

# 2017

ANNUAL REPORT  
AND ACCOUNTS



# BOARD OF DIRECTORS & OTHER INFORMATION

**CHAIRMAN** Sean Monahan

**VICE CHAIRMAN** Edward Carr

**BOARD**

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

**CHIEF EXECUTIVE** Conor Ryan

**SECRETARY** Jerry Ryan

**AUDITORS**  
Quinlan Holohan & Partners,  
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.

# KEY HIGHLIGHTS



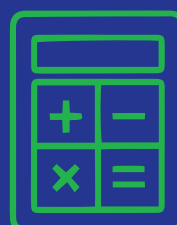
**REVENUES**  
**€249.1m**  
up from  
**€199.7m**



Operating  
**PROFIT**  
**€4.7m**



**€51m**  
Shareholders'  
Funds



**EBIDTA €10m**

Earnings Before Interest,  
Depreciation, Tax and  
Amortisation

Milk  
Processed



**380m Litres**

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# CHAIRMAN'S ADDRESS



The growth in milk supply during the year was stronger than anticipated, resulting in an increase of 9% over 2016.

At farm level a number of factors contributed to this. We have had a number of new entrants to dairying and we wish them well. Established dairy farms are striving for growth also by increasing cow numbers in some cases but, in all cases, through better management of higher calibre stock. As an aid to this growth, I believe our Milk for Profit joint programme with Teagasc is a very useful facility for our members to keep abreast of the best available advice.

This increased output has necessitated an increase in processing capacity faster than was originally planned. During the shutdown of 2017-2018, a lot of work was done on the plant in Nenagh to provide capacity for 2018. Further to that, plans have been drafted for a second phase of expansion with the aim of completion for 2019 processing. These plans include the installation of a new Casein Plant, a further extension to effluent treatment capacity and the opening of a new entrance to the factory from the Thurles Road side.



## Liquid Milk:

The final phase of the development of our liquid milk plant in Kilconnell is underway with the construction of a new cold-room. During the year a new effluent treatment system was installed and this plant evolved from work done through the DPTC by NUIG. When the cold-room is complete, our Kilconnell plant will be capable of handling up to 200million litres per annum in an efficient streamlined manner.

## Agri Division:

I am happy to report that in late 2017 we received planning permission to build a new Agri Store in Athenry. This development will be similar to our state of the art store opened at Tyone in Nenagh in early 2017. These two flagship stores and our network of other stores are for the benefit of you, our members. They are a key part of our business and your support for them is appreciated.

The year under review was a record year for feed sales, partly due to a strong milk price in the second half of the year but also reflecting the poor weather from August onwards. This growth, while welcome, means we have to consider increasing capacity of our feed mill.

## Fixed Milk Price Facility:

In March 2017 we launched our first Fixed Milk Price Scheme at a rate of 30.6c before VAT.

A second scheme has just been launched, commencing March 2018, with both of a 3 year duration. It is our intention to offer such schemes each year and we do so without any guidance; each milk supplier should consider the price offered and their ability to

withstand poor milk price over a prolonged period. Volatility in the return for dairy products looks certain to continue with many factors contributing to it. These schemes are intended to help soften the impact of severe price drops and a supplier could potentially have 30% of their supply at a fixed price.

### Board & Representative Committee:

I would like to thank the members of both the Representative Committee and the Board for their work on behalf of the members during the year. I would in particular like to thank Pat Donnellan, John Fletcher, John Ryan and Sean Ryan who retired from the Board during the year. I welcome the newly elected Board members and also the new members of the Representative Committee. These new members will bring new ideas while maintaining the culture of working for the good of all members.

During the year some former Board members passed to their eternal reward; we remember these people and acknowledge their contribution to the growth of the Society. Earlier this year also as a result of a traffic accident, our entire membership, staff and the wider farming sector was shattered and saddened by the tragic death of John Powell and his wife Betty. John was a model, innovative farmer and served for many years on the Board of Nenagh Co-Op. I wish to express my condolences and those of the co-op, as well as our support, to their family on this dreadful loss.

I would like to thank all the staff of the Society for their work during the year; the efficient operation of the business is dependent on your contribution. As a Society we work closely with many different groups and organisations, I would like to acknowledge their role in the growth of the business.

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

- Turnover for the year was €249.1m (2016 - €199.7)
- E.B.I.T.D.A. €10m (€0.5m increase on 2016)
- Operating Profit €4.7m (€0.05m increase on 2016)
- Capital Additions for the year was €10.1m
- Net Debt at year end €16.38m (€3.8m increase on 2016)
- The Average Milk Price was 37.45c/ltr. (27c/ltr. in 2016)

**Sean Monahan**  
CHAIRMAN

**17 Vitamins & Minerals plus added Protein**

- 100% RI Vitamin D
- 20% RI Zinc
- 33% + RI Vit A, B1, B5, B6, Biotin, B12, C, E, K1, B3, Phosphorous
- 88% RI Folic Acid
- 65% RI B2 Riboflavin
- 45% RI Calcium
- 50% RI Iodine

Arrabawn Complete FRESH TASTING MILK

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# CHIEF EXECUTIVE'S REVIEW 2017



On the back of 9% milk growth and a bumper ride on dairy markets, Arrabawn had a very solid performance, with revenue growth of 25%, up to €249m, and an EBITA of €10m, up from €9.5m, in 2016. An average milk price of 37.45 cents per litre was paid, up 10.45 cents on the 2016 price. This represents an extra €37m paid out to our milk suppliers for the calendar year 2017, a figure that averages out at just under €40,000 per supplier. Shareholders' funds have increased from €47.8m to €51.1m in the year and over the last 5 years we have grown shareholder value by over 36%.

While 2017 started with low dairy market returns and consequently low milk prices for our members, fortunately we had a very vibrant butter market which supported an upward trend in milk price during the peak season. As a result of this strong market, which carried through to October, we have been able to maintain price until the early part of 2018. Butter prices reached heretofore unseen levels at over €7,000 per tonne and the addition of being able to utilise intervention for skim milk powders meant that the protein market was protected, albeit not at a very high level but sufficiently high to ensure a strong milk price.



## The business performance

Our ingredients business had a strong performance as we saw the benefit of our ongoing investment programme. Increased throughput and better utilisation of the plants has played an important role. The supply of milk has grown at a faster rate than we had predicted and by the end of 2018 we expect to have reached our original 2020 target. The growth in milk supply comes predominantly from existing suppliers but also each year there is a steady stream of new entrants, with 16 commencing last year. The investment in the effluent plant has been a considerable help and ensures that we meet our obligations environmentally and have a state of the art investment to ensure that we are well placed into the future. The increased milk supply required investment in both our driers at the back end of the year to create headroom for the coming year. This project was initiated mid-year and commenced at the end of the year.

The liquid business had a more challenging year due to higher milk prices than we had envisaged at the start of the year. Through 2017 we finalised our investment in the effluent plant on this site and we have started the final phase of development on the site, with the construction of a new warehouse/distribution centre.

Our agri business had a very strong year with excellent growth in all categories, with the performance of our new store in Tyone very encouraging and validating again our wider investment programme. During the year we also progressed planning permission with Galway County Council on a site on the outskirts of Athenry for a new agri-retail outlet following the sale last year of the old store in middle of the town. Our feed sales surpassed all previous records also in 2017.

## **New Entrants**

Since the abolition of milk quota there have been a strong move to dairying from other enterprises, a trend that looks set to continue. 16 farms have commenced supply in the past year and a further four will start in the next few days. For next season we have already had enquiries from 10 potential suppliers who seem reasonably certain to start and probably another 10 who are close to making a decision. In 2017, 16 farms commenced, one more than 2016.

These new entrants are all very committed and have made a serious investment on their farms. They have analysed the situation very carefully and we are fully committed to assisting them in any way we can. Through our Milk for Profit programme, we run special workshops for these new entrants and work closely with them to help them become established. We are proud of the success that these new entrants are achieving.

## **SDAS**

Our goal has not and will not change; that is we need all our suppliers accredited under this scheme. We are almost there and expect to be there by mid-year. At this time, six of our new entrants have yet to complete their audit. This is, however, understandable as they cannot be audited until production has commenced on the farm. However, at this time six farms that were certified have not completed their renewal audit in time and their certification has expired. The difficult spring has been a factor but it is not a sufficient excuse. There is a three month notice period for the renewal audit and the auditor seeks to contact the member a number of times. It is, therefore, important going forward that renewals are completed on time so that we can maintain 100% certification.

## **Milk for Profit Programme**

This programme runs in association with Teagasc across five monitor farms that are now in year three of the programme and whom I wish to thank for their commitment. Later this year we will have farm walks on some of these farms for the second time and you will be able to see and hear first-hand the changes that have taken place since the start. Earlier

I referred to the workshops we hold for new entrants, which

we have held specifically because established discussion groups can be intimidating for initial attendances. The objective is that everyone is at the same level and the reaction back from those attending is that they are helpful. The difficulty we have is that our geographical area is so large that it is difficult to have a venue that suits everyone. In the last few months Paddy Purcell has taken on the role of co-ordinator of the milk for profit programme, as well as working with the monitor farms and the new entrant. Paddy is available to assist anyone of you who would like an independent opinion on some matter. We also hold a number of miscellaneous workshops during the year under the programme. They run for two hours and cover matters of interest but we are open to suggestions on subject matters for these events.

## **Gurteen Open Day**

Our main event in 2017 was an open day held in Gurteen College in August when we had 50 trade exhibitors and some demonstrations. This was a major success with over 500 farmers attending and we hope you all had an enjoyable day and took home something that you can apply on your farm.

Remember while our main role is to process your milk and return as good a price to you as possible, while providing inputs at competitive prices, we are available to provide technical assistance wherever possible. As well as the above, we also run several cell check events in association with discussion groups and will help you prepare for SDAS and help also if you are under pressure on milk quality or any other area

## **Conclusion**

To our Board Members and Representative Members I would like to acknowledge your support throughout the year and also to acknowledge members of the committees who retired during 2017.

To all employees who have contributed to help Arrabawn move forward in the last 12 months your efforts are much appreciated.

**Conor Ryan**  
**CHIEF EXECUTIVE.**



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

### **Directors' responsibilities statement Year ended 31/12/17**

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

The Industrial and Provident Societies Acts, 1893 to 2014 require the Board of Directors to prepare financial statements, in accordance with accounting standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council, and promulgated by the Institute of Chartered Accountants in Ireland for each financial year which give a true and fair view of the state of affairs of the Society for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with 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.

The Board of Directors are responsible for the maintenance and integrity of the corporate and financial information included on the society'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 31/12/17**

#### **Opinion**

We have audited the financial statements of Arrabawn Co-Operative Society Limited for the year ended 31/12/17 which comprise the income statement, statement of financial position, statement of changes in equity, statement of cash flows and related notes. The relevant financial reporting framework that has been applied in their preparation is the Industrial and Provident Societies Act, 1893 to 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the society as at 31/12/17 and of its profit for the year then ended; and
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of section 13 of the Industrial and Provident Societies Act, 1893 to 2014.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other Information**

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

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

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

### **Independent auditor's report to the shareholders of Arrabawn Co-Operative Society Limited (continued) Year ended 31/12/17**

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

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

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

#### **Respective responsibilities**

##### **Responsibilities of directors for the financial statements**

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

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

##### **Auditor's responsibilities for the audit of the financial statements**

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

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 to 2014 we examined the balance sheets showing the receipts and expenditure, funds and effects of the Society, and verified the same with books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

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

### **Independent auditor's report to the shareholders of Arrabawn Co-Operative Society Limited (continued) Year ended 31/12/17**

#### **Further information regarding the scope of our responsibilities as auditor**

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

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

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

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

This report is made solely to the society's, as a body, in accordance with section 13 of the Industrial and Provident Societies Act, 1893 to 2014. Our audit work has been undertaken so that we might state to the society's 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 as a body, for our audit work, for this report, or for the opinions we have formed.

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

21/03/18

# Arrabawn Co-Operative Society Limited

## Income statement Year ended 31/12/17

	Note	2017 €	2016 €
<b>Turnover</b>	<b>4</b>	249,135,984	199,725,057
Cost of sales		(189,458,574)	(145,617,935)
<b>Gross profit</b>		59,677,410	54,107,122
Operating selling & distribution costs		(46,467,416)	(41,474,823)
Administrative expenses		(8,546,185)	(8,013,551)
Other operating income	<b>5</b>	17,426	15,009
<b>Operating profit</b>	<b>6</b>	4,681,235	4,633,757
Exceptional Items	<b>8</b>	-	1,098,920
Gain / (loss) on financial assets at fair value through profit or loss		466,457	(273,169)
Income from other financial assets	<b>9</b>	1,025	7,776
Other interest receivable and similar income	<b>10</b>	-	7,083
Interest payable and similar charges	<b>11</b>	(1,087,229)	(936,446)
<b>Profit on ordinary activities before taxation</b>		4,061,488	4,537,921
Tax on profit on ordinary activities	<b>12</b>	(798,164)	(584,635)
<b>Profit for the financial year and total comprehensive income</b>		3,263,324	3,953,286

All the activities of the society are from continuing operations.

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

The notes on pages 18 to 43 form part of these financial statements.



**Arrabawn Co-Operative Society Limited**

**Statement of financial position  
31/12/17**

	Note	2017 €	2016 €
<b>Fixed assets</b>			
Intangible assets	14	2,526,696	2,871,843
Tangible assets	15	44,837,737	40,381,694
Financial assets	16	4,188,087	4,084,545
		<u>51,552,520</u>	<u>47,338,082</u>
<b>Current assets</b>			
Stocks	17	17,808,718	14,432,827
Debtors	18	27,019,764	23,636,001
Cash at bank and in hand	19	6,252,268	3,828,825
		<u>51,080,750</u>	<u>41,897,653</u>
<b>Creditors: amounts falling due within one year</b>	20	<u>(43,096,260)</u>	<u>(34,955,922)</u>
<b>Net current assets</b>		7,984,490	6,941,731
<b>Total assets less current liabilities</b>		59,537,010	54,279,813
<b>Creditors: amounts falling due after more than one year</b>	21	(7,495,412)	(5,842,335)
<b>Provisions for liabilities</b>	26	(995,841)	(564,255)
<b>Net assets</b>		<u>51,045,757</u>	<u>47,873,223</u>
<b>Capital and reserves</b>			
Called up share capital presented as equity	28	9,321,505	8,915,533
Loan stock	29	405,398	522,196
Other reserves	30	1,787,091	1,251,772
Profit and loss account	30	39,531,763	37,183,722
<b>Shareholders funds</b>		<u>51,045,757</u>	<u>47,873,223</u>

These financial statements were approved by the board of directors on 21/03/18 and signed on behalf of the board by:

**Sean Monahan**  
Chairman

**Edward Carr**  
Vice Chairman

The notes on pages 18 to 43 form part of these financial statements.

# Arrabawn Co-Operative Society Limited

## Statement of changes in equity Year ended 31/12/17

	Called up share capital €	Reserve for own shares held €	Other reserves €	Profit and loss account €	Total €
<b>At 01/01/16</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	-	-	-	(169,686)	(169,686)
Redemption of shares	(83,755)	-	-	-	(83,755)
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 and 01/01/17</b>	8,915,533	522,196	1,251,772	37,183,722	47,873,223
Profit for the year	-	-	-	3,263,324	3,263,324
<b>Total comprehensive income for the year</b>	-	-	-	3,263,324	3,263,324
Issue of shares	15,105	-	-	-	15,105
Issue of bonus shares	214,681	-	(214,681)	-	-
Share & loan stock issued	-	-	-	(165,283)	(165,283)
Redemption of shares/Transfer Bonus Reserve	(172,500)	-	750,000	(750,000)	(172,500)
Loan stock redeemed	-	(98,607)	-	-	(98,607)
Conversion of debt to equity	348,686	(348,686)	-	-	-
Convertible loan stock issued	-	330,495	-	-	330,495
<b>Total investments by and distributions to owners</b>	405,972	(116,798)	535,319	(915,283)	(90,790)
<b>At 31/12/17</b>	9,321,505	405,398	1,787,091	39,531,763	51,045,757

# Arrabawn Co-Operative Society Limited

## Statement of cash flows Year ended 31/12/17

	2017 €	2016 €
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,263,324	3,953,286
<i>Adjustments for:</i>		
Depreciation of tangible assets	5,587,816	5,164,678
Amortisation of grant	(615,647)	(655,410)
Amortisation of intangible assets	345,147	386,833
Loss/(Gain) on financial assets at fair value through profit or loss	(466,457)	273,169
Income from other financial assets	(1,025)	(7,776)
Other interest receivable and similar income	-	(7,083)
Interest payable and similar charges	1,087,229	936,446
(Gain)/loss on disposal of tangible assets	(8,366)	(31,700)
Tax on profit on ordinary activities	798,164	584,635
Exceptional Item	-	(1,098,920)
<i>Changes in:</i>		
Stocks	(3,375,891)	1,666,988
Trade and other debtors	(3,390,541)	(2,554,744)
Trade and other creditors	2,671,506	2,506,924
Provisions and employee benefits	(52,125)	125,000
Tax relief at source not paid	1,933	2,312
Cash generated from operations	5,845,067	11,244,638
Interest paid	(1,214,741)	(1,051,083)
Tax paid	(928,347)	(291,316)
Net cash from operating activities	3,701,979	9,902,239
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(8,202,797)	(7,682,279)
Proceeds from sale of tangible assets	19,486	1,203,629
Purchase of other investments	-	(358,000)
Proceeds from sale of other investments	362,915	335,505
Dividends received	4,803	5,208
Receipt of Capital Grant	243,172	-
Net cash used in investing activities	(7,572,421)	(6,495,937)

Arrabawn Co-Operative Society Limited

Statement of cash flows (continued)  
Year ended 31/12/17

		2017 €	2016 €
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		15,105	14,245
Redemption of ordinary share capital		(172,500)	(83,755)
Net Issue of convertible loan stock		330,495	-
Repayment of long term loan		(2,123,315)	(128,584)
Issue of long term loan		5,000,000	5,000,000
Payment of finance lease liabilities		(5,127)	(26,921)
Loan stock subscribed		-	10,481
Loan stock redeemed		(98,607)	(133,139)
Net cash from financing activities		<u>2,946,051</u>	<u>4,652,327</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(924,391)	8,058,629
<b>Cash and cash equivalents at beginning of year</b>	<b>19</b>	<u>(5,874,478)</u>	<u>(13,933,107)</u>
<b>Cash and cash equivalents at end of year</b>	<b>19</b>	<u>(6,798,869)</u>	<u>(5,874,478)</u>

# **Arrabawn Co-Operative Society Limited**

## **Notes to the financial statements Year ended 31/12/17**

### **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.

#### **Consolidation**

The consolidated financial statements incorporate the financial statements of Arrabawn Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2017. All intra - group transactions, balances, income and expenses are eliminated on consolidation.

#### **Turnover**

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

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

#### **Interest Income**

Interest Income is recognised using the effective interest method.



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

### **Notes to the financial statements (continued)** **Year ended 31/12/17**

#### **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.

#### **Taxation**

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

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

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

#### **Currency**

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

#### **Operating leases**

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

#### **Goodwill**

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

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

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

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

### **Notes to the financial statements (continued)** **Year ended 31/12/17**

#### **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 31/12/17**

#### **Depreciation**

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

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

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

#### **Impairment**

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

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

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

#### **Financial assets**

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

#### **Stocks**

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

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

### **Notes to the financial statements (continued)** **Year ended 31/12/17**

#### **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 31/12/17**

#### **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 31/12/17**

#### **Financial instruments**

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

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

Debt instruments are subsequently measured at amortised cost.

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

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

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

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

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

#### **Employee benefits**

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

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

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

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/17

#### 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 31/12/17

### (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

	2017 €	2016 €
Commission receivable	<u>17,426</u>	<u>15,009</u>

### 6. Operating profit

Operating profit is stated after charging/(crediting):

	2017 €	2016 €
Amortisation of intangible assets	345,147	386,833
Depreciation of tangible assets	5,587,816	5,164,678
Amortisation of capital grants	(615,647)	(655,410)
(Gain) on disposal of tangible assets	(8,366)	(31,700)
General Operating, Selling & Distribution Costs	22,078,043	19,166,996
Fuel & Power	7,162,052	6,231,919
Wages & Salaries (Note 7)	<u>17,227,321</u>	<u>16,075,908</u>

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 7. Staff costs

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

	2017 Number	2016 Number
Production & Administration	396	374

The aggregate payroll costs incurred during the year were:

	2017 €	2016 €
Wages and salaries	15,009,658	13,961,680
Social insurance costs	1,569,212	1,478,711
Other retirement benefit costs	648,451	635,517
	17,227,321	16,075,908

### 8. Exceptional items

	2017 €	2016 €
Gain on Disposal of Business Premises	-	1,098,920

### 9. Income from other financial assets

	2017 €	2016 €
Other income from other financial assets	1,025	7,776

### 10. Other interest receivable and similar income

	2017 €	2016 €
Gain on financial instruments	-	7,083

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/17**

**11. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Bank loans and overdrafts	1,085,116	933,784
Other loans made to the company:		
Finance leases and hire purchase contracts	2,113	2,662
	<u>1,087,229</u>	<u>936,446</u>



# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 12. Tax on profit on ordinary activities

#### Major components of tax expense

	2017 €	2016 €
<b>Current tax:</b>		
Irish current tax expense	366,578	734,845
Adjustments in respect of previous periods	-	(2,310)
Total current tax	366,578	732,535
<b>Deferred tax:</b>		
Origination and reversal of timing differences	277,655	(57,754)
Fair value adjustment - FRS 102	153,931	90,146
Total deferred tax	431,586	(147,900)
<b>Tax on profit on ordinary activities</b>	<b>798,164</b>	<b>584,635</b>

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in Ireland of 12.50% (2016: 12.50%).

	2017 €	2016 €
Profit on ordinary activities before taxation	4,061,488	4,537,921
Profit on ordinary activities by rate of tax	507,686	567,240
Adjustments in respect of prior periods	-	(2,310)
Effect of expenses not deductible / (allowable) for tax purposes	136,675	90,626
Effect of revenue exempt from tax	(128)	(128)
Utilisation of tax losses	-	(146,815)
Tax on passive income at higher rate	-	843
Capital Gains Tax	-	165,325
Fair value adjustments re: FRS 102	153,931	(90,146)
<b>Tax on profit on ordinary activities</b>	<b>798,164</b>	<b>584,635</b>

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/17**

**13. Share & Loan Stock Interest (Note 30)**

	2017	2016
	€	€
Share Interest	165,283	169,686
	<u>165,283</u>	<u>169,686</u>

The directors recommend a payment of share interest for 2017 of 2% (2016 - 2%).

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/17

14. Intangible assets

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

	Goodwill	Trade Brands	Total
	€	€	€
<b>Cost</b>			
At 01/01/16 and 31/12/16	2,694,519	3,102,500	5,797,019
<b>Amortisation</b>			
At 01/01/16	1,142,488	1,395,855	2,538,343
Charge for the year	163,333	223,500	386,833
At 31/12/16	1,305,821	1,619,355	2,925,176
<b>Carrying amount</b>			
At 31/12/16	1,388,698	1,483,145	2,871,843

Arrabawn Co-Operative Society Limited

Notes to the financial statements (continued)  
Year ended 31/12/17

15. Tangible assets

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

	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>

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/17**

**Obligations under finance leases**

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

**At 31/12/17**

Plant and machinery	Motor vehicles
€	€
17,433	-

**At 31/12/16**

Plant and machinery	Motor vehicles
€	€
20,048	7,208

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 16. Financial assets

#### Cost

At 01/01/17  
Additions  
Disposals  
Fair value adjustments

**At 31/12/17**

#### Provision for diminution in value

At 01/01/17 and 31/12/17

#### Carrying amount

At 31/12/17

Other investments other than loans	Total
€	€
4,084,545	4,084,545
-	-
(362,915)	(362,915)
466,457	466,457
<u>4,188,087</u>	<u>4,188,087</u>
-	-
<u>4,188,087</u>	<u>4,188,087</u>

#### Cost

At 01/01/16  
Additions  
Disposals  
Fair value adjustments

At 31/12/16

#### Provision for diminution in value

At 01/01/16 and 31/12/16

#### Carrying amount

At 31/12/16

Other investments other than loans	Total
€	€
4,328,136	4,328,136
358,000	358,000
(328,422)	(328,422)
(273,169)	273,169
<u>4,084,545</u>	<u>4,084,545</u>
-	-
<u>4,084,545</u>	<u>4,084,545</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 IPL Plastics plc (previous 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 31/12/17

### Listed investments

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

#### At 31 December 2017

Carrying value

Market value

Stock exchange value

Other investments other than loans	Total
€	€
442,551	442,551
442,551	442,551
442,551	442,551

#### At 31/12/16

Carrying value

Market value

Stock exchange value

538,981	538,981
538,981	538,981
538,981	538,981

The listed investments are listed on the Irish Stock Exchange. The cost of listed investments included above are €2,436 (2016: €2,436).

### Investments in group undertakings

	Registered office	Nature of business	Class of share	Shares held	
				2017 %	2016 %
<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 31/12/17

### 17. Stocks

	2017 €	2016 €
Raw materials and consumables	1,175,705	876,843
Finished goods and goods for resale	14,930,986	11,909,153
Expense Stocks	1,702,027	1,646,831
	<u>17,808,718</u>	<u>14,432,827</u>

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

### 18. Debtors

	2017 €	2016 €
Trade debtors	25,003,674	22,847,163
Other debtors	2,016,090	788,838
	<u>27,019,764</u>	<u>23,636,001</u>

The fair value of trade and other receivables approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €1,987,021 (2016: €2,069,459).

### 19. Cash and cash equivalents

	2017 €	2016 €
Cash at bank and in hand	6,252,268	3,828,825
Bank overdrafts	(13,051,137)	(9,703,303)
	<u>(6,798,869)</u>	<u>(5,874,478)</u>

The bank and cash balance contain no restricted cash.

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

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

	2017	2016
	€	€
Bank loans and overdrafts	16,176,137	11,828,303
Trade creditors	26,200,670	21,737,261
Obligations under finance leases	-	5,127
Tax and social insurance:		
PAYE and social welfare	409,625	366,700
Corporation tax	(133,087)	426,749
Government grants (Note 24)	442,915	591,782
	<u>43,096,260</u>	<u>34,955,922</u>

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

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

	2017	2016
	€	€
Bank loans and overdrafts	6,455,333	4,578,648
Government grants (Note 24)	1,040,079	1,263,687
	<u>7,495,412</u>	<u>5,842,335</u>

### 22. Details of indebtedness - Loans

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

	2017	2016
	€	€
Indebtedness repayable other than by instalments:		
Bank loans < 1 year	3,125,000	2,125,000
Bank loans 2-5 year	5,500,000	3,500,000
Banks loans > 5 year	955,333	1,078,648
	<u>9,580,333</u>	<u>6,703,648</u>

### 23. Obligations under finance leases

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

	2017	2016
	€	€
Not later than 1 year	<u>-</u>	<u>(5,127)</u>

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 24. Government grants

	2017 €	2016 €
At 01/01/17	1,855,469	2,510,879
Grants received or receivable	243,172	-
Released to the profit or loss	(615,647)	(655,410)
At 31/12/17	<u>1,482,994</u>	<u>1,855,469</u>

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

	2017 €	2016 €
Recognised in creditors:		
Deferred government grants due within one year	442,915	591,782
Deferred government grants due after more than one year	<u>1,040,079</u>	<u>1,263,687</u>
	<u>1,482,994</u>	<u>1,855,469</u>

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

### 25. Deferred tax

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

	2017 €	2016 €
Included in provisions (Note 26)	<u>995,841</u>	<u>564,255</u>

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

	2017 €	2016 €
Accelerated capital allowances / tax losses	277,655	(57,754)
Fair value adjustment of financial assets	<u>153,931</u>	<u>(90,146)</u>
	<u>431,586</u>	<u>(147,900)</u>

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 26. Provisions

At 01/01/17  
Charges against provision  
Fair Value Adjustment - FRS102

**At 31/12/17**

Deferred tax (Note 25)	Total
€	€
564,255	564,255
277,655	277,655
153,931	153,931
<u>995,841</u>	<u>995,841</u>

At 01/01/16  
Charges against provision  
Fair Value Adjustment - FRS102

At 31/12/16

Deferred tax (Note 25)	Total
€	€
712,155	712,155
(57,754)	(57,754)
(90,146)	(90,146)
<u>564,255</u>	<u>564,255</u>

## Arrabawn Co-Operative Society Limited

### Notes to the financial statements (continued) Year ended 31/12/17

#### 27. Employee benefits

The amount recognised in profit or loss in relation to the total pension charge was €648,451 (2016:€635,517). Contributions of €167,116 were due to the scheme by the Society at 31 December 2017. 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 2016, 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 31st December 2016. 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.

#### 28. Share capital

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

##### Amounts presented in equity:

Ordinary shares of € 1.00 each (2016: € 1.00)

2017		2016	
Number	€	Number	€
9,321,505	9,321,505	8,915,533	8,915,533

**Arrabawn Co-Operative Society Limited**

**Notes to the financial statements (continued)**  
**Year ended 31/12/17**

**Share movements**

Ordinary shares:

	<b>Number</b>	<b>€</b>
At 01/01/17	8,915,533	8,915,533
Bonus Issues from Bonus Reserves	214,681	214,681
Issued during the year	15,105	15,105
Conversion of Loan Stock to Shares	348,686	348,686
Redeemed during the year	(172,500)	(172,500)
At 31/12/17	<u>9,321,505</u>	<u>9,321,505</u>

**29. Loan Stock**

	<b>2017</b> <b>€</b>	<b>2016</b> <b>€</b>
Redeemable Loan Stock	71,961	170,568
Convertible Loan Stock	333,437	351,628
	<u>405,398</u>	<u>522,196</u>

**29. 1 Redeemable Loan Stock**

	<b>2017</b> <b>€</b>	<b>2016</b> <b>€</b>
Opening Balance	170,568	293,226
Loan Stock issued	-	10,481
Loan Stock Redeemed	(98,607)	(133,139)
	<u>71,961</u>	<u>170,568</u>

**29. 2 Convertible Loan Stock**

	<b>2017</b> <b>€</b>	<b>2016</b> <b>€</b>
Opening Balance	351,628	351,628
Loan Stock issued during the year	330,495	-
Loan Stock Converted to Shares (Note 28)	(348,686)	-
Closing Balance	<u>333,437</u>	<u>351,628</u>

# Arrabawn Co-Operative Society Limited

## Notes to the financial statements (continued) Year ended 31/12/17

### 30. Reserves

	Profit and Loss Account €	Special Share Reserve €	Capital Reserve €	General Reserve €	Bonus Share Reserve €	Total €
<b>At 31/12/16 as previously stated</b>	37,183,722	768,356	268,206	159,293	55,917	38,435,494
<b>At 01/01/17</b>	37,183,722	768,356	268,206	159,293	55,917	38,435,494
Bonus issue of shares	-	-	-	-	(214,681)	(214,681)
Profit for the year	3,263,324	-	-	-	-	3,263,324
Transfer Bonus Reserve	(750,000)	-	-	-	750,000	-
Share & Loan Interest paid	(165,283)	-	-	-	-	(165,283)
<b>At 31/12/17</b>	<u>39,531,763</u>	<u>768,356</u>	<u>268,206</u>	<u>159,293</u>	<u>591,236</u>	<u>41,318,854</u>

### 31. Financial commitments

#### (a) Capital Commitments

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

	2017 € million	2016 € million
Contracted but not provided for	6.67	2.93
Authorised but not contracted for	-	6.86

### 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 357 of the Companies Act 2014. The Society is party to various legal matters including a High Court Action. The Board is of the opinion that none of these cases will impact in a materially adverse manner on the financial status of the group.

Grants received of €6,940,973 (2016: €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 31/12/17

#### 33. Related party transactions

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

	Transaction value		Balance owed by/(owed to)	
	2017	2016	2017	2016
	€	€	€	€
Milk Purchases from Committee Members	3,953,435	2,855,327	(231,667)	(167,802)
Purchases by Committee Members	980,622	934,868	334,010	255,876

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:

	2017	2016
	Number	Number
<b>Board of Directors</b>	18	20
<b>Senior Management Team</b>	13	15
	€	€
<b>Directors Fees &amp; Expenses</b>	158,935	89,583
<b>Key management compensation</b>		
Salaries and other short-term employee benefits	1,668,735	1,847,742

#### 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 21 March 2018.

## NOTES

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## NOTES

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## NOTES

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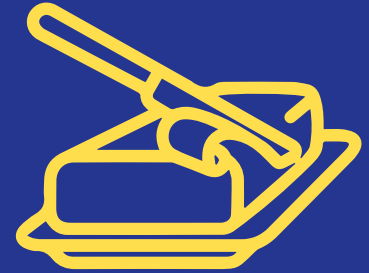
# MILK

## STATISTICS



### OWN SUPPLIERS

**2017** 361.62m/lt.  
**2016** 332.03m/lt.



### AVERAGE BUTTERFAT

**2017** 4.11%  
**2016** 4.12%



### AVERAGE PROTEIN

**2017** 3.45%  
**2016** 3.43%



### AVERAGE PRICE

**2017** 37.45c/lt.  
**2016** 26.99c/lt.



  
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Co-op

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