan, *Chief Executive*

2018 was a year of many surprises, the weather in March, followed by the drought during the summer months and thankfully a kind back end to the year which allowed milk supplies to catch up and gave reprieve to farmers on what was a challenging year. On the market front, returns from the butter market surprised us for a second year but tailed off in the later part and skim milk powder prices were at the lowest levels we have ever experienced due to an overhang of powder in intervention and no support due to the fact that the intervention price mechanism had been changed. Fortunately, over the last few weeks of 2018 and the early part of 2019 we saw stocks clear and the protein markets return to a normal level.

Turnover in the co-operative reached €271.2 million up 8% from 2017, this was driven by a 5% increase in milk supply and a very strong year of feed sales in the agri division. This is the highest level of turnover ever achieved by the co-operative. Our EBITDA for the year was €8.2m which was back by €1.8m from 2017 mainly due to supporting milk price in the last 4 months of the year. An average milk price of 35.66 cents/litre was paid for 2018 back from 37.45 cents/litre paid in 2017 which reflected poorer market returns. Shareholder funds have increased up to €51.4m which represents a 22% increase over the last 5 years.

BUSINESS UPDATE

The key focus in the business today is capital investment and in 2018 we continued to invest in the business to ensure not only have we capacity to process all our suppliers' future milk but also to maximise the return that we achieve from the market. In 2018 we finalised whey processing capacity, completed stage 1 of the effluent plant project and added increased milk intake and separation capacity. The next steps involve the building and commissioning of a new casein plant, finalisation of our effluent plant and upgrade of the entrance and facilities on the site. It is our intention that this plant will meet best in class expectations for energy efficiency, reduction of carbon emissions and reduction of water usage on site. As of today we are projecting that our milk supply will grow by over 10% in the coming year.

The increased milk supply and ongoing developments on the site are finally coming to fruition and by the 3rd quarter of 2019 we will have completed and commissioned the new casein plant project. This is the single biggest investment in the history of Arrabawn and we would like to thank all our shareholders for their support in helping to get this project up and running.

In 2018 we finalised two other key projects in our Agri and Arrabawn Dairies Divisions. In our Kilconnell site following on from the effluent plant and car park investment in 2017 we completed a new logistics centre. We now have a facility to meet the expectations of the most demanding of customers. It is important to acknowledge the commitment of our staff who worked through difficult circumstances during these projects, we had zero downtime losses and no accidents as a major construction project ran alongside our current business.

The liquid business continues to be competitive and thanks to a number of new product launches with key customers and the development of new business we continue to progress in the marketplace.

Agri business had an exceptionally strong year with unprecedented feed demand. During the year we had to purchase feed externally at times to ensure that we maintained deliveries on time to all our customers. Other areas of the agri business also enjoyed strong growth through 2018.

We finally progressed the development of our new store on the Monivea Road, in Athenry. Now we have got all our agri inputs onto one site on the outer edge of town with a state of art retail outlet that will serve both our farmers and the people of the area for many years to come providing excellent service and value. The machinery business will now be located on the Dublin Road site with the primary purpose of selling and servicing that customer base.

Birr Creamery celebrated its 50th anniversary at an event in the branch last November which was attended by special guests Tommy O'Meara and Eddie Williams, two of the original founding members. A presentation was made on the day to acknowledge their contribution to the society over the years and a very enjoyable day was had by all.

PEOPLE

In a growing business the development of people and ensuring that everyone is committed to the business is essential. In 2018 we continued our graduate intake programme to ensure that in the future we have people who are trained up and familiar with our business to take on responsibility. Alongside this we carried out an employment engagement survey where we got the feedback from our employees on our organisation, this is part of the Better Place To Work Programme and signifies our commitment in Arrabawn to an open and transparent culture for all employees This is part of an annual survey to ensure that we are engaging and listening to all our employees.

FARMER SUPPORT ACTIVITIES

We have continued with Open Days in conjunction with Teagasc to ensure that best practices are being shared and the opportunity for our members to see neighbouring farmers' operations and understand what is working well for them. Eight different Open Days were held during 2018.

Water quality on farms and our impact on the rivers that flows through our catchment area is a high priority today. Arrabawn is working along with Teagasc to advise and help our farmers to understand how we can protect and improve the water quality in our area. To ensure that we are allowed to continue expand milk production on this island it is important that we take a proactive approach in this area, as your co-operative we will be doing all we can to provide information and assistance to our members.

Finally, in 2018 we introduced milk flex loan packages through Finance Ireland to Arrabawn members. This form of finance has been very well received and many of our members are taking advantage of the scheme to help with on farm projects.

Fixed milk price schemes for 2018 and 2019 have been rolled out and we continue to provide this scheme annually for Arrabawn suppliers on condition that we can get offers that make sense for our suppliers.

CONCLUSION

As we enter a key period of development for Arrabawn I would like to thank Board Members and Representative Committee Members of the Society for their support and guidance over the last twelve months. I wish to acknowledge and thank outgoing Chairman Sean Monahan who held the position for the last 4 years for his support, best wishes to Sean and his family in the future.

We look forward to 2019 and the opportunity to take the Society another step forward.

To our employees for their commitment and contribution over the last 12 months we thank you.

Conor Ryan
Chief Executive

Pictured at the presentation of the Energy Globe Award to Arrabawn and NVP Energy in Kilconnell
Minister Sean Canney TD, Helmut Freudenschuss Austrian Ambassador, Josef Treml Advantage Austria, Jerry Ryan Secretary Arrabawn, Conor Ryan CEO Arrabawn, Michael Murray NVP, Dermot Hughes NVP

Arrabawn Co-Operative Society Limited

Directors' responsibilities statement
Year ended 31/12/18

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	**Martin Callanan**
Chairman	**Vice - Chairman**

Arrabawn Co-Operative Society Limited

Independent auditor's report to the shareholders of Arrabawn Co-Operative Society Limited Year ended 31/12/18

Opinion

We have audited the financial statements of Arrabawn Co-Operative Society Limited for the ended 31/12/18 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 Act, 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 31/12/18 and of its profit 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 Act, 1893.

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 31/12/18

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 Act, 1893 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.

Independent auditor's report to the shareholders of
Arrabawn Co-Operative Society Limited (continued)
Year ended 31/12/18

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 Act, 1893. 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.

Quinlan Holohan & Partners
Chartered Accountants & Statutory Auditors
23 Silver Street
Nenagh
Co. Tipperary

22/03/19

Arrabawn Co-Operative Society Limited

Income statement
Year ended 31/12/18

	Note	**2018** €	2017 €
Turnover	**4**	271,164,731	249,135,984
Cost of sales		(208,473,053)	(189,458,574)
Gross profit		62,691,678	59,677,410
Operating selling & distribution costs		(51,035,384)	(46,467,416)
Administrative expenses		(9,320,264)	(8,546,185)
Other operating income	**5**	44,853	17,426
Operating profit	**6**	2,380,883	4,681,235
(Loss) / gain on financial assets at fair value through profit or loss		(1,022,714)	466,457
Income from other financial assets	**8**	1,233	1,025
Interest payable and similar charges	**9**	(1,314,994)	(1,087,229)
Profit on ordinary activities before taxation		44,408	4,061,488
Tax on profit on ordinary activities	**10**	141,145	(798,164)
Profit for the financial year and total comprehensive income		185,553	3,263,324

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
31/12/18

	Note	2018 €	2017 €
Fixed assets			
Intangible assets	12	2,189,863	2,526,696
Tangible assets	13	55,970,559	44,837,737
Financial assets	14	2,804,429	4,188,087
		60,964,851	51,552,520
Current assets			
Stocks	15	17,721,590	17,808,718
Debtors	16	35,919,156	27,019,764
Cash at bank and in hand	17	7,251,835	6,252,268
		60,892,581	51,080,750
Creditors: amounts falling due within one year	18	(47,599,603)	(43,096,260)
Net current assets		13,292,978	7,984,490
Total assets less current liabilities		74,257,829	59,537,010
Creditors: amounts falling due after more than one year	19	(22,002,051)	(7,495,412)
Provisions for liabilities	24	(832,760)	(995,841)
Net assets		51,423,018	51,045,757
Capital and reserves			
Called up share capital presented as equity	26	9,589,635	9,321,505
Loan stock	27	404,354	405,398
Other reserves	28	1,900,752	1,787,091
Profit and loss account	28	39,528,277	39,531,763
Shareholders funds		51,423,018	51,045,757

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 31/12/18

	Called up share capital €	Reserve for own shares held €	Other reserves €	Profit and loss account €	Total €
At 1/01/17	8,915,533	522,196	1,251,772	37,183,722	47,873,223
Profit for the year	-	-	-	3,263,324	3,263,324
Total comprehensive income for the year	-	-	-	3,263,324	3,263,324
Issue of shares	15,105	-	-	-	15,105
Issue of bonus shares	214,681	-	(214,681)	-	-
Share & loan stock interest	-	-	-	(165,283)	(165,283)
Redemption of shares	(172,500)	-	750,000	(750,000)	(172,500)
Loan stock redeemed	-	(98,607)	-	-	(98,607)
Conversion of debt to equity	348,686	(348,686)	-	-	-
Convertible loan stock issued	-	330,495	-	-	330,495
Total investments by and distributions to owners	405,972	(116,798)	535,319	(915,283)	(90,790)
At 31/12/17 and 01/01/18	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	9,589,635	404,354	1,900,752	39,528,277	51,423,018

Arrabawn Co-Operative Society Limited

Statement of cash flows
Year ended 31/12/18

	2018	2017
	€	€
Cash flows from operating activities		
Profit for the financial year	185,553	3,263,324
Adjustments for:		
Depreciation of tangible assets	6,016,958	5,587,816
Amortisation of grant	(515,215)	(615,647)
Amortisation of intangible assets	336,833	345,147
Loss/(Gain) on financial assets at fair value through profit or loss	1,022,714	(466,457)
Income from other financial assets	(1,233)	(1,025)
Other interest receivable and rental income	(27,000)	-
Interest payable and similar charges	1,314,994	1,087,229
(Gain)/loss on disposal of tangible assets	(31,950)	(8,366)
Tax on profit on ordinary activities	(141,145)	798,164
Changes in:		
Stocks	87,128	(3,375,891)
Trade and other debtors	(8,899,392)	(3,390,541)
Trade and other creditors	(156,614)	2,671,506
Provisions and employee benefits	(80,000)	(52,125)
Tax relief at source not paid	1,933	1,933
Cash generated from operations	(886,436)	5,845,067
Interest paid	(1,549,853)	(1,214,741)
Rental Income received	27,000	-
Taxation Refunded	133,861	-
Taxation paid	(184,525)	(928,347)
Net cash (used in)/from operating activities	(2,459,953)	3,701,979
Cash flows from investing activities		
Purchase of tangible assets	(15,304,268)	(8,202,797)
Proceeds from sale of tangible assets	46,950	19,486
Proceeds from sale of other investments	360,944	362,915
Dividends received	1,233	4,803
Receipt of Capital Grant	479,655	243,172
Net cash used in investing activities	(14,415,486)	(7,572,421)

Arrabawn Co-Operative Society Limited

Statement of cash flows (continued)
Year ended 31/12/18

	Note	2018 €	2017 €
Cash flows from financing activities			
Issue of ordinary share capital		18,347	15,105
Redemption of ordinary share capital		(92,805)	(172,500)
Net Issue of convertible loan stock		401,412	330,495
Repayment of long term loan		(306,961)	(2,123,315)
Issue of long term loan		12,058,958	5,000,000
Issue / (Payment) of finance lease liabilities		15,061	(5,127)
Loan stock redeemed		(71,961)	(98,607)
Net cash from financing activities		12,022,051	2,946,051
Net increase/(decrease) in cash and cash equivalents		(4,853,388)	(924,391)
Cash and cash equivalents at beginning of year	**17**	(6,798,869)	(5,874,478)
Cash and cash equivalents at end of year	**17**	(11,652,257)	(6,798,869)

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 2018. 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.

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.

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.

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.

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.

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.

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.

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 imnprovements 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.

(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

	2018	2017
	€	€
Rental income	27,000	-
Commission receivable	17,853	17,426
	44,853	17,426

6. Operating profit

Operating profit is stated after charging/(crediting):

	2018	2017
	€	€
Amortisation of intangible assets	336,833	345,147
Depreciation of tangible assets	6,016,958	5,587,816
Amortisation of capital grants	(515,215)	(615,647)
(Gain) on disposal of tangible assets	(31,950)	(8,366)
General Operating, Selling & Distribution Costs	24,627,449	22,078,043
Fuel & Power	8,501,017	7,162,052
Wages & Salaries (Note 7)	17,906,918	17,227,321

7. Staff costs

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

	2018	2017
	Number	Number
Production & Administration	402	396

The aggregate payroll costs incurred during the year were:

	2018	2017
	€	€
Wages and salaries	15,805,269	15,009,658
Social insurance costs	1,669,487	1,569,212
Other retirement benefit costs	432,162	648,451
	17,906,918	17,227,321

8. Income from other financial assets

	2018	2017
	€	€
Dividends received	1,233	1,025

9. Interest payable and similar charges

	2018	2017
	€	€
Bank loans and overdrafts	1,314,512	1,085,116
Other loans made to the company:		
Finance leases and hire purchase contracts	482	2,113
	1,314,994	1,087,229

10. Tax on profit on ordinary activities

Major components of tax (income)/expense

	2018	2017
	€	€
Current tax:		
Irish current tax expense	21,936	366,578
Deferred tax:		
Origination and reversal of timing differences	174,415	277,655
Fair value adjustment - FRS 102	(337,496)	153,931
Total deferred tax (Note 23)	(163,081)	431,586
Tax on profit on ordinary activities	(141,145)	798,164

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2017: higher than) the standard rate of corporation tax in Ireland of 12.50% (2017: 12.50%).

	2018	2017
	€	€
Profit on ordinary activities before taxation	44,408	4,061,488
Profit on ordinary activities by rate of tax	5,551	507,686
Effect of expenses not deductible / (allowable) for tax purposes	187,579	136,675
Effect of revenue exempt from tax	(154)	(128)
Tax on passive income at higher rate	3,375	-
Fair value adjustments re: FRS 102	(337,496)	153,931
Tax on profit on ordinary activities	(141,145)	798,164

11. Share & Loan Stock Interest (Note 28)

	2018	2017
	€	€
Share Interest	189,039	165,283
	189,039	165,283

The directors recommend a payment of share interest for 2018 of 2% (2017 - 2%).

12. Intangible assets

	Goodwill	Patents, Trade Brands & Licences	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

	Goodwill	Trade Brands	Total
	€	€	€
Cost			
At 01/01/17 and 31/12/17	2,694,519	3,102,500	5,797,019
Amortisation			
At 01/01/17	1,305,821	1,619,355	2,925,176
Charge for the year	163,335	181,812	345,147
At 31/12/17	1,469,156	1,801,167	3,270,323
Carrying amount			
At 31/12/17	1,225,363	1,301,333	2,526,696

13. Tangible assets

	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	37,482,355	76,468	107,523,692	5,527,460	1,276,513	151,886,488
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	18,011,697	23,950	72,056,353	4,547,416	1,276,513	95,915,929
Carrying amount						
At 31/12/18	19,470,658	52,518	35,467,339	980,044	-	55,970,559

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
Cost						
At 01/01/17	32,080,142	76,468	86,838,079	4,813,692	1,276,513	125,084,894
Additions	701,807	-	8,886,676	463,496	-	10,051,979
Disposals	(162,855)	-	(2,678)	(73,373)	-	(238,906)
At 31/12/17	32,619,094	76,468	95,722,077	5,203,815	1,276,513	134,897,967
Depreciation						
At 01/01/17	16,963,382	17,832	62,323,090	4,122,383	1,276,513	84,703,200
Charge for the year	574,344	3,059	4,712,144	298,269	-	5,587,816
Disposals	(162,855)	-	(22)	(67,909)	-	(230,786)
At 31/12/17	17,374,871	20,891	67,035,212	4,352,743	1,276,513	90,060,230
Carrying amount						
At 31/12/17	15,244,223	55,577	28,686,865	851,072	-	44,837,737

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:

	Plant and machinery
	€
At 31/12/18	31,318

	Plant and machinery
	€
At 31/12/17	17,433

14. Financial assets

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

	Other investments other than loans	Total
	€	€
Cost		
At 01/01/17	4,084,545	4,084,545
Disposals	(362,915)	(362,915)
Fair value adjustments	466,457	466,457
At 31/12/17	4,188,087	4,188,087
Provision for diminution in value		
At 01/01/17 and 31/12/17	-	-
Carrying amount		
At 31/12/17	4,188,087	4,188,087

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.

Listed investments

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

	Other investments other than loans	**Total**
At 31 December 2018	€	**€**
Carrying value	891,423	**891,423**
Market value	891,423	**891,423**
Stock exchange value	891,423	**891,423**
At 31/12/17		
Carrying value	442,551	**442,551**
Market value	442,551	**442,551**
Stock exchange value	442,551	**442,551**

The listed investments are listed on the Irish Stock Exchange and Canadian Securites Exchange. In December 2018, IPL Plastic Leaders (previous One51 plc) were floated and listed on the Canadian Securities Exchange. The cost of listed investments included above are €593,315 (2017: €2,436).

Investments in group undertakings

	Registered office	Nature of business	Class of share	Shares held **2018** **%**	Shares held 2017 %
Subsidiary undertakings					
Arra Co-Operative Society Ltd	Stafford St., Nenagh, Co. Tipperary.	Agri Co-Op	Ordinary	100	100
Cortare Ltd	Ballysimon Rd, Limerick.	Manufacture animal feeds	Ordinary	-	100

At the 30th September 2015, Cortare Ltd transferred its trading activities, assets and liabilities to it's parent Arrabawn Co-Operative Society Ltd. All trading activities will continue under Arrabawn Co-Operative Society Ltd. The Company was submitted for strike off with the Companies Registration Office during the year and has been dissolved.

15. Stocks

	2018	2017
	€	€
Raw materials and consumables	2,960,143	1,175,705
Finished goods and goods for resale	12,530,408	14,930,986
Expense Stocks	2,231,039	1,702,027
	17,721,590	17,808,718

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

16. Debtors

	2018	2017
	€	€
Trade debtors	32,733,713	25,003,674
Other debtors	3,185,443	2,016,090
	35,919,156	27,019,764

The fair value of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €1,965,598 (2017: €1,987,021).

17. Cash and cash equivalents

	2018	2017
	€	€
Cash at bank and in hand	7,251,835	6,252,268
Bank overdrafts	(18,904,092)	(13,051,137)
	(11,652,257)	(6,798,869)

The bank and cash balance contain no restricted cash.

18. Creditors: amounts falling due within one year

	2018	2017
	€	€
Bank loans and overdrafts	19,362,426	16,176,137
Trade creditors	27,638,014	26,200,670
Obligations under finance leases	3,009	-
Tax and social insurance:		
PAYE and social welfare	424,605	409,625
Corporation tax	(159,882)	(133,087)
Government grants (Note 22)	331,431	442,915
	47,599,603	43,096,260

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

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

	2018	2017
	€	€
Bank loans and overdrafts	20,873,996	6,455,333
Obligations under finance leases	12,052	-
Government grants (Note 22)	1,116,003	1,040,079
	22,002,051	7,495,412

20. Details of indebtedness - Loans

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

	2018	2017
	€	€
Indebtedness repayable other than by instalments:		
Bank loans < 1 year	458,334	3,125,000
Bank loans 2-5 year	5,833,336	5,500,000
Banks loans > 5 year	15,040,660	955,333
	21,332,330	9,580,333

21. Obligations under finance leases

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

	2018	2017
	€	€
Not later than 1 year	(3,009)	-
Later than 1 year and not later than 5 years	(12,052)	-
	(15,061)	-

22. Government grants

	2018	2017
	€	€
At 01/01/18	1,482,994	1,855,469
Grants received or receivable	479,655	243,172
Released to the profit or loss	(515,215)	(615,647)
At 31/12/18	1,447,434	1,482,994

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

	2018	2017
	€	€
Recognised in creditors:		
Deferred government grants due within one year	331,431	442,915
Deferred government grants due after more than one year	1,116,003	1,040,079
	1,447,434	1,482,994

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.

23. Deferred tax

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

	2018	2017
	€	€
Included in provisions (note 24)	832,760	995,841

The deferred tax credit for the year (Note 10) consists of the tax effect of timing differences in respect of:

	2018	2017
	€	€
Accelerated capital allowances / tax losses	174,415	277,655
Fair value adjustment of financial assets	(337,496)	153,931
	(163,081)	431,586

24. Provisions

	Deferred tax (note 23)	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

	Deferred tax (note 23)	Total
	€	€
At 01/01/17	564,255	564,255
Charges against provision	277,655	277,655
Fair Value Adjustment - FRS102	153,931	153,931
At 31/12/17	995,841	995,841

25. Employee benefits

The amount recognised in profit or loss in relation to the total pension charge was €432,162 (2017:€648,451). Contributions of €84,302 were due to the schemes by the Society at 31 December 2018. 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. 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.

26. Share capital

Issued, called up and fully paid

	2018		2017	
	Number	**€**	Number	€
Amounts presented in equity:				
Ordinary shares of € 1.00 each (2017: € 1.00)	9,589,635	9,589,635	9,321,505	9,321,505

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)
Year ended 31/12/18

Share movements

Ordinary shares:

	Number	€
At 01/01/18	9,321,505	9,321,505
Bonus Issues from Bonus Reserves (Note 28)	235,305	235,305
Issued during the year	18,347	18,347
Conversion of Loan Stock to Shares	330,495	330,495
Cancelled during the year	(223,212)	(223,212)
Redeemed during the year	(92,805)	(92,805)
At 31/12/18	9,589,635	9,589,635

27. Loan Stock

	2018 €	2017 €
Redeemable Loan Stock	-	71,961
Convertible Loan Stock	404,354	333,437
	404,354	405,398

27. 1 Redeemable Loan Stock

	2018 €	2017 €
Opening Balance	71,961	170,568
Loan Stock issued	-	-
Loan Stock Redeemed	(71,961)	(98,607)
Closing Balance	-	71,961

27. 2 Convertible Loan Stock

	2018 €	2017 €
Opening Balance	333,437	351,628
Loan Stock issued during the year	401,412	330,495
Loan Stock Converted to Shares (note 26)	(330,495)	(348,686)
Closing Balance	404,354	333,437

28. Reserves

	Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
At 31/12/17 as previously stated	39,531,763	768,356	268,206	159,293	591,236	41,318,854
At 01/01/18	39,531,763	768,356	268,206	159,293	591,236	41,318,854
Bonus issue of shares	-	-	-	-	(235,305)	(235,305)
Profit for the year	185,553	-	-	-	-	185,553
Transfer to Special Share	-	348,966	-	-	-	348,966
Reserve Share & Loan	(189,039)	-	-	-	-	(189,039)
Interest paid						
At 31/12/18	39,528,277	1,117,322	268,206	159,293	355,931	41,429,029

29. Financial commitments

(a) Capital Committments

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

	2018 € million	2017 € million
Contracted but not provided for	8.60	6.67
Authorised but not contracted for	15.25	-

30. Contingent assets and 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 357 of the Companies Act 2014. 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 €7,420,631 (2017: €6,940,973) under agreements between the society and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

31. 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)	
	2018	2017	**2018**	2017
	€	€	**€**	€
Milk Purchases from Committee Members	3,941,062	3,953,435	(183,843)	(231,667)
Purchases by Committee Members	975,983	980,622	449,732	334,010

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:

	2018	2017
	Number	Number
Board of Directors	18	18
Senior Management Team	15	13
	€	€
Directors Fees & Expenses	158,013	158,935
Key management compensation		
Salaries and other short-term employee benefits	1,912,930	1,668,735

32. 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 ACC Loan Management, Allied Irish Bank and Rabobank 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.

33. 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.

34. Approval of financial statements

The board of directors approved these financial statements for issue on 22 March 2019.

NOTES

Arrabawn
Together we grow

MILK
STATISTICS

OWN
SUPPLIERS

2018 380.79m/lt.
2017 361.62m/lt.

AVERAGE
BUTTERFAT

2018 4.16%
2017 4.11%

AVERAGE
PROTEIN

2018 3.46%
2017 3.45%

AVERAGE
PRICE

2018 35.66c/lt.
2017 37.45c/lt.

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