dairygold

Golden Valleys, Growing Naturally

ANNUAL REPORT

AND FINANCIAL STATEMENTS

2020

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Key Highlights **2020**

TURNOVER
€1.02
BILLION

EBITDA
€53.8
MILLION

OPERATING PROFIT
€26.0
MILLION

CAPITAL INVESTMENT
€31.5
MILLION

NET ASSET VALUE
€388
MILLION

MILK PRODUCTION
1.43
BILLION LITRES

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John O'Gorman, Chairman Dairygold.

Chairman's Statement

2020 will live long in our memories because of the massive personal, societal, and economic impact of COVID-19.

Dairygold as an essential business continued operations and despite significant operational challenges, I am very pleased to report that Dairygold managed its business safely and effectively to deliver a strong performance.

Milk Supply & Pricing

During 2020, Dairygold collected and processed 1.43 billion litres of milk, a 2.7% increase on the previous year and the highest ever intake in the Society's history. The peak week milk supply reached a record 44.5 million litres. Record milk solids were also recorded, with Protein at 3.61% and Butterfat at 4.22%, for the year.

Despite considerable market volatility during the year, the milk price paid by Dairygold in 2020 was 34.7 cent per litre, a slight increase on the 2019 level. The 34.7 cent per litre is based on attainable quality and sustainability bonuses and the average milk solids received.

For the past five years, Dairygold has offered Milk Suppliers the opportunity to avail of a Fixed Milk Price Scheme to manage and mitigate milk price volatility for a percentage of their milk supply over a 3-year period. In January 2021, the Dairygold Board approved a new Scheme (Fixed Milk Price 6) which runs from 1 March 2021 to 30 November 2023, which has a fixed base price of 32.25 cent per litre, at 3.30% Protein and 3.60% Butterfat, including VAT and Full Balanced Scorecard and Sustainability bonuses (0.69 cent per litre), which is the equivalent of 36.7 cent per litre at the Society's 2020 average Protein and Butterfat results.

Managing Future Milk Supply

Milk forecasting is a critical aspect of our ability to predict Milk Suppliers' future production intentions and growth ambitions. This ensures that the appropriate milk processing capacity investment is made in a prudent, timely and sustainable way and that commercial plans for the related finished product are in place.

The 2020 – 2025 Dairygold Milk Planning Census, carried out in Q1 2020 requested Members' milk production ambitions up to 2025. I wish to thank our Milk Suppliers for completing the Census as the information gathered is hugely valuable. It forecast a modest increase in milk expansion across the Dairygold Supplier base of circa 2.6% per annum.

Milk being delivered to Castlefarm Dairy Processing Complex.

It confirmed that as things stand, Dairygold's processing capacity is sufficient to deal with the forecast volume increases to 2025. This allows the Board and Management plan for any modest investment decisions, which may be required in the coming years, in accordance with our modular approach to expansion.

In 2020, Dairygold introduced an Early Calving Bonus to incentivise Milk Suppliers for early milk production. The Early Calving Bonus replaces the Peak Milk Management Programme and pays a flat bonus on all qualifying milk supplied at 40 or greater Balanced Scorecard Points in the months of January (3 cent per litre), February (2 cent per litre) and March (1 cent per litre).

Winners of the Dairygold Milk Quality Awards, Denis, Nora, Cathy and Michael Lordan on their farm in Newcestown, Bandon, Co. Cork with Jim Woulfe, CEO and John O' Gorman, Chairman.

Milk Quality

During periods of rapid volume expansion, there can be a risk of a loss of focus on milk quality. This has never been the case for Dairygold Milk Suppliers, as their commitment to continuous improvement and excellence in farming practice has resulted in the average milk protein and butterfat constituents increasing again in 2020 to levels well above the national average.

The overall Dairygold Milk Quality Award for supplying the best quality milk during 2019 went to Mid Cork Regional winners Denis, Nora, Cathy and Michael Lordan of Newcestown, Bandon, Co. Cork.

The Sustainability Award, which recognises Milk Suppliers' efforts in making their enterprises more sustainable was won by Jim and Edel Conway from Burncourt, Cahir, Co. Tipperary.

Agri Business

The Agri Business performed ahead of expectations in 2020. Feed and fertiliser sales were on target for the year, while Retail saw a significant increase in sales, due to our ability to continue to serve our Customers throughout the year, despite the various restrictions imposed as a result of the COVID-19 pandemic. The grain harvest was challenging due to the weather. In 2020, Dairygold purchased 96,000 tonnes of Suppliers' grain, at strong prices.

The Retail Store Investment Plan entered its concluding phase in 2020. Two new store builds were completed at Rathduff and Parteen, a number of stores underwent significant upgrades, while the sales activities of six stores were integrated into neighbouring stores. The Programme has delivered on its overall objective of providing an efficient service for our Customers, whose loyalty and understanding throughout this necessary evolution is much appreciated.

Sustainability

As farmers and custodians of the land, we recognise our responsibility to manage and minimise our environmental impact. Every aspect of our operations is governed by a deep understanding that the actions we take today will have implications for the land we leave for the next generation.

In 2020, Dairygold became the first Irish milk processor to provide Milk Suppliers with their farm's carbon footprint number on their monthly milk statements. This is a critical step towards achieving ongoing measurable improvement.

Dairygold is actively working with its Milk Suppliers to demonstrate how improvements can be achieved at farm level through the implementation of abatement measures from the Teagasc MACC (marginal abatement cost curve).

In 2021, Dairygold has achieved Bord Bia Grass Fed Accreditation for all its milk processing sites. The Bord Bia Grass Fed standard was developed as a means of providing verifiable evidence to support the claim that Irish dairy products are of superior, natural quality to those from other milk producing regions, due to the percentage of grass in the diet and the number of days cows spend grazing. The standard will assist Dairygold to market and leverage the natural advantages of Ireland's grass-based production system on international dairy markets.

Winners of the Co-Op Superstores Cork County Hurling Championship, Blackrock Hurling Club.

Society Initiatives

Member Funding

Back in 2013, the Society took the farsighted decision to make Member Funding an integral part of the financing model to support Primary Processing Investment. It has played a critical role in supporting Dairygold's successful post quota expansion and is now firmly established in the Society's financial planning. In 2020, the Society repaid the 2013 Revolving Fund and the 2015 Loan Note of circa €5 million and a Loan Note Scheme for Members and Employees was also successfully introduced, reaching its €8 million target one month ahead of schedule. In 2021, a voluntary Revolving Fund was launched for the years 2021 - 2025 inclusive and we look forward to introducing another Loan Note Scheme for Members and Employees, effective August 2021.

Gateway

Usage of our online Member and Customer portal, Gateway, continues to grow and Dairygold will develop and enhance the portal to serve the changing needs of users. I would encourage any Member who hasn't yet used the service to do so, especially as the paperless communication strategy is being developed. Members can access the portal by clicking on the Gateway link on the Dairygold website.

Gateway

Cork GAA County Hurling Championships

During what was a challenging year for sport, Dairygold Co-Op Superstores partnered with the Cork GAA County Board to sponsor the Cork County Hurling Championship. Supporting the Hurling Championship is an opportunity to give something back to a sport that so many of our Shareholders and Customers are involved in. This builds on our existing sponsorship of the Co-Op Superstores Munster Hurling League which has been a great success over the past number of years.

Farm Safety

Once again, I am saddened to see that agriculture remains the most dangerous sector for people to work in. It is critical that as we undertake our farming activity, we all continue to insist on the need for vigilance and farm safety. I urge all farmers to be mindful of the ever-present dangers on farms for the safety of our families, employees, contractors, visitors and, of course, ourselves. Creating a safe working environment is everyone's responsibility.

COVID-19

I would like to pay tribute to our Members, Suppliers and Employees for the way they have applied themselves to meet the extraordinary challenges presented by COVID-19 over the past year and continuing into 2021. Thanks to their combined efforts Dairygold has maintained its high standards of operation and continuity of supply to Customers.

Your efforts ensured milk supply was collected and processed, feed was manufactured, fertiliser delivered, and retail services maintained, throughout a very difficult and challenging year.

Our Senior Leadership Team and the Pandemic Response Steering Group (PRSG) both continue to meet on a daily basis to monitor the impact of the pandemic and to swiftly implement whatever measures are required to ensure a safe environment for our Employees, Suppliers, Customers, and all Stakeholders.

Among those measures were the ways in which we communicate with each other and operate the structures of the Society. In this regard, I wish to acknowledge the work done by the Company Secretary's Office in facilitating the ongoing remote meetings of the representative structure and Board in a seamless manner throughout the year. I would also like to compliment the way the Regional Committee and General Committee Members adapted to the use of virtual meeting technology and continued to offer guidance and support to your Board in the many virtual meetings held throughout the year.

Board and Management

I wish to acknowledge the ongoing contribution and commitment of the Dairygold Board to the Society and its Members. The many unprecedented challenges which 2020 brought were dealt with in a highly professional manner. I would especially like to thank the two Vice-Chairmen during the year, initially Edmund Lynch and later Pat Clancy for their guidance and support.

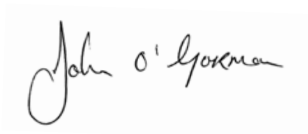
I would like to wish Edmund well in his new role as Dairygold's "Non-Conflicted" Nominee to the Board of Ornua. Edmund has a deep understanding of Ornua, its businesses, and its importance to the Irish Dairy industry and I am confident that he will be a great asset to the Ornua Board. I would like to welcome our new Board Member Sean O'Brien and I look forward to his contribution in the years ahead.

Finally, I wish to express the Board's appreciation to our Chief Executive, Jim Woulfe for his continued unwavering commitment, leadership and guidance to your Society and its Members. I also wish to acknowledge the work achieved by the Senior Leadership Team, the Pandemic Response Steering Group and all of our staff for their continued efforts in ensuring that our critical business operations continue to operate at a very high level of performance.

I would also like to thank you, our Members, for your loyalty, flexibility, patience and support throughout 2020 and look forward to continuing to serve your needs in 2021.

Summary

Despite a very challenging year, your Society delivered a strong financial performance, completed its ambitious capital investment programme for milk processing to 2025, and continued to pay strong milk and grain prices. It is testament to the resilience and capabilities of your Society, its Suppliers and Customers, that the organisation is on a strong and secure financial footing, as we embark on the next phase of our continuing sustainable journey to deliver enhanced value for our Members.



John O'Gorman
Chairman, Dairygold

Jim Woulfe, CEO Dairygold.

Chief Executive's Review

I am very pleased to report that Dairygold delivered strong financial results for 2020 despite the unprecedented business environment, economic turbulence and the hugely challenging market position primarily driven by COVID-19.

These financial results reflect the improved performances in the core Dairy and Agri businesses. Turnover for the year was €1.017 billion, just shy of the record €1.020 billion achieved in 2019. EBITDA was €53.8 million, a fall of €2.8 million (4.9%) on the prior year, where 2019 significantly benefited from non-core property activities. The operating profit for the year of €26.0 million, reflected a decrease of €9.8 million (27.3%) on the 2019 level, based on the EBITDA reduction and a significant increase in the depreciation charge following the extensive capital investment programme.

A key feature of the business performance in 2020 was that Dairygold succeeded in substantially reducing its bank debt during the year, based on the delivery of a strong EBITDA and a significantly improved working capital position. The bank debt has reduced by €38.7 million (24.5%) on the previous year's level of €157.9 million to a manageable €119.2 million, resulting in a Net Debt to EBITDA ratio of 2.2:1. Member Funding increased to €27.9 million from €24.3 million during the year, following a very successful voluntary Loan Note offer of €8 million to Members and Employees. Total borrowings fell by €35.0 million (19.3%) to €147.1 million during the year.

The Society grew its net asset value of the business to €387.7 million, an increase of €14.7 million (3.9%) on 2019, primarily driven by the profit after tax of €12.2 million generated in 2020.

These are very satisfactory results given the market, economic and social conditions in which they were achieved and reflect Dairygold's strong focus on operational performance and improving its working capital position. We remain well placed to take advantage of the recovery in the markets which is forecasted to come in 2021.

Dairy Markets

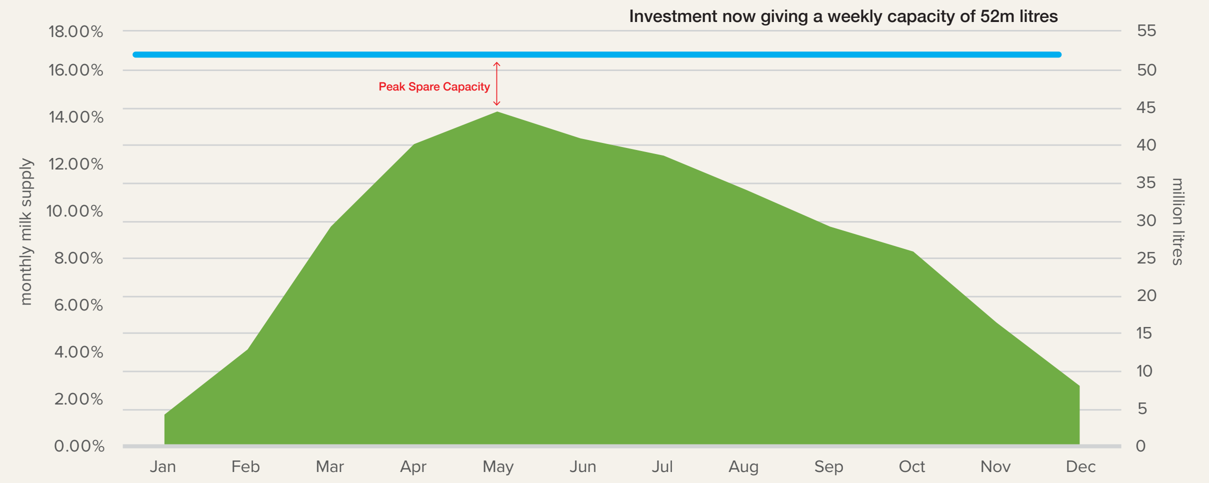
The impact of the COVID-19 pandemic manifested itself mainly on the demand side as global milk supply is estimated to have grown by in excess of 1.5% in 2020.

Lockdowns across the globe during the first half of the year led to a sharp fall in prices. However, as government supports were rolled out, the huge collapse in demand in foodservice channels, which were largely closed, was mitigated by a surge in retail channel demand and prices recovered somewhat from mid-year.

Trade challenges continued to overhang the market during 2020, including from an Irish perspective, the EU and US trade dispute and Brexit. The market had largely priced in a soft Brexit trade deal, but the uncertainty associated with the negotiating process led to some stockpiling and advance buying in the last quarter of the year. However, against this backdrop, demand proved surprisingly resilient in 2020.

Looking ahead, the expectation is that global milk supply will grow modestly in 2021 at circa 1%, with increased feed costs in the US and EU expected to impact production. 'Supply chain to market' disruption is having a significant impact, with the imbalance in global freight capacity leading to container shortages and a significant increase in costs. The positive demand outlook hinges on the appetite of governments to provide continued supports, while the impact of the pandemic continues. With so much uncertainty prevailing, volatility will be a feature of the market into the future.

2020 MILK SUPPLY PROFILE BASED ON GRASS-FED PRODUCTION

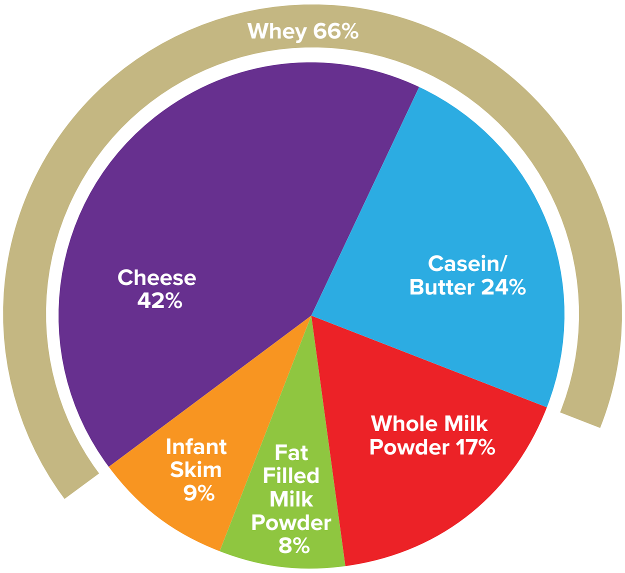


Dairy Irl (Ireland)

Dairygold processed 44.5 million litres of milk during peak week in 2020, an increase of circa 0.5 million litres (1.1%) on the 2019 peak week. Overall, milk supplied to the Co-Operative during the year reached 1.43 billion litres, up 38 million litres (2.7%) on 2019.

Throughout the year, Dairygold maximised the commercial return from its flexible dairy product portfolio with the overall milk utilisation shown in the following chart:

2020 Product Portfolio (milk utilisation)



Dairy Processing Investment

2020 also saw the completion of the ambitious €130 million capital investment programme, on time and within budget, incorporating three strategically important projects:

- Infrastructure at Mogeely, for Tine SA's new Jarlsberg Cheese Factory;
- The redevelopment of the Demineralised Whey production facility at Castlefarm; and
- The new milk evaporator and dryer (NIRO 5) at Mallow.

The new TINE SA facility has taken longer than originally anticipated to bring to fruition, mainly due to a protracted planning and environmental review process, which is now being challenged under a Judicial Review. We are looking forward to working with TINE SA to realise the full potential of this new state-of-the-art factory and associated facilities.

The successful completion of these projects provides processing capacity of circa 52.0 million litres, in peak week (contract and product mix dependant).

Milk Expansion

The 2020 – 2025 Dairygold Milk Planning Census, carried out in Q1 2020, forecasted a modest increase in milk expansion of circa 2.6% per annum, with milk volumes over the next five years expected to increase by circa 200 million litres to reach an annual intake of 1.630 billion litres in 2025 or an intake of 51.0 million litres in peak week.

As things stand, Dairygold's processing capacity is sufficient to deal with the increased volume projected to 2025. However, investment will be required in certain 'aged' processing facilities from a business continuity perspective, which should also provide some additional capacity and provide contingency.

Commercial

Commercial activity during 2020 was shaped, like so much else, by COVID-19. The pandemic led to lockdowns in almost all regions across the globe at one point or another during the year, and hence Customer interaction became virtual. Prior to the lockdowns, the Dairygold sales team participated in a major trade mission to North Africa hosted by Bord Bia, while our Shanghai based commercial team was able to attend the China International Import Expo in November 2020.

NIRO 5 dryer at the Mallow Nutritionals Campus.

The commercial team maintained a strong focus on those Customers best positioned to take advantage of the shift in demand from foodservice to retail. The excellent reputation for quality and the increasingly important grass-fed credentials of our dairy ingredients have proven key attributes in maximising the opportunities in this area.

Optimising Efficiency

In 2020, Dairygold conducted a comprehensive **End-2-End Review** of its dairy business. The review sought to deliver improved margin by optimising plant performance, reducing costs, improving efficiencies and maximising returns from the market.

The rapid and significant milk expansion of recent years resulted in a greater number of Customers and associated product specifications as Dairygold drove to secure markets for the increased milk volumes. This had inadvertently created more complex operational and commercial structures which needed to be rationalised.

All our Dairy Irl activities, including support functions, are currently being reviewed, including business processes, product mix, stock levels, procurement, ways of working, behaviours and overall cost competitiveness.

The Transformation Programme has reduced complexities and costs by reorganising the business into primary processing and higher margin business units. This is enhancing efficiency and maximising returns from our dairy product portfolio and this leaner operating structure will also ensure continued expansion can be achieved. In addition, this provides clear direction and focus to the newly created higher margin Health & Nutrition Business.

New Dairygold Health & Nutrition Business

Dairygold's strategic ambition is to build a business that will deliver incremental growth and higher margin to the current core activities. This ambition now has a clear focus on execution, following the establishment of the new Health & Nutrition business. The Business's total focus is on the delivery of growth and value for the Society and provides Dairygold with a transformational opportunity to leverage its strong core asset base and to expand into higher margin business opportunities, while building its capabilities in the health and nutrition sector.

Dairygold Health & Nutrition is already working on the delivery of the strategy through internal proposition development in selected markets and by targeting relevant acquisitions in the nutrition category.

Dairy UK & Europe

Dairygold's overseas' businesses in the UK and Germany are heavily dependent on the foodservice and hospitality sectors and were consequently severely challenged by COVID-19. Despite this backdrop the overseas businesses performed very well in 2020.

The focus during the year was to mitigate the business impact by reviewing operational costs in the context of reduced activity and seeking new opportunities. A subsequent strategic review of the UK business delivered more streamlined and efficient production models, a significant reduction in overheads and improved supply agreements with Customers, putting the business on the correct footing to take full advantage of the opportunities as they emerge post COVID-19.

Dairygold continues to support its overseas' businesses with the capital investment required to sustain and further develop the businesses. €5 million is currently being invested in the cultured dairy facility in Leeds to deliver improvements in quality assurance, product development, productivity, and staff facilities.

Agri Business

The Agri Business, incorporating animal feed, fertiliser, grain and retail, delivered a very strong performance in 2020. In a year that saw COVID-19 impact every aspect of the economy and society, the business continued to provide an essential service to all Customers, while adhering to all COVID-19 requirements.

There were no notable weather extremes and with good grass growth conditions throughout the year and with a continuing focus on high quality sustainable farming, sales of feed and fertiliser were in line with expectations. The grain harvest was challenging from a weather perspective but thankfully it was completed successfully, and Dairygold purchased 96,000 tonnes of Suppliers' grain. Dairygold remains fully committed to its grain growers and this was reflected in the strong prices that the Board set at harvest time.

The Agri Business team continually seeks to maximise the use of Irish cereals in its range of animal feeds and ingredients. Dairygold's Gold Farm Beef range, which is formulated using only Irish ingredients, has continued to grow in popularity in 2020.

The Agri Business's capital investment programme continued across 2020. This programme has seen significant investment over the past three years to enhance our services to Customers and create a strong foundation for future growth.

Retail

The Retail business experienced a very significant increase in sales during 2020. The ability of our stores to remain open and trade during lockdown periods played a significant role in this strong performance. The business has always had a strong Customer and community focus, offering expert support and advice.

Across the year, our Retail teams operated several different service models including "Call and Collect" and "Controlled Access" ensuring our Customers were served continuously. This could only have been achieved with the full commitment and tremendous efforts of our staff, during what was a very difficult and challenging retail environment.

2020 also saw the near completion of the Store Investment Plan and Dairygold now has 26 modern, well invested and strategically located stores across the catchment area, delivering a best-in-class retail experience to our Customers.

Co-Op Superstore in Rathduff, Grenagh, Co Cork.

In addition, the online store, www.coopsuperstores.ie, is increasingly becoming a hub for Customers to browse and select, and it experienced significant growth in 2020, as more Customers moved to online shopping.

Sustainability

Much has evolved in the past year from a sustainability policy and legislative perspective. The EU is committed to a green recovery, defining stringent emissions reduction targets through the European Green Deal which aims to make Europe the first climate neutral continent by 2050. At the centre of the Green Deal is the Farm to Fork strategy which aims to strengthen the sustainability of our food systems by defining ambitious reduction targets for fertiliser, pesticide and antibiotic use.

In Ireland, the Environment Protection Agency's 2020 report made for sobering reading in terms of the ongoing impact on air, water and biodiversity. With agriculture accounting for one third of Ireland's greenhouse gas emissions, the dairy sector has a major role in addressing these issues. If emissions cannot be managed towards established targets, curtailment of agricultural output is inevitable.

Dairygold remains fully committed to working with all stakeholders throughout our supply chain to meet our targets, improve profitability and preserve Ireland's reputation as a world leader in grass fed dairy production. On pages 14 to 16 we outline the various programmes and initiatives we are undertaking to achieve that.

People

Dairygold continually invests in its people to help them achieve their full potential in their careers with the Society. In 2020, eleven senior managers completed the Dairygold Advanced Leadership Development programme at UCD Smurfit Business School, designed to strengthen multi-disciplinary leadership capability. Fourteen Employees also commenced the Dairygold Management Development Programme to enhance existing role performance and develop skills for future leadership roles. Eleven Employees also commenced the Retail Operations Development Programme in partnership with The Irish Institute of Training & Development and ICOS Skillnet.

By retaining and attracting talented Employees and investing in their development, Dairygold is creating a pool of future leaders for the organisation to facilitate succession planning and provide the platform on which Dairygold can build its future growth and success.

Non-Core Assets & Resources

The Society's strategy for its non-core assets is to maximise their value and to divest of these at the appropriate time to facilitate investment in higher margin business activities. The Society, as at 31 December 2020, holds circa €45.6 million of non-core property assets and €23.3m in non-core financial assets.

Subsidiaries, Joint Venture and Associates

Munster Cattle Breeding Group trading as Munster Bovine offers a range of AI, milk recording and herd health services. COVID-19 created a very challenging operating environment for the business. However, by restructuring work processes, operating within strict government guidelines, and with the strong support of Employees, Contractors and Customers, the business achieved further growth in the year, predominantly in breeding and herd health services. Munster Bovine also launched its FarmOps app which analyses farmers' data to provide timely recommendations and tools to simplify day-to-day herd management.

The **Malting Company of Ireland (MCI)** is a joint venture with Glanbia Ireland DAC and contracts green malting barley from both Dairygold and Glanbia growers. The business had a good year, despite the impact of COVID-19 on distilleries' and breweries' demand for malt. The Company demonstrated its continuing support for growers by making a commitment very early in the year, to purchase all contracted malting barley from the 2020 harvest despite the reduced demand.

Co-Operative Animal Health Limited (CAHL), which is jointly owned by the Society and Glanbia Ireland DAC, enjoyed a strong 2020 performance providing competitive veterinary and nutritional products to farmers. CAHL through innovative design, sourcing and production, facilitates low cost access to technologies, that support best husbandry practice, retaining and improving the competitive advantage of grass-fed dairy farms.

Financing

The prudent mix of Member Funding and bank debt, which financed the successful primary processing expansion to this point, has brought many benefits.

Members who invested in the Dairygold Loan Note in 2013, 2014 and 2015 have been repaid with an attractive interest rate, while the first phase of the Revolving Fund (2013) repayments, with interest, was made in August 2020.

This approach continues to underpin our financing model and we are now providing our Members and Employees with an opportunity to invest in their Co-Operative with much better returns than they could get elsewhere.

The voluntary **2020 Loan Note** was fully subscribed, reaching its maximum subscription of €8 million by 30 September 2020. The voluntary 2021 Loan Note, with €8 million available, will open in June 2021 with a Loan Note offer effective from 1 August 2021.

In January 2021, Dairygold introduced **a new voluntary Five-Year Revolving Fund** was available to all Milk Suppliers for the years 2021 to 2025 inclusive. Repayments from the Revolving Fund will start in 2026, and will be paid annually, thereafter in August. Interest will be accrued at a rate of 3 Month Euribor +2.75%, which will be repaid with the principal.

Dairygold will continue to take a conservative and sensible approach to financing investments in higher margin activities, with a mix of bank debt, Member Funding and divestment of non-core assets, to facilitate the growth ambition in line with the strategic direction.

Thank You

On a personal level, I would like to thank all Employees for their tremendous efforts during the year. It was really uplifting to witness how staff responded with determination to ensure that production and sales continued without interruption during this pandemic and that we continued to deliver the same level of first-class service to our Suppliers and Customers and all our other stakeholders.

It wasn't easy for Employees to work in a busy environment while maintaining strict health and safety protocols to protect one's own health as well as that of their colleagues and of our Customers and Suppliers.

For more than 350 of our colleagues it meant adapting to working remotely and dealing with the challenges that it presented. The leadership team also had to learn and adapt to new ways of managing and I'm particularly proud of the ability of all to adjust so quickly to their new work environment.

I would like to sincerely thank the Members of the Board as well as the General and Regional Committees for their input and support during 2020. I would particularly like to thank the Chairman, John O' Gorman and the two Vice Chairmen during the year for their continued advice and support. A most sincere thank you to all Dairygold Stakeholders for their continued support, flexibility and loyalty this year, all of which enabled the Society to do its business well, in an unprecedented environment.

Castlefarm Dairy Processing Complex.

Summary

2020 was a very different and difficult year with many operational and supply chain challenges, but also a most satisfactory year in terms of the successful outcomes achieved. Despite the COVID-19 impact, business activities continued, delivering strong financial results, with limited negative impact on day-to-day operations, except for activities directly impacted by the collapse of the food service sector, which was managed effectively by the business.

The primary focus during the year was on the continued wellbeing of all stakeholders and maintaining business continuity, but the business also achieved significant improvements in performance and efficiency as part of the Business Transformation Review and strengthening the Balance Sheet through significant working capital improvements.

We have delivered on our major capital investment programmes, on time and within budget and now have the capacity in place to meet our Milk Suppliers' growth ambitions to 2025.

We have come to the end of another successful chapter for Dairygold – a decade of such significant expansion and growth. It was a 'project driven' decade which managed our Members' 70% growth in output while also laying the foundation for future high value business opportunities. We concluded the capital investment phase with a comprehensive End-2-End Review, to achieve optimum performance, ahead of driving forward for "value added growth".

The newly established Dairygold Health & Nutrition business will guide that focus, supported by a Society with a strong balance sheet and the financial strength to make more strategic commercial investments. Our core dairy and agri businesses are now well invested with clearly aligned management structures.

It is pleasing to report that the Society is in a strong position to reap the rewards of the improved trading environment which should emerge as the global economy rebounds. We are ready for the next chapter of higher value growth.

Jim Woulfe

Jim Woulfe
CEO, Dairygold

Sustainability: Our Approach

In 2020, we re-framed our approach to sustainability, aligning with the relevant United Nations sustainable development goals (SDGs) and heightening our focus on the environmental pillar at farm and factory operations level.

We set ambitious targets to reduce our environmental impact. We are the first Co-Operative in Ireland to commit to a farm carbon intensity target. Aligned with the Teagasc farm sustainability measures/MACC and focused on responsible resource utilisation and efficient operations, our journey has started.

We are committed to operating transparently and responsibly throughout our supply chain to ensure continuity for future generations.

We strive to reduce our environmental impact and to enhance our societal contribution by focusing on four pillars of sustainability:

Our Targets

In 2020 we outlined our commitment to the achievement of ambitious goals to:

- Become **carbon neutral** at farm level by **2050**
- Support our Milk Suppliers to deliver a **40% reduction** in farm-based carbon intensity by **2030**
- Continue to build upon **soil health, nutrient planning** and **watercourse protection** programmes
- Achieve **zero waste** to landfill in our factories in **2022**. Reduce by **50% in 2020**
- Commit to sourcing **green electricity** from **2020**
- Define our **decarbonisation pathway** for operations by **2022**
- Establish **water** and **wastewater** efficiency targets
- Implement **nature/biodiversity initiatives** per site by **2022**
- **Develop paperless communications** with Members, Customers and Suppliers.

James and Edel Conway pictured with their children Jim and Andrea receiving their award as the overall Sustainability winners of the 2019 Dairygold Milk Quality Awards.

Our 2020 Highlights

Our Farms

1. Dairygold's 3-year average farm carbon footprint improved to 1.13Kg CO_2(e)/ Kg FPCM.
2. Farm carbon footprint communicated on the monthly milk statement for each individual Supplier.
3. Dairygold subsidised soil testing to support effective nutrient management planning on our Suppliers' farms.
4. Implementing the Agricultural Sustainability Support and Advisory Programme (ASSAP), to improve water quality in priority action areas.
5. Provision of a tailored range of animal nutritional products, including feeds of appropriate protein levels. Our trained technical team advise on optimisation and best practice.
6. Over 900 participants in our Lean Farm Programme since 2017.

Our Factories

1. Groupwide green electricity sourcing reduced greenhouse gas impact by circa 10,000 tonnes.
2. 9.6% reduction in energy intensity (kWh/ m³) at our Mitchelstown sites v 2019.
3. 28% reduction in energy intensity at our Mallow site (2020 v 2013) following completion of the capital investment programme.
4. Mallow water consumption intensity (m³ water/ m³ milk) has been halved (2020 v 2016).
5. More than 100 tonnes diverted from general waste to recovery and circular economy routes in 2020.

Our Supply Chain

1. 100% of our Milk Suppliers are certified to the Sustainable Dairy Assurance Scheme (SDAS).
2. Payment of a Quality and Sustainability Bonus.
3. Dairygold is certified to Origin Green, Ireland's food and drink sustainability programme.
4. Bord Bia Grass Fed standard certification achieved by our sites.
5. Inclusion of a Sustainability Award in the annual Dairygold Milk Quality Awards.
6. Responsibly sourced palm oil (RSPO) only used in our fat filled dairy products.

Our People

1. Health and Safety was at the forefront throughout our operations in 2020, implementing increased governance, visibility and leadership for safety.
2. *Zero Harm Everyone Goes Home Safe* programme was launched in 2020 to safeguard the health and safety of our Employees, contractors and visitors.
3. Employee Assistance Programme (EAP) in conjunction with VHI.
4. Continued people development including 11 Employees who completed the Advanced Leadership Development Programme in conjunction with UCD Michael Smurfit Business School.

Our Community

1. Cork GAA County Board announced Dairygold Co-Op Superstores as the title sponsor of the Cork County Hurling Championships.
2. Sponsors of the first virtual National Dairy Show.
3. Raised circa €100,000 to date for the Irish Cancer Society through our "Wrap it Pink" campaign.
4. Significant charitable donations and support to community initiatives.

Our Journey to 2030 - 0.7Kg CO_2(e)/ Kg FPCM

In 2020 we defined our ambition to achieve an average farm carbon intensity target of 0.7Kg CO_2(e)/ Kg FPCM in 2030.

This means a 40% reduction from the baseline. This level of ambition is crucial to protect the future sustainability and prosperity of our Suppliers' dairy farms and to make our business even stronger. We have defined the pathway of measures that will make a difference and enable us to achieve our 2030 target.

To support the achievement of our ambition, we are embarking on a new 5-year joint programme with Teagasc.

Through a network of 10 Signpost Farms, 15 Focus Farms, discussion groups and a programme of special interest events and communications, we will demonstrate and communicate the impact of best farming practices and innovative approaches to sustainable farming.

The 5 core pillars of the programme are:

1. Reduce agricultural emissions - carbon (CO_2(e)) and ammonia
2. Improve watercourse quality by reducing agricultural nutrient loss
3. Manage and improve on farm biodiversity
4. Improve economic sustainability of the farm enterprise
5. Measure carbon sequestration

The Dairygold/Teagasc Joint Programme will proactively lead and engage all of our Milk Suppliers to reduce their environmental footprint while delivering sustainable on farm profitability.

Why sustainability matters - Jimmy Cotter

My family has been farming here, in Leades, Aghinagh, Coachford since 1914. My grandparents were married on Easter Monday 1916, a foundational time in Ireland's history.

A witness to the passage of so much time, my farm has been passed through generations. We are the proud guardians of this land, this place, our home. I want it to be here for generations to come. That is why sustainability matters to me and my family.

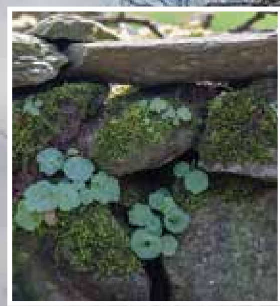
In the 1960's, Rusheen creamery had 100 Suppliers supplying milk, today there are less than 20 Suppliers in this area. We must have economic and community sustainability, together with environmental sustainability. I hope that we can sustain a vibrant rural community and maintain the viability of the remaining dairy farms here.

For me, the measures that make environmental sense, also make economic sense. These include low emissions slurry spreading - I use a trailing shoe, and spread protected urea. Both of these measures are good for my land, my grass growth and the environment.

Through efficient production I believe that we can improve our farm profitability, while protecting the planet for the benefit of all. That is what sustainability is about, the appropriate balance between people, planet and profit.

At this pivotal point in time, as we emerge from the pandemic, I am looking to the future. With a good base to build upon, we are at the start of our sustainability journey.

I am looking forward to being part of the 2021 – 2025 Dairygold/ Teagasc Joint Programme, working our way towards the 2030 target.



Financial Overview

In an unprecedented and challenging year, the Society delivered a robust 2020 financial performance, with Turnover exceeding €1 billion, an EBITDA of €53.8 million, having invested cash of €31.5 million in Capital Expenditure, while reducing the Net Bank Debt by €38.7 million, to €119.2 million.

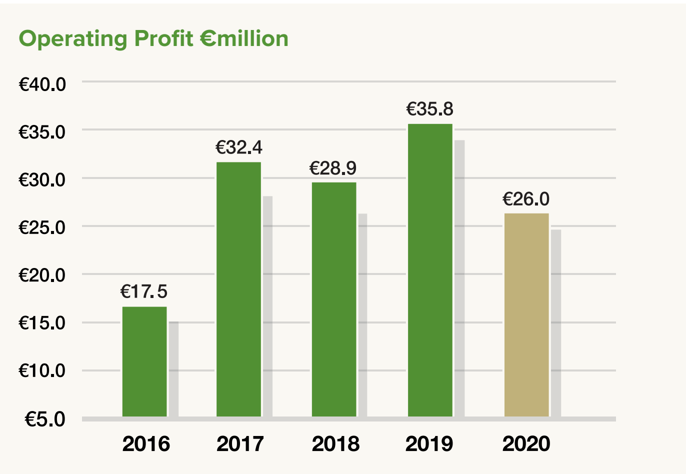
Consolidated Income Statement

Turnover in 2020 was €1,016.8 million (2019: €1,020.4 million), a decrease of €3.6 million.

- Dairy business turnover increased by €10.0 million to €759.6 million (2019: €749.6 million), primarily due to an increase in sales volumes driven by an increase in milk volumes of 2.7% and a reduction in stock holding, partially mitigated by reduced market returns and a fall in food service sales in dairy overseas.
- Agri business turnover decreased by €0.5 million year-on-year to €243.9 million, with a reduction of €11.7 million in Agri Operations, reflecting reduced sales prices, partially offset by an increase of €11.2 million in Agri Retail.
- Non-core activities turnover decreased by €13.1 million to €13.3 million, primarily due to a significant reduction in property sales in 2020, versus 2019.

2020 EBITDA was €53.8 million (2019: €56.6 million), a decrease of €2.8 million, reflecting a reduced level of profitability from non-core activities, due to the significant reduction in property sales in 2020, which was partially mitigated by improved profitability in the core business, benefiting from increased milk volumes, a stronger trading performance and improved efficiencies.

The operating profit was €26.0 million (2019: €35.8 million), a decrease of €9.8 million, reflecting an increase in depreciation, impairment and amortisation costs of €7.0 million and a reduced EBITDA of €2.8 million.



The share of joint ventures' and associates' performance delivered an operating profit of €0.7 million in 2020 (2019: €0.7 million). The net interest charge was €6.9 million (2019: €6.6 million), with the increase primarily driven by higher interest costs due to increased bank margin, based on the increased level of debt in 2019.

The profit after tax for the financial year of €12.2 million (2019: €30.7 million), a decrease of €18.5 million, reflected a reduced operating profit of €9.8 million, a movement in exceptional items of €5.5 million, an increase in the taxation charge of €1.9 million, a movement in the fair value of financial assets of €1.0 million and an increase of €0.3 million in net interest payable.

2020

FINANCIAL HIGHLIGHTS

- Delivered an **EBITDA of €53.8m** and operating profit of **€26.0 million**, after paying a competitive milk price.
- Turnover of **€1.02 billion** in line with prior year.
- The net bank debt of **€119.2 million**, a decrease of **€38.7 million** from 2019, gave a net bank debt to EBITDA ratio of **2.22:1**.
- Invested **€31.5 million** (net of grants) in capital expenditure.
- Received **€8.0 million** in Loan Notes.
- Increased net asset value by **€14.7 million** to **€387.7 million**.

Consolidated Statement of Financial Position

In 2020, the net asset value of the Society increased by €14.7 million to €387.7 million (2019: €373.0 million). The increase primarily reflected the profit for the financial year of €12.2 million, positive pension movements of €4.9 million and net share movements of €0.8 million. This was partially offset by unfavourable exchange differences on translation of subsidiary undertakings of €1.9 million and share interest and dividends paid of €1.3 million.

Fixed assets of €408.1 million (2019: €412.3 million) comprising of intangible assets, tangible assets, investment properties and financial assets decreased by a net €4.2 million, as a result of:

- capital expenditure investment of €22.5 million;
- an increase in investment property assets' valuation of €2.6 million;
- a net increase in the investments in joint ventures and associates of €0.6 million; and
- a net increase in other investments of €0.5 million.

These increases were offset by:

- depreciation, amortisation and impairment charges of €29.1 million;
- disposal in the year of tangible assets of €0.9 million; and
- a translation adjustment of €0.4 million.

Net current assets less creditors falling due after more than one year, resulted in a liability of €30.0 million (2019: €47.0 million), a decrease of €17.0 million, primarily as a result of:

- a decrease in bank debt of €38.7 million to €119.2 million (2019: €157.9 million), reflecting a decrease in bank overdrafts and invoice discounting of €30.2 million to €20.9 million (2019: €51.1 million), a decrease in loans falling due after more than one year of €8.0 million and an increase in cash at bank and in hand of €0.5 million to €9.7 million (2019: €9.2 million); and
- a decrease in creditors, excluding bank financing, of €21.9 million to €142.2 million (2019: €164.1 million), mainly driven by a reduction in trade creditors and year end provisions, a decrease in the Revolving Fund (including interest accrued), offset by an increase in Loan Notes (including interest accrued) in the current year.

These variances were partially offset by:

- a decrease in debtors of €22.6 million to €100.2 million (2019: €122.8 million); and
- a decrease in stocks of €21.0 million to €131.2 million (2019: €152.2 million).

The capital grants' liability of €10.0 million (2019: €9.0 million) increased by €1.0 million, following receipt of capital grants, partially offset by amortisation for the year. The deferred tax liability of €10.8 million (2019: €7.7 million) increased by €3.1 million year-on-year.

The consolidated statement of financial position as at 31 December 2020 reflected a pension asset of €30.4 million (2019: €24.4 million). The positive movement was driven by an increase in pension scheme assets of €14.0 million, partially offset by an increase in the pension scheme liabilities of €8.0 million.

The share capital increased by €1.6 million to €97.8 million (2019: €96.2 million), reflecting shares issued of €2.4 million, including bonus shares of €0.8 million, partially offset by shares redeemed of €0.8 million.

The profit and loss account reserve increased by €13.2 million to €284.2 million (2019: €271.0 million), reflecting the profit for the financial year (excluding non-controlling interests) of €11.9 million and positive movements related to the pension scheme of €4.9 million. This was partially offset by unfavorable exchange differences on translation of subsidiary undertakings of €1.9 million, share interest of €1.2 million and a transfer to the bonus reserve of €0.5 million.

Consolidated Statement of Cash Flows

The decrease in bank overdrafts and invoice discounting of €30.2 million, a decrease in bank loans of €8.0 million and an increase in cash at bank and in hand of €0.5 million, reflects the overall decrease in net bank debt from €157.9 million in 2019 to €119.2 million in 2020.

The decrease of €38.7m resulted from:

- EBITDA of €53.8 million (2019: €56.6 million);
- A decrease in working capital requirements of €25.8 million (2019: increase of €21.3 million), resulting primarily from a decrease in stock of €21.0 million and a decrease in debtors of €22.3 million, partially offset by a decrease in creditors of €17.5 million;
- Member Funding receipts of €3.1 million (2019: €2.4 million), in relation to Revolving Fund and Loan Note repayments of €4.2 million and €0.7 million respectively and Loan Note receipts of €8.0 million; and
- Disposal of fixed assets of €0.9 million (2019: €20.7).

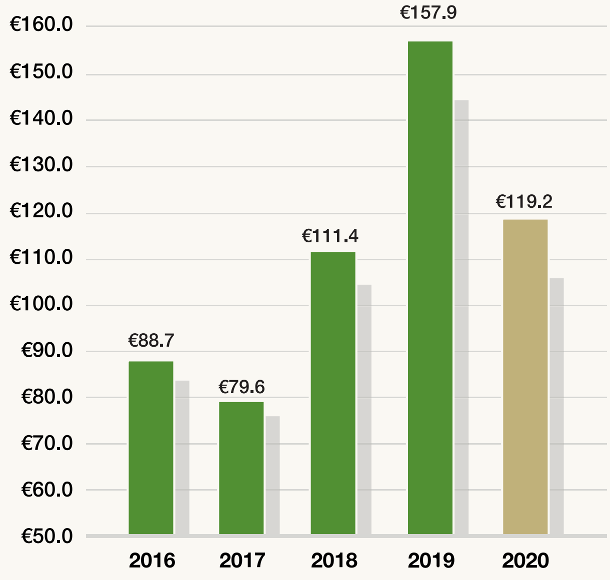
These were partially offset by:

- Capital expenditure (net of grants) of €31.5 million (2019: €84.8 million);
- Payments of €7.2 million (2019: €6.3 million) to cover net finance costs, taxation, equity financing and share interest;
- Non-cash movements of €4.0 million (2019: €7.6 million) included in EBITDA in relation to revaluation of investment properties and foreign exchange differences;
- Cash related to exceptional items and other movements of €1.7 million (2019: receipt of €0.8 million);
- A difference of €0.1 million (2019: €6.8 million) between payments and current service pension cost; and
- Financial asset movements of €0.4 million (2019: €0.2 million).

The Society's long-term borrowings are subject to financial covenants calculated in accordance with the facility agreements with the Society's lenders. The Society's net bank debt to EBITDA ratio was 2.22:1 (2019: 2:80:1).

The Society is committed to delivering a strong financial performance over the next few years, to ensure that the net bank debt remains at a sustainable level and can provide the opportunity to invest in higher margin activities.

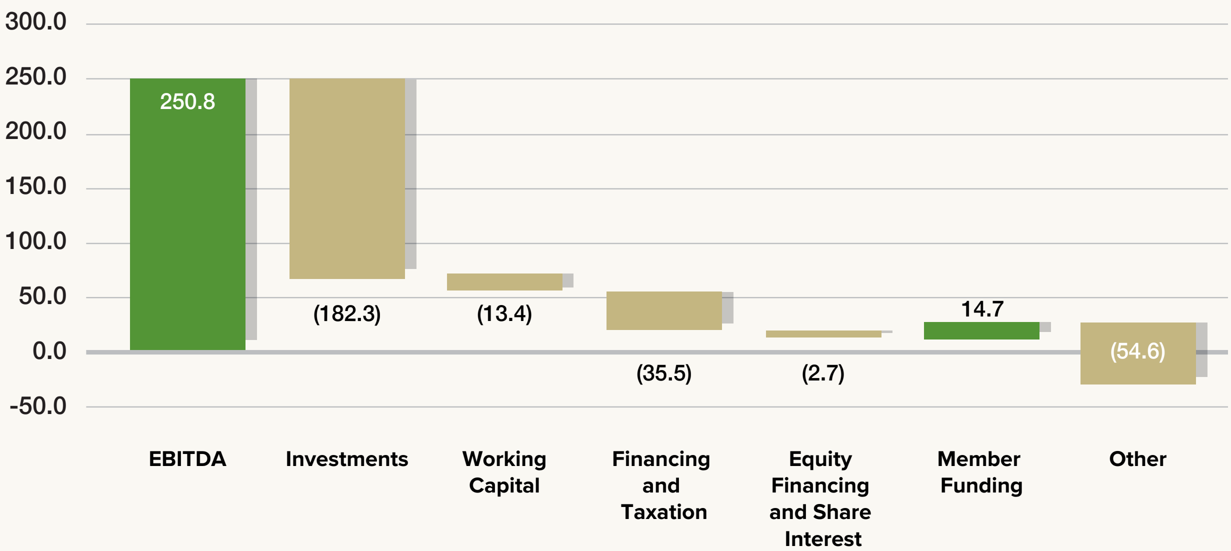
Net Bank Debt €million



Phase II Post Quota Primary Processing

Phase II Post Quota Primary Processing continued in 2020. The three year capital investment programme of circa €130.0 million commenced in the second half of 2018 to provide appropriate processing capacity, product mix flexibility and the opportunity to maximise commercial returns from existing and new Partnerships and Customers.

Cash Outflow of €23.0 million between 2016 and 2020



The capital investment took place on three Dairygold sites as follows; increased Whey processing capacity at the Castlefarm Dairy Complex in Mitchelstown, installation of a new 7.5 tonne per hour drier at the Nutritionals Campus in Mallow and significant infrastructure investment in Mogeely.

The Mogeely investment facilitates a new commercial partnership with TINE SA who has built a state of the art facility next to the Dairygold Mogeely processing facility. During 2020, Dairygold successfully concluded the €130.0 million capital investment programme, on time and on budget.

Pension

The consolidated statement of financial position at 31 December 2020 reflected a pension asset of €30.4 million (2019: €24.4 million). The positive movement was driven by an increase in assets of €14.0 million, partially offset by an increase in the liabilities of €8.0 million. The increase in the scheme assets reflected a positive performance in the financial markets. The increase in liabilities was primarily driven by a fall in the discount factor to 1.00% (2019: 1.30%).

Given the volatility around financial markets and pension schemes in general, the Society continues to actively monitor the scheme and to proactively pursue further risk mitigation initiatives. A full actuarial valuation of the scheme was undertaken by the Society in 2019 in line with legislative requirements.

Member Funding

Member Funding was introduced in 2013 as part of the Society's overall funding strategy to support the delivery of its business growth ambitions. In 2020, the Society introduced voluntary Loan Notes for 2020 and 2021 and advised of a voluntary Revolving Fund to be introduced from 2021 to 2025.

Total Member Funding (including accrued interest) at year end 2020 was €27.9 million (2019: €24.2 million). This is made up of €8.0 million (2019: €0.7 million) in Loan Notes and €19.9 million (2019: €23.5 million) in the Revolving Fund.

In 2020, the Society repaid €0.7 million of Loan Notes to Members and issued Loan Notes of €8.0 million to Members and Employees which are due to be repaid in 3 years and 5 years. Revolving Fund contributions ceased in 2019, following the cessation of the scheme. Repayment of the Revolving Fund commenced in 2020, where the Society repaid €4.2 million to Members including interest of €0.6 million. In 2021, the Society will repay €4.5 million to Members, including interest of €0.7 million.

Non-Core Assets

Financial Assets

The Society's financial investment portfolio includes investments which are managed in conjunction with a third party investment manager. The market value of quoted financial assets increased by €1.1 million to €23.3 million (2019: €22.2 million), including Aryzta AG at €1.8 million (€0.63 per share), FBD plc at €0.4 million (€7.50 per share) and an investment portfolio of €21.1 million, all stated as at 31 December 2020. Dairygold divested of its shareholding in IPL Plastics and the proceeds were re-invested in the investment portfolio.

Property

The Society, as at 31 December 2020, holds circa €45.6 million of non-core property assets. The primary focus is to maximise the value from these properties for the Society, through a combination of developmental, rental and commercialisation opportunities, which the Society is actively pursuing and delivering on.

Summary and Outlook

Taking account of the extremely challenging business environment in 2020, the Society delivered a strong financial performance, significantly reducing net bank debt, delivering a strong EBITDA, paying a competitive milk price, with turnover exceeding one billion euro. The significant capital investment, as part of the Phase II Post Quota Primary Processing expansion was completed on time and on budget. The Society is committed to delivering strong levels of profitability into the future, to maintain an appropriate debt level and to allow the Society to invest in higher margin opportunities.

Directors, Officers, Committees

and other information

The Board of Directors

John O'Gorman - Chairman

Patrick Clancy - Vice Chairman

Maurice Curtin

Dan Flinter

Annette Flynn

Brendan Hinchion

Richard Hinchion

Fintan McSweeney

Sean O'Brien

Martin O'Doherty

Gerard O'Dwyer

Donal Shinnick

Board Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities in compliance with the highest standards of corporate governance. The committees and their membership are detailed below. All committees of the Board have written terms of reference, which are reviewed regularly, dealing with their role and authority delegated by the Board. The Group Company Secretary acts as Secretary to each of these committees.

Audit Committee

The Audit Committee comprises Ms. Annette Flynn (Chair), Mr. Maurice Curtin, Mr. Martin O'Doherty and Mr. Sean O'Brien. The Chief Executive, Chief Financial Officer, Head of Internal Audit, other Directors, Senior Management and representatives of the External Auditor may be invited to attend all or part of any meeting.

The role and responsibilities of the Audit Committee are set out in its written terms of reference and include:

- monitoring the integrity of the financial statements for the Society and reviewing significant financial reporting judgements contained therein before submission to the Board;
- monitoring and reviewing the operation and effectiveness of the Internal Audit function;
- considering and making recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditor and their terms of engagement;
- approving the remuneration of the External Auditor for statutory audit work and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted. Reviewing the extent of any non-audit services and related fees;
- assessing annually the independence and objectivity of the External Auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 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;
- monitoring and reviewing the statutory audit of the Society and its subsidiaries' statutory financial statements;
- reviewing the arrangements by which Employees of the Society may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that these arrangements allow for a proportionate and independent investigation of such matters and appropriate follow up action; and
- reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

The key activities undertaken by the Audit Committee during 2020 under its terms of reference were as follows:

Financial Reporting

The Audit Committee reviewed the statutory financial statements of the Society before submitting them to the Board of Directors for approval. This review focused on, but was not limited to, changes in accounting policies and practices, key judgement areas, the going concern assumption and compliance with accounting standards.

Risk Management and Control

The Board has overall responsibility for ensuring the Society's risk management framework is appropriate. The Audit Committee reviewed the risk registers and risk management systems of the Society on a rolling basis during 2020. The Audit Committee recommended that the Society's principal risks be presented to the Board for review. The Board reviewed the principal risks facing the Society and provided feedback which was incorporated into the registers. The Audit Committee also considered Internal Audit reports which formed part of the annual work plan approved by the Audit Committee.

Internal Audit

Internal Audit provides independent, objective, assurance and advisory services designed to add value and identify areas for improving operations. Internal Audit helps the Society accomplish its objectives by bringing a systematic, disciplined approach to evaluating the control environment and improving the effectiveness of risk management, control, and governance processes as a result.

The Head of Internal Audit is responsible for managing the Internal Audit function and reports directly to the Audit Committee. The Head of Internal Audit holds regular meetings with the Chair of the Audit Committee and has access to the Chair as required.

On an annual basis, Internal Audit performs a risk assessment to determine the appropriate audit scope for the Society.

Based on this assessment, a risk based annual Internal Audit plan is developed and presented to the Audit Committee for approval. The Audit Committee approved the annual Internal Audit plan ensuring its alignment with the key risks facing the Society. It reviewed the output from the Internal Audit programme during the year considering its reports which detailed any significant control issues, notable findings and Management's action plans to remediate any identified issues.

External Audit

The Audit Committee considered the independence and objectivity of the External Auditor and approved their remuneration. The approach and scope of the audit work to be undertaken by the auditor which included planned levels of materiality, key risk and judgement areas were also reviewed. The Audit Committee approved the terms of engagement for the audit. Subsequently, the Audit Committee reviewed the findings of the auditor, assessed the effectiveness of the audit process and the external audit's management letter together with Management's responses.

A formal policy is in place governing the use of the external audit firm for non-audit services in line with best practice. The aim of the policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the auditor.

The policy of the Society is that the services of the auditor may be used for non-audit services provided that those services are not in conflict with auditor independence.

Audit Committee Performance

The Audit Committee is dedicated to the ongoing education of its members including regulatory updates and induction training for all new members of the Audit Committee during the year.

Acquisition and Investments Committee

The Acquisition and Investments Committee comprises Mr. John O'Gorman (Society Chairman), Mr. Patrick Clancy (Society Vice Chairman), Mr. Dan Flinter (Chairman of the Remuneration Committee), Ms. Annette Flynn (Chair of the Audit Committee) and Mr. Richard Hinchion (Board Nominee).

The Chairman of the Board acts as Chairman of the Acquisition and Investments Committee. The role and responsibilities of the Acquisition and Investments Committee are set out in its written terms of reference. The principal responsibilities of the Committee are to:

- document the Society's acquisition and investments policies as approved by the Board and review these policies on an on-going basis to assess their effectiveness and recommend changes to the Board;
- review and consider proposals from Management in relation to significant acquisitions, investments, disposals and capital expenditure to:
  - ensure that the proposed transaction and/or expenditure is consistent with the Society's strategic objectives;
  - evaluate and understand the implications and risks associated with any proposal that constitutes a significant acquisition of, or merger with, or investment in, another commercial entity;
  - understand the financial implications regarding the funding of a proposed acquisition and any subsequent resulting acquisitions and capital investments;
  - understand the financing of projected working capital requirements;
  - ensure the necessary financial, legal, commercial, technical, safety and personnel due diligence has been undertaken, considered and challenged;
  - understand and evaluate any likely regulatory consequences;

- evaluate and understand the consequences of any proposal that constitutes a significant disposal of a business or asset of the Society or its subsidiaries;
- understand the proposed communication plan with regard to all Members, Employees, Suppliers, Customers and other Stakeholders in both the Society and the acquired or disposed business or businesses;
- keep up to date with and be fully informed about strategic issues and commercial changes affecting the Society and the markets in which it operates;
- recommend to the Board as to whether any proposed transaction, investment or capital expenditure should be approved, amended or declined. The final decision rests with the Board; and
- investigate and consider any other matter as requested by the Board.

Remuneration Committee

The Remuneration Committee comprises Mr. Dan Flinter (Chairman), Mr. John O'Gorman (Society Chairman), Mr. Patrick Clancy (Society Vice Chairman) and Mr. Gerard O'Dwyer (Board Nominee). The role and responsibilities of the Remuneration Committee are set out in its written terms of reference. The principal responsibilities of the committee are to:

- determine the policy for the remuneration of the Chief Executive, Group Company Secretary and Direct Reports of the Chief Executive as well as the Society's policy on remuneration and/or expenses payable to members of the Board, members of the Regional Committees, General Committee and members of any sub-committee established from time to time;
- review and sanction new or amended salaries, performance related pay, retirement benefit and/or other benefits for Senior Executives of the Society whose remuneration is to be determined by the committee; and
- agree the policy and/or procedures for authorisation of claims for expenses of Senior Executives, the Board and members of the Regional Committees, General Committee and any other sub-committee established from time to time.

Rules Committee

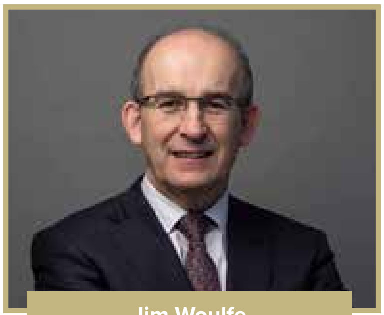
The Rules Committee comprises Mr. John O'Gorman (Society Chairman), Mr. Patrick Clancy (Society Vice Chairman), Mr. Maurice Curtin and Mr. Brendan Hinchion (Board Nominees). The principal responsibilities of the Rules Committee are to:

- review the Rules of the Society on a periodic basis to ensure they are consistent in their application and aligned to the Society's strategic objectives;
- advise and make recommendations in conjunction with the General Committee, as necessary, to the Board of the Society with regard to any alterations or amendments required to the Rules; and
- make recommendations on policy matters, to the Board of the Society, in relation to the implementation of the Rules.

In 2019, the Rules Committee of four Board Members, was expanded to include twelve additional General Committee Members, two from each of the six regions, to form the 'Rules Review Sub Committee 2019-2020', with the objective of reviewing the current Rules of the Society and bringing forth Rules resolutions for consideration and adoption by Members at a forthcoming SGM.

The 'Rules Review Sub Committee 2019-2020' in consultation with the Group Company Secretarial Team, Senior Management, ICOS and the Society's legal advisors have conducted a comprehensive Rules Review process and the resulting proposed Rules resolutions are in the best interests of the Society and its Members. Due to COVID-19 restrictions in place, it was not possible to hold a physical SGM meeting in 2020. It is intended that the Proposed Rule Book amendments will be brought forward for Member consideration and adoption at a SGM later this year.

Senior Leadership Team



Jim Woulfe
Chief Executive

Ann Fogarty
Group Company Secretary

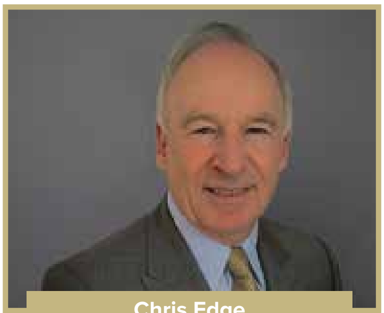
Michael Harte
Chief Financial Officer

Tim Healy
Chief Operations Officer

Conor Galvin
Chief Growth Officer

Eamon O'Sullivan
General Manager,
Dairy Ireland

Liam O'Flaherty
General Manager,
Agri Business



Chris Edge
General Manager,
Dairy UK & Europe

Adrian Beatty
Head of Human Resources

Registered Office
Clonmel Road,
Mitchelstown,
Co. Cork.
P67 DD36

Independent Auditor
PricewaterhouseCoopers,
Bank Place,
Limerick.

Principal Bankers
Allied Irish Banks plc
Bank of Ireland Group plc
HSBC Bank plc
Rabobank Ireland plc
Ulster Bank Ireland DAC

Solicitors
Arthur Cox
McCann FitzGerald

General Committee

Mallow

Mr. Donal Buckley
Mr. Teddy Buckley
Mr. Michael Duane
Mr. John Hedigan
Mr. John Kenny
Mr. Finian Magner
Mr. Fintan McSweeney
Mr. Timothy McSweeney
Mr. Martin O'Brien
Mr. Michael O'Hanlon
Mr. Andrew O'Keeffe
Mr. Donal Shinnick
Mr. Ian Wharton

Mitchelstown

Mr. William Bourke
Mr. John Clancy
Mr. Patrick Clancy
Mr. Robert Drake
Mr. John A. Fox
Mr. Jeremiah Linehan
Mr. Martin O'Doherty
Mr. Patrick O'Keeffe
Ms. Mary Twomey-Casey
Mr. Don Whelan

Mid-Cork

Mr. Patrick Ahern
Mr. John Bernard
Mr. Jerome Desmond
Mr. Brendan Hinchion
Mr. Richard Hinchion
Mr. Sean MacSweeney
Mr. Don McSweeney
Mr. Michael Murphy
Mr. Michael J. Murphy
Mr. Daniel P. O'Donovan
Mr. Donal O'Donovan
Mr. Patrick O'Driscoll
Mr. Bertie O'Leary
Mr. Cornelius O'Riordan
Mr. John A. Walsh

Tipperary

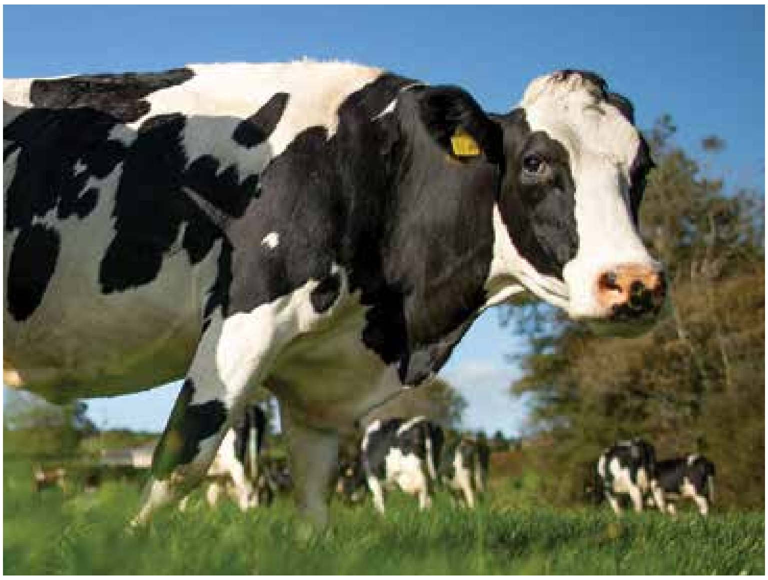
Mr. Matthew McEniry
Mr. Martin Moloney
Mr. Eamonn Morrissey
Mr. John O'Gorman
Mr. Joseph Tobin

East Cork

Mr. Timothy Cashman
Mr. Matthew Hurley
Mr. Edmund C. Lynch
Mr. Sean O'Brien
Mr. Barry O'Connor
Mr. Patrick O'Donovan
Mr. Timothy O'Leary
Mr. Maurice Smiddy

Limerick

Mr. Arthur Barlow
Mr. Maurice Curtin
Mr. Vincent Griffin
Mr. Gerard Kennedy
Mr. James Lynch
Mr. Patrick O'Brien
Mr. Gerard O'Dwyer
Mr. Michael Reidy
Mr. David Woulfe



Regional Committees

AGHABULLOGUE/ RYLANE
Mr. Patrick Ahern
Mr. Edward Twomey

AHADILLANE
Mr. Donal Barrett
Mr. Patrick Sexton

ALLENSBRIDGE/ DROMTARIFFE
Vacancy
Vacancy

ANGLESBORO
Mr. William Bourke

ANNACOTTY/ BIRDHILL/ KILLALOE
Mr. Michael Caplis
Mr. Sean Hynes

ARAGLEN
Mr. Patrick O'Donoghue
Mr. P.J. O'Donoghue

ARDAGH/OLD MILL
Mr. David Woulfe
Vacancy

ARDFINNAN
Mr. Shane Mason

BALLINAMONA
Vacancy

BALLINDANGAN
Mr. Martin O'Doherty
Mr. Patrick O'Keeffe

BALLINGEARY
Mr. Sean O'Sullivan

BALLINHASSIG
Mr. James Crowley
Mr. Michael J. Murphy

BALLYCLOUGH
Mr. Donal Buckley
Mr. Martin O'Brien
Mr. Andrew O'Keeffe

BALLYHOOLY
Mr. William Leahy
Mr. Jeremiah Linehan

BALLYLOOBY
Mr. Stephen Keating
Mr. Eamonn Morrissey

BALLYMAKEERA
Mr. Daniel Hallissey
Mr. Bertie O'Leary

BALLYPOREEN
Mr. Patrick Clancy
Mr. James Conway

BALLYRICHARD/COBH
Mr. Anthony Barry
Mr. Andrew Bird
Ms. Ann Moore
Mr. Joseph Morrissey
Mr. Patrick O'Donovan
Ms. Martina O'Neill

BAWNMORE
Mr. Cornelius O'Riordan

BENGOUR
Mr. Patrick O'Driscoll

BERRINGS/DRIPSEY
Mr. Bernard O'Mahony
Mr. John A. Walsh

BLACKABBEY/KILDIMO
Mr. Patrick O'Brien
Mr. Seamus O'Riordan
Mr. Michael Reidy

BOHERLAHAN
Mr. Michael Ryan
Mr. Joseph Tobin

BUNRATTY
Mr. James Lynch
Mr. Kevin McInerney

BUTTEVANT/ TEMPLEMARY
Mr. Daniel Broe
Mr. Donal Shinnick
Mr. Ian Wharton

CAHIR
Mr. John Casey
Mr. Thomas Marnane

CAPPAMORE
Mr. Sean Meehan

CARRIGALINE
Mr. John Bernard
Mr. Thomas Casey
Mr. Noel Dempsey
Mr. Patrick Foott

CARRIGNAVAR
Mr. Laurence Crowley

CASTLETOWNROCHE/ KILLAVULLEN
Mr. Thomas Barry
Mr. Henry Fitzgerald
Mr. Finian Magner

CAUM/MACROOM
Mr. Michael Murphy

CHURCHTOWN/ LISCARROLL
Mr. Tadgh Egan
Mr. John Hedigan

CLOGHEEN
Mr. John O'Gorman
Mr. John F. Walsh

CLONDROHID
Mr. Finbarr O'Connell
Mr. Stephen Roche

CLOVERFIELD/ CORELISH
Mr. John A. O'Dea

COACHFORD/ KILCOLMAN
Mr. Dan Dennehy
Mr. Patrick Long

C.M.P.
Mr. Timothy Cashman
Mr. John Kingston
Mr. James Murphy
Mr. Donal O'Brien
Mr. Timothy O'Leary
Mr. Frank O'Mahony
Mr. Tomás O'Sullivan

CORROGHURM/ MITCHELSTOWN
Mr. Patrick Condon
Mr. Martin Fox
Mr. David Kent Jnr.
Mr. Eamonn O'Brien
Mr. Don Whelan

COURTBRACK
Mr. Mitchell Hayes
Mr. Timothy McSweeney

DARRAGH
Mr. James Condon

DONERAILE
Mr. Michael Duane
Vacancy

DONOUGHMORE
Mr. Liam Buckley
Mr. Fintan McSweeney

DROMBANNA
Mr. Patrick Bermingham
Mr. Michael Clohessy
Mr. John O'Brien

GALBALLY
Mr. Michael Donovan

GARRYSPILLANE
Mr. Morgan Murphy
Vacancy

GLANWORTH
Mr. Seamus Bradley
Ms. Mary Twomey-Casey

GLOSHA/ REARCROSS
Mr. Roger Keogh

GRANAGH/MILTOWN
Mr. Vincent Griffin
Mr. Gerard Kennedy

HOLLYFORD
Mr. Vincent Carr

HOSPITAL/KILTEELY/ SARSFIELD
Mr. Patrick Hanley
Mr. Liam O'Carroll

INCHIGEELA/TEERGAY
Vacancy

KILBEHENNY
Vacancy
Vacancy

KILCORNEY
Mr. Leonard Leader
Mr. Mark Leader

KILDORRERY
Mr. Robert Drake
Vacancy

KILLOWEN/MOSSGROVE
Mr. John Canty
Mr. Don McSweeney

KILLUMNEY
Mr. Jerome Desmond
Mr. Thomas M. Griffin

KILNAMARTYRA
Mr. Brendan Hinchion
Mr. Jerry O'Riordan

KILROSS
Mr. Arthur Barlow

KILWORTH
Mr. John Clancy
Mr. Michael Gowen

KNOCKADEA
Mr. John W. Coughlan
Mr. John A. Fox

KNOCKLONG/ GORMANSTOWN
Mr. Patrick Halpin

LISSARDA
Mr. Richard Hinchion
Mr. Sean MacSweeney

LOMBARDSTOWN
Mr. Michael O'Hanlon
Mr. Patrick O'Sullivan
Vacancy

MALLOW
Mr. Colman Cronin
Mr. John Kenny

MILLSTREET/BALLYDALY
Mr. Diarmuid Corkery
Vacancy

MOGEELY
Mr. Edmund C. Lynch
Mr. Padraig Motherway
Mr. Denis O'Brien
Mr. Sean O'Brien
Mr. Kevin O'Connor
Mr. Brian Ronayne
Mr. Maurice Smiddy

MOURNEABBEY
Mr. Derry Cronin
Mr. James J. Fitzgerald

MUSKERRY
Mr. Daniel P. O'Donovan

NEWMARKET-ON-FERGUS
Mr. Kieran Woods

NORTH TIPPERARY
Mr. James Kennedy

OOLA
Mr. Gerard O'Dwyer

OUTRATH
Mr. Matthew McEniry
Mr. Martin Moloney
Mr. John O'Donnell
Mr. Gary Prendergast
Mr. Thomas Ryan

PARK
Mr. Robin Buckley
Mr. Matthew Hurley
Mr. Barry O'Connor
Mr. Michael J. Riordan

RATHDUFF
Mr. John Aherne
Mr. Teddy Buckley

RUSHEEN
Mr. Sean Corkery

SHINAUGH
Mr. James Hurley

SHOUNLARAGH/ TOGHER
Mr. Donal O'Donovan

TEMPLEMARTIN
Mr. Michael P. Murphy

TERELTON/TOAMES
Mr. Gerard O'Leary
Vacancy

TOURNAFULLA/ MEENAHELA
Mr. Francis J Collins
Mr. Maurice Curtin
Mr. Brendan Reidy

Statement of Board Responsibilities

The Industrial and Provident Societies Acts, 1893 to 2018, require the Board to provide for the preparation of financial statements, in accordance with accounting standards generally accepted in Ireland including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102), for each financial year which gives a true and fair view of the state of affairs of the Society and of the result of the Society for that period. In preparing those financial statements, the Board shall cause:

- suitable accounting policies to be selected and applied consistently;
- reasonable and prudent judgements and estimates to be made;
- the financial statements to be prepared on a going concern basis.

The Board confirms that it has complied with the above requirements in preparing the financial statements. In accordance with Rule 63 of the Society's rules, the Board shall cause proper books of account and records to be kept as are necessary to give a true and fair view of the Society's business and affairs. The Board is also responsible for safeguarding the assets of the Society and shall cause reasonable steps to be taken to provide adequate protection in this regard.

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

16 March 2021

Patrick Clancy
Vice Chairman

16 March 2021

Independent Auditor's Report

to the Members of Dairygold Co-Operative Society Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dairygold Co-Operative Society Limited group financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 31 December 2020 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law).

We have audited the financial statements, included within the Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Board of Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Board of Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Board of Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent Auditor’s Report

to the Members of Dairygold Co-Operative Society Limited

Reporting on other information (continued)

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

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Directors for the financial statements

As explained more fully in the Board of Directors set out on page 30, the Board of Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible for assessing the group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: **https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.**

This description forms part of our auditor’s report.

Use of this report

This report, including the opinions, has been prepared for and only for the group’s members as a body in accordance with section 14 of the Industrial and Provident Societies Act 1893 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Industrial and Provident Societies Act, 1893 reporting

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the balance sheet showing the receipts and expenditure, funds 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.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Limerick
24 March 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
TURNOVER	2	**1,016,815**	1,020,398
Cost of sales		**(798,343)**	(800,898)
Gross Profit		**218,472**	219,500
Operating costs		**(168,858)**	(170,401)
Grant amortisation		**1,304**	1,151
Intangible asset amortisation		**(1,361)**	(1,204)
Depreciation		**(26,114)**	(20,437)
Change in fair value of investment properties		**2,564**	7,142
Operating Profit before Exceptional Items	3	**26,007**	35,751
Exceptional items	4	**(4,794)**	737
Operating Profit after Exceptional Items		**21,213**	36,488
Share of gains of joint ventures		**627**	623
Share of gains of associates		**40**	36
PROFIT on ordinary activities before investment income, interest and taxation		**21,880**	37,147
Net (loss)/profit on financial assets at fair value through profit and loss	5	**(1)**	978
Interest payable and similar charges	6	**(7,375)**	(7,073)
Interest receivable and similar income	6	**466**	488
PROFIT on ordinary activities before taxation		**14,970**	31,540
Taxation charge on profit on ordinary activities	8	**(2,790)**	(881)
PROFIT after taxation		**12,180**	30,659
Attributable to:			
Non-controlling interests	27	**280**	327
Owners of the parent entity		**11,900**	30,332
PROFIT for the financial year		**12,180**	30,659

The above results are derived from continuing operations.

On behalf of the Board:

John O'Gorman
Chairman

16 March 2021

Patrick Clancy
Vice Chairman

16 March 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
PROFIT for the financial year		**12,180**	30,659
Share of joint ventures' reserves movements	*11*	**21**	84
Share of associates' reserves movements	*12*	**(1)**	(3)
Exchange differences on translation of subsidiary undertakings		**(1,893)**	1,666
Return on plan assets (excluding amounts included in net interest cost)	*23*	**17,729**	29,828
Experience gains arising on pension scheme liabilities	*23*	**756**	4,768
Changes in assumptions underlying the present value of pension scheme liabilities	*23*	**(12,847)**	(29,509)
Deferred tax associated with movement on defined benefit pension scheme	*22*	**(752)**	(1,528)
Total other comprehensive income		**3,013**	5,306
Total comprehensive income for the year		**15,193**	35,965
Total comprehensive income for the year attributable to:			
Non-controlling interests	*27*	**280**	327
Owners of the parent entity		**14,913**	35,638
		15,193	35,965

Consolidated Statement of Financial Position

as at 31 December 2020

	Notes	2020 €'000	2019 €'000
FIXED ASSETS			
Intangible assets	*9*	**5,297**	4,737
Tangible assets	*10*	**329,474**	339,233
Investment properties	*10*	**39,100**	35,145
Financial assets:			
Investments in joint ventures	*11*	**7,547**	7,014
Investments in associates	*12*	**509**	473
Other investments	*13*	**26,219**	25,732
		408,146	412,334
CURRENT ASSETS			
Stocks	*14*	**131,215**	152,239
Debtors	*15*	**100,201**	122,844
Cash at bank and in hand	*29*	**9,743**	9,207
		241,159	284,290
CREDITORS falling due within one year	*16*	**(147,208)**	(203,336)
NET CURRENT ASSETS		**93,951**	80,954
TOTAL ASSETS LESS CURRENT LIABILITIES		**502,097**	493,288
CREDITORS falling due after more than one year	*17*	**(123,956)**	(127,920)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	*21*	**(10,010)**	(9,019)
Deferred taxation	*22*	**(10,830)**	(7,729)
NET ASSETS excluding pension asset		**357,301**	348,620
PENSION ASSET	*23*	**30,407**	24,393
NET ASSETS		**387,708**	373,013
CAPITAL AND RESERVES			
Share capital	*24*	**97,789**	96,174
Bonus reserve	*26*	**918**	1,244
Profit and loss account	*26*	**284,188**	271,016
EQUITY attributable to the owners of the parent entity		**382,895**	368,434
Non-controlling interests	*27*	**4,813**	4,579
TOTAL CAPITAL EMPLOYED		**387,708**	373,013

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

16 March 2021

Patrick Clancy
Vice Chairman

16 March 2021

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	Share capital €'000	Bonus reserve €'000	Profit and loss account €'000	Shareholders' equity €'000	Non-controlling interests €'000	Total equity €'000
At 1 January 2019		**93,504**	**2,750**	**237,336**	**333,590**	**4,308**	**337,898**
Profit for the year		-	-	30,332	30,332	327	30,659
Other comprehensive income		-	-	5,306	5,306	-	5,306
Total comprehensive income for the year		-	-	35,638	35,638	327	35,965
Share interest	*25*	-	-	(1,185)	(1,185)	-	(1,185)
Dividends paid	*27*	-	-	-	-	(56)	(56)
Issue of ordinary shares including conversions	*24*	1,978	-	-	1,978	-	1,978
Shares redeemed	*24*	(1,587)	-	-	(1,587)	-	(1,587)
Reinstatement of previously cancelled shares	*24*	23	-	(23)	-	-	-
Transfer from profit and loss account to bonus reserve		-	750	(750)	-	-	-
Transfer from bonus reserve to share capital	*24*	2,256	(2,256)	-	-	-	-
At 31 December 2019		**96,174**	**1,244**	**271,016**	**368,434**	**4,579**	**373,013**
Profit for the year		-	-	11,900	11,900	280	12,180
Other comprehensive income		-	-	3,013	3,013	-	3,013
Total comprehensive income for the year		-	-	14,913	14,913	280	15,193
Share interest	*25*	-	-	(1,241)	(1,241)	-	(1,241)
Dividends paid	*27*	-	-	-	-	(46)	(46)
Issue of ordinary shares including conversions	*24*	1,621	-	-	1,621	-	1,621
Shares redeemed	*24*	(832)	-	-	(832)	-	(832)
Transfer from profit and loss account to bonus reserve		-	500	(500)	-	-	-
Transfer from bonus reserve to share capital	*24*	826	(826)	-	-	-	-
At 31 December 2020		**97,789**	**918**	**284,188**	**382,895**	**4,813**	**387,708**

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Net cash inflow from operating activities	28	**73,883**	22,476
Investing activities			
Payments to acquire intangible fixed assets		**(1,926)**	(2,256)
Payments to acquire tangible fixed assets		**(31,831)**	(85,938)
Payments to acquire financial fixed assets		**(13,054)**	(6,170)
Receipts on disposals of tangible fixed assets		**854**	2,867
Receipts on disposals of financial fixed assets		**12,691**	5,950
Receipts on disposals of investment properties		**-**	17,848
Capital grants received	21	**2,295**	3,418
Net cash flow from investing activities		**(30,971)**	(64,281)
Financing activities			
(Decrease)/increase in long term loans		**(8,000)**	42,000
(Decrease)/increase in bank overdrafts and invoice discounting		**(30,195)**	3,775
Movement in net bank debt		**(38,195)**	45,775
Equity share interest paid		**(1,219)**	(1,185)
Dividends paid to non-controlling interests	27	**(46)**	(56)
Interest paid		**(6,660)**	(6,431)
Interest received		**2**	9
Issue of share capital	24	**1,621**	1,978
Redemption of shares	24	**(697)**	(1,172)
Redemption of convertible stock	19	**-**	(1)
Loan notes		**7,334**	(472)
Revolving fund		**(4,198)**	2,841
Redemption of loan stock	20	**(318)**	(283)
Net cash flow from financing activities		**(42,376)**	41,003
Increase/(decrease) in cash and cash equivalents		**536**	(802)
Cash and cash equivalents at 1 January		**9,207**	10,009
Cash and cash equivalents at 31 December	29	**9,743**	9,207

Statement of Accounting Policies

The significant accounting policies adopted by the Society are summarised below. They have been applied consistently throughout the year.

General information and basis of accounting:

Dairygold Co-Operative Society Limited is a society registered in Ireland under the Industrial and Provident Societies Acts, 1893 to 2018. The registered office is Clonmel Road, Mitchelstown, Co. Cork.

The financial statements have been prepared in accordance with accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Industrial and Provident Societies Acts, 1893 to 2018.

The financial statements have been prepared in compliance with Financial Reporting Standard 102 ("FRS 102").

The financial statements are prepared under the historical cost convention modified to include certain items at fair value.

The Society's functional currency and presentational currency is considered to be euro. This is the currency of the primary economic environment that the Society operates in.

Basis of Consolidation:

The consolidated financial statements incorporate:

a) the financial statements of Dairygold Co-Operative Society Limited ("the Society") and its subsidiaries for the year ended 31 December 2020;

b) the Society's share of the results and post-acquisition reserves of joint ventures and associates as reported in the latest audited financial statements. This is to 31 December 2019 for these joint ventures and associates;

c) any material adjustments for joint ventures (arising between the date of their latest financial statements as above and the year end of the Society) and consequently Co-Operative Animal Health Limited and Malting Company of Ireland Limited results are incorporated to 31 December 2020; and

d) any material differences between the Society's accounting policies and that of its joint ventures and associates where required.

The results of subsidiaries, joint ventures and associates acquired or disposed of are included in or excluded from the financial statements from the effective date of acquisition or disposal.

The interests of non-controlling shareholders in subsidiary companies reflect their proportion of the net assets of the relevant subsidiaries.

The results of overseas subsidiary companies are translated into euros at the average rate for the year. The assets and liabilities of overseas subsidiary companies have been consolidated at the rate of exchange on the consolidated statement of financial position date. Exchange differences arising on the translation of the opening statement of financial position of overseas subsidiary companies together with differences in exchange rates on the translation of the income statement are recognised in the consolidated statement of comprehensive income.

All intra–group transactions, balances, income and expenses are eliminated on consolidation.

Going Concern:

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive's Report together with the Financial Overview. The Society's forecasts and projections taking account of possible changes in trading performance show that the Society should be able to operate within the level of its current facilities.

The Society meets its day to day working capital requirement through banking facilities in place which were revised in May 2020. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

COVID-19 continues to be an evolving situation, which has the potential to have a significant negative impact on the Society and its Members, through potential for high staff absenteeism, restricted market demand and negative financial implications for the business, from both a profitability and debt position, but particularly in relation to short to medium term working capital challenges. Dairygold has operated with COVID-19 for circa one year and has effectively managed to maintain business continuity, delivering a strong financial performance for 2020, while recognising the challenging business environment.

Revenue Recognition:

Turnover is measured at the fair value of the consideration received/receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Society recognises turnover when the amount can be reliably measured, when it is probable that future economic benefit will flow to the Society and when specific criteria have been met for each of the Society's activities.

Statement of Accounting Policies

Turnover from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers and accumulated experience. Rebates and discounts are recorded in the same period as the original turnover.

The timing of recognition of service turnover equals the timing of when the services were rendered.

Property sales are recognised when unconditional contracts of sale of the properties are in place, no significant obligations are remaining, and the resulting receivable is collectable.

The Society rents out a number of properties and turnover comprises revenues from property letting exclusive of value added tax and discounts. Rental income is recognised in the consolidated income statement in the period to which it relates.

When the expected receipt of turnover is deferred beyond normal credit terms, then it is discounted back to its present value.

Dividends are recognised when the right to receive payment is established.

Share Trading:

Accounting for Transactions

Investment transactions are initially accounted for on the trade date at transaction price. Subsequently, they are measured at fair value through profit and loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Investment Income and Expenses

Dividends are recognised as income on the dates that securities are first quoted "ex-dividend" to the extent information thereon is reasonably available to the Society. Interest income is recognised by the Society on an accruals basis. Income from quoted companies is stated gross of withholding tax.

Financial Instruments:

The Society has chosen to apply the provisions of Section 11 and 12 of FRS 102 to account for all of its financial instruments.

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Financial Assets and Liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the consolidated statement of financial position when and only when, there exists a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

Statement of Accounting Policies

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit and loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial assets to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value with changes in fair value recognised through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Equity Instruments

Equity instruments issued by the Society are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Convertible Loan Notes

The convertible loan notes issued by the Society are classified as financial liabilities in accordance with the substance of the contractual arrangement.

Derivative Financial Instruments

The Society uses forward foreign currency contracts to reduce exposure to foreign exchange risk and not for speculative purposes. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Financing Costs:

Financing costs are amortised in equal annual instalments over the term of the relevant financing facility.

Discount Factor:

When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability or asset. The risks specific to the liability shall be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation.

Intangible Assets and Amortisation:

Costs incurred on the acquisition of computer software are capitalised as intangible assets, as are costs directly associated with developing computer software programmes. Computer software costs recognised as assets are written off over their estimated useful lives by equal annual instalments at the following annual rates:

Computer software	7.5% - 33.3%

Intangible fixed assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

Statement of Accounting Policies

Tangible Fixed Assets and Depreciation:

Tangible fixed assets (including right of use assets) are carried at cost less accumulated depreciation. Cost comprises the purchase price including legal and brokerage fees, import duties, any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, including non-refundable purchase taxes after deductions made for discounts and rebates. Own costs are capitalised where relevant and where the criteria for capitalisation is met.

Depreciation is calculated to write off the cost of tangible fixed assets less estimated residual value, other than freehold land and tangible fixed assets in the course of construction, over their estimated useful lives by equal annual instalments at the following annual rates:

Buildings	2.0% - 10.0%
Plant and machinery	6.6% - 33.3%
Motor vehicles	12.5% - 25.0%

Tangible fixed assets in the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when they are commissioned and available for use.

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of its fair value less costs to sell and its value in use). Fair value less costs to sell is defined as the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those to be realised on its eventual disposal. Repairs, maintenance and minor inspection costs are expensed as incurred.

Development Assets

Development fixed assets held for their development potential or sale, are valued at historical cost, less depreciation and any impairment. Development assets principally comprise of land.

Investment Properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value annually with any change recognised in the consolidated income statement.

Retirement of Assets

The fixed asset register is reviewed to identify assets that are no longer in use. These assets are retired from the fixed asset register on an on-going basis.

Derecognition of Assets

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated income statement.

Leased Assets:

Assets held under finance leasing arrangements that transfer substantially all the risks and rewards of ownership are capitalised in the consolidated statement of financial position at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and the asset's useful life. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the consolidated income statement so as to produce a constant periodic charge on the remaining balance of the liability.

In addition, the Society assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor.

Rentals in respect of operating leases are charged in the consolidated income statement on a straight line basis over the lease term.

Financial Fixed Assets:

Associated and Joint Venture Undertakings

An associate undertaking is an entity, being neither a subsidiary nor a joint venture, in which the Society has a significant interest in the equity capital and over which it is able to exercise significant influence. Joint venture undertakings are those undertakings in which the Society has a joint interest in the equity capital and over which it jointly exercises control. The Society's interests are stated at cost, plus its share of post-acquisition reserves, less provision for permanent diminution in value.

Statement of Accounting Policies

Joint ventures and associates are accounted for using the equity method. The Society's share of the profits or losses of joint ventures and associates are included in the consolidated income statement. The Society's interests in their net assets are included as fixed asset investments in the consolidated statement of financial position at an amount representing the Society's share of the fair values of the net assets at acquisition plus the Society's share of post- acquisition retained profits or losses.

Unquoted Financial Assets

Investments in unquoted financial assets are those in which the Society does not exercise a significant or participating interest. The Society's interest in these undertakings is stated at cost, less provision for diminution in value.

A provision is made for impairment in value, particularly in the case where impairment is evidenced by losses crystallised post year end. This is reassessed on a yearly basis.

Stocks:

Stocks are valued at the lower of cost and estimated selling price less costs to sell. Stocks are recognised as an expense in the financial year in which the related revenue is recognised.

Cost in the case of raw materials, goods for resale and expense stocks comprise the purchase price including transport and other directly attributable costs less discounts and rebates receivable. These are valued on a first-in, first-out basis.

Cost in the case of work-in-progress and finished goods comprises direct material and labour costs and an appropriate proportion of manufacturing overhead based on normal production levels. These are valued using the weighted average cost formula.

Estimated selling price less costs to sell represents the estimated selling price less costs to completion and all appropriate holding, selling and distribution expenses.

Provision is made for obsolete, slow moving or defective items where appropriate.

Cash and cash equivalents:

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash in hand and bank overdrafts balances are netted where a right of offset exists. Cash held in non-wholly owned subsidiaries where there is no right of offset are disclosed as cash and cash equivalents.

Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Taxation:

Current tax, including Irish corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Society intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred Taxation:

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the consolidated statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is provided on fair value adjustments in respect of non-trading quoted shares and investment properties.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is considered that it is more likely than not that there will be suitable future taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date.

Deferred tax liabilities are recognised for timing differences arising from investments in associates, except where the Society is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

The tax expense or income is presented in the same component of the consolidated income statement or the consolidated statement of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Statement of Accounting Policies

Capital Grants:

Grants receivable in respect of tangible fixed assets are included in the financial statements when the amounts have been ascertained and are released to the consolidated income statement in equal annual instalments over the expected useful lives of the relevant assets.

Revenue Grants:

Revenue based grants are accounted for in the year in which the related expenditure is incurred and are dealt with directly through the consolidated income statement.

Government Grants:

Government grants for the Coronavirus Job Retention Scheme are recognised at fair value in the consolidated income statement and are netted against the employee related costs for those employees on the scheme.

Provisions:

A provision is recognised when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are charged against the profits of the Society, reviewed at each consolidated statement of financial position date and adjusted to reflect current best estimate. Where material, provisions are discounted.

Contingencies:

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is possible but not probable that the entity will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Research and Development:

Expenditure on research and development is written off to the consolidated income statement in the year in which it is incurred. Research and development tax credits are recognised on an accruals basis in the tax charge in the consolidated income statement.

Foreign Currencies:

Foreign currency transactions entered into by entities during the year have been translated at the foreign exchange rates at the time of these transactions.

Monetary assets and liabilities arising in foreign currencies have been translated at the foreign exchange rates at the consolidated statement of financial position date.

Exchange differences have been included in the consolidated income statement for the year, with the exception of exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in the consolidated statement of comprehensive income.

Employee Benefits:

Short Term Benefits

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

Long Term Benefits

The Society operates an incentive plan for certain members of the Executive Management Team based upon the achievement of business performance objectives over a three year period. An expense is recognised in the consolidated income statement when the Society has a present legal or constructive obligation in place to make payments as a result of past events and a reliable estimate of the obligation can be made.

Defined Benefit Pension Plan

The Society operates a defined benefit pension plan for certain employees. The asset recognised in the consolidated statement of financial position in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the end of each financial year.

The present value of the defined benefit obligation is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in euro and that have terms approximating the estimated period of the future payments ('discount rate').

Statement of Accounting Policies

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the relevant period, the cost of the plan introductions, benefit changes, settlements and curtailments. These are included as part of staff costs. The net interest cost is charged to the consolidated income statement and included within finance costs.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit asset) are recognised in the consolidated statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained at least triennially and are updated at each financial position date.

Defined Contribution Plan

The Society operates a defined contribution plan for employees. A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the Society in independently administered funds.

For defined contribution pension schemes the amounts charged to the consolidated income statement in respect of pension costs and other post-retirement benefits, are the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

Where the Society is a participating employer in a multi-employer defined benefit pension scheme and its share of the underlying assets and liabilities cannot be identified on a consistent and reasonable basis, the scheme is accounted for as a defined contribution scheme.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty:

In the application of the Society's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical Judgements in Applying the Society's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Society has made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

a) Revaluation of Investment Properties

The Society carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Society engaged independent professional commercial property consultants to determine the fair value at 31 December 2020. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

b) Defined Benefit Scheme

The cost of the defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Statement of Accounting Policies

The underlying bonds are further reviewed for quality and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country.

The Society made the decision only to pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation. Further details are given in note 23.

c) Accounting for Brexit Implications

The Board has considered the implications of the EU and UK Trade and Cooperation Agreement (TCA), concluded in December 2020 and as a result of the Agreement there is no negative impact on the financial results for the year ended 31 December 2020. Consequently, no adjustments have been recognised in the financial statements for the year ended 31 December 2020.

d) Accounting for COVID-19

Dairygold has operated with COVID-19 for circa one year and has effectively managed to maintain business continuity, delivering a strong financial performance for 2020, while recognising the challenging business environment. The Board has considered the uncertainty surrounding the potential outcome of COVID-19 virus and believe this will not result in any negative impact on the financial results and balances for the year ended 31 December 2020. Consequently, no adjustments have been recognised in the financial statements for the year ended 31 December 2020.

Key Sources of Estimation Uncertainty

The following estimates have had the most significant effect on amounts recognised in the financial statements:

a) Discount Factor in Calculating Present Values

A discount factor is used in the calculation of the present value of some of the assets and liabilities. This discount factor is based on management's estimation of the market rate of interest for similar assets/liabilities.

b) Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that the Society will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

c) Stock

Included in note 3 is the impairment of stock recognised as an expense. This includes provision for obsolete, slow moving or defective stock items and adjustments to reflect the net realisable value of stock where appropriate. Estimated selling price less costs to sell represents the Society's best estimate of the realisable value that will be achieved in the market less costs in relation to completion and all appropriate holding, selling and distribution expenses.

d) Useful Economic Lives of Intangible and Tangible Fixed Assets

The useful economic lives of intangible and tangible assets are key assumptions concerning the future at the reporting date. The useful economic lives and the residual values are reviewed annually. They are amended when necessary to reflect current estimates based on technological advancement, future investment, economic utilisation and physical condition of the assets. See notes 9 and 10 for the carrying amount of intangible and tangible assets.

e) Deferred Taxation

Management estimation is required to determine the amount of the deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 22.

Notes to Financial Statements

for the year ended 31 December 2020

1. Financial management

The conduct of its ordinary business operations necessitates the Society holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity and cash flow risk and credit risk. The Society's approach is to centrally manage these risks against comprehensive policy guidelines, which are summarised below.

The Society does not engage in holding or issuing speculative financial instruments or derivatives. The Society finances its operations by a mixture of retained profits, short to medium-term committed borrowings, member funding and short-term uncommitted borrowings. The Society borrows in a number of currencies at floating rates of interest and uses derivatives where appropriate to generate the desired effective currency profile. Risk management, other than price risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates the financial risks in close cooperation with the Society's business units. The Board provides principles for overall risk management covering areas such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. For further details regarding the Society's financial instruments, see note 34.

Market risk

(a) Currency risk

Although the Society is based in Ireland with the euro as the functional currency, it has geographic investment and operating exposures outside the eurozone. As a result, currency movements, particularly movements in the sterling/euro exchange rate and US dollar/euro exchange rate, can affect the Society's consolidated statement of financial position and consolidated income statement. The Society also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Group Treasury assists the Society's entities in managing their foreign exchange risk against their functional currency. Society entities are required to hedge material foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis, using appropriate currency derivative instruments.

Between 31 December 2020 and 1 January 2021, if the euro had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar denominated hedged trade receivables.

(b) Interest rate risk

The Society's objective in relation to interest rate management is to minimise the impact of interest costs in order to protect reported profitability. This is achieved by determining a strategy against a number of policy guidelines in consultation with our professional advisors, which focus on:

(a) the amount of floating rate indebtedness anticipated over such a period; and

(b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability.

The Society borrows at floating rates of interest and constantly reviews the resulting exposure to interest rate fluctuations.

Notes to Financial Statements

for the year ended 31 December 2020

1. Financial management (continued)

(c) Price risk

The Society is exposed to share price risk because of investments held by the Society in listed and unlisted shares on the consolidated statement of financial position. The Acquisition and Investments Committee has a role in monitoring and managing this risk. The impact of a 5% increase or decrease in listed equity prices at year end would have resulted in a €1.2 million gain/loss (2019: €1.1 million gain/loss).

The Society's objective is to minimise Commodity price risk. Price risk management strategies include, entering in to Fixed Price Milk Schemes with its Milk Suppliers with back to back arrangements with customers, index linked contracts with customers and limited use of future contracts.

(d) Liquidity and cash flow risk

The Society's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve the continuity of funding, the Society's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. This means that at any time the lenders providing facilities in respect of the finance requirements are committed up to the date of renewal of such facilities. For further details regarding the Society's borrowing facilities, see note 18.

(e) Credit risk

Credit risk is managed on a Society wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Society's credit risk management policy in relation to trade receivables involves continuously assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored, and credit risk is covered by credit insurance.

Capital risk management

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated based on equity as shown in the consolidated statement of financial position which amounted to €387.7 million (2019: €373.0 million).

In order to maintain or adjust the capital structure, the Society may adjust the amount of share interest paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt.

The Society monitors debt on the basis of interest cover and debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') ratios. At 31 December 2020, the Society's net debt/adjusted EBITDA ratio was 2.35 times (2019: 2.80 times), which is deemed by management to be satisfactory. Adjusted EBITDA for the purpose of financing ratios is as per the Society's financing agreements.

Notes to Financial Statements

for the year ended 31 December 2020

2. Turnover

	2020 €'000	2019 €'000
Turnover: group and share of joint ventures'	**1,041,585**	1,046,202
Less: share of joint ventures' turnover	**(24,770)**	(25,804)
Group turnover	**1,016,815**	1,020,398
Geographical analysis by destination:		
Ireland	**336,861**	350,482
United Kingdom	**150,219**	186,684
Rest of Europe	**324,962**	321,204
Rest of World	**204,773**	162,028
	1,016,815	1,020,398
Principal activities by class of business:		
Food ingredients	**759,631**	749,599
Agri business	**243,868**	244,399
Financial and property	**13,316**	26,400
	1,016,815	1,020,398
Analysis of turnover by category:		
Sale of goods	**988,002**	978,236
Rendering of services	**15,340**	15,537
Others including sale of shares and property activities	**13,473**	26,625
	1,016,815	1,020,398

3. Operating profit before exceptional items

	2020 €'000	2019 €'000
Operating profit before exceptional items is stated after charging/(crediting):		
Research and development expenditure	**1,974**	2,130
Foreign exchange loss/(gain)	**2,143**	(1,452)
Amortisation of intangible assets - Note 9	**1,361**	1,204
Depreciation of tangible fixed assets - Note 10	**26,114**	20,437
Impairment of plant and machinery (included in operating costs) - Note 10	**1,424**	5
Impairment of land and buildings (included in operating costs) - Note 10	**173**	310
Impairment of development assets (included in operating costs) - Note 10	**-**	60
Capital grants amortisation - Note 21	**(1,304)**	(1,151)
Pension settlement & curtailment gain - Note 23	**-**	(2,265)
Cost of stock recognised as an expense	**798,343**	800,898
Impairment of stock recognised as an expense - Note 14	**3,400**	2,300

Notes to Financial Statements

for the year ended 31 December 2020

3. Operating profit before exceptional items (continued)

Key performance indicator - EBITDA

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is used by management and the Board of the Society as a key performance indicator.

	2020 €'000	2019 €'000
Operating profit before exceptional items	**26,007**	35,751
Grant amortisation	**(1,304)**	(1,151)
Intangible asset amortisation	**1,361**	1,204
Depreciation	**26,114**	20,437
Impairment	**1,597**	375
EBITDA	**53,775**	56,616

4. Exceptional items

	2020 €'000	2019 €'000
Restructuring costs	**(4,821)**	-
Insurance proceeds relating to damage to fixed assets	**27**	737
	(4,794)	737

During 2020, the Society completed an End to End Review of its Dairy Ireland and UK businesses and related Group activities, reflecting the end of the significant growth in Milk Supply post Quota, with more steady incremental growth being forecasted for the period to 2025 and the impact of COVID-19, in particular on the UK business.

The purpose of this review was to determine how the business could reduce costs, improve efficiencies, and maximise the return from the market to deliver significantly improved sustainable margin, for the benefit of all Stakeholders.

One outcome of the Review was that certain roles were to be made redundant, across the organisation, leading to restructuring costs of €4.8m.

The €0.03m (2019: €0.74m) gain is the excess of the insurance proceeds over the net book value of the asset damaged.

5. Net (loss)/profit on financial assets at fair value through profit and loss

	2020 €'000	2019 €'000
(Loss)/profit on shares measured at fair value - Note 13	**(1)**	978

Notes to Financial Statements

for the year ended 31 December 2020

6. Finance costs

	2020 €'000	2019 €'000
Interest payable and similar charges:		
Bank interest payable and similar charges	**(7,319)**	(6,961)
Unwinding of the discount factor for provisions	**-**	(66)
Share of joint ventures' net interest payable	**(56)**	(46)
	(7,375)	(7,073)
Interest receivable and similar income:		
Bank interest receivable	**4**	9
Net interest receivable and similar income relating to pension - Note 23	**317**	318
Unwinding of the discount factor for receivables	**145**	161
	466	488

7. Payroll costs

	2020 Number	2019 Number
The weekly average number of employees:		
Dairygold Food Ingredients	**783**	752
Dairygold Agri Business	**539**	521
	1,322	1,273
	€'000	€'000
Payroll costs comprise:		
Wages and salaries	**66,352**	64,071
Social welfare costs	**6,929**	6,504
Other retirement benefit costs - Note 23	**6,064**	5,931
Pension settlement and curtailment gain - Note 23	**-**	(2,265)
	79,345	74,241

During the year, the Society furloughed a number of employees for varying periods of time, availing of the Coronavirus Job Retention Scheme in respect of employees for Dairygold Food Ingredients (U.K.) Limited. All conditions have been met under the terms of the grant at the reporting date and as such the Society recognised €0.4m with respect to the scheme. The grant has been netted against the associated employee related costs in line with the Society's accounting policy.

Voluntary severance costs are shown as an exceptional item - Note 4.

Notes to Financial Statements

for the year ended 31 December 2020

8. Taxation charge on profit on ordinary activities

Tax charge included in the consolidated income statement	2020 €'000	2019 €'000
Corporation tax:		
Irish tax	**(505)**	(1,164)
Foreign tax	**(606)**	(758)
	(1,111)	(1,922)
Prior year provision movement:		
Irish tax	**745**	(248)
Foreign tax	**(11)**	-
	734	(248)
Tax charge	**(377)**	(2,170)
Share of joint ventures' tax	**(64)**	(78)
Total corporation tax	**(441)**	(2,248)
Deferred tax (charge)/credit - Note 22:		
Origination and reversal of timing differences	**(2,349)**	1,367
Total tax	**(2,790)**	(881)

Tax charge relating to items recognised in the consolidated statement of comprehensive income
The tax charge is made up as follows:

	2020 €'000	2019 €'000
Deferred tax associated with movement on the defined benefit pension scheme - Note 22	**(752)**	(1,528)

Notes to Financial Statements

for the year ended 31 December 2020

8. Taxation charge on profit on ordinary activities (continued)

Reconciliation of tax charge

The tax assessed for the year is different from the standard rates of corporation tax in the Republic of Ireland for the financial year ended 31 December 2020 of 12.5% (2019: 12.5%). The differences are explained as follows:

	2020 €'000	2019 €'000
Profit on ordinary activities before tax	**14,970**	31,540
Tax on profit on ordinary activities at standard Irish corporation tax rate	**(1,871)**	(3,943)
Effects of:		
Expenses allowable for tax purposes	**128**	1,560
Research and development tax credits	**362**	284
Excess capital allowances over depreciation	**669**	744
Income subject to higher tax rates (non-trading income)	**(124)**	(229)
Non taxable income	**7**	15
Losses brought forward	**-**	(4)
Share of joint ventures' tax	**(64)**	(78)
Income tax	**(15)**	(13)
Adjustments in respect of previous periods	**734**	(248)
Higher tax rates (overseas)	**(267)**	(336)
Deferred tax - origination and reversal of timing differences	**(2,349)**	1,367
Taxation charge on profit on ordinary activities	**(2,790)**	(881)

Notes to Financial Statements

for the year ended 31 December 2020

9. Intangible assets

Software Development Costs	2020 €'000	2019 €'000
Cost		
At 1 January	**27,305**	25,274
Additions	**1,926**	2,256
Disposals	**(15,837)**	(225)
At 31 December	**13,394**	27,305
Accumulated Amortisation		
At 1 January	**22,568**	21,592
Charged during the year	**1,361**	1,204
Disposals	**(15,837)**	(225)
Translation adjustment	**5**	(3)
At 31 December	**8,097**	22,568
Net Book Value		
At 31 December	**5,297**	4,737

Included in disposals for the year are retirements of intangible assets which are no longer in use, with a net book value of €nil (2019: €nil). These assets had a total cost and related accumulated amortisation of €15.8 million (2019: €0.2 million).

Notes to Financial Statements

for the year ended 31 December 2020

10. Tangible assets

	Land & buildings €'000	Development assets €'000	Plant & machinery €'000	Motor vehicles €'000	Construction in progress €'000	Total €'000
Cost						
At 1 January 2019	185,092	7,096	232,210	7,163	83,876	515,437
Additions	18,614	540	13,535	790	32,231	65,710
Impairment	(310)	(60)	(5)	-	-	(375)
Disposals	(4,166)	(1,404)	(2,898)	(239)	-	(8,707)
Transferred from CIP	10,308	-	25,351	-	(35,659)	-
Translation adjustments	295	-	672	-	-	967
At 31 December 2019	209,833	6,172	268,865	7,714	80,448	573,032
Additions	3,060	340	8,484	371	7,034	19,289
Reclassification	545	-	(545)	-	-	-
Impairment	(173)	-	(1,424)	-	-	(1,597)
Disposals	(2,206)	(49)	(12,879)	(156)	-	(15,290)
Transferred to investment properties	(100)	-	-	-	-	(100)
Transferred from CIP	17,576	-	59,844	-	(77,420)	-
Translation adjustments	(325)	-	(775)	-	-	(1,100)
At 31 December 2020	**228,210**	**6,463**	**321,570**	**7,929**	**10,062**	**574,234**
Accumulated Depreciation						
At 1 January 2019	56,962	-	155,684	5,928	-	218,574
Charged during year	5,963	-	13,942	532	-	20,437
Disposals	(2,741)	-	(2,861)	(239)	-	(5,841)
Translation adjustments	113	-	516	-	-	629
At 31 December 2019	60,297	-	167,281	6,221	-	233,799
Charged during year	7,139	-	18,491	484	-	26,114
Disposals	(1,410)	-	(12,870)	(156)	-	(14,436)
Translation adjustments	(130)	-	(587)	-	-	(717)
At 31 December 2020	**65,896**	**-**	**172,315**	**6,549**	**-**	**244,760**
Net Book Value						
At 31 December 2020	**162,314**	**6,463**	**149,255**	**1,380**	**10,062**	**329,474**
At 31 December 2019	**149,536**	**6,172**	**101,584**	**1,493**	**80,448**	**339,233**

Included in disposals for the year are retirements of tangible assets which are no longer in use, with a net book value of €nil (2019: €nil). These assets had a total cost and related accumulated depreciation of €8.7 million (2019: €4.5 million).

During the year, tangible assets with a carrying amount of €0.9m were disposed of or transferred to development assets or investment properties. The assets had a cost of €15.3m and accumulated depreciation and impairment of €14.4m. The carrying value of assets transferred to development assets or investment properties of €0.8m represents the deemed cost at the date of transfer and are included as additions in these asset categories. The gain on the disposal of tangible assets to third parties was €0.1m (2019: €0.9m).

The net carrying amount of assets held under finance leases included in land and buildings is €5.6m (2019: €Nil).

Notes to Financial Statements

for the year ended 31 December 2020

10. Tangible assets (continued)

Investment Properties	**2020 €'000**	2019 €'000
Valuation		
At 1 January	**35,145**	43,793
Additions	**1,291**	277
Disposals	**-**	(16,067)
Transfer from tangible assets	**100**	-
Revaluations	**2,564**	7,142
At 31 December	**39,100**	35,145

Investment properties are stated at open market value at 31 December 2020. The Directors have taken appropriate independent advice from Power Property, professional commercial property consultants and have taken into account general market indicators when considering the valuation of investment property assets at 31 December 2020. Investment properties held abroad were valued by local valuers in previous years with the requisite knowledge in local industry. These valuations, along with general market conditions in the locality were reviewed by Power Property at 31 December 2020. The appropriateness of such valuations has been considered by the Society and it is satisfied that the valuation of investment properties located abroad are materially correct at 31 December 2020.

11. Investments in joint ventures

	2020 €'000	2019 €'000
Share of net assets - 1 January	**6,862**	6,278
Share of net results	**507**	500
Share of joint ventures' reserves movements	**21**	84
Share of net assets - 31 December	**7,390**	6,862
Loans to joint ventures - Note 31	**157**	152
Balance - 31 December	**7,547**	7,014

The joint ventures have been included in the financial statements at cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends received.

Details of the joint ventures are included in Note 33 to these financial statements.

12. Investments in associates

	2020 €'000	2019 €'000
Share of net assets - 1 January	**473**	444
Share of net results	**37**	32
Share of associates' reserves movements	**(1)**	(3)
Balance - 31 December	**509**	473

The associates have been included in the financial statements at cost of the investment plus the Society's share of post acquisition reserves and adjusted for any dividends received.

Details of the associate is included in Note 33 to these financial statements.

Notes to Financial Statements

for the year ended 31 December 2020

13. Other investments

	2020 €'000	2019 €'000
Unquoted		
Shares at cost - 1 January	**417**	412
Additions	**1**	5
Disposals	**(5)**	-
Shares at cost - 31 December	**413**	417
Quoted		
Shares at fair value - 1 January	**22,190**	20,492
Additions	**12,989**	5,664
Disposals	**(11,868)**	(4,944)
(Decrease)/increase in fair value quoted shares	**(1)**	978
Shares at fair value - 31 December	**23,310**	22,190
Loan Stock		
Loan stock at fair value - 1 January	**3,125**	3,614
Redemptions net of additions	**(770)**	(645)
Unwinding of the discount factor	**141**	156
Loan stock at fair value - 31 December	**2,496**	3,125
Total	**26,219**	25,732

In the opinion of the Board of Directors, the value of the unquoted investments is not less than that shown above.

Fair value in respect of the quoted financial assets was determined with reference to the quoted market price at the reporting date. Where quoted prices were unavailable, the price for a recent transaction for an identical asset was referenced in determining fair value.

The loan stock refers to unconverted loan stock received from Ornua based on the Society's trading activity with it.

14. Stocks

	2020 €'000	2019 €'000
Raw materials	**12,157**	13,143
Finished goods	**97,451**	117,516
Goods for resale	**15,836**	16,369
Expense stocks	**5,771**	5,211
	131,215	152,239

There is no material difference between the above amounts and the replacement cost of stocks.

The amount expensed in the year in respect of stocks, whereby the estimated selling price less costs to sell was lower than the cost, was €3.4 million (2019: €2.3 million).

Notes to Financial Statements

for the year ended 31 December 2020

15. Debtors

	2020 €'000	2019 €'000
Trade debtors	**73,700**	81,023
Other debtors	**2,831**	4,413
Derivative financial instruments - Note 34	**57**	138
Prepayments and accrued income	**17,093**	27,484
Amounts due from related parties	**4,134**	4,734
Corporation tax	**-**	307
VAT	**2,386**	4,745
	100,201	122,844

Amounts falling due after more than one year included above are:

	2020 €'000	2019 €'000
Trade debtors	**-**	1,025

The invoice discounting facility of €70 million is secured on certain trade debtors. All debtor values are shown in the consolidated statement of financial position at their gross value.

The Society, through the use of a debtor factoring arrangement, has transferred substantially all of the credit risk and derecognised €20.5 million (2019: €26.4 million) of trade debtors at year-end.

16. Creditors falling due within one year

	2020 €'000	2019 €'000
Bank loans - Note 18	**8,000**	8,000
Bank overdrafts and invoice discounting	**20,946**	51,141
Loan notes (including interest accrued) - Note 18	**-**	665
Revolving fund (including interest accrued) - Note 18	**4,460**	4,178
Trade creditors	**25,018**	37,077
Provisions, accruals and deferred income	**83,791**	97,497
Amounts due to related parties	**1,897**	2,166
Corporation tax	**117**	-
PAYE and PRSI	**2,742**	2,294
Loan stock - Note 20	**237**	318
	147,208	203,336

Notes to Financial Statements

for the year ended 31 December 2020

17. Creditors falling due after more than one year

	2020 €'000	2019 €'000
Bank loans - Note 18	**100,000**	108,000
Loan notes (including interest accrued) - Note 18	**8,076**	-
Revolving fund (including interest accrued) - Note 18	**15,410**	19,348
Convertible stock - Note 19	**217**	217
Loan stock - Note 20	**253**	355
	123,956	127,920

18. Loans

	2020 €'000	2019 €'000
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years:		
Bank loans falling due within one year	**8,000**	8,000
Bank loans falling due between one and two years	**-**	8,000
Bank loans falling due between two and five years	**100,000**	100,000
Loan notes (including interest accrued) falling due within one year	**-**	665
Loan notes (including interest accrued) falling due greater than one year	**8,076**	-
Not wholly repayable within five years:		
Revolving fund (including interest accrued)	**19,870**	23,526
	135,946	140,191

The above loans are repayable as follows:	Bank Loans €'000	Loan Notes €'000	Revolving Fund €'000
Year ending 31 December 2021	8,000	-	4,460
Year ending 31 December 2022	-	-	695
Year ending 31 December 2023	100,000	-	-
Year ending 31 December 2024	-	3,571	5,759
Year ending 31 December 2025	-	-	5,966
Year ending 31 December 2026	-	4,505	2,990
	108,000	**8,076**	**19,870**

Bank Loans
The Society has entered into bank guarantees on behalf of its subsidiaries. The amounts guaranteed at the consolidated statement of financial position date were €108 million (2019: €116 million) and they are secured by fixed and floating charges on the assets of the Society and its subsidiaries. The interest rate applying to the bank loans is EURIBOR plus a margin of between 1.5% to 3.1%. The terms of the bank loans restrict the Society from making significant acquisitions or disposals without the consent of the banks.

Notes to Financial Statements

for the year ended 31 December 2020

18. Loans (continued)

Loan Notes

Members were offered the opportunity to invest on a voluntary basis in a Loan Note. The scheme commenced in 2013 and ran for three years. Members who subscribed to the Loan Note were repaid their investment in full plus accumulated interest on the fifth anniversary of their investment. The interest rate applying to the Loan Note was 3 month EURIBOR plus 4%. Interest was accrued on an annual basis. During 2020, the Society repaid €0.7m which was the remaining balance of this Loan Note scheme.

During 2020, members and employees were offered the opportunity to invest on a voluntary basis in a Loan Note. The scheme commenced in 2020 and there was an option for the Loan Note to run for three years or five years. The 2020 Loan Note was fully subscribed and the Society received €8.0m.

Members and employees who subscribed to the three year and five year Loan Note will be repaid their investment in full plus accumulated interest after the 31 December in the year in which the third or fifth anniversary of the date of issue falls.

The interest rate applying to the three year Loan Note is 3 month EURIBOR plus 3%. The interest rate applying to the five year Loan Note is 3 month EURIBOR plus 3.5%. Interest is accrued on an annual basis.

Revolving Fund

The Revolving Fund was a compulsory mechanism by which Milk Suppliers contribute to the funding of the Society with monies contributed repaid in full, together with accumulated interest when the period expires. Contributions were made over seven years from 2013 to 2019, with a maximum of sixty monthly deductions over the seven year period. The interest rate applying to contributions was 3 month EURIBOR plus 2.5%. Interest was accrued on an annual basis.

Members funding contributions were discontinued in 2015 and 2016 in accordance with scheme terms and conditions.

During 2020, the Society repaid €4.2m of the Revolving Fund including interest.

19. Convertible stock

	2020 €'000	2019 €'000
At 1 January	**217**	218
Stock redeemed	**-**	(1)
At 31 December	**217**	217

'A' convertible stock can be converted into ordinary shares based on conditions set out in the rules of the Society and subject to agreements at the time of the stock issue.

20. Loan stock

	2020 €'000	2019 €'000
At 1 January	**673**	541
Arising on share redemption - Note 24	**135**	415
Loan stock repayment	**(318)**	(283)
At 31 December	**490**	673
Falling due within one year - Note 16	**237**	318
Falling due after more than one year - Note 17	**253**	355

Notes to Financial Statements

for the year ended 31 December 2020

21. Capital grants

	2020 €'000	2019 €'000
At 1 January	**9,019**	6,752
Received during the year	**2,295**	3,418
Credited to consolidated income statement	**(1,304)**	(1,151)
At 31 December	**10,010**	9,019

Grants of €24,488,000 (2019: €22,193,000) which have been received under agreements between the Society, its subsidiaries, Enterprise Ireland and the European Agricultural Guidance and Guarantee Fund may become repayable should certain circumstances set out in the agreements occur.

22. Deferred taxation

	2020 €'000	2019 €'000
At 1 January	**7,729**	7,568
Charged/(credited) to consolidated income statement - Note 8	**2,349**	(1,367)
Charged to consolidated statement of comprehensive income - Note 8	**752**	1,528
At 31 December	**10,830**	7,729
An analysis of the deferred tax balance is as follows:		
Timing differences	**3,255**	1,308
Unutilised tax losses	**(472)**	(467)
Tax on increase in market value of quoted shares	**(25)**	265
Tax on revaluation of investment properties	**4,271**	3,574
Tax on defined benefit pension surplus	**3,801**	3,049
At 31 December	**10,830**	7,729

The Society had an unrecognised deferred tax asset of €810,000 (2019: €810,000) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

Notes to Financial Statements

for the year ended 31 December 2020

23. Pension asset

Dairygold Pension Schemes

The Society operates and contributes to a number of externally funded defined benefit and defined contribution pension schemes in Ireland.

Dairygold Co-Operative Society Limited Pension Plan 2010 ('Plan')

The Plan was established as a result of the merger of four defined benefit pension plans sponsored by the Society. The accounting calculations reported herein relate to this Plan and are based on accounting policies, actuarial methods and assumptions which are consistent with the requirements of FRS 102 and were selected by the Society having taken advice from Mercer who are the Society's professional pension service providers.

The cash contributions payable to the Plan are determined from full actuarial valuations undertaken by the Scheme Actuary at intervals not exceeding three years. The last such valuation of the Plan was undertaken as at 1 January 2019 in accordance with generally accepted actuarial principles and assumptions. The principal assumptions used in the valuation of liabilities were that investment return would vary over time with an average return of circa 1.99% per annum and this would on average exceed pension increases and revaluation for deferred members by circa 0.24% per annum. At the effective date of that valuation, the value of the assets was €242 million which was sufficient to cover approximately 100.9% of the benefits that had accrued to Members. The valuation report is not available for public inspection.

In 2017 a decision was taken by the Board to close the Dairygold Co-Operative Society Limited Pension Plan 2010 to future accrual with effect from 31 March 2018. This has meant that active members of the Plan no longer accrue service in the Plan beyond that date. Accordingly, accrued benefits will no longer be linked to pensionable salary growth in the period to retirement and instead it will increase at a rate of CPI + 0.5% subject to a minimum of 2.5% for the first two years, 2% for the following 5 years and will increase in line with CPI thereafter. A maximum rate of 4% in any year will apply throughout the period.

The cost relating to defined benefit plans for the fiscal year ending 31 December 2020 does not include a settlement credit as none arose during the year (2019: €2,265,000). The prior year settlement credit was due to an enhanced transfer value (ETV) exercise completed for deferred members and former employees.

The main financial assumptions employed in the accounting valuation as at 31 December are:

	2020	2019
Inflation rate increase	**1.40%**	1.40%
Deferred pension revaluation	**1.35%***	1.35%*
Pension payment increase	**1.35%**	1.35%
Discount rate	**1.00%**	1.30%

*For a period of 7 years from 31 March 2018 for members who are current employees, revaluation each year will be statutory revaluation plus 0.50% subject to a minimum of 2.50% for the first two years and 2.00% for the remaining 5 years. A maximum rate of 4.00% will apply throughout the period.

Interest income on plan assets:

Interest income on plan assets for 2020 have been determined using an interest rate of 1.30% (2019: 2.10%) which is derived from the discount rate from the previous year end.

Discount rate assumption:

In setting the discount rate, as with all other assumptions, the Society obtained independent actuarial advice from Mercer. The discount rate is set by reference to the yield on high (AA rated) quality bonds denominated in euro with duration equivalent to the duration of the liabilities.

Mercer has advised that the discount rate selected of 1.0% (2019: 1.30%) reflects the market yield on high quality corporate bonds at 31 December 2020. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of FRS 102.

Notes to Financial Statements

for the year ended 31 December 2020

23. Pension asset (continued)

Discretionary benefits assumption:

The Society made the decision only to pay discretionary benefits when the fund is in surplus and not to pay discretionary pension increases when the fund is in deficit. This has been communicated to the scheme Trustees. This discretionary increase assumption reflects the decision by the Society to only consent to discretionary increases when the scheme is in surplus, up to the cap of inflation.

Mortality assumptions:

Membership of the Society's pension plan is too small to allow a statistical analysis of mortality experience suitable for facilitating a scheme specific projection of future experience. In the circumstances, standard mortality tables have been employed. These tables include allowance for projected future improvements in mortality rates.

The assumption adopted in the accounting calculations is consistent with Mercer's best practice. This assumption would be regarded by Mercer to be best estimate and is in line with its assumption adopted by many Irish public limited companies.

The assumed life expectations on retirement at age 65 are noted below.

Weighted average life expectancy:	**As at 31 December 2020**		As at 31 December 2019	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.6**	**24.5**	22.5	24.4
Members age 45 (life expectancy from age 65)	**24.4**	**26.4**	24.3	26.3

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**% Impact on scheme liabilities**
Discount rate	Increase by 0.50%	Decrease by 8.3%
Rate of inflation	Increase by 0.50%	Increase by 8.8%
Rate of mortality	Members live for 1 year longer	Increase by 3.9%

Plan assets

The weighted average asset allocation at the year end was as follows:	**2020**	2019
Equities and other growth assets	**30.0%**	30.9%
Bonds	**60.1%**	58.2%
Properties and infrastructure	**9.7%**	10.8%
Cash	**0.2%**	0.1%
	100.0%	100.0%

The plan assets have not been invested in any of the Society's own financial instruments nor in properties or other assets used by the Society.

Notes to Financial Statements

for the year ended 31 December 2020

23. Pension asset (continued)

The overall surplus in the scheme at 31 December is:

	2020 €'000	2019 €'000
Equities and other growth assets	**84,512**	82,852
Bonds	**169,501**	156,138
Properties and infrastructure	**27,507**	28,916
Cash	**660**	233
Fair value of assets	**282,180**	268,139
Present value of scheme liabilities	**(251,773)**	(243,746)
Closing pension asset	**30,407**	24,393

The amounts included within operating profit of the consolidated income statement for the year are as follows:

	2020 €'000	2019 €'000
Cost arising from employee service in the reporting period	**365**	492
Gain on settlements	**-**	(2,265)
Administrative expenses	**456**	693
Total charged/(credited) within operating profit	**821**	(1,080)

The cost relating to defined benefit plans for the fiscal year ending 31 December 2020 does not include a settlement credit as none arose during the year (2019: €2,265,000). The prior year settlement credit was due to an enhanced transfer value (ETV) exercise completed for deferred members and former employees.

The amounts included within finance charges of the consolidated income statement for the year are as follows:

	2020 €'000	2019 €'000
Interest income on plan assets	**3,439**	4,237
Interest on past service scheme liabilities	**(3,122)**	(3,919)
Net interest receivable and similar income relating to pension	**317**	318

The analysis of amounts recognised in the consolidated statement of comprehensive income are as follows:

	2020 €'000	2019 €'000
Return on plan assets (excluding amounts included in net interest cost)	**17,729**	29,828
Experience gains arising on the scheme liabilities	**756**	4,768
Changes in assumptions underlying the present value of scheme liabilities	**(12,847)**	(29,509)
Remeasurement gains recognised in other comprehensive income	**5,638**	5,087

Notes to Financial Statements

for the year ended 31 December 2020

23. Pension asset (continued)

Movement in pension scheme assets:	2020 €'000	2019 €'000
Value at 1 January	**268,139**	258,950
Return on assets	**3,439**	4,237
Return on plan assets (excluding amounts included in net interest cost)	**17,729**	29,828
Employer contributions	**880**	5,740
Benefit payments and expenses	**(8,007)**	(30,616)
Value at 31 December	**282,180**	268,139

Movement in pension scheme liabilities:	2020 €'000	2019 €'000
Value at 1 January	**(243,746)**	(246,782)
Cost (excluding interest):		
(i) Cost arising from employee service in the reporting period	**(365)**	(492)
(ii) Gain on settlements	**-**	2,265
Interest expense	**(3,122)**	(3,919)
Cash flows		
(i) Benefit payments from plan assets	**7,186**	6,964
(ii) Insurance premiums for risk benefits	**365**	492
(iii) Settlement payments	**-**	22,467
Remeasurements		
(i) Effect of the changes in the assumptions	**(12,847)**	(29,509)
(ii) Effect of experience adjustments	**756**	4,768
Value at 31 December	**(251,773)**	(243,746)

Notes to Financial Statements

for the year ended 31 December 2020

23. Pension asset (continued)

Irish Co-Operative Societies Pension Scheme

The Society also participates in an industry wide Irish Co-Operative Societies Pension Scheme. This is a multi-employer defined benefit 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 FRS 102. The charge in the consolidated income statement in respect of this plan was €77,000 (2019: €107,000).

The last Actuarial Funding Certificate and Funding Standard Reserve Certificate for the Scheme were completed as at 1 January 2020. These certificates confirmed that the Scheme satisfied both the Funding Standard and Funding Standard Reserve requirements at that effective date.

Defined Contribution Schemes

Following the closure of the Defined Benefit Plan on 31 March 2018 to future service, the active members of this Plan began contributing to the Defined Contribution Plan from 1 April 2018.

Pension Cost

The total pension cost to the operating profit was €6,064,000 (2019: €3,666,000 (net of settlement gain of €2,265,000)) which comprised of a charge of €821,000 (2019: credit of (€1,080,000)) in respect of the defined benefit pension scheme, as noted above, and a cost of €5,243,000 (2019: €4,746,000) in respect of the defined contribution schemes (which includes €77,000 (2019: €107,000) regarding the Irish Co-Operative Pension Scheme noted above). Valuations have been performed in accordance with the requirements of FRS 102, as at 31 December 2020. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

24. Share capital

Ordinary shares of €1 each	**2020 €'000**	2019 €'000
Issued and fully paid		
At 1 January	**96,174**	93,504
Shares issued	**1,621**	1,978
Transfer from bonus reserve to share capital	**826**	2,256
Shares redeemed	**(832)**	(1,587)
Reinstatement of previously cancelled shares - in accordance with Rule 15	**-**	23
At 31 December	**97,789**	96,174

	2020 €'000	2019 €'000
Cash paid	**(697)**	(1,172)
Arising as loan stock - Note 20	**(135)**	(415)
Shares redeemed	**(832)**	(1,587)

Notes to Financial Statements

for the year ended 31 December 2020

24. Share capital (continued)

From 2013 onwards, the Society has accelerated the payment of the value of shares redeemed, whereby the value of shares redeemed up to €10,000 or 40% of such value, if greater, is paid in cash in that year. The balance is transferred to a loan stock account, which is paid in equal instalments over the following three years.

In common with other Societies incorporated under the Industrial and Provident Societies Acts, 1893 to 2018, the Society does not have an authorised share capital. The Society rules make provision for the issue of shares at the discretion of the Board and for the issue of convertible stock and loan stock. Any issues have taken place at par.

Minimum Shareholding

Since January 2013, all Milk Suppliers are required to acquire and maintain a minimum shareholding in the Society of 4.0 cent per litre of milk supply (4,000 shares per 100,000 litres of milk supply). A shareholding monthly deduction of 0.5 cent per litre is charged to Milk Suppliers whose shareholding is below the threshold based on their previous calendar years milk supply.

A Milk Supplier is not required to make a contribution to Minimum Shareholding when the Dairygold quoted milk price is less than 30.0 cent per litre (VAT inclusive), in any given month.

25. Share interest

	2020 €'000	2019 €'000
Share interest paid @ 1.25% (2019 : 1.25%)		
Ordinary share capital	**(1,220)**	(1,185)
Increase in a provision	**(21)**	-
	(1,241)	(1,185)

The Board has recommended that share interest of 1.25% be paid on the share capital and loan stock in issue at 31 December 2020. This will amount to €1,236,000 (2019: €1,220,000) and is subject to approval at the Annual General Meeting.

26. Reserves

The profit and loss account reserve represents the cumulative profits and losses of the Society.

The transfer from the profit and loss account reserve to the bonus reserve is in accordance with Rules 77 and 78 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.

During the year, the Board transferred 0.8 million shares from the bonus reserve to share capital.

27. Non-controlling interests

	2020 €'000	2019 €'000
At 1 January	**4,579**	4,308
Profit after tax and total comprehensive income	**280**	327
Dividends paid	**(46)**	(56)
At 31 December	**4,813**	4,579

Notes to Financial Statements

for the year ended 31 December 2020

28. Reconciliation of operating profit to net cash inflow from operating activities

	2020 €'000	2019 €'000
Operating profit before exceptional items	**26,007**	35,751
Amortisation of intangible assets	**1,361**	1,204
Depreciation	**26,114**	20,437
Impairment of tangible fixed assets	**1,597**	375
Capital grants amortisation	**(1,304)**	(1,151)
EBITDA	**53,775**	56,616
Profit on the revaluation of investment properties	**(2,564)**	(7,142)
Profit on disposal of investment properties	**-**	(1,781)
Present valuing of turnover	**16**	140
Difference between current service pension cost and payments made	**(59)**	(6,820)
Cash related to exceptional items	**(1,660)**	737
Working capital movements		
Decrease in stocks	**21,023**	5,474
Decrease/(increase) in debtors	**22,336**	(2,988)
Decrease in creditors	**(17,526)**	(23,973)
Foreign exchange differences	**(1,506)**	1,323
Taxation		
Corporate income tax receipt	**48**	890
Net cash inflow from operating activities	**73,883**	22,476

Analysis of changes in net debt	**At 1 January 2020 €'000**	**Cash flow €'000**	**At 31 December 2020 €'000**
Cash and bank balances	9,207	536	**9,743**
Bank overdrafts and invoice discounting	(51,141)	30,195	**(20,946)**
Bank loans due within one year	(8,000)	-	**(8,000)**
Bank loans due after one year	(108,000)	8,000	**(100,000)**
	(157,934)	38,731	**(119,203)**

Notes to Financial Statements

for the year ended 31 December 2020

29. Cash at bank and in hand

	2020 **€'000**	2019 €'000
Cash at bank and in hand	**9,743**	9,207

Cash in hand and bank overdraft balances are netted where a right of offset exists. Cash held in non-wholly owned subsidiaries where there is no right of offset are disclosed as cash at bank and in hand. For comparative purposes, the prior year has been restated.

30. Commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €24,834,755 (2019: €24,985,997).

At the year end the Society had forward purchase commitments for certain raw materials amounting to €47,089,492 (2019: €32,107,554) which are not provided for in the financial statements.

31. Related party transactions

The Society's related parties, as defined by FRS 102, the nature of the relationships and the extent of transactions with them are summarised below. The Society views key management personnel, Directors, close members of their family and companies controlled by them, joint venture undertakings, associate undertakings and non-wholly owned subsidiaries as related parties under the standard.

The Society purchases goods and services from its joint ventures and associates and sells goods and services to its joint ventures and associates on standard commercial terms. The purchases from and sales to the joint ventures and associates during 2020 amounted to €12,037,000 (2019: €11,862,000) and €4,824,000 (2019: €9,614,000) respectively. The trading balances outstanding by and to the Society amounted to €1,678,000 (2019: €1,814,000) and €4,053,000 (2019: €3,949,000) respectively at the year end. The Society has provided a loan of €157,000 (2019: €152,000) to its joint venture, Malting Company of Ireland Limited.

The Society purchases and sells goods and services from and to a non-wholly owned subsidiary, Munster Cattle Breeding Group Limited and its subsidiaries, on standard commercial terms. During 2020, the purchases from and sales to Munster Cattle Breeding Group Limited and its subsidiaries amounted to €nil (2019: €nil) and €873,000 (2019: €780,336) respectively. The trading balances outstanding by and to the Society amounted to €nil (2019: €45,000) and €40,000 (2019: €197,000) respectively at the year end.

In the ordinary course of business, the Society trades on standard commercial terms with some key management and Directors (including close family members) in their capacity as farmers, and with companies which are considered related to the Society by virtue of common Directors and close family members of some management and/or Directors having control or joint control over these companies. The aggregate level of purchases from and sales to these related parties during the year amounted to €16,254,000 (2019: €18,731,000) and €1,697,000 (2019: €7,522,000) respectively. The trading balances outstanding by and to the Society amounted to €219,000 (2019: €352,000) and €81,000 (2019: €785,000) respectively at the year end. No specific reserve has been required in 2020 (2019: €nil) for bad or doubtful debts in respect of amounts owed by these related parties. A brother and sister of two of the Directors of the Society are employed by the Society in the Dairy Food Ingredients Division on standard terms of employment for that Division. A son of one of the key management team of the Society was employed by the Society in the Dairy Agri Business Division on standard terms of employment for that Division.

Notes to Financial Statements

for the year ended 31 December 2020

31. Related party transactions (continued)

Directors, close family members and key management of the Society, in aggregate, had Loan Note balances of €751,000 (2019: €nil) owing to them at the year end, inclusive of accrued interest. During the year, Loan Note balances of €nil (2019: €31,000) were repaid to Directors and close family members of the Society on their scheduled repayment date.

Directors and close family members of the Society, in aggregate, had Revolving Fund balances of €136,000 (2019: €171,000) owing to them at the year end, inclusive of accrued interest. During the year, Revolving Fund balances of €26,000 (2019: €nil) were repaid to Directors and close family members of the Society on their scheduled repayment date.

Payments made by the Society to the pension schemes are included in Note 23. No amounts were prepaid or owing to the schemes at the end of the year.

Key Management Personnel Remuneration

The following sets out the key management remuneration of €3,557,000 (2019: €3,271,000) analysed between the Senior Leadership Team and the Board of Directors.

	2020 Number	2019 Number
Senior Leadership Team	**9**	8
	€'000	€'000
Basic salaries	**1,883**	1,784
Performance related pay	**406**	321
Other emoluments	**211**	197
Employer's PRSI	**288**	271
Employer's pension and retirement fund contributions	**347**	275
	3,135	2,848

	2020 Number	2019 Number
Board of Directors	**12**	12
	€'000	€'000
Directors' fees	**422**	423

The change in the Senior Leadership Team reflects the establishment of the optimum organisation structure for the entire business, to support the growth and development of the dairy commodity business, whilst also enabling the development and acquisition of higher margin business opportunities.

The revised structure sees the creation of an Executive Team with responsibility for driving the strategic growth and development of the business in conjunction with the establishment of four distinct business units which all have clear Profit and Loss accountability.

The Senior Leadership Team remuneration includes payments associated with the reorganisation.

Notes to Financial Statements

for the year ended 31 December 2020

32. Contingent liabilities

Certain sales to Ornua are based on “on account” prices and are subject to adjustment when the prices are finally agreed. Provision is made as and when required for future deficits in the product categories.

The Society has guaranteed the liabilities for the financial year ended 31 December 2020 of its Irish subsidiaries and as a result they are exempted from filing their individual financial statements under the provisions of Section 357 of the Companies Act, 2014.

33. Principal operating subsidiaries, joint ventures and associates

Subsidiaries	**Country of incorporation**	**% Holding**	**Activity**
Agricola Properties Limited	Ireland	100.0%	Property
Dairygold Agri Business Limited	Ireland	100.0%	Procuring, distributing and retailing of agri and non agri supplies and farm inputs
Dairygold Deutschland Handlesgesellschaft mbH	Germany	100.0%	Sales & distribution
Dairygold Asia Limited	China	100.0%	Marketing
Dairygold Finance Designated Activity Company	Ireland	100.0%	Finance company
Dairygold Food Ingredients Limited	Ireland	100.0%	Dairy ingredients
Dairygold Food Ingredients (U.K.) Limited	U.K.	100.0%	Dairy ingredients
Munster Cattle Breeding Group Limited	Ireland	66.0%	AI and farm services
Watfore Limited	Ireland	100.0%	Property

Joint Ventures	**Country of incorporation**	**% Holding**	**Activity**
Co-Operative Animal Health Limited	Ireland	50.0%	Farm services
Malting Company of Ireland Limited	Ireland	50.0%	Malting

Associates	**Country of incorporation**	**% Holding**	**Activity**
National Cattle Breeding Centre Limited	Ireland	20.0%	AI services

The Companies and Societies operate principally in the countries of incorporation. Only the principal operating subsidiaries are listed above. The names and addresses of the registered offices of all the subsidiaries, joint ventures and associates are available from the Group Company Secretary of Dairygold Co-Operative Society Limited.

Notes to Financial Statements

for the year ended 31 December 2020

34. Financial instruments

The carrying value of the financial assets and liabilities are summarised by category below:

	2020 €'000	2019 €'000
Financial assets		
Measured at fair value through profit or loss		
Investments in listed equity instruments - Note 13	**23,310**	22,190
Forward foreign currency contracts - Note 15	**57**	138
Debt instruments measured at amortised cost		
Convertible loan stock - Note 13	**2,496**	3,125
Measured at undiscounted amounts receivable		
Trade debtors - Note 15	**73,700**	81,023
Amounts due from related undertakings - Note 15	**4,134**	4,734
Equity instruments measured at cost less impairment		
Investments in unlisted equity instruments - Note 13	**413**	417
Financial liabilities		
Measured at amortised cost		
Bank overdrafts and invoice discounting - Note 16	**(20,946)**	(51,141)
Bank loans - Note 18	**(108,000)**	(116,000)
Revolving fund - Note 18	**(19,870)**	(23,526)
Loan notes - Note 18	**(8,076)**	(665)
Loan stock - Note 20	**(490)**	(673)
Convertible stock - Note 19	**(217)**	(217)
Measured at undiscounted amounts payable		
Trade and other creditors - Note 16	**(25,018)**	(37,077)
Amounts due to related parties - Note 16	**(1,897)**	(2,166)

The Society enters into forward foreign currency exchange contracts to mitigate the exchange rate risk for certain foreign currency sales. At 31 December 2020, the outstanding contracts all mature within 3 months (2019: 3 months) of the end of the financial year. The Society is committed to sell US$2,175,000 (2019: US$2,701,000) and £nil (2019: £9,900,000) and receive a fixed euro amount.

The forward foreign currency exchange contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

The fair values of the assets and liabilities held at fair value through profit and loss in the consolidated statement of financial position date are determined using quoted prices.

The Society's income, expense, gains and losses in respect of financial instruments are summarised below:

	2020 €'000	2019 €'000
Interest income		
Total interest income for financial assets at amortised cost - Note 6	**145**	161
Fair value losses and gains		
On financial assets (including listed investments) measured at fair value through profit and loss - Note 13	**(1)**	978

Notes to Financial Statements

for the year ended 31 December 2020

35. Future operating lease income

	2020 €'000	2019 €'000
The total future minimum lease receipts under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	**26**	-
- between one and five years	**1,630**	1,489
- after five years	**7,362**	8,598
At 31 December	**9,018**	10,087

36. Restatement of comparatives

Certain prior year figures included within the financial statements and related notes are reclassified to ensure comparability with the current year presentation.

37. Government assistance

Due to the COVID-19 pandemic in 2020, the Society availed of government assistance for rates during 2020, rates waived for 2020 amounted to €0.9m.

During the year, the Society furloughed a number of employees for varying periods of time, availing of the Coronavirus Job Retention Scheme in respect of employees for Dairygold Food Ingredients (U.K.) Limited. All conditions have been met under the terms of the grant at the reporting date and as such the Society recognised €0.4m with respect to the scheme. The grant has been netted against the associated employee related costs in line with the Society's accounting policy.

38. Non-adjusting post balance sheet events

No non-adjusting post balance sheet events have occurred since the year end that require reporting in the financial statements.

39. Approval of financial statements

The financial statements were approved for issue and signed by the Board of Directors on 16 March 2021.

Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

Five Year Consolidated Income Statement

	2020 €'000	2019 €'000	2018 €'000	2017 €'000	2016 €'000
TURNOVER	**1,016,815**	1,020,398	992,887	965,525	756,065
EBITDA	**53,775**	56,616	48,638	52,780	39,009
OPERATING PROFIT	**26,007**	35,751	28,856	32,402	17,456
Share of joint ventures	**627**	623	488	341	293
Share of associates	**40**	36	34	25	11
Exceptional items	**(4,794)**	737	-	(957)	(1,213)
Net (losses)/gains in financial assets at fair value through profit and loss	**(1)**	978	(14,982)	492	(3,642)
Net interest payable & receivable	**(6,909)**	(6,585)	(5,599)	(5,876)	(6,051)
PROFIT before taxation	**14,970**	31,540	8,797	26,427	6,854
Taxation	**(2,790)**	(881)	430	(4,933)	(921)
PROFIT after taxation	**12,180**	30,659	9,227	21,494	5,933

Five Year Consolidated Statement of Financial Position

	2020 €'000	2019 €'000	2018 €'000	2017 €'000	2016 €'000
Net Assets Employed:					
Fixed assets	**408,146**	412,334	375,726	312,909	317,710
Stocks	**131,215**	152,239	157,713	144,317	132,389
Debtors	**100,201**	122,844	122,983	110,304	94,187
Creditors	**(142,218)**	(164,115)	(205,015)	(139,000)	(128,408)
Net bank debt	**(119,203)**	(157,934)	(111,357)	(79,648)	(88,731)
Capital grants	**(10,010)**	(9,019)	(6,752)	(7,950)	(9,746)
Deferred taxation liability	**(10,830)**	(7,729)	(7,568)	(5,935)	(3,434)
Pension asset/(liability)	**30,407**	24,393	12,168	473	(6,346)
	387,708	373,013	337,898	335,470	307,621
Financed by:					
Shareholders' funds	**382,895**	368,434	333,590	331,511	304,067
Non-controlling interests	**4,813**	4,579	4,308	3,959	3,554
TOTAL CAPITAL EMPLOYED	**387,708**	373,013	337,898	335,470	307,621

Five Year Historical Information

(Supplementary information not covered by the Independent Auditor's Report)

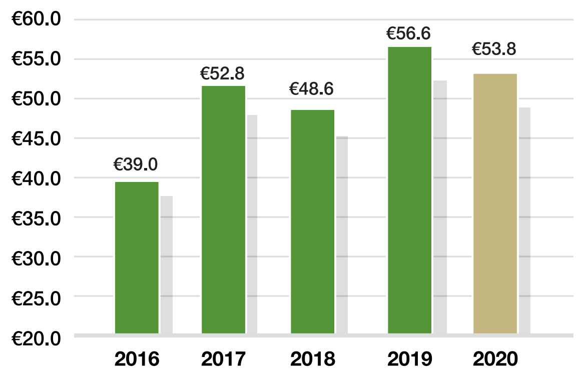
Five Year Consolidated Cash Flow

	2020 €'000	2019 €'000	2018 €'000	2017 €'000	2016 €'000
EBITDA:					
Operating profit	**26,007**	35,751	28,856	32,402	17,456
Amortisation of intangible assets	**1,361**	1,204	1,250	2,104	3,085
Depreciation	**26,114**	20,437	19,335	19,920	20,082
Impairment of tangible fixed assets	**1,597**	375	395	150	-
Grants	**(1,304)**	(1,151)	(1,198)	(1,796)	(1,614)
EBITDA	**53,775**	56,616	48,638	52,780	39,009
Investments	**(30,971)**	(64,281)	(58,705)	(13,355)	(15,015)
Working capital	**25,833**	(21,487)	6,723	(26,117)	1,608
Finance costs	**(6,658)**	(6,422)	(5,290)	(5,382)	(5,951)
Equity share interest paid	**(1,219)**	(1,185)	(1,142)	(1,182)	(1,386)
Equity financing	**560**	466	2,584	2,133	(2,285)
Member funding	**3,136**	2,369	3,931	5,292	-
Taxation receipt/(paid)	**48**	890	(5,163)	(314)	(1,296)
Other	**(4,266)**	(14,866)	(23,076)	(3,959)	(3,247)
Increase/(decrease) in cash in the year	**40,238**	(47,900)	(31,500)	9,896	11,437
Non cash movements	**(1,507)**	1,323	(209)	(813)	(4,008)
Movement in net debt	**38,731**	(46,577)	(31,709)	9,083	7,429
Net bank debt at 1 January	**(157,934)**	(111,357)	(79,648)	(88,731)	(96,160)
NET BANK DEBT AT 31 DECEMBER	**(119,203)**	(157,934)	(111,357)	(79,648)	(88,731)

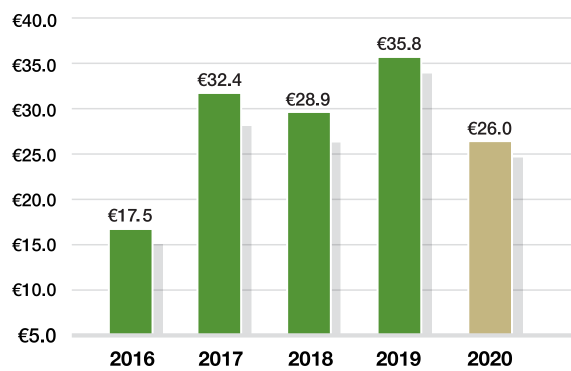
Financial Performance Overview

(Supplementary information not covered by the Independent Auditor's Report)

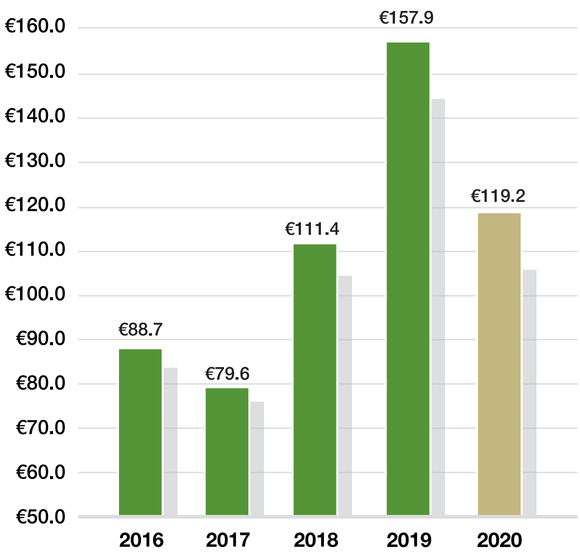
EBITDA €million



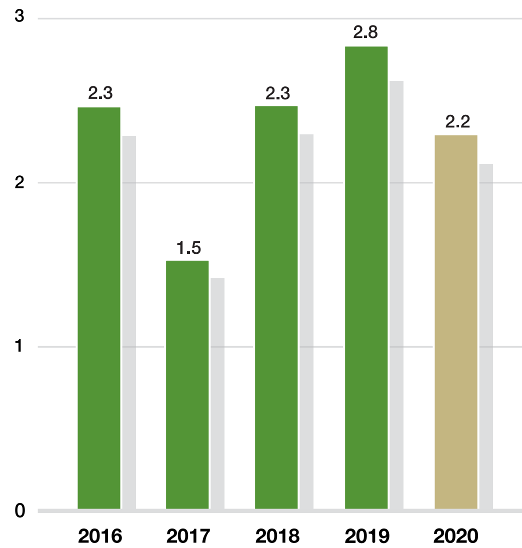
Operating Profit €million



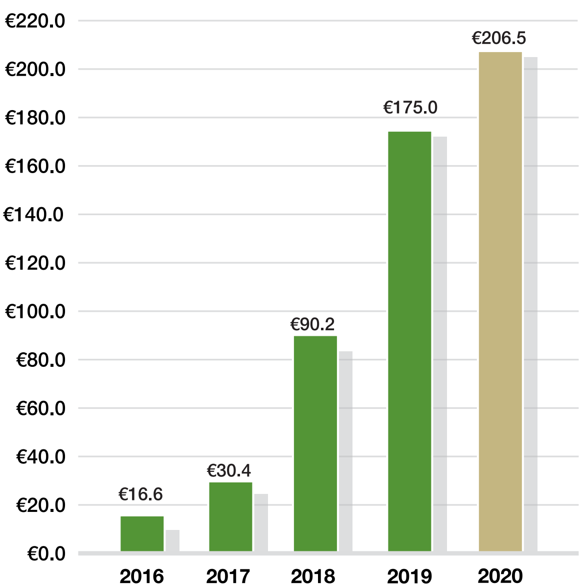
Net Bank Debt €million



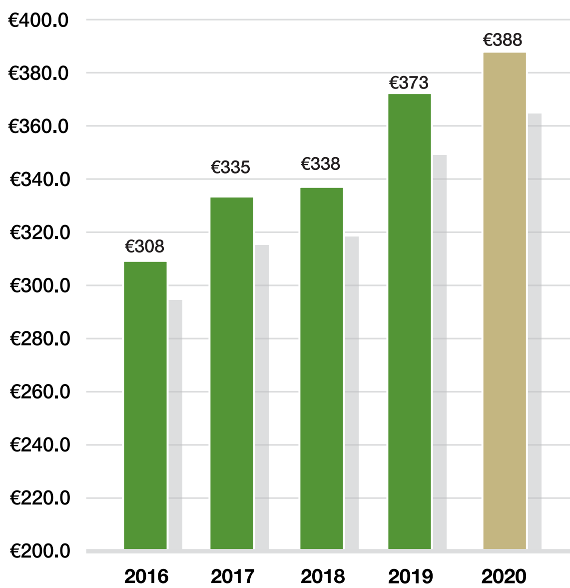
Net Bank Debt: EBITDA



Cumulative Capital Investment €million over the last five years



Net Asset Value €million



Notes

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