

# 2016

ANNUAL REPORT AND ACCOUNTS



## **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  
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.



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# Chairman's Address



For a dairy farmer 2015 was a difficult year with milk price at a very low level. The Board being conscious of the difficulties farmers were experiencing utilised a payment received from Ornuia to subsidise the milk price over the main milk months. This I believe was a strong demonstration of our commitment to our members, in total over €1 million was paid out under this market support. The year was rescued somewhat with a rise in dairy returns in the last quarter and with the resilience and optimism always associated with farmers we are ready to face into a new season. Short term the outlook for dairy products is encouraging, the board throughout 2016 monitored market return closely with a view to putting in place a fixed milk price option for suppliers. It was our view a price less than 30c would not be acceptable and hence we were unable to offer a scheme until February of this year when we contracted to sell a portion of our supply at a price of 30.6cent fixed for 3 years. Every supplier had the opportunity to fix 10% of their 2016 supply at this price, a difficult decision for all of us, would we gamble on further increases or opt for the security of a fixed price. I am pleased that the scheme was well received by our milk suppliers and approximately 25% of suppliers joined.

Another development in 2016 was an EU initiative to compensate suppliers who reduced supply in the period October to December 2016 compared to the volume they supplied in the corresponding period of 2015. Many suppliers who applied to join the scheme subsequently maintained or increased output encouraged by rising milk price nevertheless the scheme was worth over €0.25mil to our members.



## The key points from our financial results are as follows:

Turnover for the year was €199.7m  
(2015 - €205.1)

E.B.I.T.D.A. €9.5m (€3.1m increase on 2015)

Operating Profit €4.6m  
(€2.5m increase on 2015)

Capital Additions for the year was €7.2m

Net Debt at year end €12.6m  
(€3.2m decrease on 2015)

The Average Milk Price was 27c/lit  
(30.4c/lit in 2015)

## Liquid Milk

Throughput in our Fresh Milk Plan at Kilconnell increased significantly mainly due to growth of our Aldi contract and our success in obtaining a significant contract with Tesco. This growth enabled us to issue further winter contracts to our suppliers. Following on from the installation of a new pasteurising line in 2015 further investment was made in the plant during 2016 with the installation of a new plastic bottle filling line and an associated trolley filler. A new paper carton machine was ordered late in 2016 and will come on line early in 2017; this carton comes with an easy opening mechanism. Some new products were added to the portfolio during 2016 and further innovation will occur during 2017.

Preparatory building work to cater for the increased volume took place during 2016 and at this time tender documents are being prepared for additional cold storage and loading bays with work expected to commence late 2017.

Presently work is in progress on an extension to the Effluent Treatment plant which includes the installation of a novel anaerobic digester; this work will be complete by May.

### ***Dairy Processing***

Volume from our own suppliers increased by 6% for the year and we anticipate similar growth for the current year. Overall volume processed reduced as less milk was purchased from other processors.

A major upgrade of the evaporation facility was undertaken during the winter shut down of 2015 and continued into the spring of 2016. This work is now fully complete and our focus now switches to improving efficiency across all processing units. Work commenced in the autumn on an extension to our Effluent Treatment Plant and it is planned to be online by this summer.

### ***Milk for Profit***

As I announced last year this joint programme with Teagasc is now up and running with 5 development farms across our area where we are working closely with the farmers and sharing the information via Open Days and our Newsletter. Parallel to these farms a number of workshops were held during the year covering specific topics. This program was created for your benefit; events run on time and are of short duration. I encourage everyone to attend these events and also if there is any subject you would like us to address please advise us.

### ***Agri. Division***

Our animal feed business recorded a small increase in throughput, this was achieved despite a drop in feed sales nationally which is attributed to good grass growth and poor milk price.

The year also marked the construction of a new store at Tyone in Nenagh which commenced trading in December and the submission of a planning application for a new store in Athenry.

### ***Harvest 2016***

2016 was another difficult year for tillage farmers with a difficult harvest, poor yields and poor prices. Irish cereal prices are influenced by what's happening elsewhere in the world and, with record stocks of maize and cereals, prices for Irish cereals have been under pressure for the last few years. The harvest of 2016 saw a reduction of about 15% on the previous year, mainly due to poor harvesting conditions – this was also reflected in the supply of quality straw.

Despite declining grower numbers, Arrabawn has a strong tillage business supplying inputs and advice while also providing a strong competitive outlet for cereals produced in the area.

### ***Board & Representative Committee***

I would like to thank the members of the Representative Committee and the board for their work for the Society during the year. Last autumn we had a 3 day training programme for the members and they visited each of the production units. This year will see the election of a new board and I am confident regardless of who is elected that this new board will ensure that the Society continues to grow and is a strong business for our members.

Unfortunately during the year we lost a valuable member of our Representative Committee with the death of Francis Tuohy and again I wish to express my condolences to Kathleen and the family on their loss.

I would like to thank the staff across all the different areas of the Society for their work during the year. I would also like to thank the many different groups and organisations with whom the Society works closely for their help and assistance, time moves on, circumstances change, but our focus always remains the same that is to be benefit for our members.

***Sean Monahan***  
*Chairman*

# Chief Executive's Review 2016



Arrabawn enjoyed a strong performance in 2016 on the back of further growth in milk from our suppliers up 6% year on year. The year brought its challenges in handling extra milk but thanks to our investment programme of the preceding years we were in a position to handle this extra output. Extra output nationally and globally put sustained pressure on milk prices in the early part of the year and particularly during peak months. For a number of months intervention storage was one of the major outlets for powder, an unprecedented 365,000 tons of powder was taken off the market and with the combined return from a reasonable butter market and intervention powder milk price stabilised at 24 cents a litre. Thankfully as the summer months passed we witnessed supply constraint due to low prices globally and this decrease in milk supply helped underpin the market. During the back end of the year we were glad to be in a position to reflect these price increases back to our members and we finished off the year with milk price continuing to head up into the early 30's.

Financially our performance was strong reporting an operating profit €4.634m; this showed an increase €2.505m up on 2015 and represents an operating margin of 2.3%. Our net assets increased in value from €44.3m to €47.8m following a capital spend of €7.16m across our 3 business units. As a result of strong operating profits we generated a positive cash flow of €8.1m and this along with controlled capital spend allowed us to reduce our debt level by €3.21m to €12.58m. Our net debt to E.B.I.T.A. ratio was a comfortable 1.32 at year end. Overall a good solid financial performance leaving the Co-Operative in a healthy position showing over 35% growth in the value of the balance sheet over the last three years.



## Review of our Businesses

In our Agri Division we were delighted to complete the development of our new agri centre in Tyone, Nenagh. This is a substantial business in our trading division and represented an opportunity to develop the site and store to a very high standard, the project was completed on time and we were in a position to start trading prior to Christmas. Also in this division we completed the sale of the site in the centre of Athenry and located a site on the outskirts of the town more fitting for our customers, it is our intention during 2017 to proceed with a development on this site and we are currently working with Galway county council to finalise plans on this development.

In our Arrabawn Dairies division we continued the development of our processing plant in Kilconnell Co Galway. Internally in the plant we have installed two new packing machines to allow us increase the capacity of the site. We have started the upgrade of our effluent plant where we will install a fast acting anaerobic digester which will be the first of its kind in the Republic of Ireland; this project is due for completion in early 2017. Finally we purchased the old garage site across from the plant and have sought planning permission to convert into a car park for the site.

The Nenagh plant after a couple of years of continuous investment had an extremely busy year coping with fast growing milk volumes. As a result of these increases we have started a substantial upgrade of our Effluent Plant which is hoped to be completed by mid 2017.

## Milk for Profit Programme /Bord Bia Quality Assurance Programme.

The programme which was rolled out at the end of 2015 to support our members has continued in 2016 to bring best practise to our members and hopefully helping them to run more profitable enterprises. To all the farmers who are involved either as monitor farms or who hosted open days we are very grateful for your co-operation and time during the year.

In relation to the Bord Bia quality assurance scheme over 98% of our suppliers are participating in the scheme and of those 87% have being audited with 84% certified. By mid 2017 we hope to have all our farmers certified as being approved quality assured farmers.

## Conclusion

I would like to thank the following, our Board Members and Representative Committee members for their support in 2016, our employees throughout our 3 business units who helped ensure the co-operative had a good performance in 2016. To former Board Members, Representative Committee members and employees also who stood down or retired during 2016 we are eternally grateful for your support.

## Conor Ryan

Chief Executive

Try our new  
**Easy Open  
Easy Pour**  
Cartons

WWW.ARRABAWNDAIRIES.IE  
ARRABAWN, NENAGH, CO TIPPERARY.

# Arrabawn Co-Operative Society Limited

## Directors' responsibilities statement Year ended 31/12/16

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 Annual Report and Accounts 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.

The 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:

**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 31/12/16**

We have audited the financial statements of Arrabawn Co-Operative Society Limited for the year ended 31/12/16 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 Auditor's 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 Annual Reports and Accounts 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 31/12/16 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

22/03/17

## Arrabawn Co-Operative Society Limited

### Income statement Year ended 31/12/16

	Note	2016 €	2015 €
<b>Turnover</b>	<b>4</b>	199,725,057	205,148,172
Cost of sales		(145,617,935)	(156,457,613)
<b>Gross profit</b>		<u>54,107,122</u>	<u>48,690,559</u>
Operating selling & distribution costs		(41,474,823)	(39,606,075)
Administrative expenses		(8,013,551)	(6,970,419)
Other operating income	<b>5</b>	15,009	15,067
<b>Operating profit</b>	<b>6</b>	<u>4,633,757</u>	<u>2,129,132</u>
Exceptional Items	<b>8</b>	1,098,920	-
(Loss) / gain on financial assets at fair value through profit or loss		(273,169)	185,175
Income from other financial assets	<b>9</b>	7,776	9,365
Other interest receivable and similar income	<b>10</b>	7,083	10,083
Interest payable and similar charges	<b>11</b>	(936,446)	(919,517)
<b>Profit on ordinary activities before taxation</b>		<u>4,537,921</u>	<u>1,414,238</u>
Tax on profit on ordinary activities	<b>12</b>	(584,635)	(298,336)
<b>Profit for the financial year and total comprehensive income</b>		<u><u>3,953,286</u></u>	<u><u>1,115,902</u></u>

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.

**The notes on pages 15 to 38 form part of these financial statements.**

Arrabawn Co-Operative Society Limited

Statement of financial position  
31/12/16

	Note	2016 €	2015 €
<b>Fixed assets</b>			
Intangible assets	14	2,871,843	3,258,676
Tangible assets	15	40,381,694	38,455,162
Financial assets	16	4,084,545	4,328,136
		<u>47,338,082</u>	<u>46,041,974</u>
<b>Current assets</b>			
Stocks	17	14,432,827	16,099,815
Debtors	18	23,636,001	21,078,690
Cash at bank and in hand	19	3,828,825	2,725,179
		<u>41,897,653</u>	<u>39,903,684</u>
<b>Creditors: amounts falling due within one year</b>	20	<u>(34,955,922)</u>	<u>(37,383,782)</u>
<b>Net current assets</b>		<u>6,941,731</u>	<u>2,519,902</u>
<b>Total assets less current liabilities</b>		<u>54,279,813</u>	<u>48,561,876</u>
<b>Creditors: amounts falling due after more than one year</b>	21	(5,842,335)	(3,567,930)
<b>Provisions for liabilities</b>	26	(564,255)	(712,155)
<b>Net assets</b>		<u><u>47,873,223</u></u>	<u><u>44,281,791</u></u>
<b>Capital and reserves</b>			
Called up share capital presented as equity	28	8,915,533	8,470,219
Loan stock	29	522,196	644,854
Other reserves	30	1,251,772	1,766,596
Profit and loss account	30	37,183,722	33,400,122
<b>Shareholders funds</b>		<u><u>47,873,223</u></u>	<u><u>44,281,791</u></u>

These financial statements were approved by the board of directors on 22/03/17 and signed on behalf of the board by:

**Sean Monahan**  
Chairman

**Edward Carr**  
Vice Chairman

The notes on pages 15 to 38 form part of these financial statements.

Arrabawn Co-Operative Society Limited

Statement of changes in equity  
Year ended 31/12/16

	Called up share capital €	Reserve for own shares held €	Other reserves €	Profit and loss account €	Total €
<b>At 01/01/15 (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 01/01/15 (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	<b>13</b>			(116,697)	(116,697)
Redemption of shares	(492,677)				(492,677)
Transfer Bonus Reserve			750,000	(750,000)	-
Convertible Loan Stock issued		292,540			292,540
Loan stock redeemed		(3,000)			(3,000)
Conversion of debt 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
Profit for the year				3,953,286	3,953,286
<b>Total comprehensive income for the year</b>	-	-	-	3,953,286	3,953,286
Issue of shares	14,245				14,245
Issue of bonus shares	514,824		(514,824)	-	-
Share & Loan Stock Interest	<b>13</b>			(169,686)	(169,686)
Redemption of shares	(83,755)				(83,755)
Transfer Bonus Reserve			-	-	-
Loan stock issued		10,481			10,481
Loan stock redeemed		(133,139)			(133,139)
<b>Total investments by and distributions to owners</b>	445,314	(122,658)	(514,824)	(169,686)	(361,854)
<b>At 31/12/16</b>	8,915,533	522,196	1,251,772	37,183,722	47,873,223

Arrabawn Co-Operative Society Limited

Statement of cash flows  
Year ended 31/12/16

	2016 €	2015 €
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,953,286	1,115,902
<i>Adjustments for:</i>		
Depreciation of tangible assets	5,164,678	4,532,313
Amortisation of grant	(655,410)	(622,559)
Amortisation of intangible assets	386,833	386,833
Loss/(Gain) on financial assets at fair value through profit or loss	273,169	(185,175)
Income from other financial assets	(7,776)	(9,365)
Other interest receivable and similar income	(7,083)	(10,083)
Interest payable and similar charges	936,446	919,517
(Gain)/loss on disposal of tangible assets	(31,700)	(88,371)
Tax on profit on ordinary activities	584,635	298,336
Exceptional Item	(1,098,920)	-
<i>Changes in:</i>		
Stocks	1,666,988	(450,725)
Trade and other debtors	(2,554,744)	(1,336,287)
Trade and other creditors	2,506,924	(1,212,760)
Provisions and employee benefits	125,000	(45,000)
Tax relief at source not paid	2,312	2,312
<b>Cash generated from operations</b>	<b>11,244,638</b>	<b>3,294,888</b>
Interest paid	(1,051,083)	(1,035,026)
Tax paid	(291,316)	(156,616)
<b>Net cash from operating activities</b>	<b>9,902,239</b>	<b>2,103,246</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(7,682,279)	(9,693,918)
Proceeds from sale of tangible assets	1,203,629	184,816
Purchase of other investments	(358,000)	(383,800)
Proceeds from sale of other investments	335,505	524,184
Dividends received	5,208	7,159
Receipt of Capital Grant	-	490,088
<b>Net cash used in investing activities</b>	<b>(6,495,937)</b>	<b>(8,871,471)</b>

Arrabawn Co-Operative Society Limited

Statement of cash flows (continued)  
Year ended 31/12/16

		2016 €	2015 €
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		14,245	69,945
Redemption of ordinary share capital		(83,755)	(492,677)
Net Issue of convertible loan stock		-	351,628
Repayment of long term loan		(128,584)	(124,854)
Issue of long term loan		5,000,000	-
Payment of finance lease liabilities		(26,921)	(41,892)
Loan stock subscribed		10,481	292,540
Loan stock redeemed		(133,139)	(3,000)
<b>Net cash from financing activities</b>		<u>4,652,327</u>	<u>51,690</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		8,058,629	(6,716,535)
<b>Cash and cash equivalents at beginning of year</b>	<b>19</b>	<u>(13,933,107)</u>	<u>(7,216,572)</u>
<b>Cash and cash equivalents at end of year</b>	<b>19</b>	<u>(5,874,478)</u>	<u>(13,933,107)</u>

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements Year ended 31/12/16

#### 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 financial statements of Arrabawn Co-operative Society Limited have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and Promulgated by the Institute of Chartered Accountants 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 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.

##### Turnover

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

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

##### Interest Income

Interest Income is recognised using the effective interest method.

##### Exceptional items

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

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

### **Notes to the financial statements (continued) Year ended 31/12/16**

#### **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.

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### Intangible assets

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

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

#### Amortisation

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

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

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

#### Tangible assets

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

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

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

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 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.

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

### **Notes to the financial statements (continued) Year ended 31/12/16**

#### **Trade Debtors**

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

#### **Cash and cash equivalents**

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

#### **Trade Creditors**

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

#### **Hire purchase and finance leases**

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

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

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### Government grants

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

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

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

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

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

#### Provisions

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

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

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 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.

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 3. Critical accounting judgements and estimates

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

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

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

##### **(b) Critical accounting estimates and assumptions**

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

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

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

###### *(ii) Impairment of stocks*

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

###### *(iii) Impairment of debtors*

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

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### (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

Commission receivable

2016	2015
€	€
15,009	15,067

#### 6. Operating profit

Operating profit is stated after charging/(crediting):

	2016	2015
	€	€
Amortisation of intangible assets	386,833	386,833
Depreciation of tangible assets	5,164,678	4,532,313
Amortisation of capital grants	(655,410)	(622,559)
(Gain) on disposal of tangible assets	(31,700)	(88,371)
General Operating, Selling & Distribution Costs	19,166,996	17,462,211
Fuel & Power	6,231,919	7,508,551
Wages & Salaries (Note 7)	16,075,908	14,635,313

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
Year ended 31/12/16

**7. Staff costs**

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

	<b>2016</b>	2015
	<b>Number</b>	Number
Production & Administration	374	348

The aggregate payroll costs incurred during the year were:

	<b>2016</b>	2015
	€	€
Wages and salaries	13,961,680	12,700,301
Social insurance costs	1,478,711	1,349,994
Other retirement benefit costs	635,517	585,018
	<u>16,075,908</u>	<u>14,635,313</u>

**8. Exceptional items**

	<b>2016</b>	2015
	€	€
Gain on Disposal of Business Premises	1,098,920	-

**9. Income from other financial assets**

	<b>2016</b>	2015
	€	€
Other income from other financial assets	7,776	9,365

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

	<b>2016</b>	2015
	€	€
Gain on financial instruments	7,083	10,083

**11. Interest payable and similar charges**

	<b>2016</b>	2015
	€	€
Bank loans and overdrafts	933,784	914,323
Other loans made to the company:		
Finance leases and hire purchase contracts	2,662	5,194
	<u>936,446</u>	<u>919,517</u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

12. Tax on profit on ordinary activities

Major components of tax expense

	2016 €	2015 €
<b>Current tax:</b>		
Irish current tax expense	734,845	89,282
Adjustments in respect of previous periods	(2,310)	2,313
Total current tax	<u>732,535</u>	<u>91,595</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(57,754)	145,633
Fair value adjustment - FRS 102	(90,146)	61,108
Total deferred tax	<u>(147,900)</u>	<u>206,741</u>
<b>Tax on profit on ordinary activities</b>	<u><u>584,635</u></u>	<u><u>298,336</u></u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in Ireland of 12.50% (2015: 12.50%).

	2016 €	2015 €
Profit on ordinary activities before taxation	<u>4,537,921</u>	<u>1,414,238</u>
Profit on ordinary activities by rate of tax	567,240	176,780
Adjustments in respect of prior periods	(2,310)	2,313
Effect of expenses not deductible / (allowable) for tax purposes	90,626	40,849
Effect of revenue exempt from tax	(128)	(240)
Utilisation of tax losses	(146,815)	-
Tax on passive income at higher rate	843	931
Capital Gains Tax	165,325	16,595
Fair value adjustments re: FRS 102	(90,146)	61,108
Tax on profit on ordinary activities	<u><u>584,635</u></u>	<u><u>298,336</u></u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

13. Share & Loan Stock Interest (Note 30)

	2016 €	2015 €
Share Interest	169,686	116,670
Loan Stock Interest	-	27
	<u>169,686</u>	<u>116,697</u>

The directors recommend a payment of share interest for 2016 of 2% (2015 - 2%).

14. Intangible assets

	Goodwill €	Patents, Trade Brands & Licences €	Total €
<b>Cost</b>			
At 01/01/16 and 31/12/16	<u>2,694,519</u>	<u>3,102,500</u>	<u>5,797,019</u>
<b>Amortisation</b>			
At 01/01/16	1,142,488	1,395,855	2,538,343
Charge for the year	<u>163,333</u>	<u>223,500</u>	<u>386,833</u>
At 31/12/16	<u>1,305,821</u>	<u>1,619,355</u>	<u>2,925,176</u>
<b>Carrying amount</b>			
At 31/12/16	<u>1,388,698</u>	<u>1,483,145</u>	<u>2,871,843</u>
	Goodwill	Trade Brands	Total
	€	€	€
<b>Cost</b>			
At 01/01/15 and 31/12/15	<u>2,694,519</u>	<u>3,102,500</u>	<u>5,797,019</u>
<b>Amortisation</b>			
At 01/01/15	979,155	1,172,355	2,151,510
Charge for the year	<u>163,333</u>	<u>223,500</u>	<u>386,833</u>
At 31/12/15	<u>1,142,488</u>	<u>1,395,855</u>	<u>2,538,343</u>
<b>Carrying amount</b>			
At 31/12/15	<u>1,552,031</u>	<u>1,706,645</u>	<u>3,258,676</u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

15. Tangible assets

	Freehold property	Long leasehold property	Plant and machinery	Motor vehicles	Leased Assets	Total
	€	€	€	€	€	€
<b>Cost</b>						
At 01/01/16	29,282,587	76,468	83,121,109	4,468,128	1,276,513	118,224,805
Additions	2,950,913	-	3,791,956	421,350	-	7,164,219
Disposals	(153,358)	-	(74,986)	(75,786)	-	(304,130)
<b>At 31/12/16</b>	<u>32,080,142</u>	<u>76,468</u>	<u>86,838,079</u>	<u>4,813,692</u>	<u>1,276,513</u>	<u>125,084,894</u>
<b>Depreciation</b>						
At 01/01/16	16,541,394	14,773	58,035,577	3,901,386	1,276,513	79,769,643
Charge for the year	507,416	3,059	4,362,499	291,704	-	5,164,678
Disposals	(85,428)	-	(74,986)	(70,707)	-	(231,121)
<b>At 31/12/16</b>	<u>16,963,382</u>	<u>17,832</u>	<u>62,323,090</u>	<u>4,122,383</u>	<u>1,276,513</u>	<u>84,703,200</u>
<b>Carrying amount</b>						
<b>At 31/12/16</b>	<u>15,116,760</u>	<u>58,636</u>	<u>24,514,989</u>	<u>691,309</u>	<u>-</u>	<u>40,381,694</u>

	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>

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/16**

**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
<b>At 31/12/16</b>	€ 20,048	€ 7,208
At 31/12/15	<u>22,663</u>	<u>31,899</u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

16. Financial assets

	Other investments other than loans	Total
	€	€
<b>Cost</b>		
At 01/01/16	4,328,136	4,328,136
Additions	358,000	358,000
Disposals	(328,422)	(328,422)
Fair value adjustments	(273,169)	(273,169)
<b>At 31/12/16</b>	<u>4,084,545</u>	<u>4,084,545</u>
<b>Provision for diminution in value</b>		
At 01/01/16 and 31/12/16	-	-
<b>Carrying amount</b>		
At 31/12/16	<u>4,084,545</u>	<u>4,084,545</u>
	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
At 31/12/15	<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>

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 31/12/16

#### 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 2016</b>		
Carrying value	538,981	<b>538,981</b>
Market value	538,981	<b>538,981</b>
Stock exchange value	538,981	<b>538,981</b>
<b>At 31/12/15</b>		
Carrying value	611,120	<b>611,120</b>
Market value	611,120	<b>611,120</b>
Stock exchange value	611,120	<b>611,120</b>

The listed investments are listed on the Irish Stock Exchange. The cost of listed investments included above are €2,436 (2015: €2,436).

#### Investments in group undertakings

	Registered office	Nature of business	Class of share	Shares held	
				2016 %	2015 %
<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 its 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 31/12/16

17. Stocks

	2016 €	2015 €
Raw materials and consumables	876,843	1,592,726
Finished goods and goods for resale	11,909,153	12,744,521
Expense Stocks	1,646,831	1,762,568
	<u>14,432,827</u>	<u>16,099,815</u>

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

18. Debtors

	2016 €	2015 €
Trade debtors	22,847,163	20,339,654
Other debtors	788,838	739,036
	<u>23,636,001</u>	<u>21,078,690</u>

The fair value of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €2,069,459 (2015: €1,976,293).

19. Cash and cash equivalents

	2016 €	2015 €
Cash at bank and in hand	3,828,825	2,725,179
Bank overdrafts	(9,703,303)	(16,658,286)
	<u>(5,874,478)</u>	<u>(13,933,107)</u>

20. Creditors: amounts falling due within one year

	2016 €	2015 €
Bank loans and overdrafts	11,828,303	16,783,286
Trade creditors	22,103,961	19,935,048
Obligations under finance leases	5,127	26,819
Tax and social insurance:		
Corporation tax	426,749	(16,781)
Government grants (Note 24)	591,782	655,410
	<u>34,955,922</u>	<u>37,383,782</u>

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
Year ended 31/12/16

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

	<b>2016</b>	2015
	€	€
Bank loans and overdrafts	4,578,648	1,707,232
Obligations under finance leases	-	5,229
Government grants (Note 24)	1,263,687	1,855,469
	<u>5,842,335</u>	<u>3,567,930</u>

**22. 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:

	<b>2016</b>	2015
	€	€
Indebtedness repayable other than by instalments:		
Banks loans	<u>1,078,648</u>	<u>1,207,232</u>

**23. Obligations under finance leases**

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

	<b>2016</b>	2015
	€	€
Not later than 1 year	(5,127)	(26,819)
Later than 1 year and not later than 5 years	-	(5,229)
	<u>(5,127)</u>	<u>(32,048)</u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

24. Government grants

	2016 €	2015 €
At 01/01/16	2,510,879	2,643,350
Grants received or receivable	-	490,088
Released to the profit or loss	(655,410)	(622,559)
At 31/12/16	<u>1,855,469</u>	<u>2,510,879</u>

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

	2016 €	2015 €
Recognised in creditors:		
Deferred government grants due within one year	591,782	655,410
Deferred government grants due after more than one year	1,263,687	1,855,469
	<u>1,855,469</u>	<u>2,510,879</u>

25. Deferred tax

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

	2016 €	2015 €
Included in provisions (note 26)	<u>564,255</u>	<u>712,155</u>

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

	2016 €	2015 €
Accelerated capital allowances / tax losses	(57,754)	145,633
Fair value adjustment of financial assets	(90,146)	61,108
	<u>(147,900)</u>	<u>206,741</u>

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

26. Provisions

	Deferred tax (note 25)	Total
	€	€
At 01/01/16	712,155	712,155
Additions	-	-
Charges against provision	(57,754)	(57,754)
Fair Value Adjustment - FRS102	(90,146)	(90,146)
<b>At 31/12/16</b>	<u>564,255</u>	<u>564,255</u>
	Deferred tax (note 25)	Total
	€	€
At 01/01/15	505,414	505,414
Additions	145,633	145,633
Charges against provision	-	-
Fair Value Adjustment - FRS102	61,108	61,108
At 31/12/15	<u>712,155</u>	<u>712,155</u>

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 27. Employee benefits

The amount recognised in profit or loss in relation to the total pension charge was €635,517 (2015:€585,018). Contributions of €138,955 were due to the scheme by the Society at 31 December 2016. 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 on 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 last actuarial funding certificate with an effective date of 8th April 2015 confirmed that the Scheme satisfied the minimum funding standard set out in the Pensions Act. A funding standard reserve certificate with an effective date of 8th April 2015 confirmed that the Scheme had sufficient additional resources to satisfy the funding standard reserve requirement set out in the Pensions Act. In the most recent annual report as at 30th June 2015, the Scheme actuary confirms that he is satisfied that he would have been able to certify that the Scheme satisfied the funding standard and the funding standard reserve set out in the Pensions Act as at 30th June 2015. 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. The next actuarial valuation will be carried out on 1st July 2017.

#### 28. Share capital

##### Issued, called up and fully paid

	2016		2015	
	Number	€	Number	€
<b>Amounts presented in equity:</b>				
Ordinary shares of € 1.00 each (2015: € 1.00)	8,915,533	8,915,533	8,470,219	8,470,219

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/16

Share movements

Ordinary shares:

	Number	€
At 01/01/16	8,470,219	8,470,219
Bonus Issues from Bonus Reserves	514,824	514,824
Issued during the year	14,245	14,245
Redeemed during the year	(83,755)	(83,755)
At 31/12/16	8,915,533	8,915,533

29. Loan Stock

	2016 €	2015 €
Redeemable Loan Stock	170,568	293,226
Convertible Loan Stock	351,628	351,628
	522,196	644,854

29.1 Redeemable Loan Stock

	2016 €	2015 €
Opening Balance	293,226	3,686
Loan Stock issued	10,481	292,540
Loan Stock Redeemed	(133,139)	(3,000)
	170,568	293,226

29.2 Convertible Loan Stock

	2016 €	2015 €
Opening Balance	351,628	2,262,259
Loan Stock issued during the year	-	351,628
Loan Stock Converted to Shares	-	(2,262,259)
Closing Balance	351,628	351,628

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 30. Reserves

	Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
<b>At 31/12/15 as previously stated</b>	33,400,122	768,356	268,206	159,293	570,741	35,166,718
<b>At 01/01/16</b>	33,400,122	768,356	268,206	159,293	570,741	35,166,718
Bonus issue of shares	-	-	-	-	(514,824)	(514,824)
Profit for the year	3,953,286	-	-	-	-	3,953,286
Share & Loan Interest paid	(169,686)	-	-	-	-	(169,686)
<b>At 31/12/16</b>	<u>37,183,722</u>	<u>768,356</u>	<u>268,206</u>	<u>159,293</u>	<u>55,917</u>	<u>38,435,494</u>

#### 31. Financial commitments

##### (a) Capital Commitments

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

	2016 € million	2015 € million
Contracted but not provided for	2.93	0.50
Authorised but not contracted for	6.86	2.70

#### 32. 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 (2015: €6,697,801) under agreements between the society and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/16

#### 33. Related party transactions

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

	Transaction value		Balance owed by/(owed to)	
	2016 €	2015 €	2016 €	2015 €
Milk Purchases from Committee Members	2,855,327	3,150,379	(167,802)	(132,251)
Purchases by Committee Members	934,868	1,102,530	255,876	257,811

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:

	2016 Number	2015 Number
<b>Board of Directors</b>	20	22
<b>Senior Management Team</b>	15	15
	€	€
<b>Directors Fees &amp; Expenses</b>	89,583	135,824
<b>Key management compensation</b>		
Salaries and other short-term employee benefits	1,847,742	1,686,709

#### 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. Events after the end of the reporting period

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

#### 36. Approval of financial statements

The board of directors approved these financial statements for issue on 22 March 2017.

## Milk Statistics

	2016	2015
Own Suppliers	332.03m/lt	311.87m/lt
Average Butterfat	4.27%	4.04%
Average Protein	3.43%	3.48%
Average Price	26.99c/lt	30.40c/lt.





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