



Co-operative Society Ltd.



Annual Report  
& Accounts

**2016**



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You can find more information about Aurivo online at:

[www.Aurivo.ie](http://www.Aurivo.ie)





Turnover  
**€391m**

Our  
businesses'  
turnover

- Agribusiness
- Consumer Foods
- Dairy Ingredients
- Livestock Marts
- Other Activities



Total operating profit

**€3.56m**

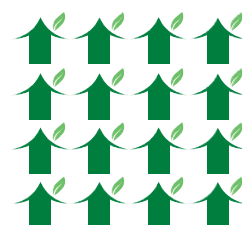
Milk Quality  
Awards: **44**

Customer  
Service  
Excellence  
Awards: **12**



*Farm*  
**profitability**  
*programme*

**16**  
EVENTS



**2009:** Energy drive to reduce CO<sub>2</sub> emissions

**2011:** LEAN operations begin in Dairy Ingredients

**2013:** LEAN operations begin in the mill

**2013:** Farm Profitability Programme introduced

**2014:** Aurivo become credited member of Origin Green

**2014:** Biomass energy facility opened, reducing Aurivo's Dairy Ingredients' heavy fuel oil consumption by more than 70% and carbon emissions by 50%

**2015:** LED bulbs introduced in sites across Agribusiness

**2016:** Mill introduces gas boiler

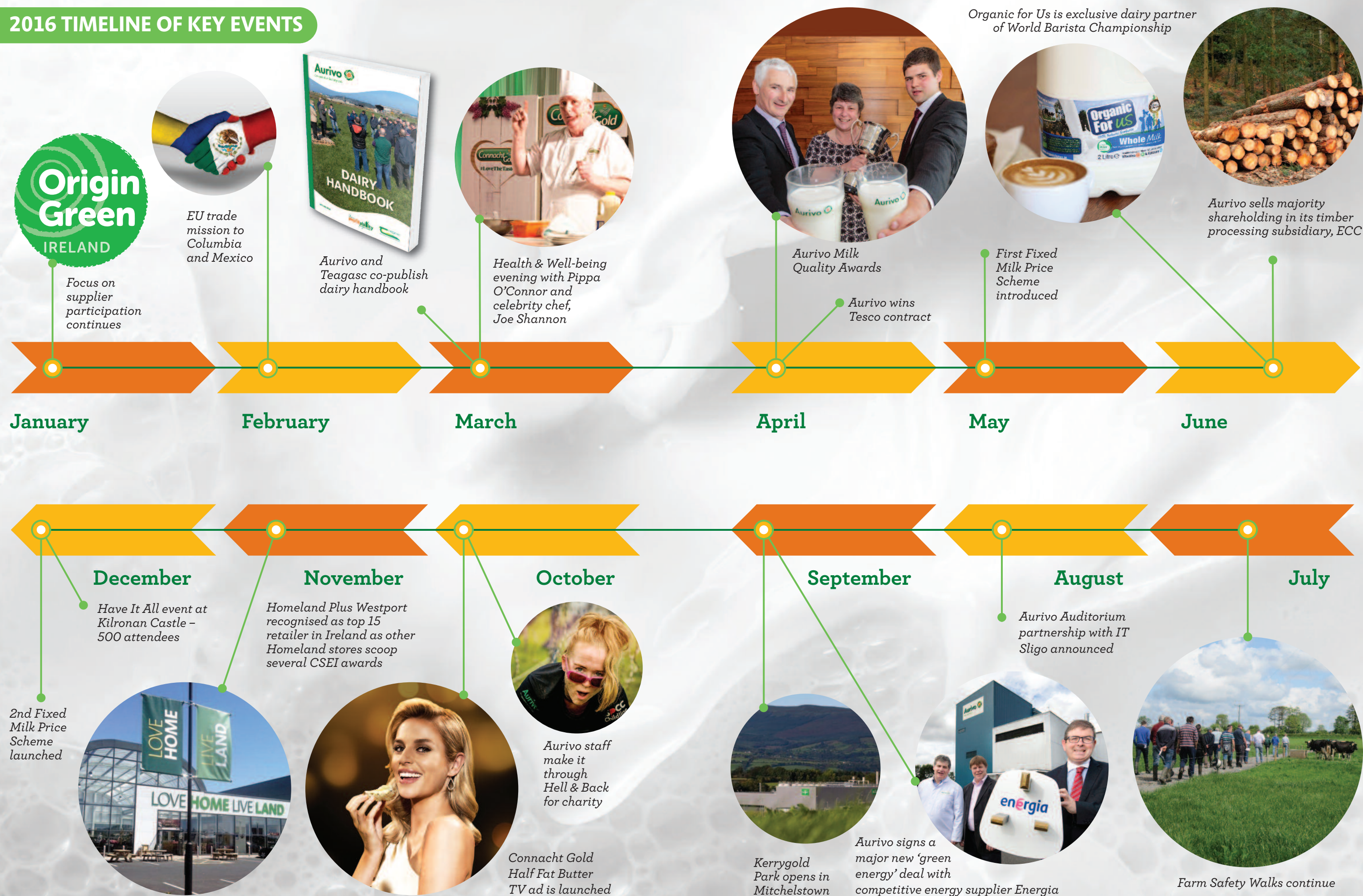
**2016:** Butter packing moves to Kerrygold Park, Mitchelstown, Co Cork

**2016:** Low emission forklifts introduced in the mill

**2016:** 27,000t/CO<sub>2</sub> offset as a result of a wide range of projects



## 2016 TIMELINE OF KEY EVENTS





**While 2016 brought with it a number of significant challenges that impacted upon our co-operative – namely global milk price difficulties and Brexit – it is gratifying to report that the business, with a focus on long-term sustainability, performed strongly in terms of revenue generation and business development.**

2016 continued to be a very difficult and challenging year for the dairy farmer and farming in general. The collapse in prices continued from 2015 right up until July 2016, when we saw the beginning of a stabilisation in milk pricing. With this as a critical backdrop to Aurivo's business in 2016, the focus of the co-operative in 2016 was to support its farmers in exceptionally volatile markets, while in parallel ensuring that the business was as efficient as possible to safeguard its continued financial and operational success, and to deliver ongoing sustainable growth in each area of its endeavour.

## BUSINESS REVIEW

Aurivo reported a total group operating profit of €3.56m in 2016 (before exceptional items), an increase of 25% on the outturn for 2015. This was delivered on a total turnover of €391m, a decrease of some 7% on turnover for 2015, primarily due to the disposal in 2016 of our shareholding in ECC, and a more challenging year for our Marts and Agri businesses.

Our Consumer Foods and Dairy Ingredients businesses performed strongly, and while factors outside of the co-operative's control impacted our Marts and Agri businesses, both reported a creditable performance for the year.

Supporting our suppliers through what was a very difficult and challenging period was of paramount importance to Aurivo in 2016, and to this end, we introduced two Fixed Milk Price Schemes in 2016, both of which were received very positively. As we continue to operate in volatile conditions, Aurivo will continue to look at ways and means to support our valued milk suppliers.

The year under review was one of change for the co-operative. To ensure that our business is fit for purpose across all facets of our operations, and that all our facilities are well invested in and operating on a sustainable basis, we moved our butter packing to Ornu's new production facility in Mitchelstown, Co Cork. The decision

presents Aurivo with a range of efficiencies in our butter operation and a number of growth opportunities. 2016 also saw Aurivo taking the decision to dispose of its shareholding in two investments, namely; ECC and Progressive Genetics Ireland Limited, which we held through our subsidiary, North Western Livestock Holdings Limited. The disposals allow us to focus on our core business areas and to put Aurivo's capital to optimum use.

Looking at each area of the business, progress in 2016 is outlined as follows:

### Consumer Foods

Aurivo's Consumer Foods business performed exceptionally well in 2016 with overall sales across milk, butter and sports nutrition increasing by €8m to €88.4m (2015: €80.4m).

It was promising to see milk volumes increase by 21% in 2016. This was mainly driven by Aurivo successfully obtaining a 12-month 20 million litre contract with Tesco Ireland.

The Connacht Gold butter brand grew by 3% over the period, and through our ongoing commitment to brand investment, the Connacht Gold butter brand was highly visible through a national TV, digital and print advertising campaign.

The For Goodness Shakes brand had a stellar year in 2016, with volumes increasing by 31% in the year. The My Goodness Limited business recently relocated its office from Bendon Valley in South West London to a new address at The Leather Market in the Tower Bridge area.

### Dairy Ingredients

Following on from a very difficult year in 2015 (in terms of global milk price), milk price only began to stabilise and move in an upward trajectory in July of 2016. Against this backdrop, it was satisfying to see that Dairy Ingredients increased its turnover by €2.6m to €102.1m (2015: €99.5m).

It was a year of investment in our Dairy Ingredients operations; a €1.6m investment has been directed into a milk powder packing line, while 2016 also saw the commencement of a €5m investment programme (over the next four years) in our Dairy Ingredients facility in Balaghaderreen, Co Roscommon. These and other invest-

ments enable exciting new product development and further positions the co-operative to meet global demand and anticipated market growth.

### Agribusiness

Our Agribusiness reported a decline in turnover to €97.2m (2015: €101.4m). This was due to a number of factors, namely reduced commodity pricing on fertiliser, reduced disposable income at farm level and poor weather conditions. Notwithstanding this, the business performed well in the period.

Feed sales grew in the period, for the third year in a row, which was encouraging and reflects the success of the Nutrias brand as a brand of quality and value.

Our Farm Profitability Programme had another successful year and it is pleasing to note that our Farm Commercial Specialist Team had a busy year providing a range of commercial services and advice to our customers.

Throughout Aurivo's retail business, there was a continued focus on delivering outstanding customer service. This was further demonstrated through 12 of our Homeland stores receiving the Customer Service Excellence Ireland's 'Excellence Award', and our Westport Homeland Plus store being recognised as one of the top 15 retails stores in Ireland.

### Marts

Notwithstanding a decline in turnover to €78.5m (2015: €86.5m) due to poor cattle prices and weather conditions, our Livestock Marts business performed well in 2016 with a worthy performance in what was a difficult year. Aurivo's investment in its Mart operations continued in 2016, and the improved handling facilities in Ballinrobe and Ballymote assisted in a 21% increase in sheep sales.

## BOARD & TEAM

I would like to thank my Board colleagues for their help and continued support to both myself and Aurivo in 2016.

Vice-Chairman Raymond Barlow and I were appointed to our positions in July of 2016 and I thank the Board of Directors for the faith they have bestowed on us. Special thanks must go to my predecessor and former Chairman of Aurivo, Tom Cuniffe, for his stewardship of the Society, and indeed to former Vice-Chairman, Michael Brennan. On behalf of my colleagues on the Board of Directors, I would like to thank Jim Kelly for his 12 years of service and wish him the very best of luck in his retirement. The Board has now appointed Tomas Mc Hale as the Company Secretary.

2016 also saw some change to our Executive Manage-

ment Team. After eight years of dedicated service to Aurivo, John Daly left the business to join Tipperary Co-Op. On behalf of the Board, I wish him the very best of luck in this endeavour. John has been succeeded by Stephen Blewitt, who took up the position of General Manager of Aurivo's Agribusiness in September.

Developing the future leadership of the co-operative and encouraging new membership where necessary, remains a core focus of the Board. As such, the Board engaged organisational consultants Karen Brosnan and Liam Scollan to examine ways of invigorating and improving communications within the advisory structures of Aurivo. Both Karen and Liam began their research in late 2016 for completion of recommendations in 2017.

Aaron Forde and his management team are to be commended for the continued focus and determination they have brought to the business in 2016. This focus has ensured that your co-operative remains on a strong and sustainable platform for continued success – success that benefits our owners, our suppliers, our customers and of course our dedicated and loyal workforce.

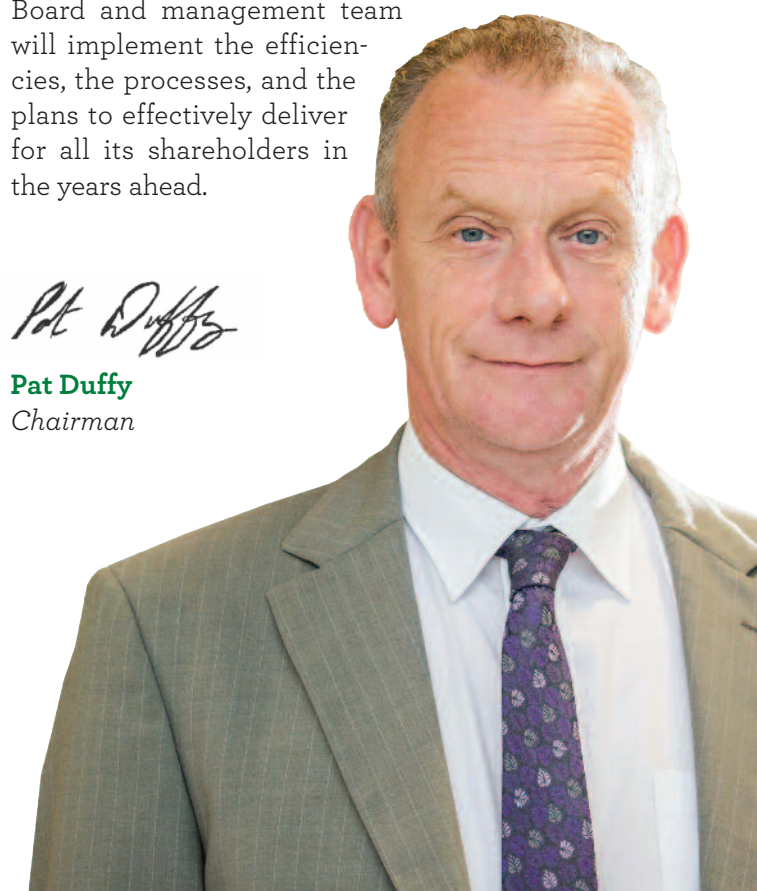
## BUSINESS OUTLOOK

While we continue to operate in volatile conditions, the hope is that 2017 will be a more positive year for farming in Ireland.

Aurivo has a robust, efficient, innovative, globally focused and sustainable business model. Regardless of market, political and economic challenges, centring on its core business areas, aligned with supporting suppliers and being customer-focused, the Aurivo Board and management team will implement the efficiencies, the processes, and the plans to effectively deliver for all its shareholders in the years ahead.



**Pat Duffy**  
Chairman





## GROWING A SUSTAINABLE BUSINESS

### A business model that creates sustainable value

Our business aims to enhance the lives of our members, customers, colleagues and the communities we operate in, in a sustainable way. We are committed to the highest standards of business and ethical behaviour and to fulfilling our obligations to the communities we operate in.



*Innovation*  
*Customer Focus*  
*Operational Excellence*  
*People & Performance*



### Working with nature

- Raw Material Sourcing
- Energy
- Emissions
- Water
- Waste
- Biodiversity
- Social
- Health and Nutrition

## ENVIRONMENTAL SUSTAINABILITY

Aurivo has attained full membership status of Bord Bia's Origin Green programme. As an active Origin Green member, our business is dedicated to the sustainability charter; to reduce environmental impact, serve our communities responsibly and protect the rich natural resources that our region enjoys.

Our manufacturing sites have set ambitious targets in terms of sourcing; our manufacturing processes, including emissions, energy, waste, and social sustainability. We are continuously seeking to make small improvements and better integrate our sustainability efforts into our daily actions.

- Reduction in carbon emissions at Dairy Ingredients site
- Waste to landfill significantly reduced in the liquid milk site
- Energy usage reduced across the manufacturing sites
- Water usage reduced throughout manufacturing sites

## SUPPORTING SUSTAINABLE AGRICULTURE

- Aurivo is a fully verified member of Bord Bia's Origin Green programme
- 99% of milk suppliers participating in the Sustainable Dairy Assurance Scheme
- 16 Farm Profitability Programme events hosted in 2016
- 8 Grass Pods with more than 80 people engaged every month
- Supporter of Nuffield Scholarship, Macra Na Feirme, Land Mobility and AgriAware

## CREATING COMMUNITY SUSTAINABILITY

- Aurivo is a proud supporter of many community events and activities: Agri | Sport | Education | Food & Nutrition | Arts
- €40,000 presented to ISPCC Childline for the prevention of cruelty to children
- €290,000 donated to good causes since Aurivo's Charity of the Year initiative commenced
- Aurivo is proud to participate on the Skills @ Work Programme – part of the Responsible Business Network
- Provider of entrepreneurial and business support to local SMEs

## A BUSINESS MODEL THAT CREATES VALUE

We exist to create value for all our stakeholders. Our business model begins with consumer insight which informs innovation. By understanding our consumers and customers we will continue to provide products to meet changing needs and deliver a service to delight our customers.

We are continuously seeking to make small improvements and better integrate our sustainability efforts into our daily actions to ensure we have a lean operation footprint and reduce our environmental impact. We will work as one team for the common purpose we share.

We will develop our talent, building pride in the team and maintain an environment of open and honest communications across the business.



**While 2016 was a year of change and challenges, it was also a year of sustainable business growth for Aurivo.**

2016 was a year of significant change and unrest across the globe. The dairy industry experienced the impact of these different factors; generating new challenges for the sector. The continuing low milk pricing in the first half of the year, and announcement of Brexit in the second half presented respective difficulties and uncertainties in dairy farming. Nonetheless, the business presents well having focused on its core of Dairy, Agri and Marts, and with a strong growth platform in international sports nutrition.

A year of two halves, 2016 reported a satisfactory year for the co-operative, but a very difficult year for the dairy farmer. The growth in milk supply globally, against lower demand, triggered a collapse in prices that greatly affected the farmer here at home. In May and June of 2016, milk supply recorded its lowest price of 22cpl before beginning to rise again in July. In addition, oil rich economies continued to suffer from the effects of low oil prices and this further curtailed demand for dairy imports. EU purchases of 350,000 tonnes of SMP were important in stabilising markets.

At home, endeavouring to support the farmer to protect themselves and their margin when operating in a volatile market, Aurivo introduced two Fixed Milk Price Scheme (FMPS) in 2016, with a third to follow in 2017. Received positively, 10% of Aurivo's Dairy Ingredients production is now covered by a fixed milk price. As the global landscape of the dairy industry develops, we will continue to explore innovative ways to support and secure our milk suppliers, throughout periods of volatility.

I am pleased to report a year of strong performance in terms of both revenue generation and further business development. Our Consumer Foods business increased volumes and brand awareness, while our Agribusiness and Marts operations reported a satisfactory year, amidst factors of reduced cattle pricing and poor weather conditions influencing both business units.

Driven by a philosophy of sustainability, 2016 saw a period of momentous change for the co-operative



when we moved our butter packing to Ornu's new production facility, Kerrygold Park in Mitchelstown. A decision that was not made lightly, for the co-operative or the staff affected, the move to Kerrygold Park is fundamentally a business development and viability decision. The use of this state-of-the-art facility presents significant opportunities allowing us to continue to improve efficiencies. Additional changes saw the disposal of our shareholding in ECC and Progressive Genetics Ireland (which we held through our subsidiary North Western Livestock Holdings Limited), allowing us to focus on our core business and put our capital to optimum use. We have retained board representation in Progressive Genetics Ireland Limited.

Having an efficient organisation is essential to driving success and achieving growth. Aurivo is committed to enhancing value and business efficiencies to our customers, shareholders and staff, though the four business pillars of customer focus, innovation, operational excellence and people.

Progress in 2016 under these strategic pillars is outlined as follows:

## CUSTOMER FOCUS

As we continue to provide quality, value-added products and services to the communities we operate in, customer focus remains centric to our business development. For our portfolio of dairy products, milk quality and supply remain a core foundation of our success; acknowledged and rewarded through Aurivo's Annual Milk Quality Awards, AHI's Cellcheck and the Kerrygold/NDC Quality Milk Awards.

As a truly global business, Aurivo continues to distribute in 50 markets worldwide, with new business ventures developed in the Middle East via our export partners Ornu. In September, Aurivo joined other members of the Irish dairy sector in an agri-food trade mission to Vietnam and China led by the Minister of Agriculture, Food and the Marine, Mr Michael Creed TD. As we endeavour to nurture a culture of sustainability, we recognise the growing market opportunities that exist in developing markets, and thus how we can benefit. A €1.6 million investment was placed in a milk powder packing line in Dairy Ingredients, with the addition of gas flushing technology allowing us to

create value-added products for customers across the globe.

Our Consumer Foods business enjoyed a steady year of growth, with an increase in sales across the milk and butter business. Total milk volumes increased by 21%, driven by new retail partnerships, and most notably a substantial contract with Tesco for 20 million litres. In addition, our brands Connacht Gold and Donegal Creameries retained year-on-year growth combined.

A substantial marketing investment in our Half Fat Butter saw Connacht Gold back on TV and a 3% growth in the Connacht Gold butter brand. Connacht Gold partnered with influential blogger and business-woman Pippa O'Connor to educate consumers about the benefits of half fat butter. We continue to gain recognition for our quality products with two Great Taste Awards received in 2016 for Connacht Gold butter.

For Goodness Shakes business grew in 2016 with volumes up 31% compared with 2015 and turnover increasing by 22% since 2015. Market share in the UK market grew by 4 percentage points. The brand launched into new categories including breakfast and bars as

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**Aaron Forde**  
Chief Executive



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well as opening new channels of distribution in wholesale and the Independent convenience channels. The business also made progress in opening new territories in its export business with new distributors appointed in Scandinavia and the Middle East.

We continued the roll-out of our customer service excellence programme, with a further 12 Homeland stores awarded Customer Service Excellence awards. A further addition to the excellence sphere was Homeland Plus Westport, which was recognised as one of the top 15 retail stores in all of Ireland.

2016 was a challenging year in Agribusiness, nonetheless, our feed sales continued to grow with 2016 representing a third year in a row of higher volumes. Our Farm Commercial Specialist team is going from strength to strength, providing services such as silage testing, soil fertility testing, designing feed plans and providing nutritional advice to ensure our customers are assisted as much as possible in maximising the return from their farming enterprise.

In our Marts business, the dedicated investment programme continued in the year with improvements to our sheep handling facilities at Ballinrobe, a new weighbridge and cattle handling facilities at Ballymote and new screens at our marts giving real time information including beef genomics/star ratings.

## INNOVATION

Aurivo continues to work hard at strengthening our market position both nationally and internationally through an ethos of added value, continuous improvement and innovation.

The support of, and collaboration with, the Dairy Processing Technology Centre (DTPC) and Moorepark Technology Limited (MTL) continues to strengthen and assist our business in delivering for our customers. In association, significant progress has been made in the development of Growing-Up Milk (GUMs) products for the 1-3-year-old toddler group.

In June 2016, Aurivo invested in Tetra28, a double line filling machine for the milk plant in Killygordan, allowing for an increase in milk litres packed per hour. By investing and installing this new technology the co-operative is maximising opportunities to expand

## OUR BRANDS



into new partnerships and products. A new low fat protein milk was launched in 2016, while additional successful developments allow the capability of producing a lactose free milk in 2017.

Our Consumer Foods team launched the first product into our new Love to Bake sub-brand, bringing our Connacht Gold butter heritage into the very popular scratch cooking and baking at home market opportunity.

New product launches have taken For Goodness Shakes into some new categories; Protein & Oats, a breakfast protein shake, taps into the breakfast-on-the-go category. Committed focus on NPD continues to present exciting new categories and markets for 2017.

In Agribusiness, Nutri Start Calf Milk Replacer, a brand extension of the Nutrias animal feeds, was launched in January 2016. Within its first year the calf milk replacer gained 70% of the Homeland market share, and continues to grow due to its superior performance to other milk replacers on the market.

In September 2016, Aurivo announced a successful negotiation with AIB, for lower cost credit facilities at very competitive rates for Aurivo milk suppliers. The AIB offering was aimed firstly, to support dairy farmers through the challenging period endured in 2016 and secondly, to help dairy farmers invest in their business to make it more sustainable into the future. The offer period runs until April 2017.

## OPERATIONAL EXCELLENCE

Operationally the business continued to work with LEAN principles and a philosophy of continuous improvement. This has delivered operational benefits in terms of water, energy and waste reductions along with increased throughput for Dairy Ingredients, Consumer Foods and Animal Feeds.

2016 was a record year for milk processing with production volumes of almost 400 million litres recorded for Consumer Foods and Dairy Ingredients combined. The ongoing benefits of the LEAN programme delivered significant results for the business in terms of capacity and energy efficiency improvements.

In June 2016, Aurivo moved its butter packing to Ornu's new production facility, Kerrygold Park in Mitchelstown, Co Cork. This state-of-the-art facility presents significant opportunities for innovation and

growth, while allowing us to continue to improve efficiencies. Kerrygold Park will be a key driver of value for the Irish dairy industry and Irish farmers.

Aurivo has also attained full membership status of Bord Bia's Origin Green programme, acknowledging that our business is dedicated to the sustainability charter. Our manufacturing sites have set ambitious targets in terms of our sourcing and manufacturing process. Furthermore, 99% of our suppliers have joined our journey and signed up to the Sustainable Dairy Assurance Scheme.

The Animal Feeds Mill continues to develop its LEAN plan with projects on energy management, production efficiencies and quality. Significant savings on water, oil and power consumption were achieved in 2016.

Our Farm Profitability Programme has done great work supporting farm efficiencies this year through shared knowledge. Farmers who attended the events now benefit from 1 cent per litre due to changes in grassland management and technology adoption.

## PEOPLE AND PERFORMANCE

Our people remain our greatest asset. We are committed to developing our people to their full potential so as the business grows, they grow with us. All Aurivo employees undergo an annual performance review which aligns their goals and objectives with the overall strategic goals, and where appropriate defines a career path for the employee.

2016 brought with it new talent for many positions within the co-operative. In its third year, the Aurivo Leadership Development Programme continues to attract a number of high calibre graduates/employees, with potential and ambition to join the agri industry. The programme fast-tracks successful candidates through our four main business units over a 24-month period. There are currently six graduates on the programme and two who have completed the programme successfully and who are now in full-time employment with the co-operative. Further graduates will be recruited to the programme in 2017. As part of our succession strategy, we also run a Stores Trainee Manager Programme to train and develop future store managers.

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As we continue to narrow the gap between academia and industry, Aurivo signed a four-year deal with the Institute of Technology, Sligo for the naming rights to a new state-of-the-art campus facility. Named the Aurivo Auditorium, the facility is a 280-seater lecture and conference space in the heart of the campus which will be an important academic resource for the institute's students and staff, but it is also a facility for Sligo and the wider community.

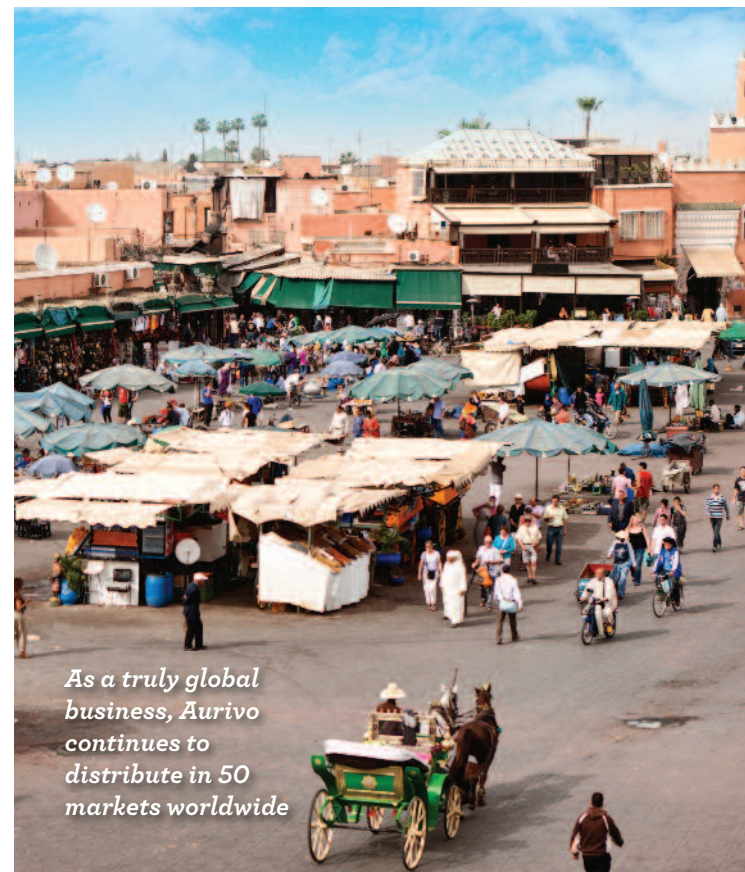
In Agribusiness, it is our duty as a large co-operative to raise the awareness of the importance of farm safety amongst our suppliers. In July, in conjunction with FBD, Aurivo Farm Services organised three farm walks dedicated to safety in counties Roscommon, Mayo and Donegal. Endeavoured to develop a strong culture of safety throughout the co-operative, among our staff, customers and all visitors to our sites, we invested significantly in training our staff in terms of health and safety awareness in 2016.

Our people continue to do great work for worthy cases, with thousands of euros raised through numerous employee fundraising events, for our 2016 charity partner the Irish Society for the Prevention of Cruelty to Children (ISPCC) Childline. Beneficially, the fundraising efforts of our employees and board of directors raised €30,500 for this very deserving beneficiary. This amount was further supplemented by Aurivo and a cheque for €40,000 was recently presented to ISPCC Childline. To date, more than €290,000 has been donated to several good causes through Aurivo's Charity of the Year programme – a notable generosity and a credit to all our people who organise and contribute to these events, for this I thank each of you.

## OUTLOOK

For 2017, we look forward to a better year for farming, and a more sustainable year for both our milk suppliers and the co-operative. Although the future of dairy prices remains uncertain, on the back of lower milk supplies in the EU and New Zealand the dairy market is indicating improvement.

The rate of recovery continues to be influenced by the global market; supply is responding to improved prices and may act as a brake on the recovery. Oil prices have improved but not enough to stimulate demand, while



*As a truly global business, Aurivo continues to distribute in 50 markets worldwide*

in addition, the EU acting responsibly in selling the intervention SMP is a pre-requisite to a stable market.

We expect a better year for beef with some recovery in live exports, especially with the Turkish trade along with Libya and Algeria. Aurivo gained significantly in the export trade for bull weanlings in Autumn 2016. With continued investment, our marts are set up to continue their leading position in the region, as a credible, regulated marketplace for our farmers.

Brexit is creating great uncertainty and we have established an internal group to analyse the possible impact and review mitigation measures. We urge the government to get the best possible deal for Irish food and agribusiness, as we predict our industry will be greatly affected by Brexit.

We expect another year of growth for Aurivo in its core and in its international nutritional business. We will continue to invest in our Consumer Foods and Agribusiness brands in correspondence with consumer lifestyle trends and changes. We are dedicated to de-



*Aurivo's Willie Murphy and Marty Dervin are presented with the Agribusiness Award for Best Use of Technology, for the installation of the biomass boiler system*

veloping our R&D and innovation capabilities to ensure our business is relevant, competitive and meeting the demands of our regional, national and international customer base.

In July, the Board elected Pat Duffy as Chairman and Raymond Barlow as Vice-Chairman. I wish them every success and look forward to working with them. Jim Kelly, our Secretary, retired in April and I thank him most sincerely for his contribution and professionalism over the past 12 years. The Board has appointed Tomas McHale as the Company Secretary. During the year, John Daly took up the role of CEO of Tipperary Co-Op after eight years with Aurivo; we wish John every success. We welcome Stephen Blewitt as his successor in Agribusiness and Lydia Mahon as Head of Human Resources.

I would like to thank our customers across all our markets for their continued patronage in 2016 and for the future. Thank you to our people all around the business, including our members, suppliers, stakeholders and board of directors, for their continuous commitment

and dedication. I would like to extend my sincere appreciation to my executive team for their continued hard work, commitment and loyalty. I would also like to acknowledge the exceptional work of our dedicated staff, and the Department of Agriculture and Food for their work and ongoing support in advocating on behalf of the dairy industry where possible.

With our excellent and innovative team of people, operating efficiently through a philosophy of sustainability and LEAN manufacturing, we will continue to enhance our business development and execute our growth strategy. As a competitive and unpredictable environment presents, Aurivo is well positioned to navigate the challenges and overcome the obstacles.

**Aaron Forde**  
Chief Executive



## INTRODUCTION

Corporate Social Responsibility (CSR) highlights the role business plays in contributing to a better Society by actively engaging and consulting with all stakeholders in a manner that goes beyond its financial and legal commitments.

Aurivo recognises this obligation and that it is an integral part of the communities in which it operates. As a result of its diversified operations the company generates economic and social vibrancy in both urban and rural areas and is committed to being a responsible corporate citizen in these communities. The company is sensitive to any impact its operations may have on its stakeholders and is committed to ensuring that the needs, views and interests of all stakeholders are taken into consideration where appropriate.

*This objective will be achieved by strict adherence to the following principles:*

## MISSION STATEMENT

**“To enhance the lives of our members, customers, colleagues and the communities in which we operate in a sustainable way.”**

## VALUES

Our core values represent the fundamental beliefs that direct us in our daily business activities. Aurivo embraces these values and conducts its day-to-day business in accordance with their spirit and intent.



### 1. Trust

We are committed to the highest standards of business and ethical behaviour and to fulfilling our obligations to the communities we operate in.

### 2. Value

We exist to create value for all our stakeholders. By understanding our consumers and customers we will continue to provide products to meet changing needs and deliver a service to delight our customers.

### 3. Team

We will work as one team for the common purpose we share. We will develop our talent, building pride in the team and maintain an environment of open and honest communications across the business.

### 4. Will to win

We will exhibit a strong will to win in the market place and in every aspect of our business.

## ENVIRONMENT

Compliance with environmental and health and safety regulatory requirements is considered a minimum standard for all Society businesses. All Aurivo businesses strive to implement best practice in their operations and operate comprehensive environmental, health and safety and quality management systems. Across the Society, we also operate programmes to ensure the responsible disposal of packaging, including the re-use and recycling of all packaging types and the use of licensed contractors to safely dispose of non-recyclable waste packaging.

## COMMUNITY: CHARITY OF THE YEAR

Aurivo operates in numerous communities throughout the West and North West in a diverse range of business activities. The company employs 631 people directly and provides jobs for many others in transport and distribution. The need to support and play an active role in the development and social fabric of the areas in which the Society operates and at a national level is a clearly defined organisational objective.

The Society has traditionally supported a large number of charitable and general social activities in the areas in which it operates.

To this end the Society nominates a Charity of the Year each calendar year and make a substantial contribution to it. The nominated Charity for 2016 was ISPCC Chidline. The nominated charity for 2017 is Acquired Brain Injury Ireland.

Staff involvement in charitable fundraising projects is encouraged and supported in Aurivo. During 2016 our employees raised €30,500 from a variety of fundraising events for our Charity of the Year.

Aurivo also actively encourages its employees to get involved in community activities and representative organisations, and to use their expertise to assist those organisations in providing much needed community support and benefit.



## BUSINESS IN THE COMMUNITY

In 2016, Aurivo teamed up once again with Colaiste Iascaigh, in Easkey, Co Sligo, as part of the Schools' Business Partnership (SBP) Skills @ Work Programme – a Responsible Business Network programme for senior cycle students.

The Skills @ Work initiative involves a number of group sessions with the students including a business overview, site tour of Dairy Ingredients, CV workshops, 'A Day in the Life' career talks by various employees, mock interviews, as well as workplace teamwork sessions. Employees at Aurivo are committed to assisting students recognise the value of completing the Leaving Certificate and helping them explore possible career paths.



**GRADUATES:** Aurivo's employees are the lifeblood of the organisation

## WORKPLACE

Aurivo's employees are the lifeblood of the organisation and are fundamental to the success of the business. The Society provides challenging and meaningful employment together with opportunity for development and encourages employees to embrace the concept of lifelong learning. Employees who wish to pursue a course of training/education relevant to the business, in their own time, in order to further their career prospects are given maximum support at all times where appropriate. This involves payment/partial payment of fees, paid time off prior to and for examinations and other assistance as appropriate.

Aurivo encourages all employees to learn and develop new skills and to take an active role in planning their career progression in the Society by taking on new roles and increased responsibilities as the opportunities arise.

While Aurivo's policy is to promote from within the organisation where possible, the underlying objectives is to always select the best possible candidate for any vacant position, and consequently promotional vacancies may also be advertised externally. In this context casual applications are also welcome and the company is committed to ensuring that every applicant receives full and equitable consideration for vacant positions that suit their skills and experience.

The commitment and dedication of its employees gives the Society a competitive edge and it is through the efforts of its workforce that Aurivo has become one of the employers of choice in the region.



## CORPORATE SOCIAL RESPONSIBILITY



**AURIVO AUDITORIUM:** Institute of Technology, Sligo signed a four-year deal with Aurivo for the naming rights to a new state-of-the-art campus facility, which was officially opened in September 2016 and named 'Aurivo Auditorium'. The facility is a 280-seater lecture and conference space in the heart of the campus, which will be an important academic resource for the institute's students and staff, but it is also a facility for Sligo and the wider community.



**SLIGO LGFA:** Aurivo supported Sligo Ladies Gaelic Football Association (LGFA) in a three-year sponsorship deal. The sponsorship agreement sees the Connacht Gold brand appear across all senior and underage ladies' jerseys, in addition to title sponsorship of all Sligo LGFA squads. Connacht Gold also hold naming rights to Sligo LGFA leagues and championship competitions. The partnership marks the first time in Sligo LGFA's history that a three-year sponsorship deal has been secured for the organisation.



**ISPC:** Aurivo presents a cheque for €40,000 to ISPC Childline which will help fund Childline services in the West and North West of Ireland. ISPC Childline was Aurivo's 2016 Charity of the Year. Throughout the year, money was raised by Aurivo staff, customers and the general public, through numerous events.



**HELL & BACK:** 43 Aurivo employees went to 'hell and back' for charity in 2016 by completing Hell & Back Hercules, which was hosted on the grounds of Temple House in County Sligo. The Aurivo team raised a total of €4,300 for the co-op's Charity of the Year, ISPC ChildLine.



## Board of Directors

The 16 members of the Board of Directors as at 31 December 2016 are listed below with the Advisory Committees they represent shown in brackets. The members whose names are preceded by an asterisk (\*) retire in accordance with Rule 48(D) and are subject to re-election subject to Rules 47(B), 48(E), 48(G) and 49.



**\*Pat Duffy**  
Chairman (Midlands)



**Raymond Barlow**  
Vice-Chairman (BKR)



**Frank Butler**  
(KMC)



**Kevin Callanan**  
(Suck Valley)



**\*Tom Cunniffe**  
(Castlebar)



**\*Jim Egan**  
(Claremorris)



**Martin Gallagher**  
(Rathscanlon)



**Cathal Garvey**  
(South Mayo/  
North Galway)



**Pdraig Gibbons**  
(West Mayo)



**Gerry Mullaney**  
(Ballymote/Gurteen/  
Kilmastranny)



**James McCarrick**  
(Achonry)



**Robert Hosey**  
(Employees)



**Billy McMahon**  
(Donegal)



**Tommy Shryane**  
(Mid-West)



**Sean Sweeney**  
(Killala/Moyvalley)



**\*Tommy Joe Tuffy**  
(Tireragh)

## Other Information

Registered office, bankers, solicitors, auditor and executive team

**Registered Office:** Finisklin Business Park, Sligo

**Bankers:** Bank of Ireland, AIB Bank, Ulster Bank

**Solicitors:** Rochford Gallagher & Co, Tubbercurry, Co Sligo  
McCann Fitzgerald, Riverside One, Sir John Rogerson's Quay, Dublin 2

**Auditor:** KPMG, Chartered Accountants, 1 Stokes Place, St. Stephen's Green, Dublin 2

## Executive Team



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**1. Aaron Forde**, *Chief Executive*

**2. Donal Tierney**, *Chief Financial Officer*

**3. Tomas McHale**, *Company Secretary/Legal Counsel*

**4. Lydia Mahon**, *Head of Human Resources*

**5. Stephen Blewitt**, *General Manager, Agribusiness*

**6. Eoghan Sweeney**, *General Manager, Dairy*

**7. Martin Walsh**, *General Manager, Marts/ Head of Public Relations*



### Jim Kelly

Jim Kelly has been with Aurivo since 2005, joining as Head of Human Resources following a career with UNIFI in Donegal and internationally. A gentleman who earned the trust and respect of all who came in contact with him, Jim brought a common sense and professional approach to his role.

In 2012, Jim added the role of Company Secretary of the co-operative to his responsibilities and has done an outstanding job since then in this role. Jim retired on April 11 and left the organisation in great shape for the future. His colleagues and all who know him wish Jim and his family well for the future.





## Board Committees

The Board has an established committee structure in order to assist it in the discharge of its responsibilities on a number of specific matters as it is committed to maintaining high standards of corporate governance. The committees are detailed below.

### AUDIT COMMITTEE

The Audit Committee comprises Cathal Garvey (Chairman), Pat Duffy, Raymond Barlow, Kevin Callanan, Gerry Mullaney and Sean Sweeney. The Chief Executive, the Chief Financial Officer, Senior Management and representatives of the external auditors may be invited to attend all or part of any meeting.

*The role and responsibilities of the Audit Committee include:*

- ✓ Reviewing the annual financial statements before submission to the board, with a recommendation whether or not to approve. This review focuses on but is not limited to, monitoring the integrity of the financial statements of the Society and reviewing significant financial reporting judgements contained therein.
- ✓ Considering and making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditors, and the terms of engagement of the external auditors.
- ✓ Reviewing the external audit plan and the findings from the audit of the financial statements.
- ✓ Assessing annually the independence of the external auditors, which includes monitoring the nature and extent of services provided by the external auditors to the Society.
- ✓ Monitoring and reviewing the operation and effectiveness of the internal audit function and progress on resolving any weaknesses identified in accounting systems or controls.
- ✓ Reporting to the Board on the operation of the society's system of internal control and risk management, making any recommendations to the Board thereon.
- ✓ Reviewing the arrangements in place to ensure that appropriate investigation and follow up action is taken on any concerns raised about possible improprieties in financial reporting or other matters.
- ✓ Reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

### EXTERNAL AUDIT

External audit services is provided to the Society by KPMG. KPMG provides the Audit Committee with external audit reports on the Society's financial records. The Audit Committee reviews and monitors the external auditors' independence and performance, and effectiveness of audit process.

### INTERNAL AUDIT

Internal audit is an important function of the Society. The Internal Audit plan is presented to and approved by the audit committee. The results, recommendations and significant findings of Internal Audit are reported to the Audit Committee. The Audit Committee reviewed the performance of the internal audit function in terms of adequacy of internal control systems and frequency of audits. The audit committee approved the internal audit plan and reviewed the findings from the 2016 Internal Audit programme. Internal Audit reports directly to the Audit Committee and CEO, thereby ensuring its independence and objectivity.

### CONFIDENTIAL HOTLINE AND FRAUD

The Society introduced a confidential hotline in late 2015. This is operated by an independent third party. It allows employees to report any concerns they may have regarding dishonest, unsafe or unethical behaviour. All concerns raised through this hotline and the results of any investigation that may take place are reported to the Audit Committee.

### RISK MANAGEMENT AND CONTROL

The Society has established a risk management process to ensure effective and timely identification, reporting and management of key risks. This process takes the form of risk registers for each business unit. These are used as a means of assessing, planning and tracking the mitigation of key risks that the Society could be exposed to. The 2016 risk registers were reviewed by the Audit Committee.



## Board Committees (continued)

### OTHER COMMITTEES

The Society operates a number of other sub-committees in order to assist the review and operations of divisional activities and particular functions.

*These include:*

- ◆ Agri Business
- ◆ Dairy
- ◆ Marts
- ◆ Remuneration
- ◆ Rules/Membership

All Board members sit on at least one sub-committee of the Board. The Chairman and Vice-Chairman of the Society sit on all the sub-committees of the Board. The Secretary of the Society acts as Secretary to each of these committees.



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

The Industrial and Provident Societies Acts 1893 to 2014 require the directors to prepare financial statements for each financial year. Under that legislation, the directors have elected to prepare the Society's financial statements in accordance with Chartered Accountants in Ireland FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The Society's financial statements are required by law to give a true and fair view of the state of affairs of the Society and of its profit or loss for the periods presented. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society continues in business.

The Directors are responsible for keeping adequate accounting records to enable them to ensure that the financial statements of the Society are prepared in accordance with the requirements of the Industrial and Provident Societies Act 1893 to 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing the Annual Report and ensuring that it complies with the requirements of the Industrial and Provident Societies Acts 1893 to 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Pat Duffy**  
Chairman

**Aaron Forde**  
Chief Executive

We have audited the Group consolidated financial statements ("financial statements") of Aurivo Co-operative Society Limited ("the Society") for the year ended 31 December 2016 which comprise the consolidated profit and loss account, consolidated other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

### OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

#### ***Our opinion on the financial statements is unmodified***

In our opinion, the financial statements:

- give a true and fair view of the state of affairs of the Society as at 31 December 2016 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*.

#### ***Our conclusions on the other matter on which we are required to report by the Industrial and Provident Societies Act 1893 is set out below***

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

#### ***We have nothing to report in respect of matters on which we are required to report by exception***

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

### BASIS OF OUR REPORT, RESPONSIBILITIES AND RESTRICTIONS ON USE

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the Directors 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 Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) 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 Report 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.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Society's members, as a body. 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.

**Roger Gillespie**

**For and on behalf of KPMG  
Chartered Accountants, Statutory Audit Firm**

1 Stokes Place  
St. Stephen's Green  
Dublin 2

16 March 2017





## Consolidated Profit and Loss Account

For the year ended 31 December 2016

	Notes	2016 €(000)	2016 €(000)	2016 €(000)	2015 €(000)	2015 €(000)	2015 €(000)
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<b>Turnover</b>	2	366,231	24,805	391,036	367,802	52,100	419,902
Cost of sales		(288,656)	(15,087)	(303,743)	(294,445)	(32,712)	(327,157)
<b>Gross profit</b>		77,575	9,718	87,293	73,357	19,388	92,745
Operating expenses	3	(76,249)	(7,840)	(84,089)	(74,455)	(15,809)	(90,264)
Other operating income	5	361	-	361	362	-	362
<b>Group operating profit/(loss) before exceptional items</b>		1,687	1,878	3,565	(736)	3,579	2,843
Exceptional items	6	760	8,103	8,863	(1,350)	-	(1,350)
<b>Group operating profit/(loss) after exceptional items</b>		2,447	9,981	12,428	(2,086)	3,579	1,493
Group's share of profit in:							
- Associated undertakings	13(i)	162	-	162	156	-	156
- Joint ventures	13(ii)	82	-	82	29	-	29
<b>Total operating profit/(loss)</b>		2,691	9,981	12,672	(1,901)	3,579	1,678
Net fair value movement on:							
- Quoted investments	13(iii)	(1,857)	-	(1,857)	(4,534)	-	(4,534)
- Investment properties	12	435	-	435	479	-	479
Income from other financial assets	7	195	-	195	209	-	209
Net interest payable and similar charges	8	(1,346)	16	(1,330)	(1,853)	42	(1,811)
<b>Profit/(loss) before taxation</b>		118	9,997	10,115	(7,600)	3,621	(3,979)
Taxation	9	656	-	656	862	(450)	412
<b>Profit/(loss) for the financial year</b>		774	9,997	10,771	(6,738)	3,171	(3,567)
Attributable to:							
Shareholders of the Parent Society	24			9,767			(4,597)
Minority interests				1,004			1,030
<b>Total profit/(loss)</b>				10,771			(3,567)

**Pat Duffy**  
Chairman

**Aaron Forde**  
Chief Executive



## Consolidated Other Comprehensive Income

For the year ended 31 December 2016

	2016 €(000)	2015 €(000)
<b>Profit/(loss) for the year</b>	10,771	(3,567)
<b>Other comprehensive income</b>		
Foreign exchange differences on translation of foreign operations	(1,282)	13
Re-measurement of the net defined benefit liability	(2,008)	2,072
Effective portion of changes in fair value of cash flow hedges		
- continuing operations	(237)	22
Effective portion of changes in fair value of cash flow hedges		
- discontinued operations	(906)	1,126
<b>Other comprehensive (loss)/income, net of income tax</b>	(4,433)	3,233
<b>Total comprehensive income/(loss) for the year</b>	6,338	(334)
Attributable to:		
Shareholders of the Parent Society	5,609	(1,666)
Minority interests	729	1,332
<b>Total comprehensive income/(loss) for the year</b>	6,338	(334)

**Pat Duffy**  
Chairman

**Aaron Forde**  
Chief Executive



	Notes	2016 €(000)	2015 €(000)
<b>Fixed assets</b>			
Goodwill	10	28,033	29,411
Other intangibles	10	15,331	19,161
		43,364	48,572
Tangible assets	11	20,419	27,528
Investment properties	12	4,326	3,871
Financial assets			
Investment in associate	13(i)	407	340
Investment in joint venture	13(ii)	278	196
Other investments	13(iii)	15,020	16,772
		83,814	97,279
<b>Current assets</b>			
Stocks	14	15,865	23,874
Debtors	15	36,520	37,889
Cash at bank and in hand	16	10,685	22,857
<b>Total current assets</b>		63,070	84,620
<b>Creditors:</b> amounts falling due within one year	17	(55,608)	(91,700)
<b>Net current assets/(liabilities)</b>		7,462	(7,080)
<b>Total assets less current liabilities</b>		91,276	90,199
<b>Creditors:</b> amounts falling due after more than one year	18	(20,796)	(17,261)
Retirement benefit obligations	30	(7,487)	(6,121)
Provision for liabilities	20	(7,385)	(9,596)
Capital grants	21	(318)	(381)
<b>Net assets including net retirement benefit obligations</b>		55,290	56,840
<b>Capital and reserves</b>			
Called up share capital	22	11,397	11,235
Equity reserve		299	293
Capital reserve		1,859	3,144
Bonus reserve		340	328
Cash flow hedging reserve	31	(14)	1,129
Profit and loss account	24	41,258	33,596
<b>Equity attributable to the Parent Society's shareholders</b>		55,139	49,725
<b>Minority interests</b>		151	7,115
<b>Equity</b>		55,290	56,840

**Pat Duffy**  
Chairman

**Aaron Forde**  
Chief Executive

	Called up Share Capital €(000)	Equity Reserve €(000)	Capital Reserve €(000)	Bonus Reserve €(000)	Cash flow Hedging Reserve €(000)	Profit and Loss Account €(000)	Total Share- holder Equity €(000)	Minority Interests €(000)	Total Equity €(000)
<b>Balance at 1 January 2015</b>	10,019	364	3,144	328	(19)	36,763	50,599	6,283	56,882
<i>Total comprehensive income for the period:</i>									
(Loss)/profit for the year	-	-	-	-	-	(4,597)	(4,597)	1,030	(3,567)
Other comprehensive income	-	-	-	-	1,148	1,783	2,931	302	3,233
<b>Total comprehensive income for the period</b>	-	-	-	-	1,148	(2,814)	(1,666)	1,332	(334)
<i>Transactions with owners, recorded directly in equity:</i>									
Share applications	41	-	-	-	-	-	41	-	41
Redemption of shares	(83)	-	-	-	-	-	(83)	-	(83)
Shares issued out of equity reserve	1,083	(1,083)	-	-	-	-	-	-	-
Funds received to equity reserve	-	1,012	-	-	-	-	1,012	-	1,012
Issue of bonus shares	150	-	-	(150)	-	-	-	-	-
Transfer from revenue reserves to bonus reserve	-	-	-	150	-	(150)	-	-	-
Shares issued in lieu of dividends	25	-	-	-	-	-	25	-	25
Dividends	-	-	-	-	-	(203)	(203)	(500)	(703)
<b>Total contributions by and distributions to owners</b>	1,216	(71)	-	-	-	(353)	792	(500)	292
<b>Balance at 31 December 2015</b>	11,235	293	3,144	328	1,129	33,596	49,725	7,115	56,840





## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Called up Share Capital €(000)	Equity Reserve €(000)	Capital Reserve €(000)	Bonus Reserve €(000)	Cash flow Hedging Reserve €(000)	Profit and Loss Account €(000)	Total Share- holder Equity €(000)	Minority Interests €(000)	Total Equity €(000)
<b>Balance at 1 January 2016</b>	11,235	293	3,144	328	1,129	33,596	49,725	7,115	56,840
<i>Total comprehensive income for the period:</i>									
Profit for the year	-	-	-	-	-	9,767	9,767	1,004	10,771
Other comprehensive (loss)/income	-	-	-	-	(1,143)	(3,015)	(4,158)	(275)	(4,433)
Total comprehensive income for the period	-	-	-	-	(1,143)	6,752	5,609	729	6,338
<i>Transactions with owners, recorded directly in equity:</i>									
Share applications	72	-	-	-	-	-	72	-	72
Redemption of shares	(249)	-	-	-	-	-	(249)	-	(249)
Shares issued out of equity reserve	170	(170)	-	-	-	-	-	-	-
Funds received to equity reserve	-	176	-	-	-	-	176	-	176
Issue of bonus shares	138	-	-	(138)	-	-	-	-	-
Transfer from revenue reserves to bonus reserve	-	-	-	150	-	(150)	-	-	-
Shares issued in lieu of dividends	31	-	-	-	-	-	31	-	31
Dividends	-	-	-	-	-	(225)	(225)	(1,860)	(2,085)
Disposal of minority interest	-	-	(1,285)	-	-	1,285	-	(5,833)	(5,833)
Total contributions by and distributions to owners	162	6	(1,285)	12	-	910	(195)	(7,693)	(7,888)
<b>Balance at 31 December 2016</b>	11,397	299	1,859	340	(14)	41,258	55,139	151	55,290



## Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 €(000)	2015 €(000)
<b>Net cash from operating activities</b>	25	7,419	8,869
<b>Cash flows from investing activities:</b>			
Dividends received		305	389
Acquisition of a business (net of cash acquired)		(26,018)	(14,856)
Acquisition of tangible fixed assets		(3,286)	(2,668)
Acquisition of other intangible assets	10	(22)	(77)
Sale of tangible fixed assets		554	330
Sale of financial assets		20,170	14
Loan stock redeemed	13(iii)	225	360
Investment redeemed	13(iii)	67	45
<b>Net cash from investing activities</b>		(8,005)	(16,463)
<b>Cash flows from financing activities:</b>			
Proceeds from the issue of share capital		(1)	970
Grant received		8	-
Proceeds from new loan		12,811	18,417
Repayment of borrowings		(14,724)	-
Dividends paid		(2,054)	(678)
<b>Net cash from financing activities</b>		(3,960)	18,709
Net (decrease)/increase in cash and cash equivalents		(4,546)	11,115
Cash outflow on disposal of subsidiary		(7,626)	-
Cash and cash equivalents at 1 January		22,857	11,742
<b>Cash and cash equivalents at 31 December</b>		10,685	22,857



## 1. ACCOUNTING POLICIES

Aurivo Co-operative Society Limited (the “Society”) is a co-operative society limited by shares and incorporated and domiciled in Ireland. The address of its registered office is Finisklin Business Park, Sligo, Co. Sligo.

These Group financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective for financial years commencing 1 January 2015, have also been applied.

The presentation currency of these financial statements is Euro. All amounts in the financial statement have been rounded to the nearest €1,000.

The holding undertaking is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the holding undertaking financial statements have been applied.

- The reconciliation of the number of shares outstanding from the beginning to end of the period has not been included a second time.
- No separate holding undertaking Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 32.

### (a) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, quoted instruments and investment property.

### (b) Going concern

After making enquiries and considering the outlook referred to in the Chairman’s Statement and the Chief Executive’s Review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated Financial Statements.

### (c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings made up to the reporting date. A subsidiary is an entity that is controlled by the holding undertaking. The results of subsidiary undertakings are included in the consolidated profit and loss account for the date that control commences until the date that control ceases. Control is established when the Society has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investors hold between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercise joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group’s share of the profits and losses of associates and of jointly controlled entities are included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

There is no requirement under the Industrial and Provident Society Acts 1893 to 2014 for the Society to present its own profit and loss account.

## 1. ACCOUNTING POLICIES (continued)

### (d) Foreign currency

Transactions in foreign currencies are translated to each entity’s functional currency at the foreign exchange rate ruling at the date of the transaction.

- Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.
- 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

Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group’s presentational currency, Euro, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

The closing rate used for Euro/GBP at 31 December 2016 was 0.85618 (2015: 0.73395).

The average rate used for Euro/GBP transactions for 2016 was 0.81948 (2015: 0.7285)

### (e) Classification of financial instruments issued by the Group

Financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

- (b) Where the instrument will or may be settled in the Society’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Society’s own equity instruments or is a derivative that will be settled by the Society exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

### (f) Basic financial instruments

#### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

#### *Convertible loan stock*

Convertible loan stock has been issued by Ornua Co-operative Limited (“Ornua”) to the Society. The allocation of Convertible loan stock is based on the level of trading with Ornua. The loan stock is convertible into cash over a six year period which starts five years from the date of issue.

#### *Interest bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Investments in shares*

Investments in ordinary shares are measured initially at transaction price less attributable transactions costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other



1. ACCOUNTING POLICIES (continued)

investments are measured at cost less impairment in profit or loss. Refer further to Note 13.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Restricted cash comprises cash held on behalf of members awaiting investment.

(g) Other financial instruments

Other financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair with changes recognised in profit or loss except that hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the Society discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative un-

realised gain or loss recognised in equity is recognised in the income statement immediately.

(h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Society assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item or tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows.

	Years
Buildings	20
Plant, Machinery & Equipment	3-10
Motor Vehicles	4-5
Computers	3

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

(i) Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus

1. ACCOUNTING POLICIES (continued)

- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

(j) Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the entity are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

	Years
Goodwill	20/25
Brands	25
Customer relationships	12
Computer software	3

The basis for the useful lives of intangible assets is the period of expected benefit attributable to the business combination from which they arose. Goodwill has no residual value.

(k) Government grants

The Group has adopted the accrual method of accounting for government grants and included them within accruals and deferred income in the balance sheet and credit them to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

(l) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at fair value. Any subsequent gain or loss arising from a change in fair value is recognised in profit or loss.

(m) Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(n) Impairment

Financial assets (including trade and other debtors)

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. This assessment is made at each reporting date. An impairment



## 1. ACCOUNTING POLICIES (continued)

is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### *Non-financial assets*

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

### *Reversals of impairment*

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed on intangible assets excluding goodwill only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **(o) Employee benefits**

### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

## 1. ACCOUNTING POLICIES (continued)

### *Multi-employer plans*

Where there is insufficient information available to the Society to adopt defined benefit accounting, in respect of multi-employer plans in which it participates, the plan is accounted for as a defined contribution plan.

## **(p) Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligations at the reporting date.

## **(q) Turnover**

Turnover is shown net of value added tax and represents the fair value of goods and services supplied to third parties exclusive of trade discounts and value added tax. Some sales to Ornuia Co-operative Limited are based on "on Account" prices and can be subject to adjustment when the prices are finally agreed. Goods are deemed to have been delivered and related revenue recognised when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in these benefits.

## **(r) Leases**

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiation and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Minimum finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the period in which they are incurred.

## **(s) Interest payable and receivable**

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## **(t) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent difference arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.



## 1. ACCOUNTING POLICIES (continued)

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

For investment property, deferred tax is provided at the rate and allowance applicable to the sale of the property.

Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future profits.

### (u) Exceptional items

The Group has adopted a Profit and Loss Account format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items which, by virtue of their materiality and/or nature, are disclosed in the Group Profit and Loss Account and related notes as exceptional items.

### (v) Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

## 2. SALES BY MARKET

	2016 €(000)	2015 €(000)
Ireland	352,023	369,702
United Kingdom	33,337	49,531
Other	5,676	669
	391,036	419,902

- (i) Sales for 2016 of €391,036,000 include sales of €24,805,000 from discontinued operations (2015: €52,100,000)  
(ii) Sales in Ireland include sales to Ornua Co-operative Limited for export both inside and outside the E.U.

The amount of turnover by business unit is as follows:

	2016 €(000)	2015 €(000)
Consumer Foods	88,403	80,417
Dairy Ingredients	102,103	99,532
Agri Business	97,200	101,356
Marts	78,525	86,497
Other Activities	24,805	52,100
	391,036	419,902

## 3. OPERATING EXPENSES

Included in operating expenses are the following:

	Notes	2016 €(000)	2015 €(000)
Employment costs	4	29,622	31,953
Depreciation	11	3,534	4,417
Amortisation of intangibles	10	2,681	2,450



## 4. EMPLOYEES AND REMUNERATION

	2016 €(000)	2015 €(000)
Wages and salaries	25,068	27,110
Social welfare costs	2,633	2,821
Pension costs	1,921	2,022
	29,622	31,953

The average number of persons employed by the Society was 631 (2015: 684).

## 5. OTHER OPERATING INCOME

	Notes	2016 €(000)	2015 €(000)
Amortisation of government grants	21	35	41
Profit on disposal of tangible assets		326	321
		361	362

## 6. EXCEPTIONAL ITEMS

	2016 €(000)	2015 €(000)
Profit on disposal of subsidiary (i)	8,103	-
Profit on disposal of financial assets (ii)	1,138	-
Restructuring costs (iii)	(378)	(1,350)
	8,863	(1,350)

- (i) On the 17 June 2016, the Society disposed of its 66.67% shareholding in Earrai Coillte Chonnacht Teoranta for a cash consideration of €19,607,000, net of costs. The Society's share of the net assets on disposal were €11,504,000, giving rise to a profit on disposal of €8,103,000.
- (ii) The profit on disposal of €1,138,000 in 2016 arose on the sale of the Society's interest in Progressive Genetics Ireland Limited which is held through its subsidiary company North Western Livestock Holdings Limited (in which the Society has a 70.91% shareholding) for a cash consideration of €1,138,000 (net of costs). The investment was held at nominal value.
- (iii) The restructuring costs of €378,000 in 2016 and €1,350,000 in 2015 relate primarily to redundancy costs.

## 7. INCOME FROM OTHER FINANCIAL ASSETS

	2016 €(000)	2015 €(000)
Investment income (i)	195	202
Profit on disposal of financial assets (ii)	-	7
	195	209

- (i) Investment income relates to dividends from financial investments.
- (ii) The profit on disposal of €7,000 in 2015 arose on the sale of unquoted investments for a consideration of €14,000 and which was held at a cost of €7,000 (Note 13(iii)).

## 8. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Notes	2016 €(000)	2015 €(000)
Bank interest and charges		1,119	1,186
Lease charges		3	-
Net interest expense on defined benefit liabilities	30	128	172
Discount on deferred consideration		80	453
		1,330	1,811



## 9. TAXATION

	2016 €(000)	2015 €(000)
<b>Current taxation:</b>		
Current tax on income for the period	277	870
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	(933)	(1,282)
<b>Total taxation</b>	<b>(656)</b>	<b>(412)</b>
<i>Analysis of current tax recognised in Profit and Loss Account:</i>		
Irish corporation tax	61	429
Foreign tax	216	441
<b>Total current tax recognised in Profit and Loss Account</b>	<b>277</b>	<b>870</b>
<i>Factors affecting current tax charge for year:</i>		
<b>Tax charge for year</b>		
Profit/(loss) before taxation	10,115	(3,979)
Tax using the Irish corporation tax rate of 12.5%	1,264	(497)
Effect of tax rates in foreign jurisdictions	15	193
Additional tax on profit liable at other than standard rate	44	71
Excess of depreciation over capital allowances	258	248
Tax losses carried forward/(utilised)	1,570	186
Permanent differences and other timing differences	(3,551)	(590)
Effect of tax on associate and joint ventures	(31)	(23)
Deferred tax not recognised	23	-
Over provided in previous years	(248)	-
<b>Total tax credit included in Profit and Loss Account</b>	<b>(656)</b>	<b>(412)</b>

## 9. TAXATION (continued)

	ASSETS		LIABILITIES		NET	
	2016 €(000)	2015 €(000)	2016 €(000)	2015 €(000)	2016 €(000)	2015 €(000)
Accelerated capital allowances	-	-	(49)	(93)	(49)	(93)
Intangible assets	-	-	(2,752)	(3,349)	(2,752)	(3,349)
Employee benefits	-	21	(163)	-	(163)	21
Financial investments	-	-	(4,214)	(4,695)	(4,214)	(4,695)
Other	265	49	-	(455)	265	(406)
<b>Deferred tax assets/(liabilities)</b>	<b>265</b>	<b>70</b>	<b>(7,178)</b>	<b>(8,592)</b>	<b>(6,913)</b>	<b>(8,522)</b>

In addition to the deferred tax asset above, the Group has additional unrecognised deferred tax assets of €3,506,474 (2015: €3,443,731). Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

		GOODWILL	OTHER INTANGIBLE ASSETS			
	Notes	Goodwill €(000)	Brands €(000)	Customer Relationships €(000)	Software €(000)	Total €(000)
<b>Cost</b>						
At 1 January 2016		32,244	16,826	2,427	1,896	21,149
Additions		-	-	-	22	22
Acquired in business combination	27	3,081	-	-	-	-
Translation adjustment		(3,019)	(2,296)	(315)	-	(2,611)
At 31 December 2016		32,306	14,530	2,112	1,918	18,560
<b>Amortisation</b>						
At 1 January 2016		2,833	565	170	1,253	1,988
Amortisation for year	3	1,440	602	181	458	1,241
At 31 December 2016		4,273	1,167	351	1,711	3,229
<b>Net Book Value</b>						
<b>At 31 December 2016</b>		<b>28,033</b>	<b>13,363</b>	<b>1,761</b>	<b>207</b>	<b>15,331</b>
At 31 December 2015		29,411	16,261	2,257	643	19,161

Goodwill and other intangibles are being amortised in line with the account policy at Note 1(j). The estimated useful lives of goodwill, brands and customer relationships are derived by benchmarking the amortisation period to peers engaged in similar activities and the required payback period for the investment.



## 11. TANGIBLE ASSETS

	Notes	Land & Buildings €(000)	Plant Machinery & Equipment €(000)	Motor Vehicles €(000)	Total €(000)
<b>Cost</b>					
At 1 January 2016		44,719	119,505	5,528	169,752
Additions		685	2,463	138	3,286
Disposals		-	(12,076)	(1,105)	(13,181)
Disposal of subsidiary		(4,708)	(27,976)	(1,136)	(33,820)
Transfer to investment properties	12	(20)	-	-	(20)
At 31 December 2016		40,676	81,916	3,425	126,017
<b>Depreciation</b>					
At 1 January 2016		28,882	108,216	5,126	142,224
Charge for year	3	1,333	2,067	134	3,534
Disposals		-	(11,848)	(1,105)	(12,953)
Disposal of subsidiary		(2,888)	(23,456)	(863)	(27,207)
At 31 December 2016		27,327	74,979	3,292	105,598
<b>Net Book Value</b>					
<b>At 31 December 2016</b>		13,349	6,937	133	20,419
At December 2015		15,837	11,289	402	27,528

Fixed assets are being depreciated in line with the accounting policy at Note 1(h).

## 12. INVESTMENT PROPERTIES

	Notes	2016 €(000)	2015 €(000)
At 1 January		3,871	3,011
Transfer from tangible fixed assets (i)	11	20	381
Fair value movement (i)		435	479
<b>At 31 December</b>		4,326	3,871

- (i) One additional property was reclassified as an investment property on 31 December 2016. It was transferred from tangible fixed assets at its net book value of €20,000, and revalued to a value of €350,000. In addition a property previously included in investment properties was revalued upwards by €105,000. This led to an overall fair value adjustment of €435,000.
- (ii) Included in investment properties is land held as investment property by a subsidiary company North Western Livestock Holdings Limited, in which the Society has a 70.91% shareholding. This land was valued by the Directors on an open market basis of €2,300,000 at the current and comparative reporting dates.
- (iii) €770,000 of investment property at 31 December 2016 is based on a valuation by an external independent valuer, DM Auctions Limited.
- (iv) The Directors value the full investment portfolio every year.

## 13. FINANCIAL ASSETS

### (i) Investment in Associate

	2016 €(000)	2015 €(000)
At 1 January	340	280
Share of profit of associate after taxation	162	156
Dividend from associate	(95)	(96)
<b>At 31 December</b>	407	340

The carrying value of €407,000 represents the Society's 27.27% investment in County Mayo Radio Ltd.

### (ii) Investment in Joint Venture

	2016 €(000)	2015 €(000)
At 1 January	196	167
Share of profit of joint venture after taxation	82	29
<b>At 31 December</b>	278	196

The carrying value of €278,000 represents the Society's 50% interest in Glanoir Energy Limited, a joint venture with HDS Energy Limited ("HDS") to construct and operate a biomass energy system.

The Society's interest in the gross assets and liabilities of its joint venture are as follows:

	2016 €(000)	2015 €(000)
Share of gross assets	2,221	2,435
Share of gross liabilities	(1,943)	(2,239)
<b>At 31 December</b>	278	196

There are no capital commitments relating to the joint venture at 31 December 2016 (2015: Nil).



## 13. FINANCIAL ASSETS (continued)

### (iii) Other Investments

	Quoted Investments 2016 €(000)	Unquoted Investments 2016 €(000)	Convertible Loan Stock 2016 €(000)	Total 2016 €(000)	Total 2015 €(000)
At 1 January	14,321	165	2,286	16,772	21,213
Loan stock granted (i)	-	-	397	397	505
Loan stock redeemed(i)	-	-	(225)	(225)	(360)
Additions (ii)	-	-	-	-	-
Disposals (iii)	-	-	-	-	(7)
Investment redeemed (iv)	-	(67)	-	(67)	(45)
Fair value movement (v)	(1,857)	-	-	(1,857)	(4,534)
<b>At 31 December</b>	<b>12,464</b>	<b>98</b>	<b>2,458</b>	<b>15,020</b>	<b>16,772</b>

Quoted investments are held at fair value. The unquoted investments and convertible loan stock are held at cost. In the opinion of the directors, the value of the investments is not less than their carrying value as shown above.

- (i) Convertible loan stock has been issued by Ornua Co-operative Limited (Ornua) to the Society. During the year €225,000 of loan notes were redeemed (2015: €360,000) and loan notes of €397,000 were granted (2015: €505,000). The allocation of Convertible loan stock is based on the level of trading with Ornua. The loan stock is convertible into cash over a six-year period which starts five years from the date of issue.
- (ii) During 2016 the Society took a 7% holding in Kerrygold Butter Packing Ireland Limited at nominal value. In addition the Society invested €2,900,000 in a loan note which is repayable on demand (Note 15).
- (iii) During 2015 unquoted investments with a book value of €7,000 were sold for €14,000 (Note 7).
- (iv) During 2016 and 2015 an investment the Society holds through one of its subsidiaries was partly redeemed at cost.
- (v) On 31 December 2016, the fair value of the quoted investments had decreased by €1,857,000 to €12,464,000 and on 31 December 2015, the fair value of the quoted investments had decreased by €4,534,000 to €14,321,000.

## 14. STOCKS

	2016 €(000)	2015 €(000)
Raw materials	917	4,080
Finished goods and goods for resale	13,642	17,488
Expense stock	1,306	2,306
	<b>15,865</b>	<b>23,874</b>

- (i) Stock is valued at the lower of cost and net realisable value.
- (ii) The replacement cost of stocks is not materially different from the carrying value as stated above.
- (iii) Raw materials, consumables and movements in finished goods and work in progress recognised in cost of sales in the year amounted to €294,000,000 (2015: €315,060,000).

## 15. DEBTORS

	Notes	2016 €(000)	2015 €(000)
Trade debtors		27,615	29,986
Other debtors and prepayments (i)		7,074	3,700
Derivative asset	31	-	1,129
V.A.T.		1,831	3,074
		<b>36,520</b>	<b>37,889</b>

(i) Other debtors and prepayments include an amount of €2,041,000 in respect of a loan note from Kerrygold Butter Packing Ireland Limited (Note 13(iii)), which is repayable on demand. The total investment in the loan note is €2,900,000 with the remaining €859,000 due to be paid in 2017. Kerrygold Butter Packing Ireland Limited is a subsidiary of Ornua Co-operative Limited in which the Society is a shareholder.

## 16. BANK AND CASH

The bank and cash balance of €10,685,000 at 31 December 2016 (2015: €22,857,000) contains no restricted cash (2015: €82,000).

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Notes	2016 €(000)	2015 €(000)
Trade creditors and accruals (i)		47,940	52,804
Deferred consideration		-	23,390
Derivative liability	31	14	-
Bank overdrafts and revolving credit facility	19	2,012	9,830
Bank loans (ii)	19	4,867	4,945
Finance leases	19	168	-
PAYE/PRSI		316	365
Corporation tax		291	366
		<b>55,608</b>	<b>91,700</b>

- (i) Trade creditors and accruals include amounts owing to suppliers who have a reservation of title clause in their contracts of sale.
- (ii) The maturity of bank loans is analysed in Note 19.



## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 €(000)	2015 €(000)
Bank loans (i)	19,790	16,682
Finance leases	427	-
Minority shareholders loans	579	579
	20,796	17,261

(i) The maturity of bank loans is analysed in Note 19.

## 19. INTEREST BEARING LOANS AND BORROWINGS

	2016 €(000)	2015 €(000)
<b>Creditors: amounts falling due within one year</b>		
Secured bank loans	4,867	4,945
Bank overdrafts and revolving credit facility	2,012	9,830
Finance leases	168	-
	7,047	14,775
<b>Creditors: amounts falling due after more than one year</b>		
Secured bank loans	19,790	16,682
Finance leases	427	-
<b>Total</b>	<b>27,264</b>	<b>31,457</b>

Bank borrowings are secured by a fixed charge over certain of the fixed assets of the Society and its subsidiaries, and a floating charge over all the assets of the Society and its subsidiaries.

### Maturity Analysis

	Within 1 year €(000)	Between 1 to 2 years €(000)	Between 2 to 5 years €(000)	Greater than 5 years €(000)	Total €(000)
<b>Repayable other than by instalment:</b>					
Bank overdrafts and revolving credit facility	2,012	-	-	-	2,012
<b>Repayable by instalment:</b>					
Secured bank loans	4,867	6,036	13,754	-	24,657
Finance leases	168	144	283	-	595
	7,047	6,180	14,037	-	27,264

## 20. PROVISION FOR LIABILITIES

	Restructuring €(000)	Deferred Taxation €(000)	Total €(000)
At 1 January	1,074	8,522	9,596
Profit and loss account charge/(credit)	378	(933)	(555)
Deferred tax re subsidiary disposed of during year	-	(204)	(204)
Paid during year	(980)	-	(980)
Translation adjustment	-	(472)	(472)
<b>At 31 December</b>	<b>472</b>	<b>6,913</b>	<b>7,385</b>

The restructuring provision relates to the cost of restructuring announced during 2016 and previous years and relates primarily to redundancy costs.

## 21. CAPITAL GRANTS

	2016 €(000)	2015 €(000)
At 1 January	381	422
Received during the year	8	-
Amortised during the year	(35)	(41)
Disposal of subsidiary	(36)	-
<b>At 31 December</b>	<b>318</b>	<b>381</b>

Grants received by the Society from Enterprise Ireland and the Department of Agriculture, Fisheries and Food may be repayable in certain circumstances as outlined in the Grant Agreements. Grants awarded were capital in nature and there are no outstanding unfulfilled conditions.

## 22. SHARE CAPITAL

	2016 €(000)	2015 €(000)
At 1 January	11,235	10,019
Share applications	72	41
Shares redeemed	(249)	(83)
Issue of bonus shares	138	150
Shares issued out of equity reserve	170	1,083
Shares issued in lieu of dividend	31	25
<b>At 31 December</b>	<b>11,397</b>	<b>11,235</b>



## 23. OTHER RESERVES

Other reserves shown on the Society's consolidated statement of changes in equity are as follows:

### *Equity reserve*

The equity reserve relates to funds received from suppliers that are held awaiting conversion into ordinary share capital. At 31 December 2016, amount totalling €299,000 were received from certain suppliers and will be used to fund the issue of shares to these suppliers in future years. These funds will be recorded in the equity reserve until the shares are issued.

### *Bonus reserve*

The transfer from Revenue Reserves to the Bonus Reserve is in accordance with Rules 73 and 74 of the Society which allows for the establishment of a Reserve from which allocations of fully paid-up bonus shares in the Society may be made.

### *Cash flow hedging reserve*

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### *Minority interests*

The minority interest represents the holding of equity in North Western Livestock Holdings Limited and CG Training Limited by minority interests. On the 17 June 2016 the Society disposed of its 66.67% shareholding in Earraí Coillte Chonnacht Teoranta. On that date €5,833,000 was taken from Minority Interest, being the minority interest in Earraí Coillte Chonnacht Teoranta.

## 24. PROFIT AND LOSS ACCOUNT

	2016 €(000)	2015 €(000)
At 1 January	33,596	36,763
Profit/(loss) for year	9,767	(4,597)
Dividends paid	(225)	(203)
Bonus reserve	(150)	(150)
Other comprehensive (loss)/income	(3,015)	1,783
Transfer from capital reserve	1,285	-
<b>At 31 December</b>	<b>41,258</b>	<b>33,596</b>

Dividends proposed at 31 December 2016 amounted to €228,000 and in accordance with Financial Reporting Standards are not recognised in the financial statements until approved.

## 25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW

### (i) Reconciliation of profit for the year to net cash from operating activities:

	Notes	2016 €(000)	2015 €(000)
<b>Cash flows from operating activities:</b>			
Profit/(loss) for the year		10,771	(3,567)
Adjustments for:			
Depreciation and amortisation		6,215	6,867
Foreign exchange losses		(1,298)	27
Change in value of investment property	12	(435)	(479)
Contribution to pension scheme in excess of current service cost		(770)	(638)
Profit on sale of fixed assets	5	(326)	(321)
Profit on sale of financial assets		(9,241)	-
Deferred government grant	5	(35)	(41)
Change in value of financial assets	13(iii)	1,857	4,534
Net finance costs	8	1,330	1,811
Income from financial assets	7	(195)	(209)
Share of profits of associates and joint ventures		(244)	(185)
Taxation	9	(656)	(412)
		6,973	7,387
(Increase)/decrease in trade and other debtors		(9,349)	3,590
Decrease/(increase) in stocks		4,279	(2,245)
Increase in trade and other creditors		7,602	1,639
(Decrease)/increase in provisions and employee benefits		(602)	625
		8,903	10,996
Interest paid		(1,122)	(1,186)
Tax paid		(362)	(941)
<b>Net cash from operating activities</b>		<b>7,419</b>	<b>8,869</b>

## 26. CASH AND CASH EQUIVALENTS AND NET DEBT

	Notes	2016 €(000)	2015 €(000)
<b>Cash and cash equivalents consist of:</b>			
Cash and bank balances	16	10,685	22,857
		10,685	22,857
Bank overdrafts and revolving credit facility		(2,012)	(9,830)
Secured bank loans	19	(24,657)	(21,627)
Finance leases	19	(595)	-
<b>Net debt</b>		<b>(16,579)</b>	<b>(8,600)</b>



## 27. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 27 February 2015, the Society acquired the entire share capital of My Goodness Limited, a UK-based sports nutrition company.

The fair value of the assets and liabilities acquired are set out below:

	Book value €(000)	Fair Value Adjustment (i) €(000)	Total €(000)
Intangible assets – brands	-	16,964	16,964
Intangible assets – customer relationships	-	2,446	2,446
Property, plant and equipment	2	-	2
Stock	535	-	535
Debtors and repayments	990	-	990
Creditors	(1,537)	-	(1,537)
Corporation tax	149	-	149
Cash	2,384	-	2,384
Deferred tax liability	-	(3,494)	(3,494)
Fair value of net assets acquired	2,523	15,916	18,439
Goodwill arising on acquisition (iii)			24,819
Total acquired			43,258
<b>Satisfied by:</b>			
Consideration (iii)			42,784
Acquisition costs			474
Total cost of acquisition			43,258

- (i) The fair value adjustment relates to the valuation of intangible assets on acquisition and the related deferred tax liability.
- (ii) The rate of exchange between Euro and GBP on the date of acquisition was 0.7278.
- (iii) In the 2015 accounts the deferred consideration was estimated at €22,937,000. The actual amount paid was €3,081,000 higher, which resulted in a corresponding increase in the goodwill arising on acquisition.

## 28. RELATED PARTY TRANSACTIONS

In the ordinary course of their business, as farmers, the Directors trade with the Society on standard commercial terms. The level of purchases from and sales to the Directors during 2016 amounted to €1,774,000 (2015: €1,735,000) and €636,000 (2015: €720,000) respectively. The net trading balances outstanding from the Society at 31 December 2016 were €27,000 (2015: €28,000 was owed to the Society).

Total compensation of Directors and key management personnel in the year amounted to €1,878,000 (2015: €1,886,000).

This is broken down as follows:

	2016 €(000)	2015 €(000)
Directors' remuneration	224	226
<i>Senior management team:</i>		
Basic salary	1,208	1,203
Performance related bonus	203	219
Other benefits	243	238
Total senior management team remuneration	1,654	1,660
Total Directors' and senior management team remuneration	1,878	1,886

## 29. COMMITMENTS

(a) Capital commitments were €1,968,000 at 31 December 2016 (2015: €1,013,000).

(b) The total of future minimum lease payments under non-cancellable operating leases at 31 December are as follows:

	2016 €(000)	2015 €(000)
<i>Amounts due:</i>		
Within one year	203	119
Between two and five years	345	175
More than five years	-	-
Total	548	294

The total amount charged to the Profit and Loss Account for 2016 in respect of non-cancellable operating leases was €191,000 (2015: €153,000).

(c) At the year end purchase commitments on forward contracts for certain raw materials not yet provided for in the financial statements amounted to €9,756,000 (2015: €39,682,000).



### 30. RETIREMENT BENEFIT OBLIGATIONS

#### (a) Defined benefit pension schemes

The Society operates a number of defined benefit pension schemes for employees with assets held in separately administered funds. Annual contributions to the pension schemes are based on the advice of qualified independent actuaries.

*Net pension liability/asset:*

	2016 €(000)	2015 €(000)
Defined benefit obligation	(55,162)	(50,156)
Plan assets	47,675	44,035
Net pension liability before deferred tax	(7,487)	(6,121)
Deferred tax liability	(163)	(126)
<b>Net pension deficit</b>	<b>(7,650)</b>	<b>(6,247)</b>

*Movements in present value of defined benefit obligation:*

	2016 €(000)	2015 €(000)
At 1 January	50,156	50,730
Net current service cost	1,020	1,031
Interest expense	1,149	1,057
Employee contributions	361	349
Change in assumptions	4,607	(1,639)
Experience (gains)/losses	(686)	505
Benefits paid	(1,433)	(1,946)
Past service (gains)/losses	(12)	69
<b>At 31 December</b>	<b>55,162</b>	<b>50,156</b>

*Movements in fair value of plan assets:*

	2016 €(000)	2015 €(000)
At 1 January	44,035	42,071
Interest on plan assets	1,021	885
Return on plan assets less interest income	1,913	938
Contributions by employer and members	2,139	2,087
Benefits paid	(1,433)	(1,946)
<b>At 31 December</b>	<b>47,675</b>	<b>44,035</b>

### 30. RETIREMENT BENEFIT OBLIGATIONS (continued)

*The amounts recognised in the consolidated profit and loss account are as follows:*

	2016 €(000)	2015 €(000)
<b>Charged/(credited) to operating profit:</b>		
Current service cost	1,020	1,031
Past service charge/(credit)	(12)	69
<b>Total</b>	<b>1,008</b>	<b>1,100</b>

	2016 €(000)	2015 €(000)
<b>Other finance charge:</b>		
Interest on pension assets	(1,021)	(885)
Interest on pension liabilities	1,149	1,057
<b>Net interest cost included in finance costs</b>	<b>128</b>	<b>172</b>

*The fair values of the plan assets were as follows:*

	2016 €(000)	2015 €(000)
Equities	19,454	17,685
Bonds	22,582	20,817
Property	588	542
Diversified growth fund	5,051	4,991
	47,675	44,035

*Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:*

	2016 %	2015 %
Rate of inflation	1.50	1.50
Rate of increase in salaries	2.00	2.00
Discount rate	1.80	2.30



30. RETIREMENT BENEFIT OBLIGATIONS (continued)

In valuing the liabilities of the pension scheme at 31 December 2016, mortality assumptions have been made as set out below:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65: 21.2 years (male), 23.7 years (female)
- Future retiree upon reaching 65: 23.7 years (male), 26 years (female)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The last actuarial valuations in respect of these schemes were carried out at 1 January 2015 and subsequently updated to 31 December 2015 for FRS102 “Retirement Benefits” purposes. The actuarial reports are available for inspection by members of the schemes but not for public inspection. The valuations and related disclosures required under FRS102 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 1 January 2015, updated to 31 December 2016.

(b) Defined contribution schemes

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was €484,000 (2015: €497,000).

(c) The Irish Co-operative Societies Pension Scheme

The Society participates in the Irish Co-operative Societies (ICOS) pension scheme which is a multi-employer defined benefit pension scheme. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Society is accounting for the pension scheme as if it were a defined contribution scheme in accordance with FRS102.

The most recent full actuarial valuation of the ICOS Pension Scheme was carried out on 1 July 2014. The report is available for inspection by Scheme members but is not available to the public.

The last Actuarial Funding Certificate was prepared with an effective date of 8 April 2015. This certificate confirmed that the Scheme satisfied the Funding Standard set out in Section 44(1) of the Pensions Act, 1990 at that effective date. The last Funding Standard Reserve Certificate was also prepared with an effective date of 8 April 2015. This certificate confirmed that the Scheme held sufficient additional assets to satisfy the funding Standard Reserve set out in Section 44(2) of the Pensions Act, 1990 at that effective date. Market conditions in the period from the last certification date have been adverse. While the Scheme’s investments recorded modest growth in the period, it wasn’t sufficient to offset the growth in liabilities associated with a decline in long term interest rates. As a result, whilst the Actuary is reasonably satisfied that the Scheme met the Funding Standard at 30 June 2016, he is not satisfied that it would have met the Funding Standard Reserve at that date. Since this certification date market conditions have improved to such an extent that, based on calculations undertaken as at 31 December 2016, the Actuary considers it likely that the Scheme was in a position to satisfy both the Funding Standard and the Funding Standard Reserve at that date.

The total expense relating to this plan in the current year was €429,000 (2015: €425,000).

31. FINANCIAL INSTRUMENTS

The carrying amounts of the derivative assets and liabilities include:

	2016 €(000)	2015 €(000)
Forward exchange contracts		
Fair value of financial assets	-	1,129
Fair value of financial liabilities	(14)	-
	(14)	1,129

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The Group uses cash flow hedges in respect of foreign exchange risks in highly probable forecast transactions. It achieves this by designating its forward exchange contracts as hedging instruments to reduce its exposure to the variability of the Euro equivalent of future cash inflows and outflows denominated in Sterling, and in respect of certain Euro grain purchases whose price is linked to the US Dollar.

The following movements occurred during the year in respect of the Group’s cash flow hedges:

	2016 €(000)	2015 €(000)
Change in fair value of the hedging instrument recognised in other comprehensive income for the period	(1,143)	1,148
	(1,143)	1,148

The cash flows associated with cash flow hedging instruments are all expected to occur within one year.



32. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Society’s main accounting policies affecting its results and financial condition are set out in Note 1 to the financial statements. Judgements and assumptions have been made by management by applying the Society’s accounting policies in certain areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Business Combinations

Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of intangible assets which the Society has valued based one expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after tax cash flows expected to be generated from the intangible asset using risk adjusted discount rates, revenue forecast, estimated customer attrition and royalty savings as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

Goodwill

The Group has capitalised goodwill of €28,033,000 at 31 December 2016 (2015: €29,411,000) as detailed in Note 10. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances for the occurrence of events indicate potential impairment exists. In assessing impairment there is a degree of estimation and uncertainty around future performance and cash flows.

Retirement Benefit Obligations

The Group operates a number of defined benefit retirement plans which are set out in Note 30. The Group’s total obligation in respect of defined benefit plans is calculated by independent, qualified actuaries and updated at least annually and totals €7,487,000 at 31 December 2016 (2015: €6,121,000).

The size of the obligation is sensitive to actuarial assumptions. The key assumptions are the discount rate, the rate of inflation, life expectancy, pension benefits and rate of salary increases. Plan assets are also sensitive to asset returns and the level of contributions made by the Group.

Investment Properties

The Group holds investment properties with a fair value of €4,326,000 (2015: €3,871,000). These properties are valued at fair value by the Directors. Fair value is defined as the price that would be received if the asset was sold in an orderly transaction between market participants based on the asset’s highest and best use. Valuations are reviewed each year by the Directors with movements in fair value recognised in the income statement.

33. SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE

Subsidiaries – Republic of Ireland	% Holding	Activity
Aurivo Consumer Foods Ltd	100%	Manufacture of Dairy Products
Aurivo Dairy Ingredients Ltd	100%	Manufacture of Dairy Products
North Western Livestock Holdings Ltd	70.91%	Holding company
Ballina Milk Co. Ltd	100%	Non Trading
Connacht Gold Ltd	100%	Non Trading
Connacht Gold Properties Ltd	100%	Non Trading
CG Training Limited	75%	Non Trading
Moy Valley Seed Potato Company Ltd	100%	Non Trading
Palmar Ltd	100%	Non Trading
Sligo Dairies Ltd	100%	Non Trading
Subsidiaries – United Kingdom	% Holding	Activity
Aurivo (NI) Ltd	100%	Milk Trading and Retail
Connacht Gold (Northern Ireland) Ltd	100%	Milk Trading
My Goodness Ltd	100%	Sports Nutrition
Associate – Republic of Ireland	% Holding	Activity
County Mayo Radio Ltd	27.27%	Radio Station
Joint Venture – Republic of Ireland	% Holding	Activity
Glanóir Energy Ltd	50%	Biomass Energy

All subsidiaries, associates and joint ventures operate in the Republic of Ireland and the United Kingdom. The addresses of the Registered Offices of the subsidiaries, associate and joint venture, are available at Aurivo Co-operative Society Limited, Finisklin Business Park, Sligo, Co. Sligo.

All of the subsidiaries incorporated under the Companies Acts 2014 in the Republic of Ireland with the exception of North Western Livestock Holdings Ltd and CG Training Ltd, have availed of the exemption available under Section 357 of the Companies Act 2014 and will file these Group financial statements with their annual returns instead of their own Financial Statements. The Society has guaranteed the liabilities of the subsidiaries availing of this exemption.

34. APPROVAL OF BOARD OF DIRECTORS

The financial statements were approved by the Board of Directors on 16 March 2017.









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