GROWING NATURALLY

Annual Report and
Financial Statements **2021**

Key Highlights 2021

Turnover	**€1.17** BILLION
EBITDA	**€57.6** MILLION
Operating Profit	**€30.4** MILLION
Capital Investment	**€31.8** MILLION
Net Asset Value	**€422.2** MILLION
Milk Production	**1.49** BILLION LITRES

Contents

***John O'Gorman,** Chairman, Dairygold.*

I am pleased to report that Dairygold delivered another strong performance in 2021, despite the significant operational and market challenges that continued to exist as a result of COVID-19. This performance is a testament to the efforts of all stakeholders involved in Dairygold Co-Operative Society.

Chairman's Statement

Milk Production

2021 was generally favourable from a weather perspective and was a very good year for Dairygold milk production. The Society had its highest ever peak milk week of over 47.1 million litres and in total Dairygold collected 1.49 billion litres of milk from its Milk Suppliers. This is an extra 60.0 million litres of milk versus 2020, an increase of 4.2%.

Dairy Markets and Milk Price

Throughout 2021, global dairy market returns were strong and markets continue to be positive, due to relatively stable supply and good demand. This, combined with the robust commercial and operational performance of our dairy business, has allowed Dairygold to pay a leading milk price to its Milk Suppliers of 36.0 cent per litre, based on standard constituents of 3.30% Protein and 3.60% Butter Fat, including Quality and Sustainability bonuses plus VAT, or 41.0 cent per litre at the Society average Protein of 3.59% and Butter Fat of 4.23%.

Dairygold is continuing to pay a leading milk price in 2022. However, the ongoing war in Ukraine is likely to influence markets over the coming months due to the impact on input costs. This is an evolving and uncertain situation that we will continue to monitor.

Milk Quality

Dairygold Milk Suppliers John, Teresa, John (Jnr) and Victor O'Sullivan from Whitechurch, in the East Cork Region were declared the overall winners of the Dairygold Milk Quality Awards, for consistently supplying the best quality milk to the Society throughout 2021. The Sustainability Award, which recognises Milk Suppliers' efforts in making their enterprises more sustainable, was won by Michael and Emmet Bradfield from Tullyglass, Enniskeane, Co. Cork.

Dairygold Milk Quality Award Winners, John, Teresa, John (Jnr) and Victor O'Sullivan pictured with their family and farm manager David McGrath.

Milk quality is a key determinant of the success of a dairy ingredients business and in 2021, the average Milk Protein and Butter Fat constituents across our milk supply base were again at levels above the national average. The efforts of our Milk Suppliers have helped to establish Dairygold as being recognised nationally and internationally for producing top quality dairy products.

Winners of the 2021 Sustainability Award, Emmet and Michael Bradfield with Edel, Aileen, Hannah, Denise and baby Joe.

100% Bord Bia SDAS and Grass-Fed certified milk

Agri Business

Our Agri Business delivered a positive performance in 2021, with all aspects of the business performing well. Good weather across the year supported grass growth and also ensured a strong grain harvest in 2021, with circa 105,000 tonnes of grain purchased by Dairygold, with leading grain prices paid by the Society.

Our Retail Business saw significant growth in 2021, and as an essential retailer, serviced Customers across the year, despite the COVID-19 pandemic. The Retail Store Investment Plan has concluded its current phase, with plans in progress for the final elements, at the Mallow and Ballinacurra stores. The Plan saw the building of five new retail stores and the upgrading of 17 stores, across our store network, to improve the shopping experience for our Customers.

The Dairygold Co-Op Loyalty Bonus for 2021 delivered an overall bonus value of €2.14 million to our Customers.

Sustainability

The dairy industry clearly recognises the part it has to play in meeting Ireland's ambitious climate targets. The Food Vision Dairy Group, a group consisting of key stakeholders from the dairy sector, met for the first time in February 2022, with its initial objective of producing a detailed plan to manage the sustainable environmental footprint of the dairy sector.

Dairygold is committed to playing its part in meeting whatever carbon reduction targets are set. Dairygold has already set its own ambitious targets and is confident, that through a coordinated industry approach to a common goal, more intensified knowledge transfer and the development of emissions reducing technologies, the dairy sector will develop a truly sustainable food production system.

In 2021, our 10 Signpost Farmers, the agents for on-farm emissions reduction for the wider Dairygold Milk Supplier base, completed their sustainability training programme. The programme has equipped them with additional knowledge, skills and practical competencies to achieve carbon reduction targets. These measures can be replicated across the Society's catchment area. The training programme modules covered the five key pillars of the Signpost Farm programme – reducing agricultural emissions, improving watercourse quality, managing and improving on farm biodiversity, improving the economic sustainability of the farm enterprise and the measurement of carbon sequestration.

Pictured with the graduates of Dairygold's Signpost Farm Sustainability Training Programme are Ciara Donovan, Dairygold, John O'Gorman, Chairman, Dairygold, Orlaith Tynan, Dairygold, Jim Woulfe, former CEO, Dairygold, Eamon Farrell, ICOS, Billy Cronin, Dairygold.

In 2021, Dairygold achieved Bord Bia Grass Fed accreditation for all of its milk processing sites. This accreditation 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.

During the year, a Dairygold initiative, which has reduced carbon emissions per litre of milk by 5.5% in participating herds, was one of four Irish finalists in the European Awards for Co-Operative Innovation. Dairygold was also shortlisted for its Sustainability Bonus Payment in the 'Economic, Value Creation – Support to Farmer Members' Category.

Dairygold also recognises the role that it must play in protecting and enhancing nature and biodiversity. In 2021, Dairygold partnered with *Trees on the Land* to supply 40,000 native broadleaf trees, free to Dairygold's Milk and Grain Suppliers to plant on their farms.

Farm Safety

Over the past decade, 196 people have died across Ireland while undertaking farm related activities. I am urging all Members and their families, to please continue to be vigilant, when undertaking any activity on the farm. One death is one too many. Physical safety and mental health are equally important and must be looked after holistically. Farming can be a stressful occupation and I would urge all Members to be as mindful of your mental health as you are of your physical health.

Society Initiatives

Member Funding

Member Funding has been instrumental in delivering lower investment costs for the Society and its Members. A mix of Member Funding and bank debt continues to underpin the Society's financial model. In 2021, an €8.0 million voluntary Loan Note Scheme for Members and Employees was fully subscribed within one month. The Scheme provided the option of either a 3-year or a 5-year Loan Note with a minimum 3% per annum or 3.5% per annum interest rate, respectively. In 2021, the Society also introduced a new voluntary 5-year Revolving Fund for 2021 to 2025, inclusive.

Member Financing

Dairygold is committed to doing what it can to support the ambitions of its Milk Suppliers to improve their farm enterprises. In 2021, Dairygold continued to offer the DairyFlex Loan Scheme to Members, which was first introduced in 2016. DairyFlex allows Milk Suppliers avail of a very competitive 3.73% loan rate, tailored to support farm businesses. A significant number of Milk Suppliers have already availed of the offer of competitively priced financing with appropriate flexibility on repayments. In December 2021, Bank of Ireland and Dairygold welcomed the landmark 1,000th applicant to the DairyFlex Loan Scheme.

Dairygold also engaged with Finance Ireland in 2021, to make MilkFlex available to Milk Suppliers. MilkFlex is an innovative funding product that helps protect farm incomes from the impact of dairy volatility, seasonality and the impact of disease outbreak over a term of eight years where no security is required.

New Society Rule Book

In 2019, the Board commissioned a Rules Review Sub-Committee to carry out a comprehensive review of the Rules of the Society and to make recommendations to the Board on proposed changes. Arising from the deliberations and recommendations from the Rules Review Sub-Committee, the Board approved and recommended the adoption of a new Rule Book for the Society, modernising the Rule Book, incorporating a number of proposed resolutions, which was officially adopted by Members at the Dairygold SGM held in October 2021.

Gateway

Gateway, Dairygold's online portal, continues to play a key role in our sustainability strategy. Gateway offers Members and Customers the option to register for paperless engagement with the Society, providing online access to their Milk, Trading, Grain and Equity statements. I would encourage any Member who has not signed up for Gateway, to do so. Members can access the portal by clicking on the Gateway link on the Dairygold website.

Digital Annual Report

This year's Annual Report is the first digital edition. This is part of our continued efforts to reduce our paper usage. This digital edition has been designed to be a more interactive and engaging document, that is also better for the environment. We have designed digital content, including videos, which you can access through the links throughout this report when viewing online.

Pictured at the launch of the Co-Op Superstores Munster Hurling Cup 2022 are Diarmuid Ryan, Clare, Austin Gleeson, Waterford, Fionan MacKessy, Kerry, Barry Hogan, Tipperary and Barry Nash, Limerick.

GAA Sponsorship

The COVID-19 pandemic was a challenging period for sport but thankfully we are seeing a return to attendance at matches. In 2021, Dairygold Co-Op Superstores continued its partnership with the Cork GAA County Board, to sponsor the Cork County Hurling Championships. We also teamed up with Munster GAA to sponsor the Munster Hurling Cup, later in the year. Sport is an important outlet for our Members and Employees, very popular in our communities. Dairygold is always pleased to give back to sport, which brings a lot of joy into households across the country.

Wrap It Pink

Since 2015, Dairygold has helped raise vital funds for the Irish Cancer Society, through the sale of pink silage wrap in participating Co-Op Superstores. To date, the initiative has raised over €109,000 to fund services to help people fighting breast cancer. Dairygold was delighted to partner with the Irish Cancer Society once again in 2021, to continue raising funds for this extremely worthy cause.

Acknowledgements

I would like to acknowledge the ongoing contribution and commitment of the Dairygold Board to the Society and its Members. 2021 brought another challenging year for the business and its stakeholders, as a result of the COVID-19 pandemic.

Virtual meetings continued out of necessity and I want to thank all Members of the Board and Committee Representative Structure, who met these challenges in a highly professional and effective manner. I would especially like to thank my Vice Chairman, Pat Clancy for his support and guidance during the year. I would also like to thank all Dairygold Employees, who have embraced the changes COVID-19 brought with it.

I would like to take this opportunity to say a huge thank you to our Members, Employees and the community for the fantastic meitheal spirit throughout what was a very challenging time for us all.

I would also like to welcome Pat Gaynor and Michael J. Murphy to our Board of Directors. Both Directors bring with them a wealth of experience, that will serve the Board well during their tenure and I look forward to their contributions.

I would also like to express the Board's appreciation and thanks to both Dan Flinter and Richard Hinchion, who retired from the Board in 2021, having reached their maximum tenure, for their significant contributions during their term in office.

Scan the QR code using your camera to view a message from John O'Gorman, Chairman.

2021 was a year of significant change within Dairygold. After more than 40 years with Dairygold and 12 years at the helm as Chief Executive, we said goodbye to our friend and colleague Jim Woulfe. Jim provided Dairygold with outstanding service throughout his career, and in particular while Chief Executive, where he worked with the Board and enthusiastically led the business through 12 years of substantial transformation and growth. He served Dairygold and its Members and Employees with outstanding vision and leadership, building stakeholder confidence and significantly improving the financial position of the Society.

On behalf of the Board, our Committees, our Members and Employees, and on my own behalf, I would like to thank Jim most sincerely for his significant contribution to Dairygold.

The Board was pleased to appoint Conor Galvin as Chief Executive Designate in October 2021, to succeed Jim Woulfe as Chief Executive, on 1 January 2022.

Conor has over seven years' experience working with Dairygold and has held key leadership roles in commercial and strategy development, underpinning the successful post quota milk expansion, and demonstrating excellent leadership skills. I very much look forward to working with Conor to achieve Dairygold's ongoing and long-term strategic ambitions.

Summary

2021 has been a very good year for the Society, as a result of the capability and resilience of the Society, and the support of its Members, Customers and Employees. We now appear to be moving into a post COVID-19 era, and while there are many reasons to be positive, the current geopolitical landscape is a significant concern. The volatility that prevails from a business perspective is increasingly challenging. Higher input costs are also going to be a concern for Dairygold as a business and for our Milk Suppliers and Grain Growers. However, we will continue to do our best for our Members to alleviate the pressures of the changing market environment while also continuing to deliver on our Members' ambitions and, will do so in a way, that is sustainable and manageable for the environment and for our Members. The next phase of our journey is to continue to deliver robust financial results as we progress our value added journey, in a sustainable manner, which will require the support of all stakeholders yet again.

John O'Gorman
Chairman, Dairygold

Conor Galvin, Chief Executive, Dairygold.

Despite the impact of COVID-19 across the business and on the markets, Dairygold delivered a substantial operational and financial performance in 2021.

Chief Executive's Review

2021's financial results were driven by a robust performance across all businesses. A decade of capital investment has delivered a very effective and efficient Dairy Processing capability and a high performing Agri Business platform.

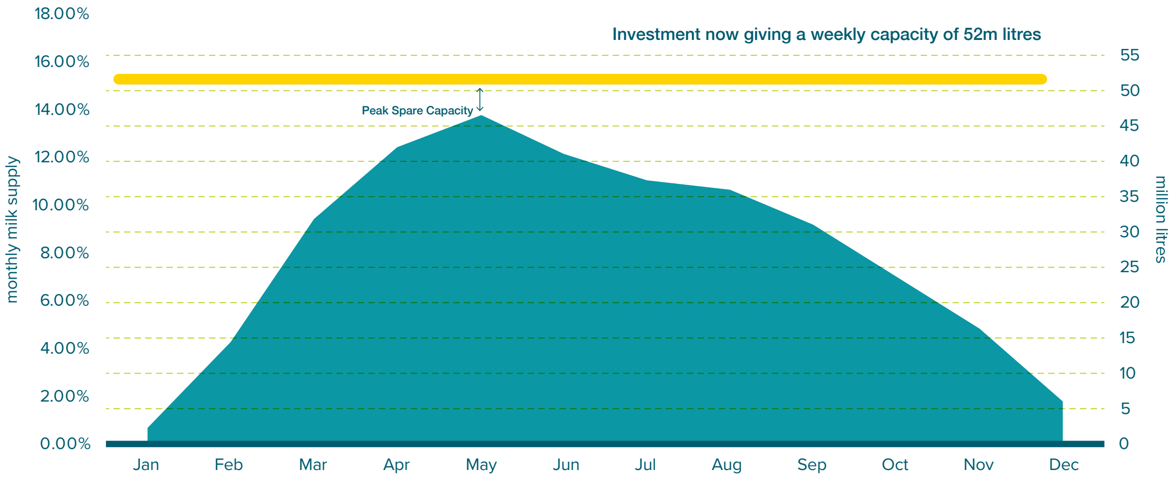
Dairygold delivered a record turnover of €1.17 billion, an increase of circa €150.0 million (15.0%) on the 2020 figure, of €1.02 billion. EBITDA, at €57.6 million was an increase of €3.8 million (7.2%) on the previous year's EBITDA of €53.8 million. This EBITDA performance was delivered while paying a leading milk price.

The operating profit for the year of €30.4 million, was an increase of €4.4 million (16.9%) on the operating profit for 2020 of €26.0 million. The 2021 operating profit represented a very solid performance, given that significant cost inflation added in excess of €20.0 million to the Society's costs for standard inputs, primarily driven by energy price increases.

Further indication of the positive financial performance in 2021, was the decrease of €11.0 million in the net debt to €108.2 million. This was achieved through the strong EBITDA generation, the Society's continued focus on optimising working capital, benefiting from an increase in Member Funding, while still investing €31.8 million of cash in capital projects during the year.

Dairygold is comitted to planting half a million trees by 2030 through our Biodiversity Tree Project

2021 milk supply profile based on grass-fed production



Overall, these are very satisfactory results given the challenges of rising inflation, the impact of COVID-19 on business operations and the worldwide logistical supply chain issues. The Society continues to be in an excellent financial position, allowing it to seek higher value growth opportunities in the coming years.

Dairy Markets

Dairy markets remained buoyant throughout 2021. A combination of low global milk supply growth in the main exporting regions and strong international demand, in particular from China, created the market dynamic for the very positive dairy markets, particularly from H2 onwards. This, in turn, was reflected in record farm gate milk prices in Q4 2021. While current market price levels may not be sustainable in the long term, global commodity prices have remained firm in Q1 2022.

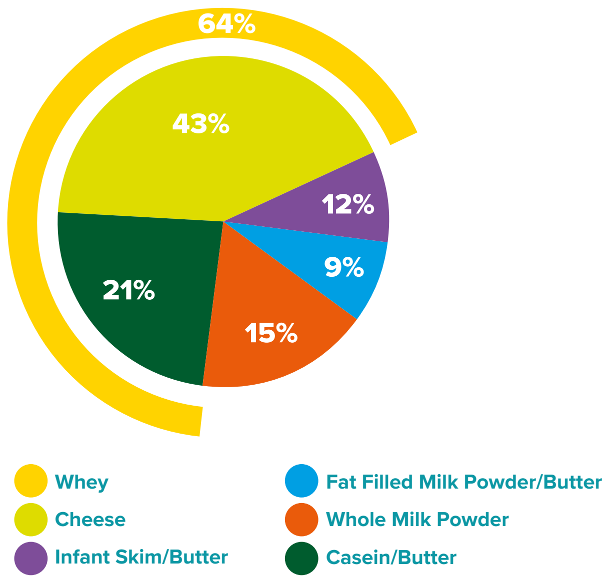
Several factors are expected to impact demand for dairy products for the remainder of 2022. The ongoing war in Ukraine and the resulting disruption, including to supply chains, will significantly affect both the availability and cost of a large range of inputs including fertiliser, energy, packaging and raw materials. The resulting inflation, which is already being felt at farm and factory level, will create challenges for profitability in the entire value chain. A slowdown in purchasing by importing countries, such as China, may also impact market performance for the remainder of 2022. While the foodservice sector has started to recover from the effects of COVID-19, expectations are, that demand in this sector will revert to pre-pandemic levels in the medium term.

In summary, global milk production looks stable over the next six months and on the assumption that demand remains positive, dairy market returns should remain solid into Q3 2022.

Dairy Ireland

Our Dairy Ireland Business had a very successful year in 2021 and was a key contributor to the Society's performance. During the year, 1.49 billion litres of milk was collected and processed, a 4.2% increase on the previous year, with a peak week volume of 47.1 million litres.

Dairy sales volumes of circa 243,000 tonnes were a record for the business. Dairygold's diverse and flexible product portfolio, allowed the commercial team to optimise the product mix, to achieve the best commercial return from the market.



The investments made in our processing facilities over the last decade provide scale and enhanced operational efficiencies, including environmental benefits, while commercially, the business has been focussed on developing enhanced business to business (B2B) customer relationships in nutritional ingredients and cheese solutions, delivering increased margin.

The Dairy Ireland team also leveraged our relationship with Ornua, to maximise the supply of ingredients into their branded consumer products primarily Kerrygold Butter, but also cheddar, regato cheese and whole milk powder.

In 2021, whey products faced the biggest challenge in the dairy commodities market, with overall weaker demand, particularly into the infant formula industry.

In terms of processing capacity, our recent capital investments, have provided the necessary capacity to manage the forecasted peak week volume to 2025. We are currently finalising the installation of a third evaporator at our Mallow Nutritionals Campus. This project will give the Society an extra capacity of 3 million litres of milk per week, to bring the overall peak week capacity to circa 55 million litres, product and customer mix dependant.

Other important capital projects were progressed in 2021, including the new effluent treatment plant in Mallow and a number of specific infrastructural projects in our Castlefarm Dairy Processing Complex.

The Society welcomed the High Court Orders on 1st March 2022, which concluded the proceedings regarding the two Judicial Reviews, affecting the Mogeely operations. This now allows Dairygold and TINE SA, to focus their energies on the continued operation of the world class manufacturing facilities at Mogeely.

Dairygold's significant infrastructural capital investment, over the last decade, has facilitated our Members' forecasted post quota milk production volumes and created world-class facilities across all our milk processing sites. With milk production now slowing to more modest levels of growth, the strategic focus of the Dairy Ireland Business has now shifted from capacity management and infrastructure investment to higher margin processing and adding value to the litre of milk, in as sustainable a way as possible.

Dairygold Health and Nutrition

Dairygold's Health and Nutrition Business was established to focus on the delivery of growth and higher margin for the Society, through the development of new health and nutrition propositions with market appeal, either through organic investment or through acquisition.

In October 2021, Dairygold introduced a range of premium canned milk powders for the Asian market, under the Aerabo™ brand. The range is formulated to appeal to different market segments and features products aimed at young professional adult milk drinkers, older more health-conscious consumers, as well as those with more active lifestyles.

Aerabo™ is the first Irish milk powder to carry the Bord Bia Verified Grass Fed accreditation logo and appeals to adult milk drinkers as well as introducing new consumers to all of the unique benefits of the grass-fed nutritional goodness of Dairygold milk products.

The fortified whole milk powder is the first in a pipeline of new products which are currently in development and will be launched in the near term. This is part of a longer-term strategy to build a business that will deliver incremental growth and higher margin by developing premium products for key growth markets.

Other acquisition and investments opportunities are also being explored, with the focus firmly on finding the most appropriate opportunities, from a margin return and risk perspective.

Dairy UK & Europe

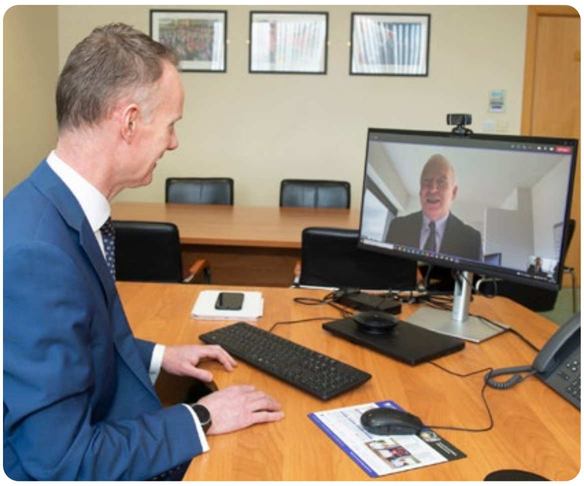
Dairygold's overseas' businesses in the UK and Germany are heavily dependent on the foodservice and hospitality sectors and faced very challenging market environments throughout the COVID-19 pandemic. However, in 2021 both businesses performed in line with expectations, delivering a good return, while also being strategically important routes to market for Dairygold cheese.

The businesses' focus throughout the year was to continue to mitigate the impact of the pandemic through streamlining production, reducing overheads, and improving commercial agreements with Customers.

As the UK is still a net importer of food, the UK business remains well placed to continue to grow market share, with opportunities being identified and assessed to grow our presence in the UK.

Dairygold continues to support its overseas' businesses with the capital investment required to further develop and grow. To that end, 2021 saw the completion of a capital investment programme at its cultured dairy facility in Leeds, to deliver improved efficiencies and product quality. This investment re-enforces the site's market leading position in cultured dairy products and positions it to take advantage of the post pandemic upturn in the market.

In addition, in H1 2022, the UK management team is progressing a capital investment programme, at the cheese formatting facility in Crewe, to increase efficiency and capacity.



Conor Galvin, Chief Executive, Dairygold and Chris Edge, General Manager, Dairygold UK and Europe.

L-r: Doris Yunxiu Pu, Dairygold Market Development Executive APAC, Mary McMahon, Agricultural Councillor, Embassy of Ireland in China, Wendy Dorman-Smith, Consul General of Ireland in China, Conor O'Sullivan, Bord Bia China Manager, Steven Zhu, Dairygold Marketing Development Director APAC, Professor Hongwei Gua, Managing Director Chinese Nutrition Society at the Aerabo Launch.

Agri Business

The Agri Business delivered a very positive performance across all activities in 2021. In a year where COVID-19 continued to impact all areas of society, the business continued to service all Customers, safely and effectively. Throughout the year, many operational challenges were successfully overcome, and great credit is due to all Agri Business Employees and Hauliers, all of whom ensured full service was delivered to our Customers during the year.

2021 was a very favourable year for farming from a weather perspective, with very good growing conditions throughout the year. The weather at harvest time was excellent and over 105,000 tonnes of the highest quality grain was delivered by our growers under ideal conditions, with Dairygold paying leading grain prices again in 2021.

We continue to seek ways to maximise the value that we return to our growers. An important element of our Sustainability Strategy involves buying locally produced grain for feed rations formulated in Lombardstown for our dairy and beef farmers. This strategy is further reinforced by supporting our grain growers with consistently strong grain prices. Dairygold also offered a minimum contract price for beans to encourage greater intake volumes of this important protein. Through our joint venture, the Malting Company of Ireland, Dairygold also offers grain growers premium contracts for malting barley supply to the brewing and distilling industries.

Ongoing dairy expansion supported sales of feed and fertiliser, which were higher than 2021 levels. Unfortunately, the 2022 outlook for fertiliser prices continues to be challenging, with higher energy prices reducing production, and the geopolitical environment and supply chain issues reducing exports from fertiliser producing countries. Dairygold recognises the impact that this is having at farm level and will continue to offer value to our Members through strategic and efficient buying.

The need for enhanced sustainability initiatives, continues to drive change at an accelerated pace. Our Agri Business is focused on partnering with our Customers and supporting them in addressing the changes that need to take place at farm level. Through our area sales teams we continue to offer the best technical advice to help our Customers operate their businesses in the most sustainable way possible. We are continually working to identify opportunities to deliver more of the products and technical support that will allow our Customers to run their farm enterprises more sustainably. A notable development in 2021, was the launch of our 'Green Grow Soil Health Programme'. This Programme, which is supported by our INAB accredited laboratory in Lombardstown, seeks to maximise soil health, which in turn improves farm performance and reduces the volume of chemical fertiliser required to be spread on the farm.

Retail

The COVID-19 pandemic had a major impact on the operation of the retail business in 2021. As an essential retailer, our network of 26 Co-Op Stores and Superstores remained open to service our Customers' needs throughout the year. Our online store, www.coopsuperstores.ie, achieved increased sales, as COVID-19 restrictions resulted in more people availing of online retail options.

The business had a very good year, with sales in excess of €100 million for the first time, significantly ahead of 2020. Our team successfully managed the many supply chain challenges that arose relating to the pandemic and we maintained availability across all key lines throughout the year.

The overall performance also reflected the improved Customer experience across our network, supported by our Store Investment Programme. In 2022, the Society is investing in the upgrade of its Point-of-Sale system, to enhance our Customers' experience and to provide a more future proof Retail system solution.

Sustainability

Environmental sustainability is now one of the biggest challenges for agriculture. In November 2021, the Government enacted the Climate Change Bill, establishing a legal basis for the emissions reduction targets set down by the Climate Change Advisory Council. It is expected that the Irish agricultural sector's target for reducing greenhouse gas emissions will be between 20% and 30% by 2030, with a baseline year of 2018, but clarification is still required from the Government.

There are many initiatives underway at farm and factory level that are already reducing our carbon footprint. At farm level, improvement is critical to the overall success of the industry's reduction efforts, as this is where the majority, more than 90% of the carbon footprint is produced.

The Food Vision Dairy Group is tasked with submitting recommendations to Government on how the agriculture industry can meet its emissions' targets. This group is due to publish a detailed plan before July 2022. These recommendations should serve as a solid pathway for action, allowing processors to work together with Milk Suppliers to identify actions that can be taken in the short and long term, to deliver a significant reduction in emissions and help achieve the goals set out in the Climate Action Plan. If a clear pathway is laid out, I have no doubt that the farming community will rise to the challenge and deliver the actions needed.

In the meantime, Dairygold will continue to support Milk Suppliers on their sustainability journey. By focusing on Teagasc's Marginal Abatement Cost Curve (MACC), including fertiliser usage, grassland management and breeding techniques, Milk Suppliers can improve their carbon footprint in the short term. However, there is a limit to what the MACC initiatives can achieve, and it is critical the industry focusses on developing other initiatives to help deliver the targets set for agriculture in the Climate Action Plan.

15% energy reduction from technology upgrades at Clonmel Road

People

The one area where the COVID-19 pandemic has had a significant and long-term impact is on the world of work. Dairygold Employees, in manufacturing and retail environments, continued to work on site through the pandemic, maintaining an excellent level of service to our Customers.

Dairygold Employees, in office-based roles across the entire business, moved to remote working during the pandemic and continued to deliver high standards of work and customer service.

The pandemic has fundamentally changed Employer and Employee attitudes to more flexible working arrangements, across sectors globally. Dairygold has developed a hybrid working model, offering Employees in certain office-based roles, the opportunity to work remotely for 2 days per week.

This model combines office-based working with remote working days, that allows in-person, office-based collaboration and team building, with greater flexibility for the Employee from a work life balance perspective, which delivers overall improved productivity.

Dairygold is committed to investing in its people and the Society continues to offer a range of internal education and development opportunities, promoting Employee development and career progression.

New reverse osmosis plants supply 60% water to Mallow and 30% to Castlefarm

In 2021, 11 Employees graduated from an Agri Business Management Development Programme, which was focussed on enhancing the participants' performance and developing their skills for future leadership roles. 10 Employees also graduated from the Retail Operations Development Programme, which was developed in partnership with the Irish Institute of Training and Development and ICOS. In addition, 15 Employees, from our Dairy Ireland Business, commenced a University College Cork Production Supervisory Programme, focussing on both technical and softer people management skills. These development programmes were supplemented by a suite of management training, across the business, covering softer skills, which was developed and run by the human resources team.

It is very positive to see Employees availing of the Society's further education opportunities and initiatives, to upskill and develop, as part of their Personal Development Plans.

It is crucial that we continue to invest in the future of the organisation, through the development of our people and to offer personal and career development opportunities to continue attracting and retaining the best talent.

Scan the QR code using your mobile phone camera to view a video on Dairygold in the Community.

Non-Core Assets

Our property team continued to maximise the value of our commercial property portfolio, with planning permissions received for Mallow South and Ballyclough and Creamfields' significant planning application progressing. The Society's strategy for its non-core assets is to maximise their value and to divest at the appropriate time, to facilitate investment in higher margin business activities. Commercial property transactions in 2021, facilitated €6.0 million in cash to be transferred to the Society's financial asset portfolio. At the end of 2021, the Society held circa €50.0 million of non-core commercial property assets.

Our financial assets had a robust market performance in 2021, with our fully diversified financial asset portfolio having a value of €35.3 million at year end, a circa €12.0 million increase on 2020, including the €6.0 million invested from commercial property transactions.

Subsidiaries, Joint Ventures and Associates

In 2021, Munster Cattle Breeding Group trading as Munster Bovine continued to take advantage of the high demand for its breeding, milk recording and herd health services, driven by continued milk expansion across its catchment areas. Dr. Doreen Corridan was appointed Chief Executive Officer of Munster Cattle Breeding Group during 2021.

The Malting Company of Ireland 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, benefiting from the ongoing growth of Irish based distilleries and craft breweries, who utilise genuine Irish malted barley.

Co-Operative Animal Health Limited, which is also jointly owned by the Society and Glanbia Ireland DAC, enjoyed a strong 2021 performance, providing competitive veterinary and nutritional products to farmers.

Financing

Dairygold is in a strong financial position and will take a prudent approach to financing investments in the business, through a mix of bank debt, Member Funding and divestment of non-core assets, to facilitate strategic growth. The Member Funding model introduced in 2013 brought many benefits to the Society and Members will continue to underpin the Society's financing model.

Following the successful launch of the €8.0 million Loan Note in 2020, the Society launched another voluntary Loan Note in June 2021 of €8.0 million, which was fully subscribed by the end of July 2021.

In January 2021, the Society also introduced a new voluntary Five-Year Revolving Fund which was available to all Milk Suppliers. Repayments from the Revolving Fund will start in 2026, and will be paid annually, thereafter.

Thank You

I would like to thank the Members of the Board and the General and Regional Committees for their input and support to the management of the Society throughout 2021, in particular the Chairman, John O'Gorman and Vice Chairman, Pat Clancy.

When I was appointed to the role of Chief Executive Designate in October 2021, my first priority was to ensure that there would be a smooth transition between Jim Woulfe and I. I would like to pay tribute to Jim for his leadership and significant contributions to Dairygold, but also for his engagement and energy during his last three months, as he handed over the various areas of the business to me, ahead of my official appointment date. This transition ensured, that I had a very good understanding of the entire business, to lead the Society forward.

I would also like to take this opportunity to welcome two new Members to the Dairygold Board, Michael J. Murphy and Pat Gaynor. I wish them every success in their roles. I would also like to thank Richard Hinchion and Dan Flinter for their contributions to the Board as they retire at the end of their maximum tenure.

I want to thank all our Customers for their loyalty to the Society, our Shareholders and Suppliers, both Milk and Grain, for their ongoing contribution to the success of Dairygold. I also wish to thank my management colleagues and all Employees, in every part of our business, for their significant effort throughout another difficult 12 months.

Scan the QR code using your camera to view a message from Conor Galvin, Chief Executive.

Dairygold's Employee Assistance Programme engages Employees and Members with health & wellbeing supports

Summary

Our industry and our operating environment are both undergoing significant change. The dairy industry is coming to the end of a decade of substantial milk expansion and infrastructure investment. That era is transitioning into one where the focus must now move to extracting the maximum value from the expanded milk volumes and creating more value per litre of milk.

Notwithstanding that, the immediate challenge at farm level is input costs. The cost of inputs, especially fertiliser has risen significantly, and we recognise the impact this has on Members and as a Co-Operative, we will continue to identify mitigation measures that will be effective in addressing such issues for our Members.

In addition to these immediate challenges, the sustainability agenda is one of the main issues shaping the future development of our industry. The environmental impact of food production has been a key factor in shaping Customer perceptions for many years, but now it is also shaping the government regulation of our industry and the production techniques, at farm level.

However, Dairygold is well placed as a business, to meet these challenges head on and I am confident that with the support of the Board, the Representative Structure, and our Suppliers, we can continue to deliver sustainable value and growth for all our Members.

Conor Galvin
Chief Executive, Dairygold

Sustainability in Dairygold

Dairygold's sustainability strategy is built across our supply chain from Farm to Customer and is aligned to the UN Sustainable Development Goals (SDGs), the Dairy Sustainability Framework and Bord Bia's Origin Green programme. Our commitment is to operate transparently, ethically and responsibly, ensuring that our decisions are in the best interests of future generations.

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

- OUR ENVIRONMENT
- OUR SUPPLY CHAIN
- OUR PEOPLE
- OUR COMMUNITY

Our Achievements and 2025 to 2030 Commitments

Our Environment (Farm & Factory)

- In 2021, Mallow achieved **ISO 50001 Energy Management certification** aiding in a **15% reduction in energy** intensity ahead of schedule in 2025
- The Reverse Osmosis plants at Castlefarm and Mallow contributed to **30%** and **60%** of the site's water supply respectively since being commissioned last year
- Following the zero waste to landfill achievement, Dairygold aims to increase the recycling rate to **65% by 2025**
- Dairygold aims to reduce farm carbon intensity by **40% by 2030**, relative to 2018
- Dairygold's ASSAP advisors work with suppliers to **protect water quality**
- Dairygold's Biodiversity Tree Project aims to plant **half a million trees** by 2030

Our Supply Chain

- Maintained **100% SDAS** and grass fed standard
- **85% of our key ingredients** are sustainably sourced with the aim to be 100% by 2025
- **20% less plastic** in Glenor Cheddar primary packaging from 2022 onwards
- All of our secondary packaging, cardboards and pallets are **FSC certified**
- Continue to recognise the sustainability efforts of our Milk Suppliers with Dairygold's annual **Sustainability and Milk Quality Awards**
- In 2021 Dairygold launched its **'Green Grow Soil Health Programme'** seeking to maximise soil health and improve farm performance

Our People

- Continue promoting ***Zero Harm*** safety programme across all of Dairygold and maintain its success to date
- Aim to achieve **75% SEDEX SMETA 4** accredited sites by 2022 and 100% by 2025
- **39 Employees** graduated from management development programmes
- **Employee** and **Member Assistance Programmes** in conjunction with the VHI

Our Community

- Continue our commitment to the **highest standards of animal welfare**
- Continue to develop products with **health benefits** suitable for our targeted markets
- In 2021, **75%** of our overall CSR spend was allocated to **local charities, local communities** and **sponsoring national indigenous sporting events**
- Continued our partnership with the **Cork GAA County Board**, to sponsor the Cork County Hurling Championships as well as teaming up with Munster GAA to sponsor the Munster Hurling Cup

Scan the QR code using your camera to view Dairygold's Sustainability Journey.

Farm Highlights

- **100% of milk** is sourced from Sustainable Dairy Assurance Scheme (SDAS) approved farms
- **Grass fed** certification at each of our processing facilities
- **Signpost Farm Programme 2021 – 2025** initiated to drive on farm sustainability
- **500 attendees** at Dairygold's Signpost Farm knowledge transfer events in 2021
- A **second Dairygold ASSAP advisor** has been appointed to support our watercourse protection programme
- Dairygold offers a **soil testing programme** and nutrient management planning advice
- **Renewable energy technology**, **Solar PV**, has been installed on four Dairygold Signpost Farms
- European Innovation Partnership initiated to improve **farm safety**

Continuing our journey to 2030 - 0.7Kg CO_2(e)/ Kg FPCM*

In 2020, we defined our ambition to achieve a 40% reduction in farm carbon intensity (Kg CO_2(e)/ Kg FPCM) by 2030, from a 2018 baseline. We are making progress towards our 2030 intensity target.

Against the backdrop of Ireland's Climate Action Plan 2021, National Carbon Budgets and forthcoming sectoral emissions ceilings, delivery on Dairygold's carbon intensity ambition will be crucial. This will be achieved through implementation of the key measures in Dairygold's emissions reduction pathway. These measures include use of protected urea, reducing fertiliser quantity, use of clover, maximisation of grass utilisation, reduction in concentrate use, low emissions slurry spreading, herd health and productivity.

Greater clarity will emerge in the coming weeks as the Food Vision Dairy Group outline their recommendations to Government. This will influence the overall pathway and the nature of actions required to enable agriculture to meet its emissions reduction targets.

**Kg CO_2(e)/ Kg FPCM - Kilograms of Carbon Dioxide equivalent per Kilogram of Fat and Protein Corrected Milk.*

Dairygold/Teagasc Signpost Farm programme 2021 – 2025

In 2021, we initiated a new five-year Dairygold Signpost Farm programme, focused on sustainability.

The five core objectives of this programme are as follows:

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

Through our network of 10 Dairygold Signpost farms, which are part of the National Signpost Farm programme, we will proactively engage and lead all of Dairygold's Milk Suppliers towards reducing their environmental impact while maintaining on-farm profitability.

In 2022, the focus of the Signpost Farm programme is on fertiliser, feed optimisation maximising grass utilisation and reducing concentrate, herd health, communications and knowledge transfer.

Meet Dairygold's Signpost Farmers

Our 10 Dairygold Signpost Farmers will implement and showcase sustainability measures on their farms, in line with the five objectives of the Signpost Farm programme.

The Signpost Farmers completed Dairygold's inaugural sustainability training programme in 2021. Commenting at the launch of this programme in June 2021, Minister for Agriculture, Food and the Marine Charlie McConalogue said:

> *"Initiatives like the Dairygold sustainability training programme are what we need to see more of – measurable results from initiatives to achieve targeted reductions in emissions."*

Sean Barry
Limerick

Jimmy Cotter
Mid Cork

Raymond Goggin
Mid Cork

Tim Leader
Mallow

Mark Lonergan
Tipperary

Sean Moher
Mitchelstown

Joe Morrissey
East Cork

Tom O'Connell
Mid Cork

Tim O'Riordan
Mallow

John Walsh
Tipperary

Financial Overview

In 2021, the Society delivered a strong financial performance, in a year where, we continued to live and work with COVID-19, commodity markets including dairy products were buoyant and inflationary pressures impacted on the cost side. The 2021 financial performance delivered Turnover of €1.17 billion, up 15.0% on 2020, EBITDA of €57.6 million, up 7.2% on 2020, having invested cash of €31.8 million in Capital Expenditure, while reducing the Net Bank Debt by €11.0 million, to €108.2 million.

Pictured are Edel, Aileen, Hannah, Denise and baby Joe Bradfield.

2021
FINANCIAL HIGHLIGHTS

- Delivered an **EBITDA of €57.6 million** and operating profit of **€30.4 million**, after paying a very competitive milk price.
- Turnover of **€1.17 billion,** an increase of **€152.6 million** from 2020.
- The net bank debt of **€108.2 million**, a decrease of **€11.0 million** from 2020, gave a net bank debt to EBITDA ratio of **1.9:1**.
- Invested **€31.8 million** (net of grants) in capital expenditure.
- Received **€8.0 million** in Loan Notes.
- Increased net asset value by **€34.5 million** to **€422.2 million**.

Consolidated Income Statement

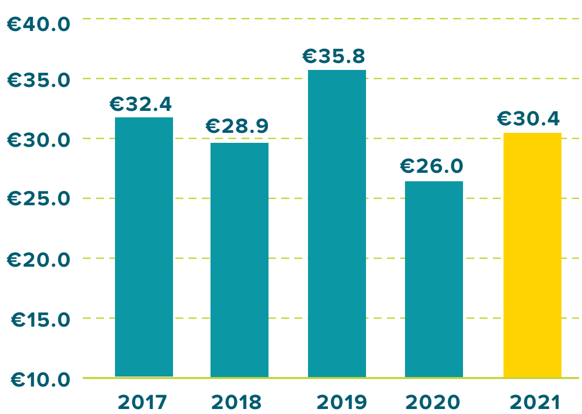
Turnover in 2021 was €1,169.4 million (2020: €1,016.8 million), an increase of €152.6 million.

- Dairy Business turnover increased by €112.0 million to €871.6 million (2020: €759.6 million), with significant increased market returns during the year and an increase in sales volumes driven by an increase in milk volumes of 4.2%.
- Agri Business turnover increased by €32.3 million year-on-year to €276.2 million, with an increase of €22.7 million in agri operations, reflecting increased volumes and price for both ruminant feed and fertiliser and an increase of €9.6 million in agri retail, driven primarily by higher sales volumes.
- Non-core activities turnover increased by €8.3 million to €21.6 million, primarily due to an increase in property sales in 2021, versus 2020.

2021 EBITDA was €57.6 million (2020: €53.8 million), an increase of €3.8 million, reflecting an increased level of profitability in the core business, benefitting from a stronger trading performance, including increased volumes and improved efficiencies. In addition, non-core activities delivered solid returns on property sales during 2021.

The operating profit was €30.4 million (2020: €26.0 million), an increase of €4.4 million, reflecting the increase in EBITDA of €3.8 million and a decrease in depreciation, impairment and amortisation costs of €0.6 million.

Operating Profit €million



The share of joint ventures' and associates' performance delivered an operating profit of €0.6 million in 2021 (2020: €0.7 million). The net interest payable was €6.4 million (2020: €6.9 million), with the decrease primarily driven by lower interest costs due to decreased bank margin, based on the decreased level of debt in 2020 versus 2019.

The profit after tax for the financial year of €24.4 million (2020: €12.2 million), an increase of €12.2 million, reflected a decrease in exceptional items of €4.8 million, an improvement in the fair value of financial assets of €4.4 million, an increased operating profit of €4.3 million, a decrease of €0.5 million in net interest payable, partially offset by a decrease in share of gains/(losses) of joint ventures and associates of €0.1 million and an increase in the taxation charge of €1.7 million.

Consolidated Statement of Financial Position

In 2021, the net asset value of the Society increased by €34.5 million to €422.2 million (2020: €387.7 million). The increase primarily reflected the profit for the financial year of €24.4 million, a positive movement in the net pension asset of €6.8 million, favourable foreign exchange differences on translation of €2.5 million and a net share capital movement of €2.1 million. This was partially offset by share interest and dividends paid of €1.3 million.

Fixed assets of €435.1 million (2020: €408.1 million), comprising of intangible assets, tangible assets, investment properties and financial assets, increased by a net €27.0 million, as a result of:

- capital expenditure investment of €48.1 million;
- an increase in other investments of €11.3 million;
- a translation adjustment of €0.6 million; and
- an increase in the investments in joint ventures and associates of €0.4 million.

These increases were partially offset by:

- depreciation, amortisation and impairment charges of €28.7 million;
- disposals in the year of tangible assets of €2.5 million; and
- disposals in the year of investment properties of €2.2 million.

Net current assets less creditors falling due after more than one year, resulted in a liability of €28.9 million (2020: €30.0 million), a decrease of €1.1 million, primarily as a result of:

- a decrease in net bank debt of €11.0 million to €108.2 million (2020: €119.2 million), reflecting a decrease in loans falling due after more than one year of €8.0 million, a decrease in bank overdrafts and invoice discounting of €6.3 million to €14.6 million (2020: €20.9 million) and a decrease in cash at bank and in hand of €3.3 million to €6.4 million (2020: €9.7 million);
- an increase in debtors of €36.7 million to €136.9 million (2020: €100.2 million); and
- an increase in stocks of €27.7 million to €158.9 million (2020: €131.2 million).

These variances were partially offset by:

- an increase in creditors, excluding bank financing, of €74.3 million to €216.5 million (2020: €142.2 million), mainly driven by an increase in trade creditors, year end provisions and deferred income, an increase in the Revolving Fund (including interest accrued) and an increase in Loan Notes (including interest accrued) in the current year.

The capital grants' liability of €8.9 million (2020: €10.0 million), decreased by €1.1 million, following receipt of capital grants, offset by the amortisation charge for the year. The deferred tax liability of €13.7 million (2020: €10.8 million) increased by €2.9 million year-on-year.

The consolidated statement of financial position as at 31 December 2021 included a pension asset of €38.5 million (2020: €30.4 million). The positive movement was driven by an increase in pension scheme assets of €18.2 million, partially offset by an increase in the pension scheme liabilities of €10.1 million.

The share capital increased by €3.0 million to €100.8 million (2020: €97.8 million), reflecting shares issued of €4.2 million, including bonus shares of €0.8 million, partially offset by shares redeemed of €1.2 million.

The profit and loss account reserve increased by €31.2 million to €315.4 million (2020: €284.2 million) reflecting the profit for the financial year (excluding non-controlling interests) of €24.1 million, positive movements related to the pension scheme of €6.8 million and favourable foreign exchange differences on translation of subsidiary undertakings of €2.5 million. This was partially offset by share interest of €1.3 million and a transfer to the bonus reserve of €0.9 million.

Consolidated Statement of Cash Flows

The decrease in bank overdrafts and invoice discounting of €6.3 million, and a decrease in bank loans of €8.0 million, partially offset by a decrease in cash at bank and in hand of €3.3 million, reflected the overall decrease in net bank debt of €11.0 million, from €119.2 million in 2020, to €108.2 million in 2021.

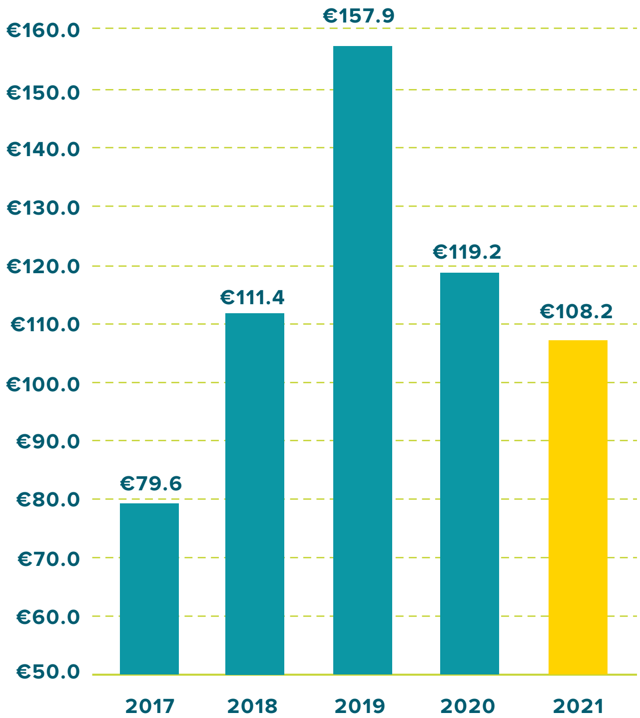
The decrease of €11.0 million resulted from:

- EBITDA of €57.6 million (2020: €53.8 million);
- Member Funding receipts of €8.4 million (2020: €3.1 million), in relation to Loan Notes of €8.0 million and the Revolving Fund of €4.8 million respectively and Revolving Fund repayments of €4.4 million;
- Disposal of tangible assets of €2.5 million (2020: €0.9 million);
- Disposal of investment properties of €2.2 million (2020: €nil); and
- Non-cash movements of €1.8 million (2020: decrease of €4.0 million) in relation to foreign exchange differences and revaluation of investment properties.

These were partially offset by:

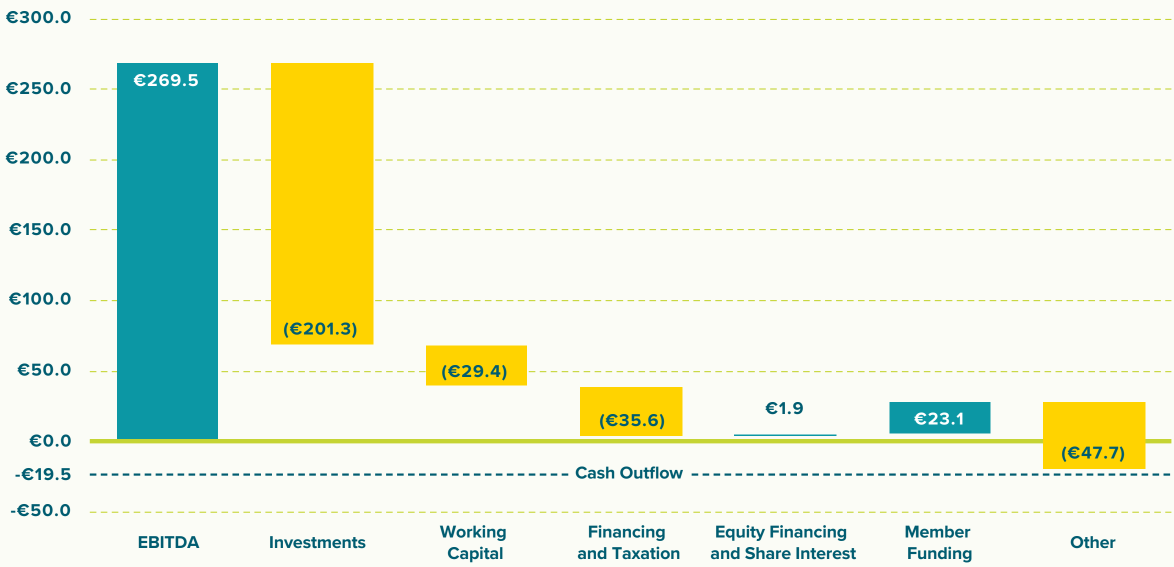
- Capital expenditure (net of grants) of €31.8 million (2020: €31.5 million);

Net Bank Debt €million



- An increase in working capital requirements of €14.3 million (2020: decrease of €25.8 million), resulting primarily from an increase in stock of €27.7 million and an increase in debtors of €36.7 million, partially offset by an increase in creditors of €50.1 million;
- Financial asset movements of €6.8 million (2020: €0.4 million);

Cash Outflow of €19.5 million between 2017 and 2021



- Payments of €6.4 million (2020: €7.2 million) to cover net finance costs, taxation, equity financing and share interest;
- Cash related to exceptional items and other movements of €2.2 million (2020: €1.7 million); and
- A difference of €nil (2020: €0.1 million) between payments and current services pension cost.

The Society's long-term borrowings are subject to financial covenants calculated in accordance with the facility agreements with the Society's lenders and the 2021 financial performance ensured compliance with all financial covenants, including the Society's net bank debt to EBITDA ratio of 1.9:1.

The Society's strong financial performance over the last number of years, ensures that the net bank debt remains at a sustainable level and provides the flexibility to invest in higher margin activities.

The Dairygold Paperless project launched last year, migrating all milk, trading, grain and equity statements to Gateway

Pension

The consolidated statement of financial position as at 31 December 2021 reflected a net pension asset of €38.5 million (2020: €30.4 million), with scheme assets of €300.4 million (2020: €282.2 million) and scheme liabilities of €261.9 million (2020: €251.8 million).

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 last undertaken by the Society in 2019 and in line with legislative requirements, an updated actuarial valuation is taking place in 2022.

Member Funding

In 2020, the Society introduced voluntary Loan Notes for 2020 and 2021 and advised of a new voluntary Revolving Fund to be introduced from 2021 to 2025.

Total Member Funding (including accrued interest) at year end 2021 was €37.1 million (2020: €27.9 million). This is made up of €16.4 million (2020: €8.0 million) in Loan Notes and €20.7 million (2020: €19.9 million) in the Revolving Fund.

In 2021, the Society issued Loan Notes of €8.0 million (2020: €8.0 million) which are due to be repaid in three years and five years, while there were no Loan Notes to be repaid in 2021 (2020: €0.7 million).

In 2021, the Society initiated a new voluntary Revolving Fund with circa 80% of Milk Suppliers contributing, generating €4.8 million. Contributions are being made over five years from 2021 to 2025. The Society also repaid €4.4 million to Members including interest of €0.7 million during 2021, in relation to the 2014 Revolving Fund. In 2022, the Society will repay €0.8 million to Members, including interest of €0.1 million, in relation to the 2015 Revolving Fund.

Non-Core Assets

Financial Assets

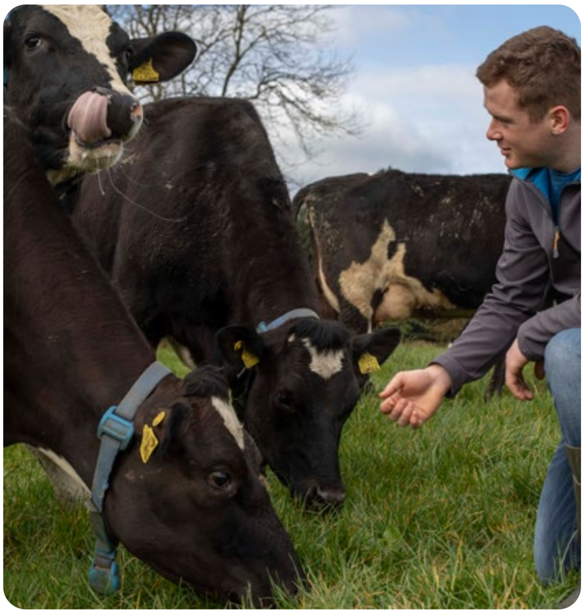
The Society's financial investment portfolio includes investments which are managed in conjunction with a third-party investment manager. In 2021, the market value of the quoted financial assets increased by €12.0 million to €35.3 million (2020: €23.3 million), including €6.0 million transferred from commercial property sales' proceeds.

The portfolio includes a holding in FBD plc of €0.4 million (€7.34 per share) and a diversified investment portfolio of €34.9 million, all stated as at 31 December 2021. During 2021, the Society's remaining Aryzta AG shareholding, was sold and the proceeds were re-invested in the diversified investment portfolio.

Property

The Society, as at 31 December 2021, holds circa €50.0 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.

In 2021, the Society achieved planning permission for developments in Mallow, Co. Cork and Ballyclough, Co. Cork and initiated significant planning applications for Creamfields, Kinsale Road, Cork with proposals submitted for residential accommodation, a primary care centre and other ancillary uses.



Summary and Outlook

In 2021, the Society delivered a solid financial performance, while paying a very competitive milk price, delivering a strong EBITDA, reducing net bank debt against a challenging working capital environment and generating a turnover in excess of one billion euro.

The Society continues to look to the future, developing and growing the business and its people, to ensure the sustainability of the organisation and its Shareholders, by delivering a consistently positive financial performance, paying a very competitive and strong price to Members for their produce, developing new higher margin opportunities outside the current core business, while addressing the significant sustainability challenges that face the dairy industry.

Directors, Officers, Committees

and other information

The Board of Directors

John O'Gorman - *Chairman*

Patrick Clancy - *Vice Chairman*

Maurice Curtin

Annette Flynn

Pat Gaynor

Brendan Hinchion

Fintan McSweeney

Michael J. Murphy

Sean O'Brien

Martin O'Doherty

Gerard O'Dwyer

Donal Shinnick

Conor Galvin - *Chief Executive*

Ann Fogarty - *Group Company Secretary*

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. Brendan Hinchion, 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 2021 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 2021. The Audit Committee also received insights on the Society's principal risks through receipt of regular updates from Senior Management, and detailed presentations on existing and emerging risks including:

- Health and Safety;
- Sustainability;
- Human Resources;
- Cybersecurity;
- Business Continuity / Resiliency; and
- Taxation.

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.

Ann Fogarty, Group Company Secretary, Conor Galvin, Chief Executive and Michael Harte, Chief Financial Officer.

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.

Mallow Nutritionals Campus achieved ISO 50001: Energy Management certification in 2021

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, and review of Audit Committee effectiveness on an annual basis.

Acquisition and Investments Committee

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

The Society Chairman 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;

Adrian Beatty, Group Head of Human Resources, Tim Healy, Chief Operations Officer, Liam O'Flaherty, General Manager, Agri Business and Eamon O'Sullivan, General Manager, Dairy Ireland.

- 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.

During 2021, the activities of the Acquisition and Investments Committee included approving the Strategy "Pathway for Growth" for Dairygold Health and Nutrition, evaluating potential acquisition targets, agreeing the divestment of certain commercial properties and that the resulting funds would be invested in the Diversified Financial Assets Portfolio, while agreeing to progress planning opportunities for other commercial properties. In addition, the performance and investment strategy of the Diversified Financial Assets Portfolio remained under constant review, with a certain individual asset holding agreed to be divested of in 2021. The appropriateness of the Society's Financing arrangements, including Member Funding, was also reviewed, in conjunction with its Investment requirements.

Remuneration Committee

The Remuneration Committee comprises Mr. Patrick Gaynor (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:

- consider and approve the strategy for the attraction, retention and succession planning of the Chief Executive and Group Company Secretary of the Society and its implementation, so that appropriate recommendations can be made to the Board;
- consider the overall strategy towards remuneration and compensation in the Society;
- 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.

During 2021, the Remuneration Committee conducted a comprehensive Chief Executive search and selection process to identify a successor for outgoing Chief Executive, Mr. Jim Woulfe, and on the 8 October 2021, the appointment of Mr. Conor Galvin, as Chief Executive Designate, was unanimously approved by the Board, on the recommendation of the Remuneration Committee. The appointment of Mr. Conor Galvin as Chief Executive was effective from 1 January 2022.

Rules Committee

The Rules Committee comprises Mr. John O'Gorman (Society Chairman), Mr. Patrick Clancy (Society Vice Chairman), Mr. Brendan Hinchion and Mr. Michael J. Murphy (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 a 'Rules Review Sub Committee', with the objective of reviewing the current Rules of the Society and bringing forth Rules resolutions for consideration and adoption by Members at a Special General Meeting (SGM) in 2020. Due to the COVID-19 pandemic, it was not possible to convene a physical SGM in 2020, resulting in a Board decision to defer a SGM until 2021.

The 'Rules Review Sub Committee' in consultation with the Group Company Secretarial Team, Senior Management, ICOS and the Society's legal advisors conducted a comprehensive Rules Review process over the 2019-2021 period. The 'Rules Review Sub Committee' recommended to the Board, the adoption of a new Rule Book for the Society, retaining the existing Rules and proposing some additional Rules and Rule amendments, in the best interests of the Members of the Society. The new Rule Book of the Society was unanimously adopted by Members in attendance at a Special General Meeting convened on 22 October 2021.

SENIOR LEADERSHIP TEAM

- Chief Executive
  Conor Galvin
- Group Company Secretary
  Ann Fogarty
- Chief Financial Officer
  Michael Harte
- Chief Operations Officer
  Tim Healy
- General Manager, Dairy Ireland
  Eamon O'Sullivan
- General Manager, Agri Business
  Liam O'Flaherty
- General Manager, Dairy UK & Europe
  Chris Edge
- Group Head of Human Resources
  Adrian Beatty

OTHER INFORMATION

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. James Conway
Mr. Robert Drake
Mr. John A. Fox
Mr. Jeremiah Linehan
Mr. Martin O'Doherty
Ms. Mary Twomey-Casey
Mr. Don Whelan

Mid-Cork

Mr. Patrick Ahern
Mr. John Bernard
Mr. Jerome Desmond
Mr. Patrick Foott
Mr. Brendan Hinchion
Mr. James Hurley
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. Jerry 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. John Kingston
Mr. Edmund C. Lynch
Mr. Sean O'Brien
Mr. Barry O'Connor
Mr. Patrick O'Donovan
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. Brendan Reidy
Mr. Michael Reidy

Regional Committees

AGHABULLOGUE/ RYLANE
Mr. Patrick Ahern
Mr. Edward Twomey

AHADILLANE
Mr. Donal Barrett
Vacancy

ALLENSBRIDGE/ DROMTARIFFE
Mr. John Joe O'Connor
Mr. Eamonn Thornton

ANGLESBORO
Mr. William Bourke

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

ARAGLEN
Mr. Frank Finn
Mr. P.J. O'Donoghue

ARDAGH/OLD MILL
Mr. Denis Hayes
Mr. James Windle

ARDFINNAN
Vacancy

BALLINAMONA
Mr. Shane Crean

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. Donal Quill

BALLYPOREEN
Mr. Patrick Clancy
Mr. James Conway

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

BAWNMORE
Mr. John O'Sullivan

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. Colm 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
Mr. Dan O'Brien

DONOUGHMORE
Mr. Liam Buckley
Mr. Fintan McSweeney

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

GALBALLY
Mr. Diarmuid Henebry

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
Vacancy

IMOKILLY
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

INCHIGEELA/TEERGAY
Vacancy

KILBEHENNY
Vacancy
Vacancy

KILCORNEY
Mr. Leonard Leader
Mr. Mark Leader

KILDORRERY
Mr. Tony Coffey
Mr. Robert Drake

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. Gearoid 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

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 Directors are responsible for preparing the Annual Report and the financial statements in accordance with Irish law and regulations.

Irish law requires the Directors to prepare financial statements for each financial period giving a true and fair view of the state of the Society's assets, liabilities and financial position at the end of the financial period, and of its profit or loss for the financial period. Under that law, the Directors have elected to prepare the financial statements 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 the Republic of Ireland' and Irish law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standard; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper books of account that disclose, with reasonable accuracy at any time, the financial position of the Society and enable them to ensure that the financial statements have been properly prepared in accordance with the requirements of the Industrial and Provident Societies Acts, 1893 to 2018. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board:

John O'Gorman

John O'Gorman
Chairman

15 March 2022

Patrick Clancy
Vice Chairman

15 March 2022

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 2021 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 and Financial Statements, which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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 and Financial Statements 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 Statement of Board Responsibilities set out on page 36, 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 parent Society 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.

Ken Johnson
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Limerick

29 March 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
TURNOVER	2	**1,169,398**	1,016,815
Cost of sales		**(910,159)**	(798,343)
Gross Profit		**259,239**	218,472
Operating costs		**(201,727)**	(168,858)
Grant amortisation		**1,515**	1,304
Intangible asset amortisation		**(1,317)**	(1,361)
Depreciation		**(27,401)**	(26,114)
Change in fair value of investment properties		**42**	2,564
Operating Profit before Exceptional Items	3	**30,351**	26,007
Exceptional items	4	**-**	(4,794)
Operating Profit after Exceptional Items		**30,351**	21,213
Share of gains of joint ventures		**589**	627
Share of (losses)/gains of associates		**(38)**	40
PROFIT on ordinary activities before investment income, interest and taxation		**30,902**	21,880
Net profit/(loss) on financial assets at fair value through profit and loss	5	**4,405**	(1)
Interest payable and similar charges	6	**(6,854)**	(7,375)
Interest receivable and similar income	6	**425**	466
PROFIT on ordinary activities before taxation		**28,878**	14,970
Taxation charge on profit on ordinary activities	8	**(4,517)**	(2,790)
PROFIT after taxation		**24,361**	12,180
Attributable to:			
Non-controlling interests	27	**226**	280
Owners of the parent entity		**24,135**	11,900
PROFIT for the financial year		**24,361**	12,180

The above results are derived from continuing operations.

On behalf of the Board:

John O'Gorman
Chairman

15 March 2022

Patrick Clancy
Vice Chairman

15 March 2022

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
PROFIT for the financial year		**24,361**	12,180
Share of joint ventures' reserves movements	*11*	**(5)**	21
Share of associates' reserves movements	*12*	**(7)**	(1)
Exchange differences on translation of subsidiary undertakings		**2,466**	(1,893)
Return on plan assets (excluding amounts included in net interest cost)	*23*	**23,444**	17,729
Experience (losses)/gains arising on pension scheme liabilities	*23*	**(2,619)**	756
Changes in assumptions underlying the present value of pension scheme liabilities	*23*	**(13,040)**	(12,847)
Deferred tax associated with movement on defined benefit pension scheme	*22*	**(1,016)**	(752)
Total other comprehensive income		**9,223**	3,013
Total comprehensive income for the year		**33,584**	15,193
Total comprehensive income for the year attributable to:			
Non-controlling interests	*27*	**226**	280
Owners of the parent entity		**33,358**	14,913
		33,584	15,193

Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	2021 €'000	2020 €'000
FIXED ASSETS			
Intangible assets	*9*	**7,777**	5,297
Tangible assets	*10*	**344,530**	329,474
Investment properties	*10*	**36,850**	39,100
Financial assets:			
Investments in joint ventures	*11*	**7,968**	7,547
Investments in associates	*12*	**461**	509
Other investments	*13*	**37,552**	26,219
		435,138	408,146
CURRENT ASSETS			
Stocks	*14*	**158,912**	131,215
Debtors	*15*	**136,895**	100,201
Cash at bank and in hand	*29*	**6,392**	9,743
		302,199	241,159
CREDITORS falling due within one year	*16*	**(194,379)**	(147,208)
NET CURRENT ASSETS		**107,820**	93,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**542,958**	502,097
CREDITORS falling due after more than one year	*17*	**(136,737)**	(123,956)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	*21*	**(8,868)**	(10,010)
Deferred taxation	*22*	**(13,688)**	(10,830)
NET ASSETS excluding pension asset		**383,665**	357,301
PENSION ASSET	*23*	**38,536**	30,407
NET ASSETS		**422,201**	387,708
CAPITAL AND RESERVES			
Share capital	*24*	**100,809**	97,789
Bonus reserve	*26*	**999**	918
Profit and loss account	*26*	**315,395**	284,188
EQUITY attributable to the owners of the parent entity		**417,203**	382,895
Non-controlling interests	*27*	**4,998**	4,813
TOTAL CAPITAL EMPLOYED		**422,201**	387,708

On behalf of the Board:

John O'Gorman
Chairman
15 March 2022

Patrick Clancy
Vice Chairman
15 March 2022

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	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 2020		**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**
Profit for the year		-	-	24,135	24,135	226	24,361
Other comprehensive income		-	-	9,223	9,223	-	9,223
Total comprehensive income for the year		-	-	33,358	33,358	226	33,584
Share interest	*25*	-	-	(1,239)	(1,239)	-	(1,239)
Dividends paid	*27*	-	-	-	-	(41)	(41)
Issue of ordinary shares including conversions	*24*	3,369	-	-	3,369	-	3,369
Shares redeemed	*24*	(1,180)	-	-	(1,180)	-	(1,180)
Reinstatement of previously cancelled shares	*24*	12	-	(12)	-	-	-
Transfer from profit and loss account to bonus reserve		-	900	(900)	-	-	-
Transfer from bonus reserve to share capital	*24*	819	(819)	-	-	-	-
At 31 December 2021		**100,809**	**999**	**315,395**	**417,203**	**4,998**	**422,201**

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Notes	**2021 €'000**	2020 €'000
Net cash inflow from operating activities	*28*	**41,585**	73,883
Investing activities			
Payments to acquire intangible assets		**(3,874)**	(1,926)
Payments to acquire tangible assets		**(28,289)**	(31,831)
Payments to acquire financial assets		**(18,951)**	(13,054)
Receipts on disposals of tangible assets		**2,489**	854
Receipts on disposals of financial assets		**12,135**	12,691
Receipts on disposals of investment properties		**2,150**	-
Capital grants received	*21*	**373**	2,295
Net cash flow from investing activities		**(33,967)**	(30,971)
Financing activities			
Decrease in long term loans		**(8,000)**	(8,000)
Decrease in bank overdrafts and invoice discounting		**(6,317)**	(30,195)
Movement in net bank debt		**(14,317)**	(38,195)
Equity share interest paid		**(1,236)**	(1,219)
Dividends paid to non-controlling interests	*27*	**(41)**	(46)
Interest paid		**(5,858)**	(6,660)
Interest received		**1**	2
Issue of share capital	*24*	**3,369**	1,621
Redemption of shares	*24*	**(1,006)**	(697)
Redemption of convertible stock	*19*	**(1)**	-
Loan notes		**7,994**	7,334
Revolving fund		**361**	(4,198)
Redemption of loan stock	*20*	**(235)**	(318)
Net cash flow from financing activities		**(10,969)**	(42,376)
(Decrease)/increase in cash and cash equivalents		**(3,351)**	536
Cash and cash equivalents at 1 January		**9,743**	9,207
Cash and cash equivalents at 31 December	*29*	**6,392**	9,743

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, P67 DD36.

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 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102").

The financial statements are prepared under the historical cost convention modified to include certain financial instruments at fair value as specified in the accounting policies below and measurement of net defined benefit pension asset at the fair value of the plan assets less the present value of the defined benefit obligation. The 2021 financial statements are for a 52 week period (2020: 52 weeks).

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 2021;

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 2020 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 2021; 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 Review 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 COVID-19 situation has matured and while the situation continues to evolve, its potential to have a significant negative impact on the Society and its Members has lessened. The Society has operated with COVID-19 for two years and has effectively managed to maintain business continuity, delivering strong financial performances in 2020 and 2021, while dealing with the challenging and volatile business environment.

The ongoing situation in Ukraine is likely to impact markets over the coming months due to impacts on input costs. This is an evolving and uncertain situation that we will continue to monitor.

Statement of Accounting Policies

The Society meets its day to day working capital requirements through a range of banking facilities. 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.

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.

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.

Statement of Accounting Policies

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.

(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. The Society also uses forward purchase commitments for certain raw materials to reduce exposure to price risk and not for speculative purposes.

Statement of Accounting Policies

Derivative financial instruments in relation to foreign currency contracts 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. These derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments in relation to forward purchase commitments are initially measured at fair value on the date the derivative contract is entered into but are not subsequently re-measured as the contracts are for own use purposes.

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

Tangible Assets and Depreciation:

Tangible 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 assets less estimated residual value, other than freehold land and tangible 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 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 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.

Statement of Accounting Policies

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 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 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.

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 financial assets 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.

Statement of Accounting Policies

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.

Capital Grants:

Grants receivable in respect of tangible 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.

Statement of Accounting Policies

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’).

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.

Statement of Accounting Policies

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 2021. 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.

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 2021. Consequently, no adjustments have been recognised in the financial statements for the year ended 31 December 2021.

d) Accounting for COVID-19

The Society has operated with COVID-19 for two years and has effectively managed to maintain business continuity, delivering strong financial performances in 2020 and 2021, while dealing with the challenging and volatile business environment.

Statement of Accounting Policies

The Board has considered the uncertainty surrounding COVID-19 and believes that COVID-19 will not result in any negative impact on the financial results and balances for the year ended 31 December 2021. Consequently, no adjustments have been recognised in the financial statements for the year ended 31 December 2021.

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 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 2021

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 2021 and 1 January 2022, if the euro had weakened/strengthened by 5% against the US dollar and sterling 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 and sterling 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 2021

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 €1.8m gain/loss (2020: €1.2m 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 €422.2m (2020: €387.7m).

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 EBITDA ratios. At 31 December 2021, the Society's net debt/adjusted EBITDA ratio was 1.93 times (2020: 2.35 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 2021

2. Turnover

	2021 €'000	2020 €'000
Turnover: group and share of joint ventures'	**1,196,900**	1,041,585
Less: share of joint ventures' turnover	**(27,502)**	(24,770)
Group turnover	**1,169,398**	1,016,815
Geographical analysis by destination:		
Ireland	**361,477**	336,861
United Kingdom	**183,403**	150,219
Rest of Europe	**363,115**	324,962
Rest of World	**261,403**	204,773
	1,169,398	1,016,815
Principal activities by class of business:		
Food ingredients	**871,605**	759,631
Agri business	**276,181**	243,868
Financial and property	**21,612**	13,316
	1,169,398	1,016,815
Analysis of turnover by category:		
Sale of goods	**1,130,164**	988,002
Rendering of services	**17,361**	15,340
Others including sale of shares and property activities	**21,873**	13,473
	1,169,398	1,016,815

3. Operating profit before exceptional items

	2021 €'000	2020 €'000
Operating profit before exceptional items is stated after charging/(crediting):		
Research and development expenditure	**1,041**	1,974
Foreign exchange (gain)/loss	**(582)**	2,143
Amortisation of intangible assets - Note 9	**1,317**	1,361
Impairment of intangible assets (included in operating costs) - Note 9	**89**	-
Depreciation of tangible assets - Note 10	**27,401**	26,114
Impairment of plant and machinery (included in operating costs) - Note 10	**-**	1,424
Impairment of land and buildings (included in operating costs) - Note 10	**-**	173
Profit on disposal of tangible assets - Note 10	**(2,367)**	(80)
Capital grants amortisation - Note 21	**(1,515)**	(1,304)
Cost of stock recognised as an expense	**910,159**	798,343
Impairment of stock recognised as an expense - Note 14	**3,000**	3,400

Notes to Financial Statements

for the year ended 31 December 2021

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.

	2021 €'000	2020 €'000
Operating profit before exceptional items	**30,351**	26,007
Grant amortisation	**(1,515)**	(1,304)
Intangible asset amortisation	**1,317**	1,361
Depreciation	**27,401**	26,114
Impairment	**89**	1,597
EBITDA	**57,643**	53,775

4. Exceptional items

	2021 €'000	2020 €'000
Restructuring costs	**-**	(4,821)
Insurance proceeds relating to damage to tangible assets	**-**	27
	-	(4,794)

During 2020, the Society completed an End to End Review of its Dairy Ireland and UK businesses and related Group activities. 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 gain in 2020 is the excess of the insurance proceeds over the net book value of the asset damaged. No such gains were recorded in the current year.

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

	2021 €'000	2020 €'000
Profit/(loss) on shares measured at fair value - Note 13	**4,405**	(1)

Notes to Financial Statements

for the year ended 31 December 2021

6. Finance costs

	2021 €'000	2020 €'000
Interest payable and similar charges:		
Bank interest payable and similar charges	**(6,777)**	(7,319)
Share of joint ventures' net interest payable	**(77)**	(56)
	(6,854)	(7,375)
Interest receivable and similar income:		
Bank interest receivable	**3**	4
Net interest receivable and similar income relating to pension - Note 23	**305**	317
Unwinding of the discount factor for receivables	**117**	145
	425	466

7. Payroll costs

	2021 Number	2020 Number
The weekly average number of employees:		
Dairygold Food Ingredients	**709**	783
Dairygold Agri Business	**561**	539
	1,270	1,322

	€'000	€'000
Payroll costs comprise:		
Wages and salaries	**70,503**	66,352
Social welfare costs	**7,094**	6,929
Other retirement benefit costs - Note 23	**5,747**	6,064
	83,344	79,345

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 €0.1m (2020: €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.

Notes to Financial Statements

for the year ended 31 December 2021

8. Taxation charge on profit on ordinary activities

Tax charge included in the consolidated income statement	2021 €'000	2020 €'000
Corporation tax:		
Irish tax	**(2,006)**	(505)
Foreign tax	**(773)**	(606)
	(2,779)	(1,111)
Prior year provision movement:		
Irish tax	**196**	745
Foreign tax	**-**	(11)
	196	734
Tax charge	**(2,583)**	(377)
Share of joint ventures' tax	**(92)**	(64)
Total corporation tax	**(2,675)**	(441)
Deferred tax charge - Note 22:		
Origination and reversal of timing differences	**(1,842)**	(2,349)
Total tax	**(4,517)**	(2,790)

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

	2021 €'000	2020 €'000
Deferred tax associated with movement on the defined benefit pension scheme - Note 22	**(1,016)**	(752)

Notes to Financial Statements

for the year ended 31 December 2021

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 2021 of 12.5% (2020: 12.5%). The differences are explained as follows:

	2021 €'000	2020 €'000
Profit on ordinary activities before tax	**28,878**	14,970
Tax on profit on ordinary activities at standard Irish corporation tax rate	**(3,610)**	(1,871)
Effects of:		
Expenses (disallowed)/allowed for tax purposes	**(23)**	128
Research and development tax credits	**892**	362
Excess capital allowances over depreciation	**801**	669
Income subject to higher tax rates (non-trading income)	**(667)**	(124)
Non taxable income	**12**	7
Losses brought forward utilised	**168**	-
Share of joint ventures' tax	**(92)**	(64)
Income tax	**(17)**	(15)
Adjustments in respect of previous periods	**196**	734
Higher tax rates (overseas)	**(335)**	(267)
Deferred tax - origination and reversal of timing differences	**(1,842)**	(2,349)
Taxation charge on profit on ordinary activities	**(4,517)**	(2,790)

Notes to Financial Statements

for the year ended 31 December 2021

9. Intangible assets

Software Development Costs	2021 €'000	2020 €'000
Cost		
At 1 January	**13,403**	27,305
Additions	**3,892**	1,926
Impairment	**(89)**	-
Disposals	**(4,274)**	(15,837)
Translation adjustment	**15**	9
At 31 December	**12,947**	13,403
Accumulated Amortisation		
At 1 January	**8,106**	22,568
Charged during the year	**1,317**	1,361
Disposals	**(4,256)**	(15,837)
Translation adjustment	**3**	14
At 31 December	**5,170**	8,106
Net Book Value		
At 31 December	**7,777**	5,297

Included in disposals for the year are retirements of intangible assets which are no longer in use, with a net book value of €0.01m (2020: €nil). These assets had a total cost of €4.27m (2020: €15.84m) and related accumulated amortisation of €4.26m (2020: €15.84m).

Notes to Financial Statements

for the year ended 31 December 2021

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 2020	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
Additions	1,568	158	1,411	543	39,134	42,814
Reclassification	(243)	-	243	-	-	-
Disposals	(140)	(2,487)	(5,007)	(225)	-	(7,859)
Transferred (to)/from investment properties	(234)	1,800	-	-	-	1,566
Transferred from CIP	3,318	-	3,872	207	(7,397)	-
Translation adjustments	532	-	971	1	-	1,504
At 31 December 2021	**233,011**	**5,934**	**323,060**	**8,455**	**41,799**	**612,259**
Accumulated Depreciation						
At 1 January 2020	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
Charged during year	7,517	-	19,362	522	-	27,401
Disposals	(141)	-	(5,005)	(224)	-	(5,370)
Translation adjustments	176	-	761	1	-	938
At 31 December 2021	**73,448**	**-**	**187,433**	**6,848**	**-**	**267,729**
Net Book Value						
At 31 December 2021	**159,563**	**5,934**	**135,627**	**1,607**	**41,799**	**344,530**
At 31 December 2020	**162,314**	**6,463**	**149,255**	**1,380**	**10,062**	**329,474**

Included in disposals for the year are retirements of tangible assets which are no longer in use, with a net book value of €nil (2020: €nil). These assets had a total cost and related accumulated depreciation of €5.3m (2020: €8.7m).

Notes to Financial Statements

for the year ended 31 December 2021

10. Tangible assets (continued)

During the year, tangible assets with a carrying amount of €2.5m (2020: €0.9m) were disposed of or transferred to development assets or investment properties. The assets had a cost of €7.9m (2020: €15.3m) and accumulated depreciation and impairment of €5.4m (2020: €14.4m). The carrying value of assets transferred to development assets or investment properties of €nil (2020: €0.8m) represents the deemed cost at the date of transfer and are included as additions in these asset categories. The profit on the disposal of tangible assets to third parties was €2.4m (2020: €0.1m).

The net carrying amount of assets held under finance leases included in land and buildings is €5.4m (2020: €5.6m).

Investment Properties	**2021 €'000**	2020 €'000
Valuation		
At 1 January	**39,100**	35,145
Additions	**1,424**	1,291
Disposals	**(2,150)**	-
Transfer (to)/from tangible assets	**(1,566)**	100
Revaluations	**42**	2,564
At 31 December	**36,850**	39,100

Investment properties are stated at open market value at 31 December 2021. 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 2021.

11. Investments in joint ventures

	2021 €'000	2020 €'000
Share of net assets - 1 January	**7,390**	6,862
Share of net results	**420**	507
Share of joint ventures' reserves movements	**(5)**	21
Share of net assets - 31 December	**7,805**	7,390
Loans to joint ventures - Note 31	**163**	157
Balance - 31 December	**7,968**	7,547

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.

Notes to Financial Statements

for the year ended 31 December 2021

12. Investments in associates

	2021 €'000	2020 €'000
Share of net assets - 1 January	**509**	473
Share of net results	**(41)**	37
Share of associates' reserves movements	**(7)**	(1)
Balance - 31 December	**461**	509

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.

13. Other investments

	2021 €'000	2020 €'000
Unquoted		
Shares at cost - 1 January	**413**	417
Additions	**-**	1
Disposals	**-**	(5)
Shares at cost - 31 December	**413**	413
Quoted		
Shares at fair value - 1 January	**23,310**	22,190
Additions	**18,951**	12,989
Disposals	**(11,406)**	(11,868)
Increase/(decrease) in fair value quoted shares	**4,405**	(1)
Shares at fair value - 31 December	**35,260**	23,310
Loan Stock		
Loan stock at fair value - 1 January	**2,496**	3,125
Redemptions net of additions	**(729)**	(770)
Unwinding of the discount factor	**112**	141
Loan stock at fair value - 31 December	**1,879**	2,496
Total	**37,552**	26,219

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.

Included in the quoted shares at fair value above is an amount of €3.6m (2020: €0.6m) of cash. This amount has not been reclassified to cash and cash equivalents as it is held for reinvestment in quoted shares.

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

Notes to Financial Statements

for the year ended 31 December 2021

14. Stocks

	2021 €'000	2020 €'000
Raw materials	**14,939**	12,157
Finished goods	**115,158**	97,451
Goods for resale	**22,256**	15,836
Expense stocks	**6,559**	5,771
	158,912	131,215

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 €3.0m (2020: €3.4m).

15. Debtors

	2021 €'000	2020 €'000
Trade debtors	**87,865**	73,700
Other debtors	**9,660**	2,831
Derivative financial instruments - Note 34	**-**	57
Prepayments and accrued income	**31,466**	17,093
Amounts due from related parties	**4,629**	4,134
VAT	**3,275**	2,386
	136,895	100,201

The invoice discounting facility of €70.0 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 €25.0 million (2020: €20.5 million) of trade debtors at year end.

Notes to Financial Statements

for the year ended 31 December 2021

16. Creditors falling due within one year

	2021 €'000	2020 €'000
Bank loans - Note 18	**-**	8,000
Bank overdrafts and invoice discounting	**14,629**	20,946
Revolving fund (including interest accrued) - Note 18	**805**	4,460
Trade creditors	**34,478**	25,018
Derivative financial instruments - Note 34	**271**	-
Provisions, accruals and deferred income	**134,554**	83,791
Amounts due to related parties	**5,606**	1,897
Corporation tax	**1,293**	117
PAYE and PRSI	**2,501**	2,742
Loan stock - Note 20	**242**	237
	194,379	147,208

17. Creditors falling due after more than one year

	2021 €'000	2020 €'000
Bank loans - Note 18	**100,000**	100,000
Loan notes (including interest accrued) - Note 18	**16,449**	8,076
Revolving fund (including interest accrued) - Note 18	**19,885**	15,410
Convertible stock - Note 19	**216**	217
Loan stock - Note 20	**187**	253
	136,737	123,956

18. Loans

	2021 €'000	2020 €'000
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years:		
Bank loans falling due within one year	**-**	8,000
Bank loans falling due between two and five years	**100,000**	100,000
Not wholly repayable within five years:		
Loan notes (including interest accrued)	**16,449**	8,076
Revolving fund (including interest accrued)	**20,690**	19,870
	137,139	135,946

Notes to Financial Statements

for the year ended 31 December 2021

18. Loans (continued)

The above loans are repayable as follows:	Bank Loans €'000	Loan Notes €'000	Revolving Fund €'000
Year ending 31 December 2022	-	-	805
Year ending 31 December 2023	100,000	-	-
Year ending 31 December 2024	-	3,681	5,894
Year ending 31 December 2025	-	4,489	6,108
Year ending 31 December 2026	-	4,682	7,883
Year ending 31 December 2027	-	3,597	-
	100,000	**16,449**	**20,690**

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 €100m (2020: €108m) 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.

Loan Notes

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 Society received €8m of Loan Notes during 2020. During 2021, Members and Employees were again offered the opportunity to invest on a voluntary basis in a Loan Note. There was an option for the Loan Note to run for three years or five years. The Loan Note was fully subscribed. The Society received €8m of Loan Notes during 2021.

Members and Employees who subscribed to the three year Loan Note will be repaid their investment in full plus accumulated interest on the third anniversary of their investment. The interest rate applying to the Loan Note is 3 month EURIBOR plus 3.0%. Interest is accrued on an annual basis. Members and Employees who subscribed to the five year Loan Note will be repaid their investment in full plus accumulated interest on the fifth anniversary of their investment. The interest rate applying to the 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 2021, the Society initiated a voluntary Revolving Fund with circa 80% of Milk Suppliers contributing, generating €4.8m. Contributions will be made over five years from 2021 to 2025. The interest rate applying to contributions is 3 month EURIBOR plus 2.75%. Interest is accrued on an annual basis.

During 2021, the Society repaid €4.4m of the Revolving Fund including interest.

Notes to Financial Statements

for the year ended 31 December 2021

19. Convertible stock

	2021 €'000	2020 €'000
At 1 January	**217**	217
Stock redeemed	**(1)**	-
At 31 December	**216**	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

	2021 €'000	2020 €'000
At 1 January	**490**	673
Arising on share redemption - Note 24	**174**	135
Loan stock repayment	**(235)**	(318)
At 31 December	**429**	490
Falling due within one year - Note 16	**242**	237
Falling due after more than one year - Note 17	**187**	253

21. Capital grants

	2021 €'000	2020 €'000
At 1 January	**10,010**	9,019
Received during the year	**373**	2,295
Credited to consolidated income statement	**(1,515)**	(1,304)
At 31 December	**8,868**	10,010

Grants of €9.5m (2020: €17.7m) 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.

Notes to Financial Statements

for the year ended 31 December 2021

22. Deferred taxation

	2021 €'000	2020 €'000
At 1 January	**10,830**	7,729
Charged to consolidated income statement - Note 8	**1,842**	2,349
Charged to consolidated statement of comprehensive income - Note 8	**1,016**	752
At 31 December	**13,688**	10,830
An analysis of the deferred tax balance is as follows:		
Timing differences	**5,013**	3,255
Unutilised tax losses	**(303)**	(472)
Tax on increase in market value of quoted shares	**-**	(25)
Tax on revaluation of investment properties	**4,161**	4,271
Tax on defined benefit pension surplus	**4,817**	3,801
At 31 December	**13,688**	10,830

The Society had an unrecognised deferred tax asset of €0.8m (2020: €0.8m) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

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 five years and will increase in line with CPI thereafter. A maximum rate of 4% in any year will apply throughout the period.

Notes to Financial Statements

for the year ended 31 December 2021

23. Pension asset (continued)

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

	2021	2020
Inflation rate increase	**2.10%**	1.40%
Deferred pension revaluation	**2.05%***	1.35%*
Pension payment increase	**2.05%**	1.35%
Discount rate	**1.30%**	1.00%

*For a period of seven 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 five years. A maximum rate of 4.00% will apply throughout the period.

Interest income on plan assets:
Interest income on plan assets for 2021 have been determined using an interest rate of 1.00% (2020: 1.30%) 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 1.3% (2020: 1.0%) reflects the market yield on high quality corporate bonds at 31 December 2021. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of FRS 102.

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 2021**		As at 31 December 2020	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.5**	**24.2**	22.6	24.5
Members age 45 (life expectancy from age 65)	**24.1**	**26.0**	24.4	26.4

Notes to Financial Statements

for the year ended 31 December 2021

23. Pension asset (continued)

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	Decrease by 0.25%	Increase by 4.6%
Rate of inflation	Decrease by 0.50%	Decrease by 7.7%
Rate of mortality	Members live for 1 year longer	Increase by 4.3%

Plan assets

The weighted average asset allocation at the year end was as follows:	**2021**	2020
Equities and other growth assets	**19.9%**	30.0%
Bonds	**68.2%**	60.1%
Properties and infrastructure	**9.2%**	9.7%
Cash	**0.3%**	0.2%
Other	**2.4%**	-
	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.

The overall surplus in the scheme at 31 December is:

	2021 €'000	2020 €'000
Equities and other growth assets	**59,918**	84,512
Bonds	**204,832**	169,501
Properties and infrastructure	**27,543**	27,507
Cash	**776**	660
Other	**7,328**	-
Fair value of assets	**300,397**	282,180
Present value of scheme liabilities	**(261,861)**	(251,773)
Closing pension asset	**38,536**	30,407

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

	2021 €'000	2020 €'000
Cost arising from employee service in the reporting period	**152**	365
Administrative expenses	**428**	456
Total charged within operating profit	**580**	821

Notes to Financial Statements

for the year ended 31 December 2021

23. Pension asset (continued)

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

	2021 €'000	2020 €'000
Interest income on plan assets	**2,782**	3,439
Interest on past service scheme liabilities	**(2,477)**	(3,122)
Net interest receivable and similar income relating to pension	**305**	317

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

	2021 €'000	2020 €'000
Return on plan assets (excluding amounts included in net interest cost)	**23,444**	17,729
Experience (losses)/gains arising on the scheme liabilities	**(2,619)**	756
Changes in assumptions underlying the present value of scheme liabilities	**(13,040)**	(12,847)
Remeasurement gains recognised in other comprehensive income	**7,785**	5,638

Movement in pension scheme assets:	2021 €'000	2020 €'000
Value at 1 January	**282,180**	268,139
Return on assets	**2,782**	3,439
Return on plan assets (excluding amounts included in net interest cost)	**23,444**	17,729
Employer contributions	**619**	880
Benefit payments and expenses	**(8,628)**	(8,007)
Value at 31 December	**300,397**	282,180

Movement in pension scheme liabilities:	2021 €'000	2020 €'000
Value at 1 January	**(251,773)**	(243,746)
Cost (excluding interest):		
(i) Cost arising from employee service in the reporting period	**(152)**	(365)
Interest expense	**(2,477)**	(3,122)
Cash flows		
(i) Benefit payments from plan assets	**8,048**	7,186
(ii) Insurance premiums for risk benefits	**152**	365
Remeasurements		
(i) Effect of the changes in the assumptions	**(13,040)**	(12,847)
(ii) Effect of experience adjustments	**(2,619)**	756
Value at 31 December	**(261,861)**	(251,773)

Notes to Financial Statements

for the year ended 31 December 2021

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 €0.1m (2020: €0.1m).

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 €5.8m (2020: €6.1m) which comprised of a charge of €0.6m (2020: €0.8m) in respect of the defined benefit pension scheme, as noted above, and a cost of €5.2m (2020: €5.3m) in respect of the defined contribution schemes (which includes €0.1m (2020: €0.1m) 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 2021. 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	**2021 €'000**	2020 €'000
Issued and fully paid		
At 1 January	**97,789**	96,174
Shares issued	**3,369**	1,621
Transfer from bonus reserve to share capital	**819**	826
Shares redeemed	**(1,180)**	(832)
Reinstatement of previously cancelled shares - in accordance with Rule 15	**12**	-
At 31 December	**100,809**	97,789

	2021 €'000	2020 €'000
Cash paid	**(1,006)**	(697)
Arising as loan stock - Note 20	**(174)**	(135)
Shares redeemed	**(1,180)**	(832)

Notes to Financial Statements

for the year ended 31 December 2021

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 being 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 Society quoted milk price is less than 30.0 cent per litre (VAT inclusive), in any given month.

25. Share interest

	2021 **€'000**	2020 €'000
Share interest paid @ 1.25% (2020: 1.25%)		
Ordinary share capital	**(1,236)**	(1,220)
Increase in a provision	**(3)**	(21)
	(1,239)	(1,241)

The Board has recommended that share interest of 1.25% be paid on the share capital, loan stock and bonus shares at 31 December 2021. This will amount to €1.3m (2020: €1.2m) 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 0.8m shares from the bonus reserve to share capital.

27. Non-controlling interests

	2021 **€'000**	2020 €'000
At 1 January	**4,813**	4,579
Profit after tax and total comprehensive income	**226**	280
Dividends paid	**(41)**	(46)
At 31 December	**4,998**	4,813

Notes to Financial Statements

for the year ended 31 December 2021

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

	2021 €'000	2020 €'000
Operating profit before exceptional items	**30,351**	26,007
Amortisation of intangible assets	**1,317**	1,361
Depreciation	**27,401**	26,114
Impairment of tangible assets	**-**	1,597
Impairment of intangible assets	**89**	-
Capital grants amortisation	**(1,515)**	(1,304)
EBITDA	**57,643**	53,775
Profit on the revaluation of investment properties	**(42)**	(2,564)
Present valuing of turnover	**-**	16
Difference between current service pension cost and payments made	**(39)**	(59)
Cash related to exceptional items	**(2,153)**	(1,660)
Working capital movements		
(Increase)/decrease in stocks	**(27,697)**	21,023
(Increase)/decrease in debtors	**(36,694)**	22,336
Increase/(decrease) in creditors	**50,087**	(17,526)
Foreign exchange differences	**1,888**	(1,506)
Taxation		
Corporate income tax (payment)/receipt	**(1,408)**	48
Net cash inflow from operating activities	**41,585**	73,883

Analysis of changes in net debt	At 1 January 2021 €'000	Cash flow €'000	At 31 December 2021 €'000
Cash and bank balances	9,743	(3,351)	**6,392**
Bank overdrafts and invoice discounting	(20,946)	6,317	**(14,629)**
Bank loans due within one year	(8,000)	8,000	**-**
Bank loans due after one year	(100,000)	-	**(100,000)**
	(119,203)	10,966	**(108,237)**

Notes to Financial Statements

for the year ended 31 December 2021

29. Cash at bank and in hand

	2021 €'000	2020 €'000
Cash at bank and in hand	**6,392**	9,743

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 and cash equivalents.

30. Commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €45.5m (2020: €24.8m).

At the year end, the Society had forward purchase commitments for certain raw materials amounting to €62.2m (2020: €47.1m) 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 2021 amounted to €13,423,000 (2020: €12,037,000) and €6,201,000 (2020: €4,824,000) respectively. The trading balances outstanding by and to the Society amounted to €2,614,000 (2020: €1,678,000) and €4,462,000 (2020: €4,053,000) respectively at the year end. The Society has provided a loan of €163,000 (2020: €157,000) 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 2021, the purchases from and sales to Munster Cattle Breeding Group Limited and its subsidiaries amounted to €nil (2020: €nil) and €711,000 (2020: €873,000) respectively. The trading balances outstanding by and to the Society amounted to €3,501,000 (2020: €nil) and €55,000 (2020: €40,000) 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 €19,392,000 (2020: €16,254,000) and €2,265,000 (2020: €1,697,000) respectively. The trading balances outstanding by and to the Society amounted to €2,992,000 (2020: €219,000) and €112,000 (2020: €81,000) respectively at the year end. No specific reserve has been required in 2021 (2020: €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 is employed by the Society in the Dairy Food Ingredients Division on standard terms of employment for that Division.

Notes to Financial Statements

for the year ended 31 December 2021

31. Related party transactions (continued)

Directors, close family Members and key management of the Society, in aggregate, had Loan Note balances of €1,265,000 (2020: €751,000) owing to them at the year end, inclusive of accrued interest. During the year, Loan Note balances of €nil (2020: €nil) 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 €186,000 (2020: €136,000) owing to them at the year end, inclusive of accrued interest. During the year, Revolving Fund balances of €30,000 (2020: €26,000) 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 €4.5m (2020: €3.6m) analysed between the Senior Leadership Team and the Board of Directors.

	2021 Number	2020 Number
Senior Leadership Team	**9**	9
	€'000	€'000
Basic salaries	**1,995**	1,883
Performance related pay	**1,116**	406
Other emoluments	**224**	211
Employer's PRSI	**389**	288
Employer's pension and retirement fund contributions	**322**	347
	4,046	3,135

	2021 Number	2020 Number
Board of Directors	**12**	12
	€'000	€'000
Directors' fees	**446**	422

2021 reflects the full year of the revised Senior Leadership Team, which was established in 2020, to support the growth and development of the business.

2021 Performance Related Pay incorporates payments to certain Members of the Senior Leadership Team, based on the achievement of certain performance targets included in the 2017 to 2019 Strategic Growth Delivery and Reward Scheme (Long Term Incentive Plan) and an increased GRID (Getting Results in Dairygold) payment reflecting the overall improved business performance in 2021.

2020 Remuneration to the CEO and Board of Directors included a 10% pay cut, applicable from July to December 2020 inclusive.

Notes to Financial Statements

for the year ended 31 December 2021

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 under Section 357 (1)(b) of the Companies Act 2014, has given an irrevocable guarantee to meet all commitments entered into by it's Irish subsidiaries, including amounts shown as liabilities in the statutory financial statements of the Irish subsidiaries for the financial year ended 31 December 2021 and as a result the subsidiaries are exempted from filing their individual financial statements with the Irish Companies Registration Office.

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 and 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
Dairygold Health & Nutrition Limited	Ireland	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 2021

34. Financial instruments

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

	2021 €'000	2020 €'000
Financial assets		
Measured at fair value through profit or loss		
Investments in listed equity instruments - Note 13	**35,260**	23,310
Forward foreign currency contracts - Note 15	**-**	57
Debt instruments measured at amortised cost		
Convertible loan stock - Note 13	**1,879**	2,496
Measured at undiscounted amounts receivable		
Trade debtors - Note 15	**87,865**	73,700
Amounts due from related undertakings - Note 15	**4,629**	4,134
Equity instruments measured at cost less impairment		
Investments in unlisted equity instruments - Note 13	**413**	413
Financial liabilities		
Measured at fair value through profit or loss		
Forward foreign currency contracts - Note 16	**(271)**	-
Measured at amortised cost		
Bank overdrafts and invoice discounting - Note 16	**(14,629)**	(20,946)
Bank loans - Note 18	**(100,000)**	(108,000)
Revolving fund - Note 18	**(20,690)**	(19,870)
Loan notes - Note 18	**(16,449)**	(8,076)
Loan stock - Note 20	**(429)**	(490)
Convertible stock - Note 19	**(216)**	(217)
Measured at undiscounted amounts payable		
Trade creditors - Note 16	**(34,478)**	(25,018)
Amounts due to related parties - Note 16	**(5,606)**	(1,897)

The Society enters into forward foreign currency exchange contracts to mitigate the exchange rate risk for certain foreign currency sales. At 31 December 2021, the outstanding contracts all mature within 2 months (2020: 3 months) of the end of the financial year. The Society is committed to sell US$12.6m (2020: US$2.2m) and £0.2m (2020: £nil) 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.

Notes to Financial Statements

for the year ended 31 December 2021

34. Financial instruments (continued)

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

	2021 €'000	2020 €'000
Interest income		
Total interest income for financial assets at amortised cost - Note 6	**117**	145
Fair value gains/(losses)		
On financial assets (including listed investments) measured at fair value through profit and loss - Note 13	**4,405**	(1)

35. Future operating lease income

	2021 €'000	2020 €'000
The total future minimum lease receipts under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	**180**	26
- between one and five years	**1,300**	1,630
- after five years	**7,054**	7,362
At 31 December	**8,534**	9,018

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, the Society availed of government assistance for rates, rates waived amounted to €0.3m (2020: €0.9m).

In 2021, the Society received a government training grant of €0.7m (2020: €nil) and a government energy credit of €0.4m (2020: €nil).

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 €0.1m (2020: €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. Events since the end of the financial year

No 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 15 March 2022.

Five Year Historical Information

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

Five Year Consolidated Income Statement

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
TURNOVER	**1,169,398**	1,016,815	1,020,398	992,887	965,525
EBITDA	**57,643**	53,775	56,616	48,638	52,780
OPERATING PROFIT	**30,351**	26,007	35,751	28,856	32,402
Share of joint ventures	**589**	627	623	488	341
Share of associates	**(38)**	40	36	34	25
Exceptional items	**-**	(4,794)	737	-	(957)
Net gains/(losses) on financial assets at fair value through profit and loss	**4,405**	(1)	978	(14,982)	492
Net interest (payable)/receivable	**(6,429)**	(6,909)	(6,585)	(5,599)	(5,876)
PROFIT before taxation	**28,878**	14,970	31,540	8,797	26,427
Taxation	**(4,517)**	(2,790)	(881)	430	(4,933)
PROFIT after taxation	**24,361**	12,180	30,659	9,227	21,494

Five Year Consolidated Statement of Financial Position

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
Net assets employed:					
Fixed assets	**435,138**	408,146	412,334	375,726	312,909
Stocks	**158,912**	131,215	152,239	157,713	144,317
Debtors	**136,895**	100,201	122,844	122,983	110,304
Creditors	**(216,487)**	(142,218)	(164,115)	(205,015)	(139,000)
Net bank debt	**(108,237)**	(119,203)	(157,934)	(111,357)	(79,648)
Capital grants	**(8,868)**	(10,010)	(9,019)	(6,752)	(7,950)
Deferred taxation	**(13,688)**	(10,830)	(7,729)	(7,568)	(5,935)
Pension asset	**38,536**	30,407	24,393	12,168	473
	422,201	387,708	373,013	337,898	335,470
Financed by:					
Shareholders' funds	**417,203**	382,895	368,434	333,590	331,511
Non-controlling interests	**4,998**	4,813	4,579	4,308	3,959
TOTAL CAPITAL EMPLOYED	**422,201**	387,708	373,013	337,898	335,470

Five Year Historical Information

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

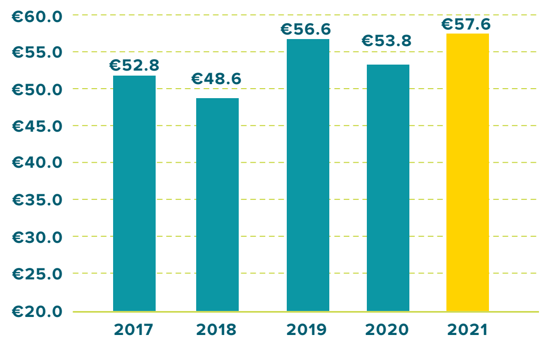
Five Year Consolidated Cash Flow

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
EBITDA:					
Operating profit	**30,351**	26,007	35,751	28,856	32,402
Amortisation of intangible assets	**1,317**	1,361	1,204	1,250	2,104
Depreciation	**27,401**	26,114	20,437	19,335	19,920
Impairment of tangible assets	**-**	1,597	375	395	150
Impairment of intangible assets	**89**	-	-	-	-
Grants	**(1,515)**	(1,304)	(1,151)	(1,198)	(1,796)
EBITDA	**57,643**	53,775	56,616	48,638	52,780
Investments	**(33,967)**	(30,971)	(64,281)	(58,705)	(13,355)
Working capital	**(14,303)**	25,833	(21,487)	6,723	(26,117)
Finance costs	**(5,857)**	(6,658)	(6,422)	(5,290)	(5,382)
Equity share interest paid	**(1,236)**	(1,219)	(1,185)	(1,142)	(1,182)
Equity financing	**2,086**	560	466	2,584	2,133
Member funding	**8,355**	3,136	2,369	3,931	5,292
Taxation (paid)/receipt	**(1,408)**	48	890	(5,163)	(314)
Other	**(2,235)**	(4,266)	(14,866)	(23,076)	(3,959)
Increase/(decrease) in cash in the year	**9,078**	40,238	(47,900)	(31,500)	9,896
Non cash movements	**1,888**	(1,507)	1,323	(209)	(813)
Movement in net debt	**10,966**	38,731	(46,577)	(31,709)	9,083
Net bank debt at 1 January	**(119,203)**	(157,934)	(111,357)	(79,648)	(88,731)
NET BANK DEBT AT 31 DECEMBER	**(108,237)**	(119,203)	(157,934)	(111,357)	(79,648)

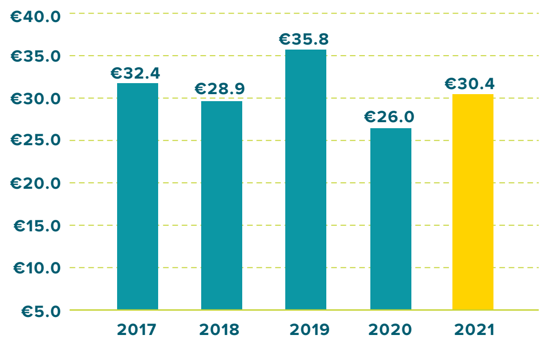
Financial Performance Overview

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

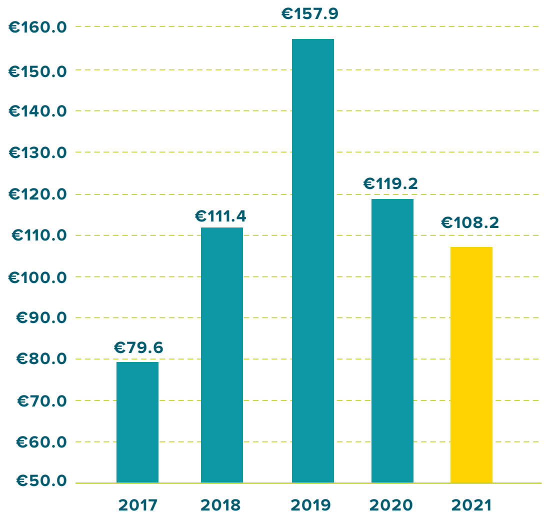
EBITDA €million



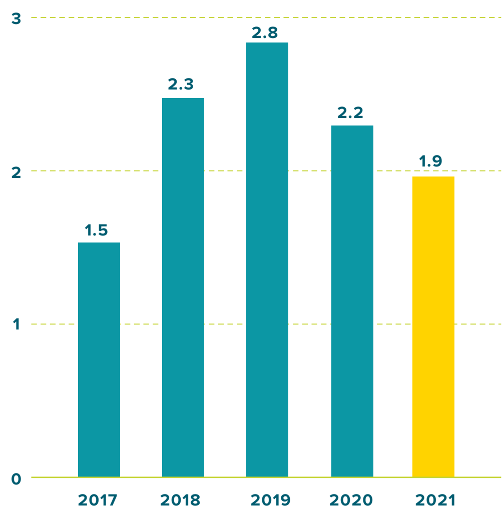
Operating Profit €million



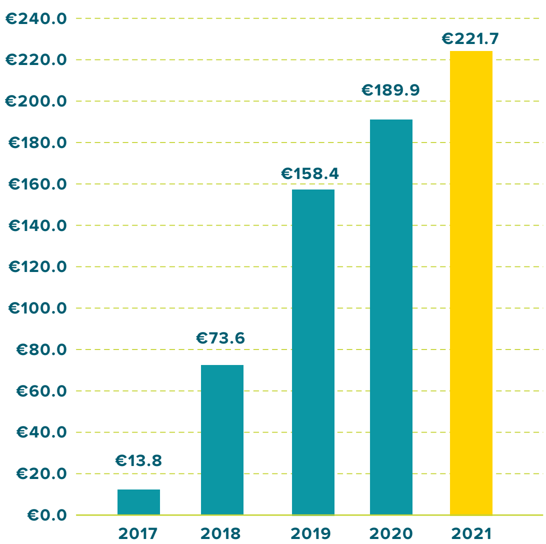
Net Bank Debt €million



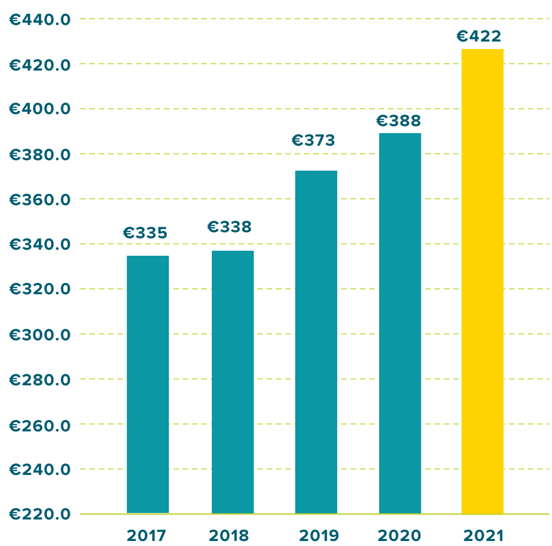
Net Bank Debt: EBITDA



Cumulative Capital Investment €million



Net Asset Value €million



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