



# 2015

ANNUAL REPORT AND ACCOUNTS

Arrabawn Co-operative Society Limited

## ***Board of Directors & Other Information***

***Chairman*** Sean Monahan

***Vice Chairmen*** Edward Carr

***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  
John Ryan  
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.



# CONTENTS

	Page
Chairman's Address	4-5
Chief Executive's Review 2015	6-7
Director's Responsibilities Statement	8
Auditor's Report	9
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13-14
Notes on the Accounts	15-37

## CHAIRMAN'S ADDRESS



**Sean Monahan**  
*Chairman*

Transition is a common term used in the last few years, many students in secondary school spend a year in transition between the junior and senior cycles, politicians have deemed the country in transition. I consider 2015 as a transition year for the dairy industry, many farms in 2015 were after April 1<sup>st</sup> able to commence development to their full potential, having up to then been restrained by milk quota regulations. It was also a year of transition for some farms with regard to where they sold their milk. Transfer of milk supply between processors was possible during the milk quota era but when the quota was abolished on April 1<sup>st</sup> some farmer saw it as the start of a new era and choose to change their processor. I regret to report that we had a number of suppliers who left us to supply others, one of the key benefits of Co-Op membership is that there is strength in unity and I believe the Co-Op and its members gain from remaining united. I do however acknowledge the individual's right to freedom of choice and accept their decision. When it became apparent that supplier transfers were occurring we responded to applications we were receiving from farmers to join our Society and accepted new members

At the end of the year the Society had a net gain in both the number of milk suppliers and the volume of milk supplied by its members.

I welcome the new members who joined us during the year and I want to assure them that all suppliers are equal regardless of size or location and I hope they feel welcome.

I am happy to report that in 2015 the Society performed satisfactorily from a financial point of view given the need to support milk price as dairy markets declined during the year.



The key points from our financial results are as follows:

Turnover for the year was €205.1 million (2014 - €213m)

Dairy Division turnover was €149 million (2014 - €158m)

Trading Division turnover was €56 million (2014 - €55m)

Operating Profit €2.1 million (2014 - €4.4m)

Net Debt at year end was €15.8 million (2014 - €9.3m)

Capital Additions for the year was €9.1 million (2014 - €8.5m)

The Average Milk Price was 30.40c/litre (2014 - 38.27c/ltr.)

### Milk Processing

The year under review set a new record for amount of milk supplied by our members and when combined with increased volume of milk purchased from other processors it set a new record for the volume of milk processed at our Nenagh site.

The connection to the natural gas grid was complete in August and the switch over from oil was done without any impact on processing. We now have a new and very efficient steam generation plant which will serve us well into the future.

With gas on site we have the facility to install a combined heat and power (CHP) system whereby we could generate a portion of the electrical power we require, this option is under review at present.

The new evaporator I referred to last year was also commissioned during the year and is working well. Presently the removal of the old Evaporator and the upgrading of that processing room is near completion and will result in the site having two evaporators in a state of the art facility.

## Super Levy

As anticipated the last levy year ended with a strong sting for many members. To help soften the blow the Society put in place a Super Levy deferral payment scheme and subsequently the Government put in place a scheme where the levy payment could be repaid over 3 years. It was and will be difficult for the supplier to carry these costs but I believe the Society acted quickly and fairly in developing the deferred scheme. When national flexi milk was allocated our members had a Super Levy exposure of 16.7mil litres or in money terms €4.8 mil.

## Liquid Milk

This part of our business continues to grow and is a key part of our strategy for the future. We have an excellent facility at Kilconnell and during the year received planning permission for an extension to cold storage and warehousing. From the time we started production in Kilconnell the business model has changed considerably, back then it was predominately small trucks and vans delivering to local shops. Now the bulk of the business is larger trucks delivering to central distribution centres, this combined with increased volumes means additional cold storage and loading facilities are necessary.

## Agribusiness

Our retail stores, which are spread across our area provide a good service for our members and ensure that competitive pricing applies for a wide range of goods. The animal feed business is a now consolidated into a single production facility at Dan O'Connor's in Limerick, from here we can provide a good service of top quality ration at competitive price. We can provide nutritional information and advice through a strong support team and I would encourage you to avail of this expertise. On specialised requirements like sprays, grass seed mixes and minerals we also have the expert knowledge to assist you in making your decision.

## Teagasc Joint Program

During the year we drafted a joint advisory program with Teagasc, we have established clear goals for the program and from January of this year the work has commenced. During this year and for the future you will be hearing a lot about this. To gain from this program you need to attend the farm walks and events that are organised, we have a plan but we also welcome comments or suggestion, so if you feel that this program could target a specific area please advise us and all suggestions will be considered.

## Board & Representative Committee

We have completed the restructuring of our Representative Committee and next year will see the formation of our new board. This year we have two former Chairmen step down from the board in the first phase of the board restructure. I would like to thank Patrick McLoughlin and Patrick Meskell for their enormous contribution to the Society as members of the Representative Committee, Board and Chairmen at various times over the years. I know that their wise counsel will be available if called on. I would like to thank all the members of the Representative Committee for their work during the year, here also we have some members who have stepped down and I welcome the newly elected members and look forward to working with them to help grow the Society.

I would like to thank the staff across all sectors of the Society for their work during the year and finally I would like to thank the many different groups, organisations and companies that the Society was involved with during 2015.

**Sean Monahan**  
Chairman



## CHIEF EXECUTIVE'S REVIEW 2015



**Conor Ryan**  
*Chief Executive*

In 2015 we finally witnessed the abolition of milk quota within the European Union; on the 1st of April Irish farmers were finally free to produce milk without any restrictions on quantity. This marked an end of an era and while it brought many challenges it is a welcome development in terms of the opportunity it provides Irish farmers and processors to grow their output. From an Arrabawn perspective we have been preparing for this day for the previous 5 years by ensuring we had adequate processing capacity across both our sites. The projections for milk growth have been exceeded and the industry was severely challenged during the peak season. We saw our own suppliers increase by 35m litres on 2014 and our plant in Nenagh processed over 47m litres extra as a result of processing milk for neighbouring societies. We accomplished this while finalising the commissioning of a new whey evaporator and also while switching from heavy fuel oil over to natural gas, the later project coming on stream in August. A year when milk price is falling always brings challenges and we saw a milk price of 32c/litre at the start of the year finishing up at 26c/litre in December as a result of huge supply growth in Europe and in Ireland in particular. Thanks to the diversity of our business both within the product range we produce and non-milk related activities we were able to cushion our suppliers from the severity of the rapid market fall.

We returned an operating profit of €2.1m for 2015 which was back on 2014 but in the circumstances we considered it a solid result. Our net assets have increased in value from €42.7m in 2014 to €44.3m in 2015. Our net debt increased by €6.5m in the



year which reflects the capital spends in both the infrastructure of the Nenagh plant and the Kilconnel plant. Overall a year of considerable change within our sector.

### Dairy Division

This division witnessed the busiest year in its history with milk volumes seeing unprecedented growth. It was very much a year of two halves with the initial 4/5 months coping with the abolition of quota, and as a management team ensuring we could process all our milk and find homes for the final product. As the year went on we were comfortable handling the increased volumes of milk and trying to ensure that all product was sold rather than building up large stock in a market which we all knew was not going to see any short term improvement. At year end we finished with minimal stock levels on dairy commodities and this was helped by the fact that our liquid business takes the larger share of our milk in the later two months of the year. For the winter months of 2015 we increased liquid quotas to our winter milk suppliers to keep our winter milk supply in line with our market demands. We also put in a 2cent a litre incentive for December to February milk production to those who meet the qualifying criteria in order to encourage off peak production and allow better utilisation of processing facilities. The need to develop more specific high quality products in facilities of the highest standards is essential for the future of Arrabawn and with the support of our board we made significant strides in 2015 and have put ourselves in a position to improve on this in the coming years. Ensuring high quality raw milk bought in through an efficient supply chain is a must for our customers today.



## Agri Trading

This division had a good year with growth in turnover of 2% in 2015. We saw good growth in feed tonnage and most of the categories we sell with the exception of fertiliser. Due to exceptional conditions it is believed that the fertiliser market was back about 10% on the previous year. We saw reduction of selling prices in both feed and fertiliser during the year which allowed us make a contribution to reducing the input costs at farm level. The latter months of 2015 saw increased demand for feed in particular which reflected the difficult end to the season.

## Bord Bia Quality Assurance/Teagasc Arrabawn Farm Programme

During 2015 we continued working with our suppliers to help them pass Bord Bia inspections. By year end over 45% of suppliers are passed with a deadline of the end of 2016 for all approvals we will continue to work with suppliers to achieve approval giving all the necessary support required.

At the back end of 2015 in conjunction with Teagasc we introduced the Teagasc /Arrabawn farm programme through which we will jointly work to give advice and facilitate best practise being passed on to Arrabawn suppliers. It is our hope that this investment by Arrabawn is of maximum benefit to you during the coming years.

## Conclusion

I would like to acknowledge the role of all Board members and Representative Committee members who give of their time to ensure that the co-operative is kept strong and focussed on ensuring that we continue to work in the best interest of all our members.

**Conor Ryan**  
*Chief Executive*



## **Arrabawn Co-Operative Society Limited**

### **Directors' responsibilities statement Year ended 31/12/15**

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and regulations.

The Industrial and Provident Societies Acts, 1893 to 2014 require the 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 for that period.

In preparing these financial statements, the 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 applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 Act 1893 to 2014 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.

On behalf of the Board:

**Sean Monahan**  
**Chairman**

**Edward Carr**  
**Vice - Chairman**



## **Arrabawn Co-Operative Society Limited**

### **Independent auditor's report to the shareholders of Arrabawn Co-Operative Society Limited Year ended 31/12/15**

We have audited the financial statements of Arrabawn Co-Operative Society Limited for the year ended 31/12/15 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 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.

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.

#### **Respective responsibilities of Board of Directors and Auditors**

As explained more fully in the directors responsibilities statement set out on page 8, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient 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 society'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 Chairman's Address to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the assets, liabilities and financial position of the society as at 31/12/15 and of its profit for the year then ended; and
- have been properly prepared in accordance with the relevant reporting framework.

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.

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

31/03/16

# Arrabawn Co-Operative Society Limited

## Income statement Year ended 31/12/15

	Note	2015 €	2014 €
<b>Turnover</b>	<b>4</b>	205,148,172	213,138,672
Cost of sales		(156,457,613)	(164,639,255)
<b>Gross profit</b>		48,690,559	48,499,417
Operating selling & distribution costs		(39,606,075)	(37,191,285)
Administrative expenses		(6,970,419)	(6,866,584)
Other operating income	<b>5</b>	15,067	13,731
<b>Operating profit</b>	<b>6</b>	2,129,132	4,455,279
Income from other financial assets	<b>8</b>	194,540	419,555
Other interest receivable and similar income	<b>9</b>	10,083	-
Interest payable and similar charges	<b>10</b>	(919,517)	(884,423)
<b>Profit on ordinary activities before taxation</b>		1,414,238	3,990,411
Tax on profit on ordinary activities	<b>11</b>	(298,336)	(586,694)
<b>Profit for the financial year and total comprehensive income</b>		1,115,902	3,403,717

All the activities of the society are from continuing operations.

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

Arrabawn Co-Operative Society Limited

Statement of financial position  
31/12/15

		2015	2014
	Note	€	€
<b>Fixed assets</b>			
Intangible assets	13	3,258,676	3,645,509
Tangible assets	14	38,455,162	33,993,649
Financial assets	15	4,328,136	4,273,262
		<u>46,041,974</u>	<u>41,912,420</u>
<b>Current assets</b>			
Stocks	16	16,099,815	15,649,090
Debtors	17	21,078,690	19,717,997
Cash at bank and in hand	18	2,725,179	4,209,444
		<u>39,903,684</u>	<u>39,576,531</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(36,728,372)</u>	<u>(33,285,797)</u>
<b>Net current assets</b>		<u>3,175,312</u>	<u>6,290,734</u>
<b>Total assets less current liabilities</b>		<u>49,217,286</u>	<u>48,203,154</u>
<b>Creditors: amounts falling due after more than one year</b>	20	(4,223,340)	(4,982,166)
<b>Provisions for liabilities</b>	25	(712,155)	(505,414)
<b>Net assets</b>		<u><u>44,281,791</u></u>	<u><u>42,715,574</u></u>
<b>Capital and reserves</b>			
Called up share capital presented as equity	27	8,470,219	6,390,022
Loan stock	28	644,854	2,265,945
Other reserves	29	1,766,596	908,690
Profit and loss account	29	33,400,122	33,150,917
<b>Shareholders funds</b>		<u><u>44,281,791</u></u>	<u><u>42,715,574</u></u>

These financial statements were approved by the board of directors on 31/03/16 and signed on behalf of the board by:

**Sean Monahan**  
Chairman

**Edward Carr**  
Vice Chairman

The notes on pages 15 to 37 form part of these financial statements.

**Statement of changes in equity**  
**Year ended 31/12/15**

	Called up share capital €	Reserve for own shares held €	Other reserves €	Profit and loss account €	<b>Total</b> €
<b>At 01/01/14 (as previously reported)</b>	6,137,433	847,027	1,189,257	29,384,985	37,558,702
Changes on transition to FRS 102	-	-	-	476,627	476,627
<b>At 01/01/14 (restated)</b>	6,137,433	847,027	1,189,257	29,861,612	38,035,329
Profit for the year				3,403,717	3,403,717
<b>Total comprehensive income for the year</b>	-	-	-	3,403,717	3,403,717
Issue of shares	9,799				9,799
Issue of bonus shares	280,567		(280,567)	-	-
Share & loan stock Interest				(114,412)	(114,412)
Redemption of shares	(37,777)			-	(37,777)
Loan stock redeemed		(4,167)			(4,167)
Convertible loan stock issued	-	1,423,819	-	-	1,423,819
Convertible loan stock redeemed	-	(734)	-	-	(734)
<b>Total investments by and distributions to owners</b>	6,390,022	2,265,945	908,690	33,150,917	42,715,574
<b>At 31/12/14 (as previously reported)</b>	6,390,022	2,265,945	908,690	32,401,035	41,965,692
Changes on transition to FRS 102	-	-	-	749,882	749,882
<b>At 31/12/14 (restated)</b>	6,390,022	2,265,945	908,690	33,150,917	42,715,574
Profit for the year				1,115,902	1,115,902
<b>Total comprehensive income for the year</b>	-	-	-	1,115,902	1,115,902
Issue of shares	69,945				69,945
Issue of bonus shares	240,670		(240,670)	-	-
Share & Loan Stock Interest				(116,697)	(116,697)
Redemption of shares	(492,677)				(492,677)
Transfer Bonus Reserve			750,000	(750,000)	-
Loan stock issued		292,540			292,540
Loan stock redeemed		(3,000)			(3,000)
Conversion of loan stock to equity	2,262,259	(2,262,259)		-	-
Convertible loan stock issued	-	351,628	-	-	351,628
Transfer to special share reserve	-	-	348,576	-	348,576
<b>Total investments by and distributions to owners</b>	2,080,197	(1,621,091)	857,906	(866,697)	450,315
<b>At 31/12/15</b>	8,470,219	644,854	1,766,596	33,400,122	44,281,791

**Statement of cash flows**  
**Year ended 31/12/15**

	2015 €	2014 €
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,115,902	3,403,717
<i>Adjustments for:</i>		
Depreciation of tangible assets	4,532,313	4,510,562
Amortisation of grant	(622,559)	(611,608)
Amortisation of intangible assets	386,833	386,868
(Gain)/loss on financial assets at fair value through profit or loss	(185,175)	(407,844)
Income from other financial assets	(9,365)	(11,711)
Other interest receivable and similar income	(10,083)	-
Interest payable and similar charges	919,517	884,423
(Gain)/loss on disposal of tangible assets	(88,371)	(32,504)
Tax on profit on ordinary activities	298,336	586,694
<i>Changes in:</i>		
Stocks	(450,725)	1,138,625
Trade and other debtors	(1,336,287)	4,032,011
Trade and other creditors	(1,212,760)	(5,214,733)
Provisions and employee benefits	(45,000)	(55,000)
Tax relief at source not paid	2,312	2,092
<b>Cash generated from operations</b>	3,294,888	8,611,592
Interest paid	(1,035,026)	(998,835)
Tax paid	(156,616)	(324,546)
<b>Net cash from operating activities</b>	2,103,246	7,288,211
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(9,693,918)	(7,874,294)
Proceeds from sale of tangible assets	184,816	32,504
Purchase of other investments	(383,800)	(471,000)
Proceeds from sale of other investments	524,184	468,100
Dividends received	7,159	6,170
Receipt of Capital Grant	490,088	37,500
<b>Net cash used in investing activities</b>	(8,871,471)	(7,801,020)



Arrabawn Co-Operative Society Limited

Statement of cash flows (continued)  
Year ended 31/12/15

		2015 €	2014 €
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		69,945	9,799
Redemption of ordinary share capital		(492,677)	(37,777)
Net Issue of convertible loan stock		351,628	1,423,819
Repayment of long term loan		(124,854)	(120,813)
Payment of finance lease liabilities		(41,892)	(61,315)
Loan stock subscribed		292,540	-
Loan stock redeemed		(3,000)	(4,901)
<b>Net cash from financing activities</b>		<u>51,690</u>	<u>1,208,812</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(6,716,535)	696,003
<b>Cash and cash equivalents at beginning of year</b>	<b>18</b>	<u>(7,216,572)</u>	<u>(7,912,575)</u>
<b>Cash and cash equivalents at end of year</b>	<b>18</b>	<u>(13,933,107)</u>	<u>(7,216,572)</u>

# **Arrabawn Co-Operative Society Limited**

## **Notes to the financial statements Year ended 31/12/15**

### **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.

This is the first set of financial statements prepared by Arrabawn Co-operative Society Limited in accordance with the accounting standards issued by the Financial Reporting Council, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). The society transitioned from previously extant Irish and UK GAAP to FRS 102 as at 1 January 2014.

### **2. Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost basis, 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.

#### **Transition to FRS 102**

The entity transitioned from previous UK and Irish GAAP to FRS 102 as at 01/01/14. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 33.

#### **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.

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**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.

**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.

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**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.

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**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 are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition. Stocks are assessed for impairment at the end of each reporting period. If an item is impaired the identified inventory is reduced to its selling price less cost to sell and an impairment charge is recognised in the Income Statement.



**Notes to the financial statements (continued)**

**Year ended 31/12/15**

**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.

**Notes to the financial statements (continued)**

**Year ended 31/12/15**

**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.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

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.

**Retirement 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.

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**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.

The society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**4. Turnover**

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

**5. Other operating income**

	<b>2015</b>	<b>2014</b>
	€	€
Commission receivable	15,067	13,731

**6. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2015</b>	<b>2014</b>
	€	€
Amortisation of intangible assets	386,833	386,868
Depreciation of tangible assets	4,532,313	4,510,562
Amortisation of capital grants	(622,559)	(611,608)
(Gain) on disposal of tangible assets	(88,371)	(32,504)
General Operating, Selling & Distribution Costs	17,462,211	15,075,921
Fuel & Power	7,508,551	8,236,888
Wages & Salaries (Note 7)	14,635,313	13,878,476

Notes to the financial statements (continued)  
Year ended 31/12/15

**7. Staff costs**

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

	2015 Number	2014 Number
Production & Administration	331	307

The aggregate payroll costs incurred during the year were:

	2015 €	2014 €
Wages and salaries	12,700,301	12,024,506
Social insurance costs	1,349,994	1,258,339
Other retirement benefit costs	585,018	595,631
	14,635,313	13,878,476

**8. Income from other financial assets**

	2015 €	2014 €
Gain on fair value adjustment (FRS 102)	185,175	407,844
Other income from other financial assets	9,365	11,711
	194,540	419,555

**9. Other interest receivable and similar income**

	2015 €	2014 €
Gain on financial instruments	10,083	-

**10. Interest payable and similar charges**

	2015 €	2014 €
Bank loans and overdrafts	914,323	872,335
Other loans made to the company:		
Finance leases and hire purchase contracts	5,194	12,088
	919,517	884,423

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**11. Tax on profit on ordinary activities**
**Major components of tax expense**

	<b>2015</b>	2014
	€	€
<b>Current tax:</b>		
Irish current tax expense	89,282	181,759
Adjustments in respect of previous periods	2,312	-
Total current tax	91,594	181,759
<b>Deferred tax:</b>		
Origination and reversal of timing differences	145,634	270,346
Fair value adjustment - FRS 102	61,108	134,589
Total deferred tax	206,742	404,935
<b>Tax on profit on ordinary activities</b>	<b>298,336</b>	<b>586,694</b>

**Reconciliation of tax expense**

The tax assessed on the profit on ordinary activities for the year is higher than (2014: higher than) the standard rate of corporation tax in Ireland of 12.50% (2014: 12.50%).

	<b>2015</b>	2014
	€	€
Profit on ordinary activities before taxation	1,141,423	3,990,411
Profit on ordinary activities by rate of tax	176,780	498,801
Adjustments in respect of prior periods	2,312	-
Effect of expenses not deductible / (allowable) for tax purposes	40,850	(47,572)
Effect of revenue exempt from tax	(240)	(294)
Tax on passive income at higher rate	931	1,170
Capital Gains Tax	16,595	-
Fair value adjustments re: FRS 102	61,108	134,589
<b>Tax on profit on ordinary activities</b>	<b>298,336</b>	<b>(586,694)</b>

**12. Share & Loan Stock Interest (Note 28)**

	<b>2015</b>	2014
	€	€
Share Interest	116,670	114,265
Loan Stock Interest	27	147
	<b>116,697</b>	<b>114,412</b>

The directors recommend a payment of share interest for 2015 of 2% (2014 - 2%).



Notes to the financial statements (continued)  
Year ended 31/12/15

## 13. Intangible assets

	Goodwill	Patents, Trade Brands & Licences	Total
	€	€	€
<b>Cost</b>			
At 01/01/15 and 31/12/15	2,694,519	3,102,500	5,797,019
<b>Amortisation</b>			
At 01/01/15	979,155	1,172,355	2,151,510
Charge for the year	163,333	223,500	386,833
At 31/12/15	1,142,488	1,395,855	2,538,343
<b>Carrying amount</b>			
At 31/12/15	1,552,031	1,706,645	3,258,676
	Goodwill	Trade Brands	Total
	€	€	€
<b>Cost</b>			
At 01/01/14 and 31/12/14	2,694,519	3,102,500	5,797,019
<b>Amortisation</b>			
At 01/01/14	815,787	948,855	1,764,642
Charge for the year	163,368	223,500	386,868
At 31/12/14	979,155	1,172,355	2,151,510
<b>Carrying amount</b>			
At 31/12/14	1,715,364	1,930,145	3,645,509

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/15

14. Tangible assets

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
<b>Cost</b>						
At 01/01/15	27,909,555	76,468	76,336,192	4,242,906	1,276,513	109,841,634
Additions	1,375,532	-	7,432,557	304,382	-	9,112,471
Disposals	(2,500)	-	(647,640)	(79,160)	-	(729,300)
<b>At 31/12/15</b>	<u>29,282,587</u>	<u>76,468</u>	<u>83,121,109</u>	<u>4,468,128</u>	<u>1,276,513</u>	<u>118,224,805</u>
<b>Depreciation</b>						
At 01/01/15	16,000,255	11,714	54,796,278	3,763,225	1,276,513	75,847,985
Charge for the year	541,139	3,059	3,791,939	196,176	-	4,532,313
Disposals	-	-	(552,640)	(58,015)	-	(610,655)
<b>At 31/12/15</b>	<u>16,541,394</u>	<u>14,773</u>	<u>58,035,577</u>	<u>3,901,386</u>	<u>1,276,513</u>	<u>79,769,643</u>
<b>Carrying amount</b>						
<b>At 31/12/15</b>	<u>12,741,193</u>	<u>61,695</u>	<u>25,085,532</u>	<u>566,742</u>	<u>-</u>	<u>38,455,162</u>

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
<b>Cost</b>						
At 01/01/14	26,452,935	76,468	69,541,082	4,106,109	1,379,447	101,556,041
Additions	1,456,620	-	6,911,483	161,297	-	8,529,400
Disposals	-	-	(116,373)	(24,500)	(102,934)	(243,807)
<b>At 31/12/14</b>	<u>27,909,555</u>	<u>76,468</u>	<u>76,336,192</u>	<u>4,242,906</u>	<u>1,276,513</u>	<u>109,841,634</u>
<b>Depreciation</b>						
At 01/01/14	15,535,372	8,655	51,101,846	3,520,386	1,379,447	71,545,706
Charge for the year	464,883	3,059	3,775,281	267,339	-	4,510,562
Disposals	-	-	(80,849)	(24,500)	(102,934)	(208,283)
<b>At 31/12/14</b>	<u>16,000,255</u>	<u>11,714</u>	<u>54,796,278</u>	<u>3,763,225</u>	<u>1,276,513</u>	<u>75,847,985</u>
<b>Carrying amount</b>						
<b>At 31/12/14</b>	<u>11,909,300</u>	<u>64,754</u>	<u>21,539,914</u>	<u>479,681</u>	<u>-</u>	<u>33,993,649</u>

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/15

### Note 14. continued

#### 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	Motor vehicles
	€	€
At 31/12/15	22,663	31,899
At 31/12/14	25,278	90,130

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**15. Financial assets**

	Other investments other than loans	Total
	€	€
<b>Cost</b>		
At 01/01/15	4,273,262	4,273,262
Additions	383,800	383,800
Disposals	(514,101)	(514,101)
Fair value adjustments	185,175	185,175
<b>At 31/12/15</b>	<u>4,328,136</u>	<u>4,328,136</u>
<b>Provision for diminution in value</b>		
At 01/01/15 and 31/12/15	-	-
<b>Carrying amount</b>		
At 31/12/15	<u>4,328,136</u>	<u>4,328,136</u>

  

	Other investments other than loans	Total
	€	€
<b>Cost</b>		
At 01/01/14	3,862,518	3,862,518
Additions	471,000	471,000
Disposals	(468,100)	(468,100)
Fair value adjustments	407,844	407,844
At 31/12/14	<u>4,273,262</u>	<u>4,273,262</u>
<b>Provision for diminution in value</b>		
At 01/01/14 and 31/12/14	-	-
<b>Carrying amount</b>		
At 31/12/14	<u>4,273,262</u>	<u>4,273,262</u>

In the opinion of the board, the value of investments is not less than as shown above. Included in other Investments other than loans are listed investments and other investments. Included in other investments are shares held in One51 plc. These shares are quoted but not listed on the Irish Stock Exchange. However since the fair value of the shares can be measured reliably, these shares are included above at market value. All other investments outside of listed investments are measured at cost less impairment.

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued)

Year ended 31/12/15

### Note 15 continued

#### Listed investments

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

	Other investments other than loans €	Total €
<b>At 31 December 2015</b>		
Carrying value	611,120	611,120
Market value	611,120	611,120
Stock exchange value	611,120	611,120
<b>At 31/12/14</b>		
Carrying value	828,007	828,007
Market value	828,007	828,007
Stock exchange value	828,007	828,007

The listed investments are listed on the Irish Stock Exchange. The cost of listed investments included above are €2,436 (2014: €2,436).

#### Investments in group undertakings

	Registered office	Nature of business	Class of share	Shares held	
				2015 %	2014 %
<b>Subsidiary undertakings</b>					
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	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. It is the intention of the Board to dissolve Cortare Ltd.



# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/15

### 16. Stocks

	2015	2014
	€	€
Raw materials and consumables	1,592,726	1,198,494
Finished goods and goods for resale	12,744,521	12,748,191
Expense Stocks	1,762,568	1,702,405
	<u>16,099,815</u>	<u>15,649,090</u>

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

### 17. Debtors

	2015	2014
	€	€
Trade debtors	20,339,654	17,927,629
Other debtors	739,036	1,790,368
	<u>21,078,690</u>	<u>19,717,997</u>

The fair value of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €1,976,293 (2014: €1,753,409).

### 18. Cash and cash equivalents

	2015	2014
	€	€
Cash at bank and in hand	2,725,179	4,209,444
Bank overdrafts	(16,658,286)	(11,426,016)
	<u>(13,933,107)</u>	<u>(7,216,572)</u>

### 19. Creditors: amounts falling due within one year

	2015	2014
	€	€
Bank loans and overdrafts	16,783,286	11,551,016
Trade creditors	19,935,048	21,642,166
Obligations under finance leases	26,819	46,687
Tax and social insurance:		
Corporation tax	(16,781)	45,928
	<u>36,728,372</u>	<u>33,285,797</u>

Notes to the financial statements (continued)  
Year ended 31/12/15

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

	2015 €	2014 €
Distribution of Surplus	-	474,330
Bank loans and overdrafts	1,707,232	1,832,086
Obligations under finance leases	5,229	32,400
Government grants (Note 23)	2,510,879	2,643,350
	<u>4,223,340</u>	<u>4,982,166</u>

**21. Details of indebtedness**

The following liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2015 €	2014 €
Indebtedness repayable other than by instalments:		
Banks loans	<u>1,207,232</u>	<u>1,332,086</u>

**22. Obligations under finance leases**

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

	2015 €	2014 €
Not later than 1 year	(26,819)	(46,687)
Later than 1 year and not later than 5 years	(5,229)	(32,400)
	<u>(32,048)</u>	<u>(79,087)</u>

Notes to the financial statements (continued)  
Year ended 31/12/15

**23. Government grants**

	2015 €	2014 €
At 01/01/15	2,643,350	3,217,458
Grants received or receivable	490,088	37,500
Released to the profit or loss	(622,559)	(611,608)
<b>At 31/12/15</b>	<b>2,510,879</b>	<b>2,643,350</b>

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

	2015 €	2014 €
Recognised in creditors:		
Deferred government grants due after more than one year	2,510,879	2,643,350

**24. Deferred tax**

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

	2015 €	2014 €
Included in provisions (note 25)	712,155	505,414

The deferred tax account consists of the tax effect of timing differences in respect of:

	2015 €	2014 €
Accelerated capital allowances / tax losses	145,633	270,346
Fair value adjustment of financial assets	61,108	134,589
	<b>206,741</b>	<b>404,935</b>

**25. Provisions**

	Deferred tax (note 24) €	Total €
At 01/01/15	505,414	505,414
Additions	145,633	145,633
Fair Value Adjustment - FRS102	61,108	61,108
<b>At 31/12/15</b>	<b>712,155</b>	<b>712,155</b>

	Deferred tax (note 24) €	Total €
At 01/01/14	100,479	100,479
Additions	270,346	270,346
Fair Value Adjustment - FRS102	134,589	134,589
<b>At 31/12/14</b>	<b>505,414</b>	<b>505,414</b>

Notes to the financial statements (continued)  
Year ended 31/12/15

26. Employee benefits

The amount recognised in profit or loss in relation to the total pension charge was €585,018 (2014:€595,631). Contributions of €77,603 were due to the scheme by the Society at 31 December 2015. 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. However, as the underlying assets and liabilities attributable to the individual employers cannot be identified as 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 section 28 of Financial Reporting Standard 102. The most recent full actuarial valuation of the Irish Co-Operative Societies' Pension Scheme was carried out on 1st July 2014. The report is available for inspection by Scheme members but is not available to the public. The Scheme did not satisfy the Funding Standard as at the valuation date of 1st July 2014. An Actuarial Funding Certificate confirming this outcome is included in the Trustee Annual Report to 30th June 2014. The Actuary has also completed a Funding Standard Reserve Certificate confirming that the Scheme did not satisfy the Standard at the valuation date of 1st July 2014 and an Actuarial Funding Certificate confirming this outcome is included in the Trustee Annual Report to 30th June 2014. However, the Actuarial Valuation Report as at 1st July 2014 and the Actuary's Statement in the trustee Annual Report to 30th June 2014 confirm that the amendments being made on foot of the Section 50 Order are expected to put the scheme in a position to satisfy both the Funding Standard Reserve immediately following implementation on 10th April 2015 (and they would have done so at the valuation date of 1st July 2014). 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.

27. Share capital

**Issued, called up and fully paid**

	2015		2014	
	Number	€	Number	€
<b>Amounts presented in equity:</b>				
Ordinary shares of €1.00 each (2014: €1.00)	8,470,219	8,470,219	6,390,022	6,390,022

**Share movements**

Ordinary shares:	Number	€
At 01/01/15	6,390,022	6,390,022
Bonus Issues from Bonus Reserves	240,670	240,670
Issued during the year	69,945	69,945
Conversion of Loan Stock to Shares	2,262,259	2,262,259
Redeemed during the year	492,677	492,677
<b>At 31/12/15</b>	<b>8,470,219</b>	<b>8,470,219</b>

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**28. Loan Stock**

	<b>2015</b> <b>€</b>	<b>2014</b> <b>€</b>
Redeemable Loan Stock	293,226	3,686
Convertible Loan Stock	351,628	2,262,259
	<u>644,854</u>	<u>2,265,945</u>
<b>28. 1 Redeemable Loan Stock</b>	<b>2015</b> <b>€</b>	<b>2014</b> <b>€</b>
Opening Balance	3,686	7,853
Loan Stock issued	292,540	-
Loan Stock Redeemed	(3,000)	(4,167)
Closing Balance	<u>293,226</u>	<u>3,686</u>
<b>28. 2 Convertible Loan Stock</b>	<b>2015</b> <b>€</b>	<b>2014</b> <b>€</b>
Opening Balance	2,262,259	839,174
Loan Stock issued during the year	351,628	1,423,819
Loan Stock redeemed during the year	-	(734)
Loan Stock Converted to Shares (note 27)	(2,262,259)	-
Closing Balance	<u>351,628</u>	<u>2,262,259</u>

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

29.

**Reserves**

	<b>Profit and Loss Account</b>	<b>Special Share Reserve</b>	<b>Capital Reserve</b>	<b>General Reserve</b>	<b>Bonus Share Reserve</b>	<b>Total</b>
	€	€	€	€	€	€
<b>At 31/12/14</b>						
<b>as previously stated</b>	32,401,035	419,780	268,206	159,293	61,411	33,309,725
Changes on transition to FRS102	749,882					749,882
<b>At 01/01/15</b>	33,150,917	419,780	268,206	159,293	61,411	34,059,607
Bonus issue of shares	-	-	-	-	(240,670)	(240,670)
Profit for the year	1,115,902	-	-	-	-	1,115,902
Transfer Bonus Reserve	(750,000)	-	-	-	750,000	-
Transfer to Special Share Reserve	-	348,576	-	-	-	348,576
Share & Loan Interest paid	(116,697)	-	-	-	-	(116,697)
<b>At 31/12/15</b>	33,400,122	768,356	268,206	159,293	570,741	35,166,718

30.

**Financial commitments**

**(a) Capital Commitments**

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

	<b>2015</b>	<b>2014</b>
	<b>€ million</b>	<b>€ million</b>
Contracted but not provided for	0.50	3.06
Authorised but not contracted for	2.70	1.60

**(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 had entered into a contract whereby it committed to buying dollars with an equivalent euro nominal value of €173,023 (2014: €1,080,648).

Notes to the financial statements (continued)  
Year ended 31/12/15

**31. 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 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 €6,697,801 (2014: €6,207,713) under agreements between the society and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

**32. Related party transactions**

During the year the Society entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2015 €	2014 €	2015 €	2014 €
Milk Purchases from Committee Members	3,150,379	3,349,203	(132,251)	(159,754)
Purchases by Committee Members	1,102,530	1,213,017	257,811	255,520

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:

	2015	2014
	Number	Number
<b>Board of Directors</b>	22	22
<b>Senior Management Team</b>	15	13
	€	€
<b>Directors Fees &amp; Expenses</b>	135,824	148,591
<b>Key Management Compensation</b>		
<b>Salaries and other short-term employee benefits</b>	1,686,709	1,550,954

**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

### 33. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 01/01/14.

#### Reconciliation of equity

	At 01/01/14			At 31/12/14		
	Previously stated €	Effect of transition €	FRS 102 (restated) €	Previously stated €	Effect of transition €	FRS 102 (restated) €
Fixed assets (Note a)	37,193,846	711,384	37,905,230	40,793,192	1,119,228	41,912,420
Current assets	44,020,000	-	44,020,000	39,576,531	-	39,576,531
Creditors amounts falling due within 1 year	(38,092,031)	-	(38,092,031)	(33,285,797)	-	(33,285,797)
Net current assets	5,927,969	-	5,927,969	6,290,734	-	6,290,734
Total assets less current liabilities	43,121,815	711,384	43,833,199	47,083,926	1,119,228	48,203,154
Creditors amounts falling due after more than 1 year	(5,697,391)	-	(5,697,391)	(4,982,166)	-	(4,982,166)
Provisions for liabilities (Note b)	134,278	(234,757)	(100,479)	(136,068)	(369,346)	(505,414)
Pension scheme assets	-	-	-	-	-	-
Pension scheme liabilities	-	-	-	-	-	-
Net assets	37,558,702	476,627	38,035,329	41,965,692	749,882	42,715,574
Equity	37,558,702	476,627	38,035,329	41,965,692	749,882	42,715,574

#### Reconciliation of profit or loss for the year

	At 31/12/14		
	Previously stated €	Effect of transition €	FRS 102 (restated) €
Turnover	213,138,672	-	213,138,672
Cost of sales	(164,639,255)	-	(164,639,255)
Gross profit	48,499,417	-	48,499,417
Distribution costs	(37,191,285)	-	(37,191,285)
Administrative expenses	(6,866,584)	-	(6,866,584)
Other operating income	13,731	-	13,731
Operating profit	4,455,279	-	4,455,279
Income from other financial assets	11,711	407,844	419,555
Interest payable and similar charges	(884,423)	-	(884,423)
Tax on ordinary activities (Note b)	(452,105)	(134,589)	(586,694)
Profit on ordinary activities after taxation	3,130,462	273,255	3,403,717
Profit for the financial year	3,130,462	273,255	3,403,717



**Notes to the financial statements (continued)**  
**Year ended 31/12/15**

**(a) Valuation of Financial Assets**

Under Irish GAAP Fixed Asset investments are stated at cost less provision for permanent diminution in value. Under FRS 102 Investments in non-puttable ordinary shares shall be measured at fair value if the shares are publicly traded or their fair value can otherwise be measured reliably. The changes in fair value are recognised in the Income Statement. Accordingly the FRS102 accounting policy has been applied to financial assets since 1 January 2014. On the 1st January 2014 the Society recognised an increase of €711,384 in the fair value of shares. In the year ended 31 December 2014 the society recognised a charge of €407,844 in the Income Statement on the increase of fair value of shares.

**(b) Deferred Tax**

The society has accounted for deferred taxation on transition as follows:

Valuation of Financial Assets - Deferred Tax of €234,757 has been recognised at 33% on the increase in valuation on transition on 1 January 2014. In the year ended 31 December 2014 the society has recognised a charge of €134,589 in the Income Statement on the increase of fair value shares.

**(c) Statement of cash flows**

*Irish GAAP*

Under Irish GAAP, cash flows were presented separately for operating activities, returns on investment and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid and financing.

*FRS 102*

Under FRS 102, cash flows are required to be shown separately for three categories only, namely, operating, investing and financing. Additionally the cash flow statement reconciles to cash and cash equivalents whereas under previous Irish GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as "cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value" whereas cash is defined in FRS 1 as "cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand".

*Impact*

Cash flows from taxation and returns on investments and servicing of finance shown under Irish GAAP are included as operating activities under FRS 102.

**34. 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.

**35. Restatement of comparatives**

Certain prior year figures included within the financial statements and related notes are reclassified to ensure comparability with the current year presentation to reflect the society adoption of FRS 102 from the date of transition at 01/01/14.

**36. Events after the end of the reporting period**

There have been no significant events affecting the society since the year end.

**37. Approval of financial statements**

The board of directors approved these financial statements for issue on 31 March 2016.



## Milk Statistics

	<u>2015</u>	<u>2014</u>
Own Suppliers	311.87m/lts.	276.76m/lts.
Average Butterfat	4.04%	4.02%
Average Protein	3.48%	3.42%
Average Price	30.40c/lit.	38.27c/lit.





Arrabawn Co-operative Society Limited, Nenagh, Co. Tipperary, Ireland.

Tel: +353 (0)67 41800 | Fax: +353 (0)67 32232  
Email: [info@arrabawn.ie](mailto:info@arrabawn.ie) | Web: [www.arrabawn.ie](http://www.arrabawn.ie)