Annual Report and Financial Statements **2022**

Key Highlights **2022**

Turnover
€1.65
BILLION

EBITDA*
€68.5
MILLION

Operating Profit
€40.2
MILLION

Capital Investment
€40.0
MILLION

Net Asset Value
€457.8
MILLION

Milk Production
1.48
BILLION LITRES

** Earnings before Interest, Taxation, Depreciation and Amortisation ('EBITDA')*

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*Press **'click here'** to view the Dairygold 2022 Highlights video*

Seán O'Brien, *Chairman, Dairygold.*

In 2022, Dairygold paid record milk and grain prices to its Suppliers, reflecting strong global dairy and grain markets and despite significant inflationary cost pressures, it was a successful year for Dairygold and its Members.

Chairman's Statement

2022 was a year of unprecedented increases in commodity prices, driven by a number of factors, primarily the Russian invasion of Ukraine, which drove significant inflationary pressures. Dairy and grain markets were generally buoyant, with prices only weakening towards the end of the year. The buoyant markets led to record milk and grain prices, but on the cost side, higher energy, fertiliser and feed prices, significantly impacted the cost of production. However, overall, the higher market returns ensured a very successful year for Dairygold and its Members.

Milk Production

Irish milk supply fell short of expectations, primarily due to the initial response to higher input costs. In Dairygold, milk production remained generally in line with 2021, with the Society collecting and processing 1.48 billion litres of milk from its Milk Suppliers. The peak week milk supply was 45.7 million litres, down 1.4 million litres on 2021. Any future growth in milk volumes will be dependent on addressing the sustainability challenges and the targets required (see pages 21-28) to be achieved by the industry, as required by legislation, and demanded by Customers and other Stakeholders.

Strong milk solids were delivered, with Dairygold Milk Suppliers achieving average annual levels of 3.59% for Protein and 4.29% for Butter Fat. The Irish dairy industry's international reputation is heavily dependent on the high quality standard of its milk. The milk solids and other positive quality measurements, are a clear demonstration of Dairygold's leadership in this area.

Dairy Markets

2022 was certainly an unprecedented year for milk price. Several factors on the supply side, including weaker output in the major global milk producing regions, post pandemic supply bottlenecks and the war in Ukraine, combined with stable demand, significantly strengthened dairy market returns.

Dairygold reflected this market dynamic, paying a historically high milk price of 62.4 cent per litre, based on the average constituents received including bonuses, plus VAT, an increase of 52% on 2021's milk price and a 70% increase on Dairygold's five-year average milk price of 36.8 cent per litre, from 2017 to 2021.

Dairy market prices have weakened in recent months, with slower economic growth and the impact of the high product prices reducing demand. This has inevitably impacted milk price in 2023, but as always, Dairygold's main priority is to continue to maximise returns for its Members.

Milk Quality

Dairygold Milk Suppliers Gearóid and Sarah Maher from Killuragh, Cappamore, Co. Limerick were declared the overall winners of the 2021 Dairygold Milk Quality Awards and winners of the Limerick region for consistently supplying the best quality milk to Dairygold throughout 2021. The Sustainability Award, which recognises Milk Supplier's efforts in making their enterprises more sustainable, was won by Liam and Geraldine Herlihy of Kingsland, Bruree, Kilmallock, Co. Limerick.

A strong supply of high quality milk is the foundation of Dairygold's success, and we will continue to support our Milk Suppliers in their goals to achieve this.

Dairygold Milk Quality Award Winners 2021 Gearóid and Sarah Maher with their daughter Sally Kate.

Agri Business

Our Agri Business delivered a strong performance in 2022, with all aspects of the business operating successfully. A key highlight was securing the required volumes and ensuring the supply of critical inputs such as feed and fertiliser to all of our Customers across the year, despite the many challenges in the supply chain.

Good weather across the year supported grass growth and also ensured a strong grain harvest in 2022, with over 107,000 tonnes of grain purchased by Dairygold, and a leading grain price paid by the Society.

The war in Ukraine created considerable challenges for feed and fertiliser supply, driving significant price increases. These challenges remain into 2023, as the war continues.

2022 also saw a significant rise in energy costs for both our Members and the Society and Dairygold is continuously working to be as energy efficient as possible to drive down costs. In addition, Dairygold is always looking for other ways to alleviate these cost pressures on our Members.

In recognition of the challenges experienced by Members and Customers from input cost inflation, the Board approved a doubling of the loyalty cash bonus for 2022 on a once off basis. In total, over €4.5 million was paid to our Customers in cash and shares, which represented an increase of €2.4 million over 2021.

Our Retail Business once again exceeded €100 million in sales in 2022, which was a major achievement against the backdrop of significant challenges to consumer confidence, due to the general economic uncertainty.

We were finally able to celebrate the official opening, with our Customers of our stores at Rathduff, Ballinhassig and Parteen and the importance of these stores to their localities was clear to see during these events.

As part of Dairygold's health and safety *"Zero Harm Programme"*, Dairygold has continued its focus on health and safety throughout the Society, and in Retail, has introduced various safety initiatives from a Customer experience perspective.

Sustainability

2022 brought significant developments in environmental policy, with challenging greenhouse gas reduction targets now established for each sector, including agriculture, which has a 25% reduction target in emissions by 2030, under the Climate Action Plan. This target, and the proposed changes to the Nitrates Action Programme and Nitrates Derogation have the potential to have a significant impact at farm level.

It is critical that we play our part in addressing climate, water quality and biodiversity issues for the benefit of us all. Our ability to demonstrate sustainability improvement in our supply chain, and on our farms, will be essential to the viability of Milk Suppliers, Dairygold and the wider Irish Dairy Industry.

Building on the progress achieved through bonuses including the Sustainable Dairy Assurance Scheme (SDAS), milk recording and herd health programmes, the Dairygold Board was pleased to approve the introduction of the new Grassroots Milk Supplier Sustainability Bonus. The Grassroots Bonus initiatives are aligned with the greenhouse gas abatement measures in the Teagasc Marginal Abatement Cost Curve (MACC).

The Grassroots Bonus provides Milk Suppliers with the opportunity to receive a total sustainability incentive of 0.75 cent per litre (equivalent) for implementation of six specific actions. These actions include protection of watercourses, improvement of soil health, use of protected urea to reduce emissions, training and two herd optimisation programmes. We believe that these farming practices will become the standard for dairy farming in Ireland.

I am very pleased, that Milk Suppliers, supplying over 80% of Dairygold's total milk supply, have signed up for the programme.

We also continued our biodiversity programme in 2022, bringing the total number of native Irish trees planted on Dairygold farms to 90,000 in two years. We are very pleased with the high level of interest that our Members continue to demonstrate in this initiative.

Farmer Safety and Wellbeing

With 12 fatalities in the agriculture sector in 2022, I urge you to always consider the safety of anyone working on, or visiting, your farm. The handling of livestock and the operation of vehicles or machinery present significant risk, with older people and children being particularly vulnerable on farms.

To promote farm safety awareness, we continued our participation in the Farm Safety European Innovation Partnership (EIP), in conjunction with external partners. We developed an innovative approach to farm safety through a specially commissioned theatre performance 'The clock is ticking', which portrays the health, safety and wellbeing challenges of life on a busy farm. A recording of this is available via the Learning Management System on Gateway, and we intend to schedule a further live performance during 2023.

Our Member Shareholders now have access to a confidential counselling service provided by VHI Corporate Solutions. In times of crisis or emotional distress, you or your immediate family have access to practical assistance and emotional support, 24 hours per day, 365 days per year. You can access the service using the freephone number: **1800 995 955** or email: **eap@vhics.ie**, advising your company name as Dairygold Member Shareholders or Dairygold Farmer Shareholders.

We are delighted to partner with Samaritans and Dairy Industry Ireland on a rural mental health campaign. The campaign raises awareness of Samaritans' freephone number **116 123** among farmers and communities in Ireland, especially those living or working in isolation.

Dairygold's Community Initiatives

Dairygold is at the heart of local communities across Munster and continues to contribute and support local initiatives, which is immensely important to us.

Our sponsorship partnership with Munster GAA and Cork GAA enables us to give back to a sport that many of our Employees, Customers and Members feel so passionate about.

We are also a proud partner of the Irish Cancer Society. Since this partnership began in 2015, over €120,000 has been raised for vital cancer research and support services for those affected by cancer. Our 'Wrap it Pink' campaign has always had a two-fold objective of raising funds for the Irish Cancer Society, while also raising awareness of breast cancer and encouraging women across rural Ireland to get checked. We are most grateful to our own Members and also farmers nationwide, who have supported 'Wrap it Pink' over the past eight years.

Dairygold Community Initiatives

Photographed at the launch of the Samaritans Rural Campaign are Minister Martin Heydon, Peter Hynes, Aileen Spitere of Samaritans, Paula Hynes, Patrick Clancy, Dairygold Director and Conor Mulvihill, Director, Dairy Industry Ireland.

Launch of the Cork County Hurling Championship sponsored by Co-Op Superstores.

Pictured at the launch of the 2023 Co-Op Superstores Munster Hurling League Dairygold Chief Executive, Conor Galvin with Munster GAA Chief Executive, Kieran Leddy along with players Damien Cahalane (Cork), Mark Rodgers (Clare), Nickie Quaid (Limerick), Ronan Maher (Tipperary), Cathrach Daly (Waterford) and Michael Leane (Kerry).

General Manager, Dairygold Health and Nutrition, George MacLeod pictured with students from Presentation Secondary School, Mitchelstown, winners of the UCC 'Appetite for Knowledge' Science Competition which was sponsored by Dairygold.

Dairygold volunteers with the DIY SOS team who renovated 6 houses in Mitchelstown, Co. Cork for Ukrainian refugees.

Launch of Irish Cancer Society initiative 'Wrap it Pink' 2022.

Digital Engagement

As part of our continued efforts to reduce our paper usage and to enhance our Members experience, we are pleased that this Annual Report will be the second digital edition, designed again to be more interactive and informative for the reader.

In relation to Dairygold's other communications and engagements with Members and Customers, we are committed to developing a strategy and roadmap, to deliver an enhanced digital experience from a governance, information and trading perspective, to facilitate improved business performance and delivering on sustainability initiatives.

Andrew Hogan, Cork Racecourse Manager and John O'Carroll, Head of Retail at Dairygold pictured at the launch of the Co-Op Superstores Mallow Raceday.

Acknowledgements

I would like to acknowledge the ongoing contribution and commitment of the Dairygold Board to the Society and its Members. I would like to congratulate Gerard O'Dwyer on his appointment as Vice Chairman, bringing with him a wealth of experience, that will serve the Board well during his tenure. I would also like to welcome Joseph Tobin to the Board of Directors and look forward to his contribution over the coming months and years.

On behalf of the Board, our Committees, our Members and Employees, and on my own behalf, I would like to sincerely thank John O'Gorman for his significant contribution to the Dairygold Board over ten years and as Chairman for the past five years. He served with great leadership and stewardship during his tenure. Equally, I wish to thank Patrick Clancy for the invaluable support that he has provided in his capacity as Vice Chairman, and I look forward to his continued contribution on the Board.

I want to express the Board's appreciation for our Chief Executive, Conor Galvin, for his commitment, leadership and guidance and also his Senior Leadership Team and all Employees for their positive contribution and dedication to the Society throughout 2022.

Dairygold has had a remarkable period of growth and development, that has supported our Members to realise their on-farm ambitions. I look forward to working together, with the Board and Management, to contribute to Dairygold's continued sustainable success.

Summary

2022 has been a very good year for the Society, a testament to the capability and determination of the Society's Members, Employees and Customers. As we move further into a new year, high input costs, market volatility and the current geopolitical landscape continues to be a concern.

However, we will continue to work in the best interest of our Members, to alleviate the pressures of the volatile and challenging market environment, while also delivering on our Members' ambitions. The Strategic Review undertaken to determine the future ambition and direction of the Society 'Our Strategy Our Future 2030' has demonstrated a significant level of ambition where the delivery of goals can improve farm profitability and sustainability for the Society and Members. We will move forward in a way that is sustainable for both the environment and for our Members' future success.

Seán O'Brien
Chairman, Dairygold

Dairygold Malting Barley competition winners Aidan and Jim Deasy from Aherla, Co. Cork receiving their award from Dairygold Chairman, Seán O'Brien, Dairygold Chief Executive, Conor Galvin and General Manager, Dairygold Agri Business, Liam O'Flaherty.

Conor Galvin, *Chief Executive, Dairygold.*

2022 was a very good year for the Society, delivering a very strong operational and financial performance. This performance was driven by maximising the unprecedented high market returns, enhancing operational efficiencies, while managing volatility and significant inflationary pressures. This enabled the Society to pay very strong and extremely competitive prices to Members for their produce.

Chief Executive's Review

Dairygold achieved a record turnover of €1.65 billion, an increase of €477.8 million (40.9%) on 2021 turnover of €1.17 billion and delivered an EBITDA of €68.5 million, an increase of €10.9 million (18.9%) on 2021's EBITDA of €57.6 million. This EBITDA performance was delivered while paying leading milk and grain prices.

The operating profit for the year of €40.2 million, was an increase of €9.8 million (32.2%) on the operating profit for 2021 of €30.4 million. This significant increase in operating profit was achieved, against a backdrop of considerable volatility and inflationary pressures.

The Society's year end net bank debt was €132.3 million, an increase of €24.1 million on 2021, with a net bank debt to EBITDA ratio of 1.9:1 and is at a very manageable level, especially given the significant working capital headwinds in 2022. This level of net debt, in addition to the new banking facilities agreed, allows the Society the headroom to progress its strategic ambition, to invest in higher margin growth opportunities.

Overall, these are very strong results in an exceptional year, given the significant challenges, including rising input costs, the war in Ukraine and supply chain disruptions.

Sustainability was a key focus in 2022, as the Climate Action Plan was debated and sectoral emissions reduction targets for the agriculture sector of 25% by 2030, against a 2018 baseline, were agreed. This is the most critical challenge the industry must address, and one which must be delivered on.

Dairy Markets

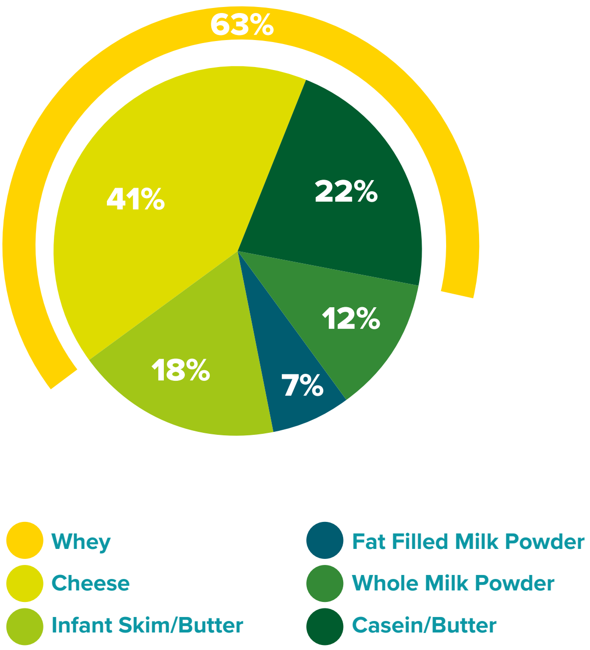
2022 was an extraordinary year for dairy prices. Milk supply in Europe trended lower in Q1, compared to 2021 and with the increasing feed and fertiliser prices during the year, further weakening of milk production continued until Q4. The supply chain impacts of the war in Ukraine also further exacerbated the weakness in supply of dairy products.

On the demand side, the impact of post COVID-19 spending led to a rapid increase in foodservice demand. As a result of this imbalance between supply and demand, dairy prices rose sharply during Q2 and Q3, particularly in Europe. On the world market, the continuation of the Chinese Zero COVID-19 policy led to an over-supply of milk in China which meant that world market prices lagged behind EU prices during 2022. Nevertheless, market prices rose beyond all expectations during the first half of 2022.

Towards the end of 2022 dairy markets began to rapidly rebalance, with supply responding to the high milk prices and consumer spending being impacted by the higher retail dairy product prices and other inflationary pressures. As a result, dairy commodity product prices fell sharply towards the end of 2022.

In Q1 2023 the impact of the relaxation on the Chinese Zero COVID-19 policy has seen Chinese buyers return to the market and this, combined with weaker milk supply from the Southern Hemisphere, has helped the fall in world market prices, to somewhat stabilise. Within the EU, there are signs that retail demand is recovering and there is an expectation that milk supply may weaken, as milk prices are reduced across Europe, to align with current dairy market returns. Over time, these factors should help EU prices recover, but the outlook for the next number of months remains challenging.

2022 Product Portfolio (milk utilisation)



Dairy Ireland

Our Dairy Ireland Business had a very successful year in 2022 and was a significant contributor to the Society's strong operational and financial performance. During the year, 1.48 billion litres of milk were collected and processed from Dairygold Milk Suppliers, with a peak week milk volume supply of 45.7 million litres.

Input cost pressures created major challenges for Milk Suppliers, which was reflected in lower average yields per cow. Consequently, milk volumes were down considerably during the first half of the year, resulting in the lower peak volume. However, favourable weather conditions across the summer and surging dairy market returns saw a significant recovery, with annual Dairygold milk volumes being generally in line with 2021.

Dairy Ireland sales volumes of 235,000 tonnes, were generally in line with the previous year. However, Dairy Ireland's turnover of €1.03 billion was €301.6 million ahead of 2021, primarily reflecting the record increases in dairy market prices during the year. Dairygold's diverse and flexible product portfolio allowed the commercial team to optimise the product mix and achieve the best commercial return from the market.

The Dairy Ireland team has also continued to leverage its strong relationship with Ornua, which is in keeping with our segmentation strategy, designed to maximise margin, through reduced complexity and focused on strategic partner volume growth.

Dairy Ireland's product focus in 2022 also took full advantage of the market recovery within the infant formula sector, by optimising whey production and maximising its demineralised whey sales.

The Society continues to benefit from the capital investment programme over the last decade, which has delivered greater operational efficiencies across the Dairy Ireland Business with increased processing capacity, allowing us to optimise product mix and deliver strong market returns. This, together with the focus on building and nurturing strong relationships with our B2B Customers in nutritional ingredients and cheese solutions, delivered increased margin for the Business in 2022.

Key capital projects are being progressed across the Dairy Ireland Business with an additional evaporator, delivered on time and budget, fully operational on the Mallow Nutritionals Campus, for the 2023 milk processing season. This evaporator will provide Dairy Ireland with the capability to produce higher specification milk powders to the added value nutritional sector. Dairygold is also progressing with a significant redevelopment of the Casein facility at the Castlefarm Dairy Processing Complex.

Yunxiu Pu, Dairygold Health and Nutrition, Market Development Manager, APAC Region photographed at the China Food and Drink Fair 2022.

Dairygold Health and Nutrition

Through 2022, Dairygold has continued to build a strong distributor network in China for our Aerabo™ premium branded fortified Irish whole milk powder carrying the Bord Bia Grass Fed accreditation and targeting the growing adult nutrition market in China.

This is the first in a pipeline of new Aerabo™ products which will be introduced in 2023. Three new instant skim milk based powders will launch in China in the first half of 2023. This is part of Dairygold's longer-term strategy to build a business that will deliver incremental growth and higher margin, by developing premium products for key growth markets.

In addition to this, Dairygold is continuing to explore acquisition and investment opportunities with the focus on finding the most appropriate opportunities both from a margin return and a risk management perspective.

Dairy UK & Europe

Dairygold's overseas Businesses in the UK and Germany performed well in 2022, exceeding expectations, delivering a strong financial performance, while continuing to be strategically important routes to market for Dairygold cheese.

The focus for both Businesses throughout the year, was to broaden their commercial footprint through market diversification opportunities, product development initiatives and stronger Customer relationships.

Despite the significant commodity price inflation and the cost of living crisis impacting consumer spending, sales volumes in both Businesses remained strong, significantly supported by the delivery of targeted new business opportunities.

Dairygold continues to support its overseas Businesses with the capital investment required to further develop and grow. To that end, 2022 saw the completion of a £2 million capital investment programme at our cheese formatting operation in Crewe, with the commissioning of robotic packing equipment to deliver improved productivity and product quality, within the cheese grating operations.

Further investment has been earmarked for Crewe, to reinforce the site's market leading position in cheese formatting and placing the Business in an excellent position to deliver on its growth ambition. In addition, potential acquisition opportunities are being explored to further develop and grow the Business.

The official opening of Co-Op Superstores, Ballinhassig, Co. Cork.

Agri Business

The Agri Business delivered a very strong performance across all activities in 2022. The Business was also impacted by the increasing cost of inputs and the challenge of securing products to meet our Customers' demands. However, despite these challenges, a very strong sales performance was delivered. Support services, including expert technical advice, ensured Customers were getting the best quality products and value to meet their requirements.

The weather at harvest time was excellent and over 107,000 tonnes of the highest quality grain was delivered by our growers under ideal conditions, with Dairygold paying leading grain prices again in 2022.

Dairygold continues to seek ways to maximise the value that we return to our growers. An important element of Dairygold's sustainability strategy involves buying locally produced grain for feed rations formulated in Lombardstown Mill 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 with Tirlán and Malting Company of Ireland Limited, Dairygold offers grain growers premium contracts for malting barley for supply to the brewing and distilling industries.

The Business has committed to making a significant investment in Lombardstown Mill over the coming years to ensure business continuity. This investment will provide new state-of-the-art milling equipment within a modernised building to secure the longer-term future of the Mill while also improving the sustainability and environmental impact of day-to-day operations.

Our investment programme in our Retail Stores continued with the Board approving the plans for a new Co-Op Superstore as part of the Mallow South Retail Park Development.

Looking ahead to 2023, there is still huge uncertainty around feed and fertiliser prices, and volatility remains in the market, which will continue to be a challenge for the Business in 2023. Dairygold recognises the impact that this volatility is having at farm level and will continue to offer value to our Members through strategic and efficient buying practices.

The core priorities for the Agri Business over the coming months will be to address the sustainability challenge through our technical and support services, while continuing to drive growth in the Business. We are focused on working with our Customers to assist them in implementing the changes that need to take place at farm level, including promoting the use of Protected Urea. 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 and efficiently.

The successful implementation of our new Agri Business IT system, 'Intact IQ' was another highlight in 2022. This new platform, which went live at the beginning of May, represents the most up to date technology and will support the delivery of the Agri Business growth strategy into the future and enhance the customer experience throughout the Retail Store network.

Team Members at the newly refurbished Co-Op Superstores, Parteen, Co. Limerick.

Our Strategy Our Future 2030

Our Strategy Our Future 2030

In 2022, we completed a Strategic Review, to determine the future ambition and direction for the Society to 2030. The review was building on the strong foundations in place and had an objective to develop one clear overall Strategy for the entire organisation.

The review focused on developing the Strategy under five core pillars, namely:

- core business stability,
- business growth and margin improvement,
- sustainability and environmental impact,
- people and culture, and
- financial delivery and governance.

The Strategy, as summarised on pages 19 and 20, outlines an ambition, to significantly grow EBITDA through a combination of organic growth and significant adjacent acquisitions, and diversifying the sources of profitability while delivering sustainable and competitive prices to our Members for their produce.

The focus is to maximise the value of our world class 100% grass fed food ingredients, serving our global customer base, through high performing teams and our uniquely connected environmentally sustainable supply chain. This will nourish people, protect our planet, and support our local communities.

The individual Pillars have clear strategic objectives and a roadmap has been developed to facilitate their delivery.

Health & Safety

One of the Society's key commitments is to protect the health and safety of Employees, Customers, visitors and contractors who work at and visit our various locations. In 2022, Dairygold achieved very positive results in this regard as we continued to embed our *Zero Harm Policy*.

In 2022, Dairygold achieved a 43% reduction in total accidents across the Society, as well as a 56% reduction in lost time accidents, versus 2021. The Society achieved 93% compliance across Dairy Ireland, Agri Business and Dairy UK, with our health and safety training during the year and undertook a significant programme of health and safety risk assessments.

These positive results result from the engagement and focus on health and safety from all Employees across the Business. Moving into 2023, Dairygold continues to strengthen this focus, on what is a critical element of how we work, through further developing our Safety Management Systems and focusing on building our culture of Zero Harm.

ZERO HARM
EVERYONE GOES HOME SAFE

Sustainability

Environmental sustainability continues to be the biggest challenge facing the dairy industry and agriculture as a whole. In July 2022, the Government announced sectoral emissions ceilings, setting Ireland on an ambitious pathway, to turn the tide on climate change. Meeting our national climate obligations will require extraordinary Society wide change, in the coming years and decades. The 2030 greenhouse gas emission reduction target for agriculture is 25% and 35% for industry overall, versus a 2018 baseline. Both targets have implications for Dairygold's Milk Suppliers and our milk processing operations. The Nitrates Action Programme and the conditionality associated with the Nitrates Derogation, provide additional challenges for our Milk Suppliers.

The Food Vision Dairy Group submitted its report to Minister for Agriculture, Food and the Marine, Charlie McConalogue in October 2022. The report set out 19 recommendations that it believes can have a positive direct and indirect impact on reducing emissions across the sector. While we are yet to hear from the Government as to the next steps regarding implementation of the recommendations contained in this report, it is important that recognition is given to the challenge facing farmers and the support they will require.

We fully recognise that sustainability is no longer a choice. Our Members, Customers, Employees, Banking Syndicate and other Stakeholders expect progress both on farm and within our processing operations. Recognising the challenge and the opportunity that evolving legislation and increasing Stakeholder demands bring, we have placed sustainability at the core of our Strategy. We aim to continue to build a high performing, environmentally sustainable supply chain, to secure the future of Dairygold and our Members.

In a world of increased transparency, we will need to demonstrate a verifiable improvement across key environmental indicators to protect our 'licence to operate'. We must protect biodiversity, the water quality in our streams, rivers, lakes and estuaries, protect air quality and minimise our carbon footprint, while maintaining viable farm enterprises.

In 2022, we prioritised our areas of focus to address the water quality, climate and biodiversity challenge. Our new Grassroots Milk Supplier Sustainability Bonus will reward Milk Suppliers who undertake six targeted actions to improve the sustainability of their farm. This bonus will ensure that we support our Milk Suppliers to play their part in reducing the impact that they have on the environment, while protecting their ability to make a livelihood on their farms.

Launch of Dairygold's Grassroots Milk Supplier Sustainability Bonus.

The Herlihy family were awarded the 2021 Dairygold Milk Quality Award for Sustainability.

Through our advisory programme, we are committed to working with our Milk Suppliers to support their transition to more sustainable farming.

Within our processing operations we continue to focus on efficient use of energy and water and on waste minimisation. We are proud that our sustainability progress was recognised through the achievement of Origin Green Gold Certification and winning National Sustainability Awards. In 2023, we are advancing a work programme to crystallise the decarbonisation pathway for our processing operations. This will be crucial to reduce our fossil fuel dependence and ensure the on-going sustainability of our operations.

Recognising that sustainability transcends beyond just the environment, to include people and communities, we have heightened our focus on Employee development, diversity, equity and inclusion, sustainable sourcing, health and safety and community engagement.

Moving forward and closer to our 2030 target, we need sector wide cooperation in order for the industry to play its part in reaching the collective emissions goal.

A clear plan from the Government coupled with ongoing measures at farmer and processor level will be extremely important in helping us reach our target.

People

In Dairygold, our people will enable us to deliver on our Strategy and as an organisation we are ensuring that we are agile in our approach to attracting, engaging, developing and retaining key talent, to deliver on our strategic growth ambitions.

A key pillar in the Dairygold Strategy is the 'People and Culture' pillar which is focused on the need to develop, retain and attract a diverse and high performing team, reflecting our future ambition. In 2022, we completed a Culture and Values Assessment Survey across the Business to obtain the views of our Employees on the Dairygold culture.

The key objective of this is to understand how our Employees viewed the current culture and what culture they wanted to experience in their future working environment. I wish to thank all Employees who responded to the survey and participated in the focus group meetings.

The combined results from the Culture and Values Assessment Survey and focus groups provided the organisation with a rich inventory of information on Employee views on current culture and what areas they would like the leadership team to focus on in a bid to improve our culture in the future.

Dairygold is committed to a work environment that promotes diversity, equity and inclusion and creates an open culture where everyone feels valued and can be themselves. In late 2022, Dairygold published its Gender Pay Gap Report which disclosed a mean gender pay gap of 12.3%.

The gender pay gap is the difference between the average hourly pay of males, and of females, across all levels of an organisation regardless of the nature of the work itself. The Dairy and Agri Business industry is traditionally male dominated and the information in our report gives us the opportunity to work towards addressing gender diversity in the Business.

Dairygold recently launched its Diversity, Equity and Inclusion Policy, as part of our overall Strategy, to ensure people feel valued, respected and supported in their roles. Our objective is to positively influence beliefs, attitudes and behaviours in relation to equity, diversity and inclusion across the Society.

As a Business, we have been working to identify and develop talent, as part of succession planning, for future business critical roles, ensuring continuity and effective organisational performance, to deliver our Strategy. Over the course of 2022, we have continued to focus on the development of our people through the provision of a series of leadership and people development programmes to develop individual and organisational capability and talent. In September 2022, we launched the latest Dairygold Leadership Development Programme with 16 high potential and high performing Employees participating. An objective of the Programme is to develop a pool of future leaders for the Society, to facilitate succession management and to create a pipeline of leadership talent for the future focusing on the individual's growth and development. A further programme is scheduled to commence in September 2023.

There has been a significant increase in the demand for talent, leading to an increase in the challenge in attracting and retaining Employees. It is crucial that we continue to invest in the future of our organisation and listen to the feedback of our Employees to help us develop an even more positive work culture that will allow us to attract and retain the best talent for the Business, to deliver on the Society's strategic ambition.

Non-Core Assets

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. Our property team continues to drive and maximise the value of our commercial property portfolio, with planning permission received for Creamfields, Kinsale Road, Cork in 2022. At the end of 2022, the Society held circa €50.0 million of non-core commercial property assets.

Our financial assets performance in 2022 was reflective of the volatile market experienced during the year, with our fully diversified financial asset portfolio having a value of €31.8 million at year end, a circa €3.5 million decrease on 2021, including €0.6 million invested from the sale of commercial property assets.

Subsidiaries, Joint Ventures and Associates

Munster Cattle Breeding Group Limited, trading as Munster Bovine, experienced a challenging year, with lower margins, due to product mix and higher costs, due to inflation. Munster Bovine continued the joint approach with Teagasc and the Irish Cattle Breeding Federation, to produce high EBI proven and genomic bulls, and sexed semen usage in 2022 was close to double the usage in 2021.

Munster Bovine also focused on ensuring the availability of top bulls for dairy beef selection, allowing farmers the benefit of shorter gestation periods, easier calving and facilitating dairy farmers to produce dairy calves with exceptional beef merit. 2022 also saw a significant expansion of the milk recording and herd health programs with an important focus on quality, technology, and on-farm practices.

Malting Company of Ireland Limited, a joint venture with Tirlán, operated at full capacity in 2022, as the demand from distilling Customers remained buoyant, and the demand from brewers returning to pre-pandemic levels. The Business had a satisfactory year, despite the significant increase in energy costs, with record harvest prices paid to our malting barley Suppliers.

Co-Operative Animal Health Limited, which is also jointly owned by the Society and Tirlán, had a satisfactory year. The Business continued to support its Customers, throughout a period of changing legislation, relating to animal remedies. The recent investment in a nutrition plant is providing capacity, to avail of opportunities with strategic partners, to build a sustainable, profitable performance nutrition business, for the future.

Financing

The Society's robust financial performance over the last number of years, ensures that net bank debt remains at a sustainable level and provides the flexibility to invest in higher margin activities. The Society's banking facilities were due for renewal in December 2023 and these facilities were extended by the banking syndicate to March 2024, as the Society was at an advanced stage of the refinancing process. Since the year end, the Society has completed the refinancing with banking facilities of €360.0 million now in place.

A mix of bank debt, Member Funding and divestment of non-core assets, allows the Society to adopt a prudent approach to financing investments, providing the ability to support Dairygold's Strategic growth plans.

Acknowledgements

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 2022, and in particular John O'Gorman in his role as Chairman, and Patrick Clancy in his role as Vice Chairman.

John's advice and support during my transition to the role of Chief Executive, to the end of his tenure as Chairman, was hugely significant, and his leadership of the Society, has contributed immensely to its ongoing success.

I would also like to take this opportunity to welcome our new Chairman, Seán O'Brien. Seán brings with him a huge amount of experience and knowledge, that will serve him and the Society well, over the coming years, as we navigate the various challenges facing the dairy industry.

I would also like to congratulate Gerard O'Dwyer on his election as our new Vice Chairman and welcome our new Board Member, Joseph Tobin. I have no doubt that both of these appointments will serve the Board and the Society well over the coming years.

I also wish to thank Tim Healy, who retired as Chief Operating Officer in November 2022, for the exemplary diligence and experience he brought to that role, and for his significant contribution to the Society, in various roles, over 37 years of service. I would also like to welcome and look forward to working with the new Senior Leadership Team members, George MacLeod, Deirdre McCarthy and Orlaith Tynan.

Summary

The dairy industry and the volatile conditions within which it operates, continues to go through a period of significant uncertainty, with huge challenges to be faced, including sustainability, geopolitical tensions and ongoing market volatility.

The last number of years have been very positive for the Society, and while we have a clear roadmap for the future 'Our Strategy Our Future 2030', we need to be cognisant of how these challenges will influence the future, to continue that success over the coming years.

Making the appropriate and necessary decisions, to future proof farm enterprises and the Society, will be critical to deliver the short term goals and long term strategic ambitions of the Society and our Members.

I strongly believe that Dairygold is very well placed to navigate its Members through the challenges as they arise and I am confident that with the support of the Board, the Representative Structure, our Milk and Grain Suppliers, Customers and Employees, we can continue to deliver sustainable value and growth for all Stakeholders.

Conor Galvin
Chief Executive, Dairygold

Dairygold's 2022 graduates.

Our Strategy Our Future 2030

The Society is a well established Business, that delivers significant value for its Members. Dairygold takes immense pride in its historic achievements, and in the last decade, through significant investment in the appropriate infrastructure across the Business, facilitated its Members' growth ambitions, that the post quota era brought.

There are strong foundations in place to avail of the opportunities and face the challenges that lie ahead. In 2022, the Society carried out a Strategic Review, to reflect, align and reconnect to our strategic direction, taking into account the shifts in consumer trends and preferences, global market dynamics and the increased focus on the environment and sustainability.

In 2022, the Senior Leadership Team, with over 50 colleagues from across the Business, completed a Strategic Review, to determine the future ambition and direction for the Society 'Our Strategy Our Future 2030'.

Dairygold is focusing its efforts across five key pillars:

- core business stability,
- business growth and margin improvement,
- sustainability and environmental impact,
- people and culture, and
- financial delivery and governance.

The Society has significant ambition and the achievement of its goals can deliver improved farm profitability and sustainability, together with delivering strong and sustainable growth for the Business.

We are standing at the threshold of an era of new opportunities, which will set the Business on a new, innovative and sustainable growth path. This is a very exciting time for Dairygold and as we progress this journey, we look forward to sharing its successes with all Stakeholders.

The review focused on developing the strategy under **five core pillars,** namely:

Core business stability

Optimise, protect and grow our core business

Business growth and margin improvement

Accelerate margin growth across all business units, with targeted diversification of product portfolio

Sustainability & environmental impact

Continue to build a high performing environmentally sustainable supply chain to secure the future of Dairygold and its Members

People and culture

Develop, retain and attract a diverse and high performing team, reflecting our future ambition

Financial delivery and Governance

Financial discipline and operational effectiveness for our long term success

EBITDA

Grow and diversify organically and through acquisition

Maximise 'grass-fed food ingredients'

Farmer owned and controlled

CLICK HERE

*Press '**click here**' to view a video of what our Strategy means to us.*

Our Everyday Goal

To maximise farmer income and ensure long-term sustainability of our Co-Operative for its stakeholders.

Our Mission

To innovate, diversify and nourish people in a way that is customer centric, sustainable and fulfilling to everyone involved.

Our Purpose

Enriching lives with sustainable nutrition while protecting our environment.

Sustainability in Dairygold

OUR ENVIRONMENT

OUR SUPPLY CHAIN

OUR PEOPLE

OUR COMMUNITY

OUR ENVIRONMENT | OUR SUPPLY CHAIN | OUR PEOPLE | OUR COMMUNITY

2022: A year of progress

We are building on momentum and are proud of our many 2022 sustainability achievements. We received international best-practice certifications and national awards, recognising our credentials and progress. Each of these is a testament to the hard work being done across our supply chain.

Supported by our Milk Suppliers, we have progressed our decarbonisation transition, performing better than the national average. Recently, we successfully launched the Grassroots Milk Supplier Sustainability Bonus, rewarding Milk Suppliers for the implementation of six priority sustainability measures. At factory level, we have focused on reducing the environmental footprint of our operations, through actions including, investing in energy and water efficient technology, to reduce energy usage and improve our energy efficiency.

We pioneered an innovative approach to farm safety awareness and training, through the Safe Farm European Innovation Partnership (EIP). We continued to support important community initiatives, including the development of future talent through our UCC Agricultural Science Bursary Programme and Dairygold's Irish Cancer Society fundraiser, 'Wrap it Pink'.

Our company-wide Culture and Values Assessment Survey has enabled us to advance our Employee engagement initiatives. Our new Diversity, Equity and Inclusion Policy further demonstrates our commitment to building a positive and progressive culture for all Employees.

In 2023, we will accelerate further actions across the four Sustainability Pillars and build upon the successes of 2022.

Dairygold's Sustainability Strategy

Early in 2022, we reviewed and updated Dairygold's Strategy, positioning sustainability and the environment, at the heart of our Business.

Sustainability is enshrined at the core of what we do, shaping how we operate and influencing the decisions that we make. This means doing what is right and doing what is expected of us for the long term. Our strategic statements: our everyday goal, our mission, and our purpose, reflect our commitment to sustainability.

Our Head of Sustainability, as a member of the Senior Leadership Team, reporting to the Chief Executive, is responsible for ensuring that the delivery of the sustainability agenda is a key priority for the Business.

Our goal is to continue building a high performing, environmentally sustainable supply chain, to secure the future of Dairygold and its Members. We recognise that sustainability is not just about the environment alone. It is also about our supply chain, our people, our communities and how we interact with our ecosystem.

Origin Green IRELAND
Sustainability Programme
GOLD MEMBER
2022

CLICK HERE

*Press **'click here'** to view Dairygold's Sustainability Journey.*

Recognition of our Sustainability progress

Members of the team who facilitated the Origin Green Gold Membership in 2022. David O Halloran, Energy Lead, Liam Stack, Ruminant Technical Manager, Ciara Donovan, Farm Sustainability Advisor, Billy Cronin, Head of Supply Chain (Farm to Factory), Keerti Krishnan-Murphy, Sustainability Officer, Sean Moher, Dairygold Milk Supplier, Orlaith Tynan, Head of Sustainability and Aindreas Lucey, Site Manager.

Dairygold's Head of Sustainability, Orlaith Tynan accepting the Green Manufacturer Award on behalf of Dairygold from Paul Fitzpatrick at the Green Awards.

Dairygold's Keerti Krishnan-Murphy accepting the Energy Efficient Award on behalf of Dairygold at the Business and Finance ESG Awards.

Dr. Tom O'Dwyer, Teagasc, Patrick Clancy, Dairygold Director, Breeda Flood, ICOS Skillnet, Billy Cronin, Head of Supply Chain (Farm to Factory), Dairygold and Caroline Browne, Human Resources Manager, Dairygold Agri Business at the IITD National Training Awards.

Accepting the 2022 Copa and Cogeca award for Special Innovation in recognition of Dairygold's Milk Supplier Sustainability Bonus.

Grassroots Milk Supplier Sustainability Bonus

GRASSROOTS Milk Supplier Sustainability Bonus

Dairygold has a proud record of working with our Milk Suppliers to promote the adoption of best practices in quality milk production, financial management, soil fertility, breeding and grassland management. Through the Grassroots Bonus, we will support the transition to more sustainable dairy farming.

The Grassroots Bonus builds on the 0.25 cent per litre incentive introduced in 2019. It presents Milk Suppliers with the opportunity to receive a total of 0.75 cent per litre (equivalent).

The Grassroots Milk Supplier Sustainability Bonus 2023

0.75 CENT PER LITRE (CPL) (EQUIVALENT)

PILLAR

OUR ECOSYSTEM | OUR FARMERS | HERD HEALTH AND PRODUCTIVITY

ACTION

1. Agree to Water Quality Farm Visit and development of a Water Quality Plan
2. Purchase Protected Urea from Dairygold — Rebate pro-rata € per tonne
3. Participate in Dairygold's GreenGrow Soil Health Programme
4. Complete Training Modules and Farm Plan ('My Farm Plan')
5. Participate in Milk Recording
6. Participate in a Herd Health Programme

PAYMENT CENT PER LITRE (CPL)

0.2cpl + ~0.1cpl + 0.1cpl + 0.1cpl + 0.1cpl + 0.05cpl

+ 0.1cpl MAINTAIN SDAS

0.75 CENT PER LITRE (CPL) (EQUIVALENT)

Milk Supplier Testimonials

1

'I had an ASSAP farm visit in 2019 and found it very useful. The advice was very practical and anything that I was asked to do made sense to me.'

John Fouhy (Mitchelstown Region)

2

'Using Protected Urea is a no-brainer for me from an economic and greenhouse gas emissions perspective. Results from PastureBase show that it grows the same amount of grass for me.'

Tim O'Riordan (Mallow Region)

3

'The GreenGrow Soil Health Programme has delivered great results for the farm. We are on top of our soil indexes, we are growing more grass with less chemical nitrogen and our farm is on a more sustainable pathway.'

Liam and Gavin O'Donoghue (Limerick Region)

4

'The online training and education provided by Dairygold is practical, informative and enjoyable. It makes the sustainability issues of water quality and greenhouse gas emissions accessible to all Dairygold Suppliers.'

Katherine O'Leary (East Cork Region)

5

'Milk Recording is an important part of our somatic cell count (SCC) management on farm. Milk Recording has helped us to identify the specific cows that require antibiotics at dry off. Milk Recording is the first step to making selective dry cow a success.'

John Walsh (Tipperary Region)

6

'I was disappointed with fertility on the farm and spoke with my milk advisor who suggested the Herd Health Programme. I began vaccinating and my herd's conception rates improved massively.'

Isobel McGill (Mallow Region)

Our 2022 Achievements

Our Environment

- 10 Signpost Farm events held by Dairygold, facilitated an average farm carbon footprint drop to 0.9 kgCO_2e/kgFPCM, performing better than the national average. Page 24 details our Grassroots Milk Supplier Sustainability Bonus and how to improve on farm performance.
- Successfully onboarded 230 farms, to date, to the GreenGrow Soil Health (GGSH) Programme. The chemical health of the GGSH soils performed better than the national average by 15% for pH, 13% for P index and 7% for K index. The best soils had seven times the microbial activity of the poorest soils.
- Three water quality sustainability advisors were appointed in 2022, enabling us to reach and engage all our farms as part of the Agricultural Sustainability Support and Advisory Programme.
- 50,000 native Irish trees were distributed in 2022, bringing the total to 90,000 trees since the programme began. To date, we have reached 18.6% of our target of half a million trees, by 2030.
- Castlefarm Dairy Processing Complex achieved a 8.75% reduction in natural gas usage, due to an economiser upgrade and better combined heat and power management.
- In 2022, the Reverse Osmosis plants at the Mallow Nutritionals Campus and the Castlefarm Dairy Processing Complex supplied 54% and 31% of the total water required, at both plants, respectively.
- Dairygold Food Ingredient sites achieved a 42% recyclability rate and are on track to meet the 50% recyclable mix target by 2025.

Our Supply Chain

- Dairygold launched its Grassroots Milk Supplier Sustainability Bonus, a €10 million per year programme, beginning in 2023, offering 0.75 cent per litre (equivalent) to participating Milk Suppliers.
- Maintained 100% SDAS and grass fed standard.
- Dairygold engaged its Tier One raw material suppliers, in sustainability, quality and commercial performance matters, as part of its quarterly supplier reviews. 85% of key non-dairy ingredients are sustainably sourced with the aim to be 100% by 2025.
- All of Dairygold's processing sites are SEDEX SMETA 4 accredited or Costco Ethical Supply Chain verified.
- Over 90% of our dairy powder bags' packaging is made from sustainable, recyclable materials, with all of our cheddar primary packaging using 20% less plastic since 2021.

Moving forward to 2030

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

Future strategy: sustainability and environmental impact

Environmental sustainability is the biggest challenge facing agriculture and food production systems.

Reducing our environmental impact, through responsible behaviour and efficient use of resources, is essential to ensure that we maintain the support of our Stakeholders and regulators, while protecting our brand and reputation. The scale and complexity of the challenge means we cannot do it alone and it will take collective effort. By partnering with our Members and supporting the transition to more sustainable farming, we aim to balance environmental and economic considerations, to ensure responsible, sustainable on-going success for all our Stakeholders, including the people and communities where we live and work.

Our Environment Goals

- From a 2018 baseline, reduce absolute Greenhouse Gas Emissions (Nitrous Oxide, Methane, Carbon Dioxide) on all farms, in line with the Climate Action Plan.
- Implement a robust Dairygold water quality framework on all farms, to protect rivers and lakes and ultimately our 'licence to operate'.
- Pilot a regenerative agriculture programme, to improve soil health, biodiversity, water quality and integrated pesticide management.
- Extend and broaden the scope of the Dairygold biodiversity programme.
- Establish groupwide science-based targets (1.5°C pathway) and a delivery roadmap, for greenhouse gas emissions reductions, under Scopes 1, 2 and 3.
- Drive energy efficiency and a reduction in absolute energy use and maintain ISO 50001 certification.
- Develop the pathway for decarbonisation of our processing and transport operations.
- Reduce water consumption in operations by 15% by 2025, compared to a 2020 baseline.
- Achieve a 65% recycling rate by 2025, across Dairy Ireland Processing Facilities and develop a Circularity Strategy.

Our Supply Chain Goals

- Maximise the participation in the Grassroots Milk Supplier Sustainability Bonus Programme.
- Define our approach for optimum herd development. Lead on EBI, milk recording and herd health, which is a proven pathway to improved environmental and financial sustainability.
- Achieve 100% responsible sourcing by 2025.
- Achieve 100% sustainable packaging by 2026.

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

Our 2022 Achievements

Our People

- Dairygold undertook a comprehensive Society-wide Culture and Values Assessment Survey, resulting in a detailed roadmap being defined, with clearly agreed short and medium term actions, to foster the culture necessary to deliver on the organisation's Strategy.
- Dairygold launched its online training and development platform (Learning Management System), to roll out various training programmes to Members and Employees.
- The Business published its first ever Gender Pay Gap Report in December 2022, reporting a current mean gender pay gap of 12.3%. Removing overtime and shift work from the calculations reduces this figure to 2.8%.
- Dairygold launched its Diversity, Equity and Inclusion Policy, to further promote these important values across the Business.
- More than 50 Employees participated in a range of various Dairygold Leadership Development Programmes.
- 19 graduates were recruited as part of the Society's Graduate Programme in 2022, across all areas of the Business.
- Dairygold extended services available to its Employees under the VHI Employee Assistance Programme, making confidential professional support, counselling and advisory services available to its Shareholder Members.
- The ongoing success of the 'Zero Harm' Health and Safety Programme, has seen a reduction of 43% in accidents and 56% in lost time accidents, across the Society.
- The Health and Safety team achieved 93% training compliance across the Society.
- Dairygold continued its participation, in conjunction with external partners, in the Farm Safety European Innovation Partnership.

Our Community

- Dairygold raised €40,000 for the Irish Red Cross Ukraine Crisis Appeal.
- Employees and Co-Op Superstores Suppliers volunteered for RTE's 'DIY SOS The Big Build Ireland for Ukraine' programme, which saw volunteers refurbish the historic Georgian Buildings in King's Square, Mitchelstown, to house Ukrainian refugees.
- Dairygold proudly collaborated with Samaritans, raising awareness on rural mental health issues and the impact of working in isolated environments. Our milk tankers feature Samaritans signage and their freephone number.
- Since 2019, Dairygold has sponsored annual bursaries for eight undergraduate students at University College Cork, with the opportunity of a work placement with Dairygold.
- We partner with local schools in Mallow and Mitchelstown for a 'Day in the Life' at Dairygold, where Leaving Certificate students are invited to Dairygold, to speak to staff across the Business and learn about prospective career opportunities.
- Dairygold continued its partnership with Cork GAA County Board, to sponsor the Cork County Hurling Championships, as well as teaming up with Munster GAA, to sponsor the Co-Op Superstores Munster Hurling League.
- Dairygold continued to support charities and local community initiatives, through its sponsorship and donations programme, particularly in the Munster Region.

CLICK HERE

*Press **'click here'** to view a video on Dairygold in the Community.*

Moving forward to 2030

Future Strategy: People and Culture

A critical element of the overall Dairygold Business strategy, is the people and culture pillar.

The focus of this pillar is to ensure that Dairygold is an Employer of choice, when it comes to attracting, developing and retaining talent. There is a dedicated team, from across the organisation, focused on ensuring this pillar's ambitions are realised. In addition, we recognise that the local community is a huge part of who and what we are in Dairygold. In 2023, we will formalise our Corporate Social Responsibility Strategy and continue to help and support local charities, clubs and organisations, through our sponsorship, volunteering initiatives and school outreach programmes.

Our People Goals

- Ensure that Dairygold is an Employer of choice, when it comes to attracting, developing and retaining talent.
- Promote Diversity, Equity and Inclusion, by creating an open environment and culture where everyone feels valued and safe to be themselves.
- Redefine the Society's 'Values and Behaviours'.
- Reduce the gender pay gap, through a series of measures, including amending recruitment and promotion policy and procedures and developing clear policies covering flexible and hybrid working.
- Create career development opportunities for colleagues and ensure robust talent management and succession management processes are in place, including Diversity, Equity and Inclusion.
- Continue to provide modern, fit for purpose learning and development programmes.
- Optimise the use of technology to automate our processes to improve the workplace experience.

Our Community Goals

- Formalise our Corporate Social Responsibility Strategy (CSR).
- Build key pillars of engagements on charity and sponsorships, volunteering, education and health and wellbeing.
- Continue our sponsorship of CSR initiatives, that serve the interests of, and give back to, our local and wider community.
- Continue our local school outreach, through our 'Day in the Life' Programme.

Financial Overview

In 2022, the Society delivered a very strong financial performance, in a year of unprecedented increases in commodity prices.

Pictured are Sarah and Sally Kate Maher at the Maher's family farm in Cappamore, Co. Limerick.

2022

FINANCIAL HIGHLIGHTS

- Delivered an **EBITDA of €68.5 million** and an operating profit of **€40.2 million**, after paying a record and very competitive milk price.
- Turnover of **€1.65 billion**, an increase of **€477.8 million** from 2021.
- The net bank debt of **€132.3 million**, an increase of **€24.1 million** on 2021, gave a net bank debt to EBITDA ratio of **1.9:1**.
- Invested **€40.0 million** (net of grants) in capital expenditure.
- Increased net asset value by **€35.6 million** to **€457.8 million**.

Dairy markets were buoyant, leading to record milk prices, but on the cost side, higher energy prices and in particular gas, significantly impacted the cost of production. These inflationary pressures were driven by a number of factors, primarily the Russian invasion of Ukraine. Overall, the higher market returns, ensured a very successful financial year for Dairygold and its Members.

The 2022 financial performance delivered **turnover of €1.65 billion, up 40.9%** on 2021, **EBITDA of €68.5 million, up 18.9%** on 2021, having invested cash of **€40.0 million in capital expenditure**, with **net bank debt increasing by €24.1 million, to €132.3 million**, primarily driven by increased working capital requirements.

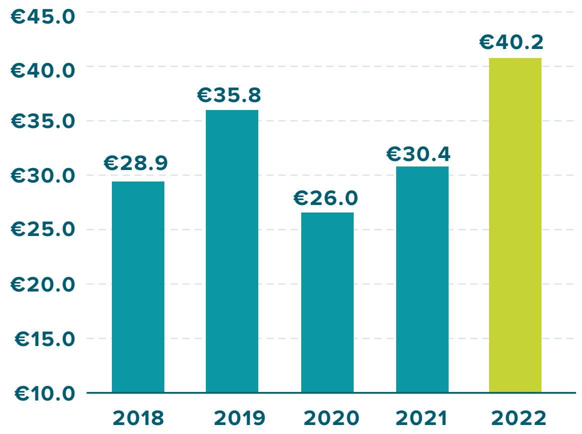
Consolidated Income Statement

Turnover in 2022 was €1,647.2 million (2021: €1,169.4 million), an increase of €477.8 million.

- Dairy Business turnover increased by €374.1 million to €1,245.7 million (2021: €871.6 million), primarily driven by year-on-year increases in market prices.
- Agri Business turnover increased by €112.3 million year-on-year to €388.5 million, reflecting increased volume and price for both ruminant feed and fertiliser, offset by a decrease of €2.3 million in retail, reflecting weaker consumer sentiment.
- Non-core activities turnover decreased by €8.6 million to €13.0 million, primarily due to a decrease in property sales in 2022, versus 2021.

2022 EBITDA was €68.5 million (2021: €57.6 million), an increase of €10.9 million, reflecting an increased level of profitability in the core business, benefitting from a strong trading performance, including maximising commercial returns, minimising the impact of inflation through cost management and improved efficiencies. In addition, non-core activities delivered solid returns on commercial property activities in 2022.

Operating Profit €million



The operating profit was €40.2 million (2021: €30.4 million), an increase of €9.8 million, reflecting the increase in EBITDA of €10.9 million offset by an increase in depreciation, impairment and amortisation costs of €1.1 million.

The share of joint ventures' and associates' performance delivered an operating profit of €0.4 million in 2022 (2021: €0.6 million). The net interest payable was €9.5 million (2021: €6.4 million), with the increase primarily driven by increased financing requirements due to the increase in working capital, an increase in interest costs, partially offset by a reduction in bank margin, based on the decreased level of net debt : EBITDA in 2021 versus 2020.

The profit after tax for the financial year of €23.2 million (2021: €24.4 million), a decrease of €1.2 million, reflecting a negative movement in the fair value of financial assets of €7.7 million, an increase of €3.1 million in net interest payable and a decrease in share of gains/(losses) of joint ventures and associates of €0.2 million, offset by an increase in operating profit of €9.8 million.

Consolidated Statement of Financial Position

In 2022, the net asset value of the Society increased by €35.6 million to €457.8 million (2021: €422.2 million). The increase primarily reflected the profit for the financial year of €23.2 million, a positive movement in the net pension asset of €13.6 million and a net share capital/bonus reserve movement of €2.3 million. These were partially offset by unfavourable foreign exchange differences on translation of €2.2 million and share interest and dividends paid of €1.3 million.

Fixed assets of €432.5 million (2021: €435.1 million), comprising of intangible assets, tangible assets, investment properties and financial assets, decreased by a net €2.6 million, as a result of:

- depreciation, amortisation and impairment charges of €29.6 million;
- a decrease in other investments of €3.8 million;
- disposals in the year of investment properties of €0.7 million; and
- an unfavourable translation adjustment of €0.5 million.

These decreases were partially offset by:

- capital expenditure investment of €31.8 million; and
- an increase in the investments in joint ventures and associates of €0.2 million.

Net current assets less creditors falling due after more than one year, resulted in a liability of €0.1 million (2021: €28.9 million), a decrease of €28.8 million, primarily as a result of:

- an increase in stocks of €66.1 million to €225.0 million (2021: €158.9 million); and
- an increase in debtors of €35.8 million to €172.7 million (2021: €136.9 million).

These variances were partially offset by:

- an increase in creditors, excluding bank financing, of €49.0 million to €265.5 million (2021: €216.5 million), mainly driven by an increase in trade creditors, year-end provisions and deferred income in the current year; and
- an increase in net bank debt of €24.1 million to €132.3 million (2021: €108.2 million), reflecting an increase in bank overdrafts and invoice discounting of €27.8 million to €42.4 million (2021: €14.6 million) offset by an increase in cash at bank and in hand of €3.7 million to €10.1 million (2021: €6.4 million).

The capital grants' liability of €11.2 million (2021: €8.9 million), increased by €2.3 million, following receipt of capital grants, offset by the amortisation charge for the year. The deferred tax liability of €18.1 million (2021: €13.7 million) increased by €4.4 million year-on-year.

The consolidated statement of financial position as at 31 December 2022 included a pension asset of €54.7 million (2021: €38.5 million). The positive movement was driven by a decrease in the pension scheme liabilities of €82.1 million, partially offset by a decrease in pension scheme assets of €65.9 million.

The share capital increased by €3.2 million to €104.0 million (2021: €100.8 million), reflecting shares issued of €4.1 million, including bonus shares of €0.9 million, partially offset by shares redeemed of €0.9 million.

The profit and loss account reserve increased by €32.1 million to €347.5 million (2021: €315.4 million) reflecting the profit for the financial year (excluding non-controlling interests) of €23.2 million, positive movements related to the pension scheme of €13.6 million. These were partially offset by unfavourable foreign exchange differences on the translation of UK subsidiary undertakings of €2.2 million, share interest of €1.3 million and a transfer to the bonus reserve of €1.2 million.

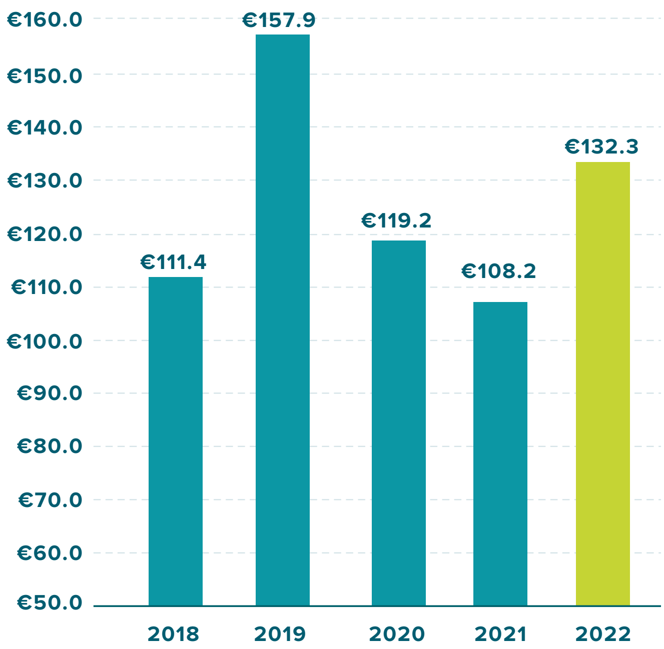
Consolidated Statement of Cash Flows

The increase in bank overdrafts and invoice discounting of €27.8 million, partially offset by an increase in cash at bank and in hand of €3.7 million, reflected the overall increase in net bank debt of €24.1 million, from €108.2 million in 2021, to €132.3 million in 2022.

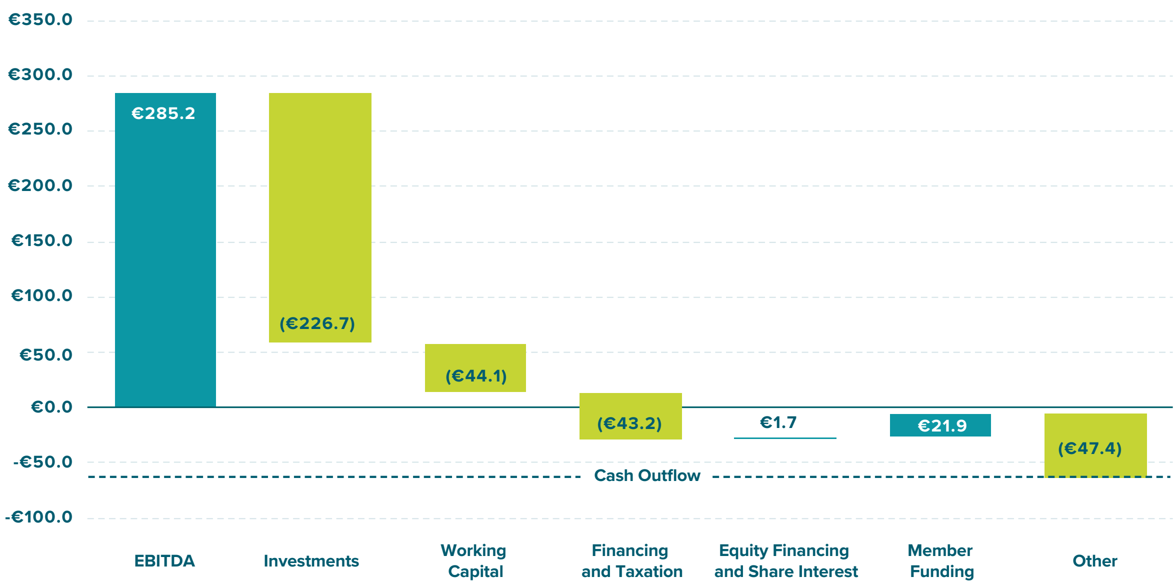
The increase of €24.1 million resulted from:

- An increase in working capital requirements of €40.8 million (2021: €14.3 million), resulting primarily from an increase in stock of €66.1 million and an increase in debtors of €34.4 million, partially offset by an increase in creditors of €59.7 million;
- Capital expenditure (net of grants) of €40.0 million (2021: €31.8 million);
- Payments of €12.6 million (2021: €6.4 million) to cover net finance costs, taxation, equity financing and share interest;
- Non-cash movements of €3.6 million (2021: increase of €1.8 million) in relation to foreign exchange differences and revaluation of investment properties;

Net Bank Debt €million



Cash Outflow of €52.6 million between 2018 and 2022



- Cash related to exceptional items and other movements of €0.8 million (2021: €2.2 million); and
- A difference of €0.1 million (2021: €nil) between payments and current services pension cost.

These were partially offset by:

- EBITDA of €68.5 million (2021: €57.6 million);
- Member Funding receipts of €4.1 million (2021: €8.4 million), in relation to Revolving Fund receipts of €4.8 million partially offset by Revolving Fund repayments of €0.7 million;
- Disposal of investment properties of €0.7 million (2021: €2.2 million);
- Financial asset movements of €0.5 million (2021: a decrease of €6.8 million); and
- Disposal of tangible assets of €nil (2021: €2.5 million).

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 2022 financial performance ensured compliance with all financial covenants, including the Society's net bank debt to adjusted EBITDA ratio of 1.97:1.

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.

Banking

The Society has agreed new banking syndicate facilities for 2023 to 2028, prior to the maturation of the existing facilities in March 2024. The new banking facilities of €360.0m will provide the firepower and flexibility to support Dairygold's growth plans and manage working capital volatility.

Member Funding

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

Total Member Funding (including accrued interest) at year end 2022 was €42.5 million (2021: €37.1 million). This is made up of €17.1 million (2021: €16.4 million) in Loan Notes and €25.4 million (2021: €20.7 million) in the Revolving Fund.

In 2022, the Society issued no Loan Notes (2021: €8.0 million).

In 2022, the Society received €4.8 million (2021: €4.8 million) in Revolving Fund, while it repaid €0.7 million (2021: €4.4 million) in Revolving Fund including interest, in relation to the 2015 Revolving Fund.

Pension

The consolidated statement of financial position as at 31 December 2022 reflected a net pension asset of €54.7 million (2021: €38.5 million), with scheme assets of €234.5 million (2021: €300.4 million) and scheme liabilities of €179.8 million (2021: €261.9 million).

The Society continues to actively monitor its Pension schemes, given the volatility around financial markets and pension schemes in general and to proactively pursue further risk mitigation initiatives and to manage costs in an ever-increasing regulatory environment.

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 2022, the market value of the quoted financial assets decreased by €3.5 million to €31.8 million (2021: €35.3 million), including €0.6 million transferred from commercial property sales' proceeds. The decrease in the value is reflective of the general reduction in global equities during the year.

During 2022, the Society's FBD shareholding, was sold and the proceeds were re-invested in the Diversified Financial Assets Portfolio.

Property

The Society, as at 31 December 2022, 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. The key achievement in 2022, was the granting of the dual planning permissions for Creamfields, Cork.

Summary and Outlook

In 2022, the Society delivered a very strong financial performance, generating a record turnover of €1.6 billion and delivering a strong EBITDA, while paying a very competitive milk price. The Society also maintained a conservative net bank debt, against a challenging working capital environment.

The Society is building for the future, on very strong financial foundations, developing and growing the Business and its people, to ensure the sustainability of the organisation and its Shareholders. The Society is delivering a consistently positive financial performance, while paying a very competitive and strong price to Members for their produce. The delivery of a diversification of earnings is a key financial ambition of the Society, growing EBITDA, through a combination of organic growth and significant adjacent acquisitions.

Directors, Officers, Committees

and other information

The Board of Directors

Seán O'Brien - *Chairman*

Gerard O'Dwyer - *Vice Chairman*

Patrick Clancy

Maurice Curtin

Annette Flynn

Patrick Gaynor

Brendan Hinchion

Fintan McSweeney

Michael J. Murphy

Martin O'Doherty

Donal Shinnick

Joseph Tobin

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 and Risk Committee

The Audit and Risk Committee comprises Ms. Annette Flynn (Chair), Mr. Brendan Hinchion, Mr. Michael J. Murphy and Mr. Donal Shinnick. 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 and Risk 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 and Risk Committee during 2022 under its terms of reference were as follows:

Financial Reporting

The Audit and Risk 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 and Risk Committee reviewed the risk registers and risk management systems of the Society on a rolling basis during 2022. The Audit and Risk Committee also received insights on the Society's principal risks through receipt of regular updates from Senior Management, and detailed presentations on existing risks including:

- Health and Safety;
- Sustainability;
- Talent Management;
- Cyber Security;
- Procurement;
- Economic Slowdown;
- Business Continuity;
- Strategic Execution; and
- Environmental Compliance.

The Audit and Risk Committee also received detailed presentations on Taxation, the ESG Reporting landscape, Corporate Governance, and emerging risks such as Digital Disruption, and Geopolitical Uncertainty.

The Audit and Risk Committee recommended that the Society's principal risks be presented to the Board for review. The Society's principal risks and the Society's Risk Appetite Statement were reviewed and approved by the Board.

The Audit and Risk Committee also considered Internal Audit reports which formed part of the annual work plan approved by the Audit and Risk Committee.

Internal Audit

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

The Head of Internal Audit is responsible for managing the Internal Audit function and reports directly to the Audit and Risk Committee. The Head of Internal Audit holds regular meetings with the Chair of the Audit and Risk 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 and Risk Committee for approval. The Audit and Risk 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 and Risk 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 and Risk Committee approved the terms of engagement for the audit. Subsequently, the Audit and Risk Committee reviewed the findings of the auditor, assessed the effectiveness of the audit process and the external audit's management letter together with Management's responses.

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

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

Audit and Risk Committee Performance

The Audit and Risk Committee is dedicated to the ongoing education of its Members including regulatory updates and induction training for all new Members of the Audit and Risk Committee during the year, and review of Audit and Risk Committee effectiveness on an annual basis.

Deirdre McCarthy, Head of Strategy, Conor Galvin, Chief Executive, Eamon O'Sullivan, General Manager, Dairy Ireland, Adrian Beatty, Group Head of Human Resources and Ann Fogarty, Group Company Secretary.

Liam O'Flaherty, General Manager, Agri Business, George MacLeod, General Manager, Dairygold Health and Nutrition, Michael Harte, Chief Financial Officer and Orlaith Tynan, Head of Sustainability.

Acquisitions and Investments Committee

The Acquisitions and Investments Committee comprises Mr. Seán O'Brien (Society Chairman), Mr. Gerard O'Dwyer (Society Vice Chairman), Mr. Patrick Gaynor (Chairman of the Remuneration Committee), Ms. Annette Flynn (Chair of the Audit and Risk Committee) and Mr. Maurice Curtin (Board Nominee).

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

- assess the Board approved acquisitions and investments strategy on an ongoing basis and to assess its 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;

Dairygold Chief Executive, Conor Galvin with Chris Edge, General Manager, Dairy UK & Europe, Dairygold.

- 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 2022, the activities of the Acquisitions and Investments Committee included reviewing the Dairygold Strategy 'Our Future Our Strategy 2030' in advance of Board approval, evaluating potential acquisition targets.

From a commercial property perspective, the Committee agreed to the divestment of certain commercial properties, including that the proceeds of any sales would be invested in the Diversified Financial Assets Portfolio, while agreeing to progress planning opportunities for other commercial properties.

The performance and investment strategy of the Diversified Financial Assets Portfolio remained under constant review, with the agreement to transition the portfolio to Socially Responsible Investing. In addition, the Society's FBD plc holding was divested of in 2022.

The Committee reviewed the proposed Bank Syndicate refinancing arrangement and approved the funding level requirements, to ensure the appropriate structure and headroom were in place, to support the delivery of the Society's strategic ambition.

Remuneration Committee

The Remuneration Committee comprises Mr. Patrick Gaynor (Chairman), Mr. Seán O'Brien (Society Chairman), Mr. Gerard O'Dwyer (Society Vice Chairman) and Mr. Patrick Clancy (Board Nominee). The roles 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 2022, the Remuneration Committee reviewed the Society's overall Human Resources Strategy, including remuneration, non-financial benefits, Employee retention and talent management, including the key people initiatives and actions being progressed, to support the delivery of the overall Dairygold Strategy. In addition, the Committee approved Salary Increments and Bonus Payments.

Rules Committee

The Rules Committee comprises Mr. Seán O'Brien (Society Chairman), Mr. Gerard O'Dwyer (Society Vice Chairman), Mr. Michael J. Murphy and Mr. Joseph Tobin (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 2022, the Rules Committee reviewed the Board policies pertaining to the Rules, over saw the implementation of the new Rule Book adopted by Members at a SGM in October 2021 and reviewed, together with providing feedback and submissions to the ICOS Plunkett Institute Governance Code and the proposed new legislation governing Co-Operative Societies.

SENIOR LEADERSHIP TEAM

- Chief Executive
  Conor Galvin
- Group Company Secretary
  Ann Fogarty
- Chief Financial Officer
  Michael Harte
- Group Head of Human Resources
  Adrian Beatty
- Head of Strategy
  Deirdre McCarthy
- Head of Sustainability
  Orlaith Tynan
- General Manager, Dairy Ireland
  Eamon O'Sullivan
- General Manager, Agri Business
  Liam O'Flaherty
- General Manager, Dairy UK & Europe
  Chris Edge
- General Manager, Dairygold Health and Nutrition
  George MacLeod

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
ING Bank N.V.
Coöperatieve Rabobank U.A. t/a Rabobank Dublin

Solicitors

Arthur Cox
McCann FitzGerald

General Committee

Mallow

Mr. Daniel Broe
Mr. Teddy Buckley
Mr. Laurence Crowley
Mr. Michael Duane
Mr. Mitchell Hayes
Mr. John Hedigan
Mr. John Kenny
Mr. Finian Magner
Mr. Fintan McSweeney
Mr. Timothy McSweeney
Mr. Martin O'Brien
Mr. Michael O'Hanlon
Mr. Donal Shinnick

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. James Crowley
Mr. Patrick Foott
Mr. Brendan Hinchion
Mr. James Hurley
Mr. Patrick Long
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

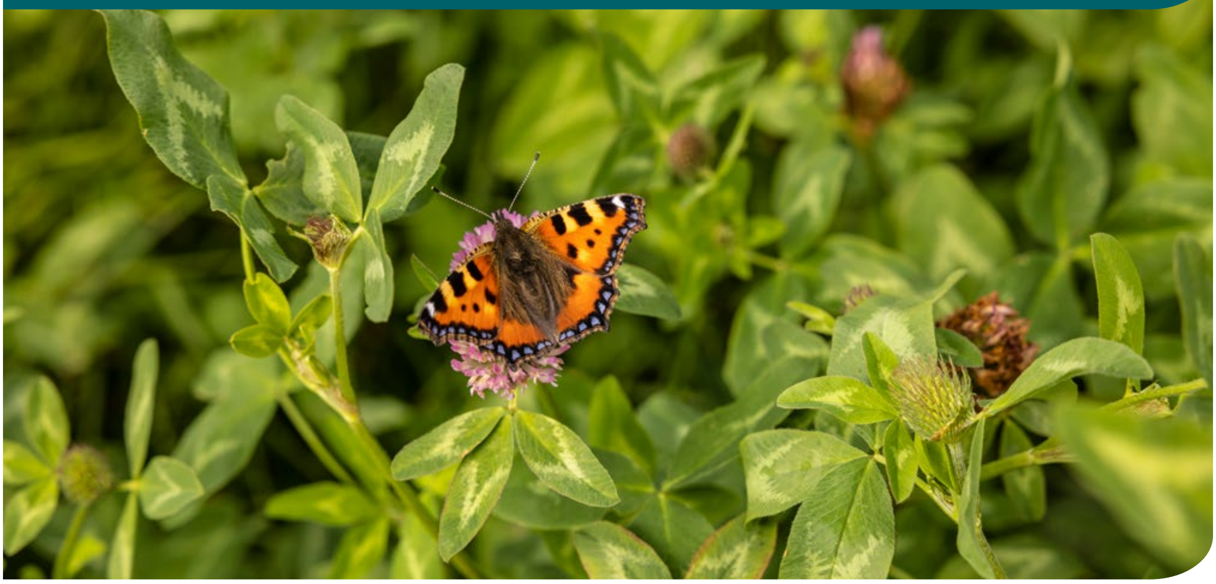
Mr. Matthew McEniry
Mr. Martin Moloney
Mr. Eamonn Morrissey
Mr. John O'Gorman
Mr. Joseph Tobin

East Cork

Mr. Timothy Cashman
Mr. Matthew Hurley
Mr. John Kingston
Mr. Edmund C. Lynch
Ms. Ann Moore
Mr. Seán O'Brien
Mr. Patrick O'Donovan
Mr. Maurice Smiddy

Limerick

Mr. Arthur Barlow
Mr. Maurice Curtin
Mr. Vincent Griffin
Mr. Sean Hynes
Mr. Gerard Kennedy
Mr. Kevin McInerney
Mr. Patrick O'Brien
Mr. Gerard O'Dwyer
Mr. Brendan 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. Daniel Casey
Mr. Martin O'Brien

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
Vacancy

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

BOHERLAHAN
Mr. Michael Ryan
Mr. Joseph Tobin

BUNRATTY
Mr. Robert Frost
Mr. Kevin McInerney

BUTTEVANT/ TEMPLEMARY
Mr. Daniel Broe
Mr. Kieran Kennedy
Mr. Donal Shinnick

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. Daniel Dennehy
Mr. Patrick Long

C.M.P.
Mr. Timothy Cashman
Mr. John Kingston
Mr. Donal O'Brien
Mr. Colm O'Leary
Mr. Frank O'Mahony
Mr. John O'Sullivan
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. Daniel O'Brien

DONOUGHMORE
Mr. Fintan McSweeney
Vacancy

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

GALBALLY
Mr. Diarmuid Henebry

GARRYSPILLANE
Mr. Morgan Murphy

GLANWORTH
Mr. Seamus Bradley
Ms. Mary Twomey-Casey

GLOSHA/REARCROSS
Mr. Roger Keogh

GRANAGH/MILTOWN
Mr. Vincent Griffin
Mr. Gerard Kennedy

HOLLYFORD
Mr. Vincent Carr

HOSPITAL/KILTEELY/ SARSFIELD
Mr. Patrick Hanley
Mr. Simon McCormack

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

INCHIGEELA/TEERGAY
Vacancy

KILBEHENNY
Vacancy
Vacancy

KILCORNEY
Mr. Leonard Leader
Mr. Tadgh Sheehan

KILDORRERY
Mr. Tony Coffey
Mr. Robert Drake

KILLOWEN/ MOSSGROVE
Mr. John Canty
Mr. Don McSweeney

KILLUMNEY
Mr. Thomas M. Griffin
Mr. Kevin Sheehan

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. Gearóid 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. Michael J. Riordan
Vacancy

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 2021. 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:

Seán O'Brien
Chairman

16 March 2023

Gerard O'Dwyer
Vice Chairman

16 March 2023

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 2022 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 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement 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 44, 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

27 March 2023

Consolidated Income Statement

for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
TURNOVER	*2*	**1,647,167**	1,169,398
Cost of sales		**(1,340,516)**	(910,159)
Gross Profit		**306,651**	259,239
Operating costs		**(240,470)**	(201,727)
Grant amortisation		**1,304**	1,515
Intangible asset amortisation		**(1,515)**	(1,317)
Depreciation		**(27,741)**	(27,401)
Change in fair value of investment properties		**1,924**	42
Operating Profit		**40,153**	30,351
Share of gains of joint ventures		**453**	589
Share of losses of associates		**(35)**	(38)
PROFIT on ordinary activities before investment income, interest and taxation		**40,571**	30,902
Net (loss)/profit on financial assets at fair value through profit and loss	*4*	**(3,427)**	4,405
Interest payable and similar charges	*5*	**(10,070)**	(6,854)
Interest receivable and similar income	*5*	**610**	425
PROFIT on ordinary activities before taxation		**27,684**	28,878
Taxation charge on profit on ordinary activities	*7*	**(4,481)**	(4,517)
PROFIT after taxation		**23,203**	24,361
Attributable to:			
Non-controlling interests	*26*	**11**	226
Owners of the parent entity		**23,192**	24,135
PROFIT for the financial year		**23,203**	24,361

The above results are derived from continuing operations.

On behalf of the Board:

Seán O'Brien
Chairman

16 March 2023

Gerard O'Dwyer
Vice Chairman

16 March 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
PROFIT for the financial year		**23,203**	24,361
Share of joint ventures' reserves movements	*10*	**(9)**	(5)
Share of associates' reserves movements	*11*	**-**	(7)
Exchange differences on translation of subsidiary undertakings		**(2,171)**	2,466
(Loss)/return on plan assets (excluding amounts included in net interest cost)	*22*	**(62,317)**	23,444
Experience losses arising on pension scheme liabilities	*22*	**(12,635)**	(2,619)
Changes in assumptions underlying the present value of pension scheme liabilities	*22*	**90,576**	(13,040)
Deferred tax associated with movement on defined benefit pension scheme	*21*	**(2,023)**	(1,016)
Total other comprehensive income		**11,421**	9,223
Total comprehensive income for the year		**34,624**	33,584

Total comprehensive income for the year attributable to:

	Notes	2022 €'000	2021 €'000
Non-controlling interests	*26*	**11**	226
Owners of the parent entity		**34,613**	33,358
		34,624	33,584

Consolidated Statement of Financial Position

as at 31 December 2022

	Notes	2022 €'000	2021 €'000
FIXED ASSETS			
Intangible assets	*8*	**7,820**	7,777
Tangible assets	*9*	**342,319**	344,530
Investment properties	*9*	**39,975**	36,850
Financial assets:			
Investments in joint ventures	*10*	**8,238**	7,968
Investments in associates	*11*	**424**	461
Other investments	*12*	**33,739**	37,552
		432,515	435,138
CURRENT ASSETS			
Stocks	*13*	**224,999**	158,912
Debtors	*14*	**172,693**	136,895
Cash at bank and in hand	*28*	**10,092**	6,392
		407,784	302,199
CREDITORS falling due within one year	*15*	**(265,125)**	(194,379)
NET CURRENT ASSETS		**142,659**	107,820
TOTAL ASSETS LESS CURRENT LIABILITIES		**575,174**	542,958
CREDITORS falling due after more than one year	*16*	**(142,750)**	(136,737)
PROVISION FOR LIABILITIES AND CHARGES			
Capital grants	*20*	**(11,216)**	(8,868)
Deferred taxation	*21*	**(18,136)**	(13,688)
NET ASSETS excluding pension asset		**403,072**	383,665
PENSION ASSET	*22*	**54,719**	38,536
NET ASSETS		**457,791**	422,201
CAPITAL AND RESERVES			
Share capital	*23*	**103,982**	100,809
Bonus reserve	*25*	**1,305**	999
Profit and loss account	*25*	**347,520**	315,395
EQUITY attributable to the owners of the parent entity		**452,807**	417,203
Non-controlling interests	*26*	**4,984**	4,998
TOTAL CAPITAL EMPLOYED		**457,791**	422,201

On behalf of the Board:

Seán O'Brien
Chairman

16 March 2023

Gerard O'Dwyer
Vice Chairman

16 March 2023

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	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 2021		**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	24	-	-	(1,239)	(1,239)	-	(1,239)
Dividends paid	26	-	-	-	-	(41)	(41)
Issue of ordinary shares including conversions	23	3,369	-	-	3,369	-	3,369
Shares redeemed	23	(1,180)	-	-	(1,180)	-	(1,180)
Reinstatement of previously cancelled shares	23	12	-	(12)	-	-	-
Transfer from profit and loss account to bonus reserve		-	900	(900)	-	-	-
Transfer from bonus reserve to share capital	23	819	(819)	-	-	-	-
At 31 December 2021		**100,809**	**999**	**315,395**	**417,203**	**4,998**	**422,201**
Profit for the year		-	-	23,192	23,192	11	23,203
Other comprehensive income		-	-	11,421	11,421	-	11,421
Total comprehensive income for the year		-	-	34,613	34,613	11	34,624
Share interest	24	-	-	(1,282)	(1,282)	-	(1,282)
Dividends paid	26	-	-	-	-	(25)	(25)
Issue of ordinary shares including conversions	23	3,216	-	-	3,216	-	3,216
Shares redeemed	23	(943)	-	-	(943)	-	(943)
Reinstatement of previously cancelled shares	23	6	-	(6)	-	-	-
Transfer from profit and loss account to bonus reserve		-	1,200	(1,200)	-	-	-
Transfer from bonus reserve to share capital	23	894	(894)	-	-	-	-
At 31 December 2022		**103,982**	**1,305**	**347,520**	**452,807**	**4,984**	**457,791**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Net cash inflow from operating activities	27	**18,572**	41,585
Investing activities			
Payments to acquire intangible assets		**(1,878)**	(3,874)
Payments to acquire tangible assets		**(41,784)**	(28,289)
Payments to acquire financial assets		**(13,343)**	(18,951)
Receipts on disposals of tangible assets		**23**	2,489
Receipts on disposals of financial assets		**13,814**	12,135
Receipts on disposals of investment properties		**736**	2,150
Capital grants received	20	**3,652**	373
Net cash flow from investing activities		**(38,780)**	(33,967)
Financing activities			
Decrease in long term loans		**-**	(8,000)
Increase/(decrease) in bank overdrafts and invoice discounting		**27,778**	(6,317)
Movement in net bank debt		**27,778**	(14,317)
Equity share interest paid		**(1,282)**	(1,236)
Dividends paid to non-controlling interests	26	**(25)**	(41)
Interest paid		**(8,707)**	(5,858)
Interest received		**16**	1
Issue of share capital	23	**3,216**	3,369
Redemption of shares	23	**(926)**	(1,006)
Redemption of convertible stock	18	**-**	(1)
Loan notes		**-**	7,994
Revolving fund		**4,073**	361
Redemption of loan stock	19	**(235)**	(235)
Net cash flow from financing activities		**23,908**	(10,969)
Increase/(decrease) in cash and cash equivalents		**3,700**	(3,351)
Cash and cash equivalents at 1 January		**6,392**	9,743
Cash and cash equivalents at 31 December	28	**10,092**	6,392

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 2021. 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 2021.

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 2022 financial statements are for a 52-week period (2021: 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 2022;

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 2021 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 2022; 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 war in Ukraine has resulted in global supply chain challenges and elevated inflation. The Society is dealing with this volatility and is ensuring continuity of product supply to its Customers. As the future of the war continues to be highly uncertain the Society continues to closely monitor this challenging environment.

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.

Statement of Accounting Policies

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 accrual's 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. 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.

Statement of Accounting Policies

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. Intangible assets in the course of construction are carried at cost less any recognised impairment loss.

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 an annual 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 (non-retail) 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 retail goods for resale is determined using the weighted average method. Cost comprises the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

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.

Statement of Accounting Policies

Cash in hand and bank overdrafts balances are netted where a right of offset exists. Cash held in non-wholly owned subsidiaries where there is no right of offset are disclosed as cash and cash equivalents. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Taxation:

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

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

Deferred Taxation:

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

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

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

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

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

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

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.

Statement of Accounting Policies

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 accrual's basis in the tax charge in the consolidated income statement.

Foreign Currencies:

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

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

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

Employee Benefits:

Short Term Benefits

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

Long Term Benefits

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

Defined Benefit Pension Plan

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

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

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 payroll 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.

Statement of Accounting Policies

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

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty:

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

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

Critical Judgements in Applying the Society's Accounting Policies

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

a) Revaluation of Investment Properties

The Society carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Society engaged independent professional commercial property consultants to determine the fair value at 31 December 2022. 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, inflation up to an agreed cap. Further details are given in note 22.

c) Accounting for Ukrainian war implications

The Society has effectively managed to maintain business continuity in a time of unprecedented increases in commodity prices and energy price volatility, delivering a strong financial performance in the year. Global supply chain disruption is constantly evaluated to ensure product supply to Customers.

Statement of Accounting Policies

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, considering 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 8 and 9 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 21.

Notes to Financial Statements

for the year ended 31 December 2022

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 33.

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 2022 and 1 January 2023, if the euro had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar denominated hedged trade receivables.

(b) Interest rate risk

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

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

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

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

Notes to Financial Statements

for the year ended 31 December 2022

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 Acquisitions 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 €1.6m gain/loss (2021: €1.8m 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 17.

(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 capital employed as shown in the consolidated statement of financial position which amounted to €457.8m (2021: €422.2m).

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 2022, the Society's net bank debt/adjusted EBITDA ratio was 1.97 times (2021: 1.93 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 2022

2. Turnover

	2022 €'000	2021 €'000
Turnover: group and share of joint ventures'	**1,677,760**	1,196,900
Less: share of joint ventures' turnover	**(30,593)**	(27,502)
Group turnover	**1,647,167**	1,169,398
Geographical analysis by destination:		
Ireland	**511,672**	361,477
United Kingdom	**270,435**	183,403
Rest of Europe	**537,758**	363,115
Rest of World	**327,302**	261,403
	1,647,167	1,169,398
Principal activities by class of business:		
Food ingredients	**1,245,726**	871,605
Agri business	**388,496**	276,181
Financial and property	**12,945**	21,612
	1,647,167	1,169,398
Analysis of turnover by category:		
Sale of goods	**1,615,169**	1,130,164
Rendering of services	**18,746**	17,361
Others including sale of shares and property activities	**13,252**	21,873
	1,647,167	1,169,398

3. Operating profit

	2022 €'000	2021 €'000
Operating profit is stated after charging/(crediting):		
Research and development expenditure	**1,236**	1,041
Foreign exchange loss/(gain)	**1,559**	(582)
Amortisation of intangible assets - Note 8	**1,515**	1,317
Impairment of intangible assets (included in operating costs) - Note 8	**310**	89
Depreciation of tangible assets - Note 9	**27,741**	27,401
Impairment of plant and machinery (included in operating costs) - Note 9	**85**	-
Profit on disposal of tangible assets - Note 9	**(20)**	(2,367)
Capital grants amortisation - Note 20	**(1,304)**	(1,515)
Cost of stock recognised as an expense	**1,340,516**	910,159
Impairment of stock recognised as an expense - Note 13	**10,300**	3,000

Notes to Financial Statements

for the year ended 31 December 2022

3. Operating profit (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.

	2022 €'000	2021 €'000
Operating profit	**40,153**	30,351
Grant amortisation	**(1,304)**	(1,515)
Intangible asset amortisation	**1,515**	1,317
Depreciation	**27,741**	27,401
Impairment	**395**	89
EBITDA	**68,500**	57,643

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

	2022 €'000	2021 €'000
(Loss)/profit on shares measured at fair value - Note 12	**(3,427)**	4,405

5. Finance costs

	2022 €'000	2021 €'000
Interest payable and similar charges:		
Bank interest payable and similar charges	**(9,950)**	(6,777)
Share of joint ventures' net interest payable	**(120)**	(77)
	(10,070)	(6,854)
Interest receivable and similar income:		
Bank interest receivable	**14**	3
Net interest receivable and similar income relating to pension - Note 22	**501**	305
Unwinding of the discount factor for receivables	**95**	117
	610	425

Notes to Financial Statements

for the year ended 31 December 2022

6. Payroll costs

	2022 Number	2021 Number
The weekly average number of employees:		
Dairygold Food Ingredients	**716**	709
Dairygold Agri Business	**575**	561
	1,291	1,270

	€'000	€'000
Payroll costs comprise:		
Wages and salaries	**74,130**	70,503
Social welfare costs	**7,402**	7,094
Other retirement benefit costs - Note 22	**6,173**	5,747
	87,705	83,344

During the year, in respect of Employees of Dairygold Food Ingredients (U.K.) Limited, the Society did not furlough any Employees, following the closure in August 2021 of the Coronavirus Job Retention Scheme, as such the Society recognised €nil (2021: €0.1m) with respect to the scheme.

7. Taxation charge on profit on ordinary activities

Tax charge included in the consolidated income statement	2022 €'000	2021 €'000
Corporation tax:		
Irish tax	**(526)**	(2,006)
Foreign tax	**(1,186)**	(773)
	(1,712)	(2,779)
Prior year provision movement:		
Irish tax	**(283)**	196
Foreign tax	**(1)**	-
	(284)	196
Tax charge	**(1,996)**	(2,583)
Share of joint ventures' tax	**(60)**	(92)
Total corporation tax	**(2,056)**	(2,675)
Deferred tax charge - Note 21:		
Origination and reversal of timing differences	**(2,425)**	(1,842)
Total tax	**(4,481)**	(4,517)

Notes to Financial Statements

for the year ended 31 December 2022

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

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

	2022 €'000	2021 €'000
Deferred tax associated with movement on the defined benefit pension scheme - Note 21	**(2,023)**	(1,016)

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 2022 of 12.5% (2021: 12.5%). The differences are explained as follows:

	2022 €'000	2021 €'000
Profit on ordinary activities before tax	**27,684**	28,878
Tax on profit on ordinary activities at standard Irish corporation tax rate	**(3,460)**	(3,610)
Effects of:		
Expenses allowed/(disallowed) for tax purposes	**913**	(23)
Research and development tax credits	**322**	892
Excess capital allowances over depreciation	**1,079**	801
Income subject to higher tax rates (non-trading income)	**(355)**	(667)
Non taxable income	**21**	12
Losses brought forward utilised	**283**	168
Share of joint ventures' tax	**(60)**	(92)
Chargable gain	**(24)**	-
Income tax	**(14)**	(17)
Adjustments in respect of previous periods	**(284)**	196
Higher tax rates (overseas)	**(477)**	(335)
Deferred tax - origination and reversal of timing differences	**(2,425)**	(1,842)
Taxation charge on profit on ordinary activities	**(4,481)**	(4,517)

Notes to Financial Statements

for the year ended 31 December 2022

8. Intangible assets

	Software Development Costs €'000	Construction in progress €'000	Total €'000
Cost			
At 1 January 2021	13,211	192	13,403
Additions	1,085	2,807	3,892
Impairment	(89)	-	(89)
Disposals	(4,274)	-	(4,274)
Translation adjustment	15	-	15
At 31 December 2021	9,948	2,999	12,947
Additions	1,700	178	1,878
Impairment	(310)	-	(310)
Disposals	(1,387)	-	(1,387)
Transferred from CIP	2,780	(2,780)	-
Translation adjustment	(28)	-	(28)
At 31 December 2022	**12,703**	**397**	**13,100**
Accumulated Amortisation			
At 1 January 2021	8,106	-	8,106
Charged during year	1,317	-	1,317
Disposals	(4,256)	-	(4,256)
Translation adjustment	3	-	3
At 31 December 2021	5,170	-	5,170
Charged during year	1,515	-	1,515
Disposals	(1,387)	-	(1,387)
Translation adjustment	(18)	-	(18)
At 31 December 2022	**5,280**	**-**	**5,280**
Net Book Value			
At 31 December 2022	**7,423**	**397**	**7,820**
At 31 December 2021	**4,778**	**2,999**	**7,777**

Included in disposals for the year are retirements of intangible assets which are no longer in use, with a net book value of €nil (2021: €0.01m). These assets had a total cost of €1.39m (2021: €4.27m) and related accumulated amortisation of €1.39m (2021: €4.26m).

Notes to Financial Statements

for the year ended 31 December 2022

9. Tangible assets

	Land & buildings €'000	Development assets €'000	Plant & machinery €'000	Motor vehicles €'000	Construction in progress €'000	Total €'000
Cost						
At 1 January 2021	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
Additions	2,538	84	5,350	369	17,296	25,637
Impairment	-	-	(85)	-	-	(85)
Disposals	(3,731)	-	(18,828)	(118)	-	(22,677)
Transferred from investment properties	558	-	-	-	-	558
Transferred from CIP	3,363	-	13,478	446	(17,287)	-
Translation adjustments	(485)	-	(888)	-	-	(1,373)
At 31 December 2022	**235,254**	**6,018**	**322,087**	**9,152**	**41,808**	**614,319**
Accumulated Depreciation						
At 1 January 2021	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
Charged during year	7,509	-	19,623	609	-	27,741
Disposals	(3,731)	-	(18,810)	(113)	-	(22,654)
Translation adjustments	(163)	-	(653)	-	-	(816)
At 31 December 2022	**77,063**	**-**	**187,593**	**7,344**	**-**	**272,000**
Net Book Value						
At 31 December 2022	**158,191**	**6,018**	**134,494**	**1,808**	**41,808**	**342,319**
At 31 December 2021	**159,563**	**5,934**	**135,627**	**1,607**	**41,799**	**344,530**

Included in disposals for the year are retirements of tangible assets which are no longer in use, with a net book value of €nil (2021: €nil). These assets had a total cost and related accumulated depreciation of €22.7m (2021: €5.3m).

The profit on the disposal of tangible assets to third parties was €0.02m (2021: €2.37m).

The net carrying amount of assets held under finance leases included in land and buildings is €5.1m (2021: €5.4m).

Notes to Financial Statements

for the year ended 31 December 2022

9. Tangible assets (continued)

Investment Properties	2022 €'000	2021 €'000
Valuation		
At 1 January	**36,850**	39,100
Additions	**2,495**	1,424
Disposals	**(736)**	(2,150)
Transfer to tangible assets	**(558)**	(1,566)
Revaluations	**1,924**	42
At 31 December	**39,975**	36,850

Investment properties are stated at open market value at 31 December 2022. 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 2022.

10. Investments in joint ventures

	2022 €'000	2021 €'000
Share of net assets - 1 January	**7,805**	7,390
Share of net results	**273**	420
Share of joint ventures' reserves movements	**(9)**	(5)
Share of net assets - 31 December	**8,069**	7,805
Loans to joint ventures - Note 30	**169**	163
Balance - 31 December	**8,238**	7,968

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 32 to these financial statements.

Notes to Financial Statements

for the year ended 31 December 2022

11. Investments in associates

	2022 €'000	2021 €'000
Share of net assets - 1 January	**461**	509
Share of net results	**(37)**	(41)
Share of associates' reserves movements	**-**	(7)
Balance - 31 December	**424**	461

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 32 to these financial statements.

12. Other investments

	2022 €'000	2021 €'000
Unquoted		
Shares at cost - 1 January and 31 December	**413**	413
Quoted		
Shares at fair value - 1 January	**35,260**	23,310
Additions	**13,343**	18,951
Disposals	**(13,414)**	(11,406)
(Decrease)/increase in fair value quoted shares	**(3,427)**	4,405
Shares at fair value - 31 December	**31,762**	35,260
Loan Stock		
Loan stock at fair value - 1 January	**1,879**	2,496
Redemptions net of additions	**(400)**	(729)
Unwinding of the discount factor	**85**	112
Loan stock at fair value - 31 December	**1,564**	1,879
Total	**33,739**	37,552

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 €2.0m (2021: €3.6m) 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 2022

13. Stocks

	2022 €'000	2021 €'000
Raw materials	**25,219**	14,939
Finished goods	**165,415**	115,158
Goods for resale	**26,872**	22,256
Expense stocks	**7,493**	6,559
	224,999	158,912

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 €10.3m (2021: €3.0m).

14. Debtors

	2022 €'000	2021 €'000
Trade debtors	**124,358**	87,865
Other debtors	**2,453**	9,660
Prepayments and accrued income	**31,066**	31,466
Amounts due from related parties	**8,455**	4,629
Corporation tax	**1,384**	-
VAT	**4,977**	3,275
	172,693	136,895

The invoice discounting facility of €115.0m 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 €25.6m (2021: €25.0m) of trade debtors at year end.

Notes to Financial Statements

for the year ended 31 December 2022

15. Creditors falling due within one year

	2022 €'000	2021 €'000
Bank overdrafts and invoice discounting	**42,407**	14,629
Revolving fund (including interest accrued) - Note 17	**104**	805
Trade creditors	**69,405**	34,478
Derivative financial instruments - Note 33	**369**	271
Provisions, accruals and deferred income	**147,484**	134,554
Amounts due to related parties	**2,681**	5,606
Corporation tax	**-**	1,293
PAYE and PRSI	**2,568**	2,501
Loan stock - Note 19	**107**	242
	265,125	194,379

16. Creditors falling due after more than one year

	2022 €'000	2021 €'000
Bank loans - Note 17	**100,000**	100,000
Loan notes (including interest accrued) - Note 17	**17,074**	16,449
Revolving fund (including interest accrued) - Note 17	**25,356**	19,885
Convertible stock - Note 18	**216**	216
Loan stock - Note 19	**104**	187
	142,750	136,737

17. Loans

	2022 €'000	2021 €'000
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years:		
Bank loans falling due between two and five years	**100,000**	100,000
Not wholly repayable within five years:		
Loan notes (including interest accrued)	**17,074**	16,449
Revolving fund (including interest accrued)	**25,460**	20,690
	142,534	137,139

Notes to Financial Statements

for the year ended 31 December 2022

17. Loans (continued)

The above loans are repayable as follows:	Bank Loans €'000	Loan Notes €'000	Revolving Fund €'000
Year ending 31 December 2023	-	-	104
Year ending 31 December 2024	100,000	3,811	6,057
Year ending 31 December 2025	-	4,648	6,279
Year ending 31 December 2026	-	4,872	8,120
Year ending 31 December 2027	-	3,743	4,900
	100,000	**17,074**	**25,460**

Bank Facilities
The Society's banking facilities were due for renewal in December 2023. These facilities were extended by the banking syndicate to March 2024 as the Society was in an advanced stage of refinancing. Since the year end, the Society has completed a refinancing with banking facilities of €360.0m now in place until 2028 with previous syndicate members Bank of Ireland, AIB, HSBC, Rabobank and ING Bank N.V. new to the syndicate replacing Ulster Bank.

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 €100.0m (2021: €100.0m) 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 €8.0m 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 €8.0m of Loan Notes during 2021. No Loan Notes were issued in 2022.

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. 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 2022, the Society received €4.8m in Revolving Fund, while it repaid €0.7m in Revolving Fund including interest.

Notes to Financial Statements

for the year ended 31 December 2022

18. Convertible stock

	2022 €'000	2021 €'000
At 1 January	**216**	217
Stock redeemed	**-**	(1)
At 31 December	**216**	216

'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.

19. Loan stock

	2022 €'000	2021 €'000
At 1 January	**429**	490
Arising on share redemption - Note 23	**17**	174
Loan stock repayment	**(235)**	(235)
At 31 December	**211**	429
Falling due within one year - Note 15	**107**	242
Falling due after more than one year - Note 16	**104**	187

20. Capital grants

	2022 €'000	2021 €'000
At 1 January	**8,868**	10,010
Received during the year	**3,652**	373
Credited to consolidated income statement	**(1,304)**	(1,515)
At 31 December	**11,216**	8,868

Grants of €9.7m (2021: €9.5m) which have been received under agreements between the Society, its subsidiaries and Enterprise Ireland may become repayable should certain circumstances set out in the agreements occur.

Notes to Financial Statements

for the year ended 31 December 2022

21. Deferred taxation

	2022 €'000	2021 €'000
At 1 January	**13,688**	10,830
Charged to consolidated income statement - Note 7	**2,425**	1,842
Charged to consolidated statement of comprehensive income - Note 7	**2,023**	1,016
At 31 December	**18,136**	13,688
An analysis of the deferred tax balance is as follows:		
Timing differences	**6,711**	5,013
Unutilised tax losses	**(20)**	(303)
Tax on revaluation of investment properties	**4,605**	4,161
Tax on defined benefit pension surplus	**6,840**	4,817
At 31 December	**18,136**	13,688

The Society had an unrecognised deferred tax asset of €0.8m (2021: €0.8m) at the end of the year. This asset has not been recognised due to uncertainty surrounding the timing of future profits.

22. 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 2022 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 0.81% per annum and that increases to benefits that are linked to inflation would also vary over time with an average inflation rate of circa 2.10% per annum assumed. At the effective date of that valuation, the value of the assets was €302.0m which was sufficient to cover approximately 104.00% of the benefits that had accrued to Members. The valuation report is not available for public inspection.

Notes to Financial Statements

for the year ended 31 December 2022

22. Pension asset (continued)

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

	2022	2021
Inflation rate increase	**2.55%**	2.10%
Deferred pension revaluation	**2.50%***	2.05%*
Pension payment increase	**2.25%****	2.05%
Discount rate	**4.10%**	1.30%

* 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.

** Discretionary pension increases are assumed at 2.00% while guaranteed increases are at 2.50%. The average rate is shown here.

Interest income on plan assets:
Interest income on plan assets for 2022 have been determined using an interest rate of 1.30% (2021: 1.00%) 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 4.10% (2021: 1.30%) reflects the market yield on high quality corporate bonds at 31 December 2022. They have confirmed that they are satisfied that the approach taken is in accordance with the requirements of FRS 102.

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 2022**		As at 31 December 2021	
	Male	**Female**	Male	Female
Members age 65 (current life expectancy)	**22.6**	**24.3**	22.5	24.2
Members age 40 (life expectancy from age 65)	**24.7**	**26.6**	24.6	26.5

Notes to Financial Statements

for the year ended 31 December 2022

22. 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 4.1%
Rate of inflation	Decrease by 0.50%	Decrease by 4.5%
Rate of mortality	Members live for 1 year longer	Increase by 4.7%

Plan assets

The weighted average asset allocation at the year end was as follows:	2022	2021
Equities and other growth assets	**4.3%**	19.9%
Bonds	**83.8%**	68.2%
Properties and infrastructure	**11.5%**	9.2%
Cash	**0.4%**	0.3%
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:

	2022 €'000	2021 €'000
Equities and other growth assets	**10,018**	59,918
Bonds	**196,619**	204,832
Properties and infrastructure	**27,014**	27,543
Cash	**883**	776
Other	**-**	7,328
Fair value of assets	**234,534**	300,397
Present value of scheme liabilities	**(179,815)**	(261,861)
Closing pension asset	**54,719**	38,536

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

	2022 €'000	2021 €'000
Cost arising from employee service in the reporting period	**353**	152
Administrative expenses	**525**	428
Total charged within operating profit	**878**	580

Notes to Financial Statements

for the year ended 31 December 2022

22. Pension asset (continued)

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

	2022 €'000	2021 €'000
Interest income on plan assets	**3,857**	2,782
Interest on past service scheme liabilities	**(3,356)**	(2,477)
Net interest receivable and similar income relating to pension	**501**	305

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

	2022 €'000	2021 €'000
(Loss)/return on plan assets (excluding amounts included in net interest cost)	**(62,317)**	23,444
Experience losses arising on the scheme liabilities	**(12,635)**	(2,619)
Changes in assumptions underlying the present value of scheme liabilities	**90,576**	(13,040)
Remeasurement gains recognised in other comprehensive income	**15,624**	7,785

Movement in pension scheme assets:	2022 €'000	2021 €'000
Value at 1 January	**300,397**	282,180
Return on assets	**3,857**	2,782
(Loss)/return on plan assets (excluding amounts included in net interest cost)	**(62,317)**	23,444
Employer contributions	**936**	619
Benefit payments and expenses	**(8,339)**	(8,628)
Value at 31 December	**234,534**	300,397

Movement in pension scheme liabilities:	2022 €'000	2021 €'000
Value at 1 January	**(261,861)**	(251,773)
Cost (excluding interest):		
(i) Cost arising from employee service in the reporting period	**(353)**	(152)
Interest expense	**(3,356)**	(2,477)
Cash flows		
(i) Benefit payments from plan assets	**7,461**	8,048
(ii) Insurance premiums for risk benefits	**353**	152
Remeasurements		
(i) Effect of the changes in the assumptions	**90,576**	(13,040)
(ii) Effect of experience adjustments	**(12,635)**	(2,619)
Value at 31 December	**(179,815)**	(261,861)

Notes to Financial Statements

for the year ended 31 December 2022

22. 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 (2021: €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 €6.2m (2021: €5.8m) which comprised of a charge of €0.9m (2021: €0.6m) in respect of the defined benefit pension scheme, as noted above, and a cost of €5.3m (2021: €5.2m) in respect of the defined contribution schemes (which includes €0.1m (2021: €0.1m) regarding the Irish Co-Operative Societies Pension Scheme noted above). Valuations have been performed in accordance with the requirements of FRS 102, as at 31 December 2022. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at the valuation date.

23. Share capital

Ordinary shares of €1 each	**2022 €'000**	2021 €'000
Issued and fully paid		
At 1 January	**100,809**	97,789
Shares issued	**3,216**	3,369
Transfer from bonus reserve to share capital	**894**	819
Shares redeemed	**(943)**	(1,180)
Reinstatement of previously cancelled shares - in accordance with Rule 15	**6**	12
At 31 December	**103,982**	100,809

	2022 €'000	2021 €'000
Cash paid	**(926)**	(1,006)
Arising as loan stock - Note 19	**(17)**	(174)
Shares redeemed	**(943)**	(1,180)

Notes to Financial Statements

for the year ended 31 December 2022

23. 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 2021, 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.

24. Share interest

	2022 €'000	2021 €'000
Share interest paid @ 1.25% (2021: 1.25%)		
Ordinary share capital	**(1,282)**	(1,236)
Increase in a provision	**-**	(3)
	(1,282)	(1,239)

The Board has recommended that share interest of 1.25% be paid on the share capital, loan stock and bonus shares at 31 December 2022. This will amount to €1.3m (2021: €1.3m) and is subject to approval at the Annual General Meeting.

25. 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 0.9m shares from the bonus reserve to share capital.

26. Non-controlling interests

	2022 €'000	2021 €'000
At 1 January	**4,998**	4,813
Profit after tax and total comprehensive income	**11**	226
Dividends paid	**(25)**	(41)
At 31 December	**4,984**	4,998

Notes to Financial Statements

for the year ended 31 December 2022

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

	2022 €'000	2021 €'000
EBITDA - Note 3	**68,500**	57,643
Profit on the revaluation of investment properties	**(1,924)**	(42)
Difference between current service pension cost and payments made	**(58)**	(39)
Cash related to exceptional items	**(826)**	(2,153)
Working capital movements		
Increase in stocks	**(66,088)**	(27,697)
Increase in debtors	**(34,414)**	(36,694)
Increase in creditors	**59,660**	50,087
Foreign exchange differences	**(1,605)**	1,888
Taxation		
Corporate income tax payment	**(4,673)**	(1,408)
Net cash inflow from operating activities	**18,572**	41,585

Analysis of changes in net debt	At 1 January 2022 €'000	Cash flow €'000	At 31 December 2022 €'000
Cash and bank balances	6,392	3,700	**10,092**
Bank overdrafts and invoice discounting	(14,629)	(27,778)	**(42,407)**
Bank loans due after one year	(100,000)	-	**(100,000)**
	(108,237)	(24,078)	**(132,315)**

Notes to Financial Statements

for the year ended 31 December 2022

28. Cash at bank and in hand

	2022 €'000	2021 €'000
Cash at bank and in hand	**10,092**	6,392

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.

29. Commitments

Future investments and capital expenditure approved by the Board and not provided for in these financial statements amounted to €102.6m (2021: €45.5m).

At the year end, the Society had forward purchase commitments for certain raw materials amounting to €53.4m (2021: €62.2m) which are not provided for in the financial statements.

30. 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 2022 amounted to €15,663,000 (2021: €13,423,000) and €9,571,000 (2021: €6,201,000) respectively.

The trading balances outstanding by and to the Society amounted to €2,265,000 (2021: €2,614,000) and €8,011,000 (2021: €4,462,000) respectively at the year end. The Society has provided a loan of €169,000 (2021: €163,000) 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 2022, the sales to Munster Cattle Breeding Group Limited and its subsidiaries amounted to €809,000 (2021: €711,000). The trading balances outstanding by and to the Society amounted to €nil (2021: €3,501,000) and €395,000 (2021: €55,000) 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 €8,383,000 (2021: €19,392,000) and €2,749,000 (2021: €2,265,000) respectively. The trading balances outstanding by and to the Society amounted to €416,000 (2021: €2,992,000) and €48,000 (2021: €112,000) respectively at the year end. No specific reserve has been required in either year for bad or doubtful debts in respect of amounts owed by these related parties. A sister of one 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. A brother of one of the key management team of the Society is employed by the Society in the Dairy Agri Business Division on standard terms of employment for that Division.

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30. Related party transactions (continued)

Directors, close family members and key management of the Society, in aggregate, had Loan Note balances of €762,000 (2021: €1,265,000) owing to them at the year end, inclusive of accrued interest. During the year, no Loan Note balances were repaid to Directors and close family members of the Society and remain due on their scheduled repayment date.

Directors and close family members of the Society, in aggregate, had Revolving Fund balances of €228,000 (2021: €186,000) owing to them at the year end, inclusive of accrued interest. During the year, Revolving Fund balances of €5,000 (2021: €30,000) 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 22. 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 €4.1m (2021: €4.5m) analysed between the Senior Leadership Team and the Board of Directors.

	2022 Number	2021 Number
Senior Leadership Team	**9**	9
	€'000	€'000
Basic salaries	**1,887**	1,995
Performance related pay	**918**	1,116
Other emoluments	**233**	224
Employer's PRSI	**342**	389
Employer's pension and retirement fund contributions	**290**	322
	3,670	4,046

	2022 Number	2021 Number
Board of Directors	**12**	12
	€'000	€'000
Directors' fees	**446**	446

2022 Performance Related Pay incorporates payments to certain Members of the Senior Leadership Team, based on the achievement of certain performance targets included in the Strategic Growth Delivery and Reward Schemes (Long Term Incentive Plan) and an increased GRID (Getting Results in Dairygold) payment reflecting the overall improved business performance in 2022.

Notes to Financial Statements

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31. 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 its Irish subsidiaries, including amounts shown as liabilities in the statutory financial statements of the Irish subsidiaries for the financial year ended 31 December 2022 and as a result the subsidiaries are exempted from filing their individual financial statements with the Irish Companies Registration Office.

32. 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 and 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 2022

33. Financial instruments

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

	2022 €'000	2021 €'000
Financial assets		
Measured at fair value through profit or loss		
Investments in listed equity instruments - Note 12	**31,762**	35,260
Debt instruments measured at amortised cost		
Convertible loan stock - Note 12	**1,564**	1,879
Measured at undiscounted amounts receivable		
Trade debtors - Note 14	**124,358**	87,865
Amounts due from related undertakings - Note 14	**8,455**	4,629
Equity instruments measured at cost less impairment		
Investments in unlisted equity instruments - Note 12	**413**	413
Financial liabilities		
Measured at fair value through profit or loss		
Forward foreign currency contracts - Note 15	**(369)**	(271)
Measured at amortised cost		
Bank overdrafts and invoice discounting - Note 15	**(42,407)**	(14,629)
Bank loans - Note 17	**(100,000)**	(100,000)
Revolving fund - Note 17	**(25,460)**	(20,690)
Loan notes - Note 17	**(17,074)**	(16,449)
Loan stock - Note 19	**(211)**	(429)
Convertible stock - Note 18	**(216)**	(216)
Measured at undiscounted amounts payable		
Trade creditors - Note 15	**(69,405)**	(34,478)
Amounts due to related parties - Note 15	**(2,681)**	(5,606)

The Society enters into forward foreign currency exchange contracts to mitigate the exchange rate risk for certain foreign currency sales. At 31 December 2022, the outstanding contracts all mature within 7 months (2021: 2 months) of the end of the financial year. The Society is committed to sell US$8.2m (2021: US$12.6m) and £nil (2021: £0.2m) 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 2022

33. Financial instruments (continued)

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

	2022 €'000	2021 €'000
Interest income		
Total interest income for financial assets at amortised cost - Note 5	**95**	117
Fair value (losses)/gains		
On financial assets (including listed investments) measured at fair value through profit and loss - Note 12	**(3,427)**	4,405

34. Future operating leases

	2022 €'000	2021 €'000
Future operating lease income		
The total future minimum lease receipts under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	**241**	180
- between one and five years	**611**	1,300
- after five years	**8,176**	7,054
At 31 December	**9,028**	8,534

	2022 €'000	2021 €'000
Future operating lease expense		
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Leases that expire:		
- within one year	**42**	54
- between one and five years	**987**	824
At 31 December	**1,029**	878

35. 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.

Notes to Financial Statements

for the year ended 31 December 2022

36. Government assistance

During the year, the Society did not avail of government assistance for rates due to the COVID-19 pandemic, rates waived amounted to €nil (2021: €0.3m).

In 2022, the Society received a government training grant of €nil (2021: €0.7m) and a government energy credit of €0.4m (2021: €0.4m).

During the year, in respect of Employees of Dairygold Food Ingredients (U.K.) Limited, the Society did not furlough any Employees, following the closure in August 2021 of the Coronavirus Job Retention Scheme, as such the Society recognised €nil (2021: €0.1m) with respect to the scheme.

37. 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.

38. Approval of financial statements

The financial statements were approved for issue and signed by the Board of Directors on 16 March 2023.

Five Year Historical Information

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

Five Year Consolidated Income Statement

	2022 €'000	2021 €'000	2020 €'000	2019 €'000	2018 €'000
TURNOVER	**1,647,167**	1,169,398	1,016,815	1,020,398	992,887
EBITDA	**68,500**	57,643	53,775	56,616	48,638
OPERATING PROFIT	**40,153**	30,351	26,007	35,751	28,856
Share of joint ventures	**453**	589	627	623	488
Share of associates	**(35)**	(38)	40	36	34
Exceptional items	**-**	-	(4,794)	737	-
Net (losses)/gains on financial assets at fair value through profit and loss	**(3,427)**	4,405	(1)	978	(14,982)
Net interest payable	**(9,460)**	(6,429)	(6,909)	(6,585)	(5,599)
PROFIT before taxation	**27,684**	28,878	14,970	31,540	8,797
Taxation	**(4,481)**	(4,517)	(2,790)	(881)	430
PROFIT after taxation	**23,203**	24,361	12,180	30,659	9,227

Five Year Consolidated Statement of Financial Position

	2022 €'000	2021 €'000	2020 €'000	2019 €'000	2018 €'000
Net assets employed:					
Fixed assets	**432,515**	435,138	408,146	412,334	375,726
Stocks	**224,999**	158,912	131,215	152,239	157,713
Debtors	**172,693**	136,895	100,201	122,844	122,983
Creditors	**(265,468)**	(216,487)	(142,218)	(164,115)	(205,015)
Net bank debt	**(132,315)**	(108,237)	(119,203)	(157,934)	(111,357)
Capital grants	**(11,216)**	(8,868)	(10,010)	(9,019)	(6,752)
Deferred taxation	**(18,136)**	(13,688)	(10,830)	(7,729)	(7,568)
Pension asset	**54,719**	38,536	30,407	24,393	12,168
	457,791	422,201	387,708	373,013	337,898
Financed by:					
Shareholders' funds	**452,807**	417,203	382,895	368,434	333,590
Non-controlling interests	**4,984**	4,998	4,813	4,579	4,308
TOTAL CAPITAL EMPLOYED	**457,791**	422,201	387,708	373,013	337,898

Five Year Historical Information

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

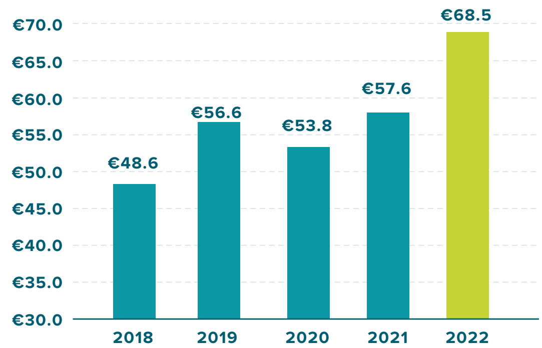
Five Year Consolidated Cash Flow

	2022 €'000	2021 €'000	2020 €'000	2019 €'000	2018 €'000
EBITDA:					
Operating profit	**40,153**	30,351	26,007	35,751	28,856
Amortisation of intangible assets	**1,515**	1,317	1,361	1,204	1,250
Depreciation	**27,741**	27,401	26,114	20,437	19,335
Impairment of tangible assets	**85**	-	1,597	375	395
Impairment of intangible assets	**310**	89	-	-	-
Grants	**(1,304)**	(1,515)	(1,304)	(1,151)	(1,198)
EBITDA	**68,500**	57,643	53,775	56,616	48,638
Investments	**(38,780)**	(33,967)	(30,971)	(64,281)	(58,705)
Working capital	**(40,842)**	(14,303)	25,833	(21,487)	6,723
Finance costs	**(8,691)**	(5,857)	(6,658)	(6,422)	(5,290)
Equity share interest paid	**(1,282)**	(1,236)	(1,219)	(1,185)	(1,142)
Equity financing	**2,029**	2,086	560	466	2,584
Member funding	**4,073**	8,355	3,136	2,369	3,931
Taxation (paid)/receipt	**(4,673)**	(1,408)	48	890	(5,163)
Other	**(2,807)**	(2,235)	(4,266)	(14,866)	(23,076)
(Decrease)/increase in cash in the year	**(22,473)**	9,078	40,238	(47,900)	(31,500)
Non cash movements	**(1,605)**	1,888	(1,507)	1,323	(209)
Movement in net debt	**(24,078)**	10,966	38,731	(46,577)	(31,709)
Net bank debt at 1 January	**(108,237)**	(119,203)	(157,934)	(111,357)	(79,648)
NET BANK DEBT AT 31 DECEMBER	**(132,315)**	(108,237)	(119,203)	(157,934)	(111,357)

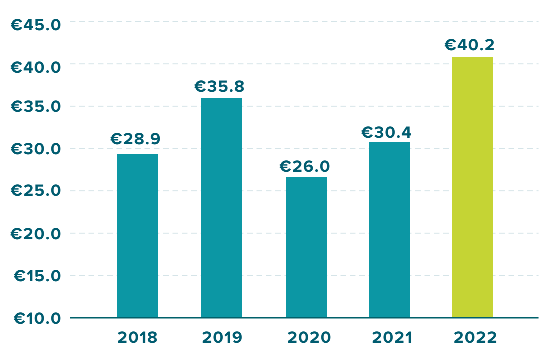
Financial Performance Overview

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

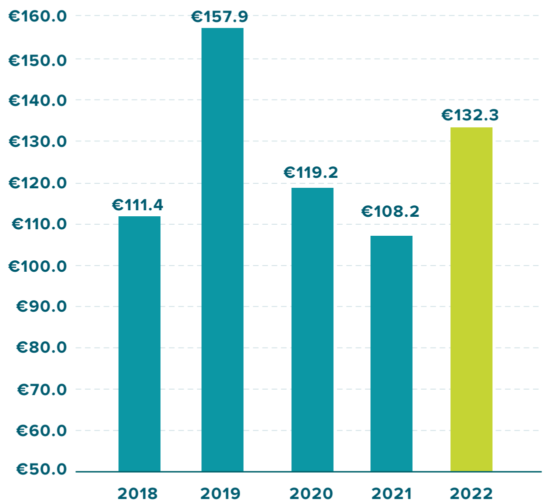
EBITDA €million



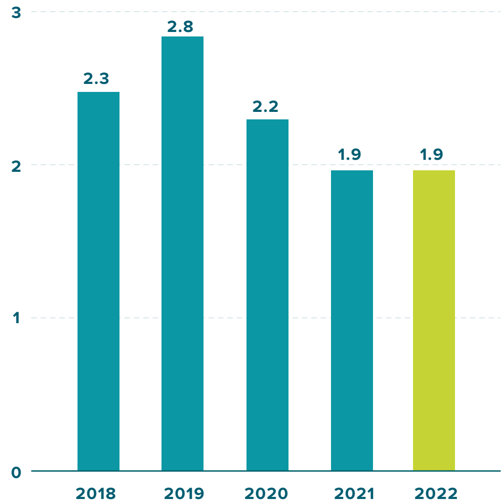
Operating Profit €million



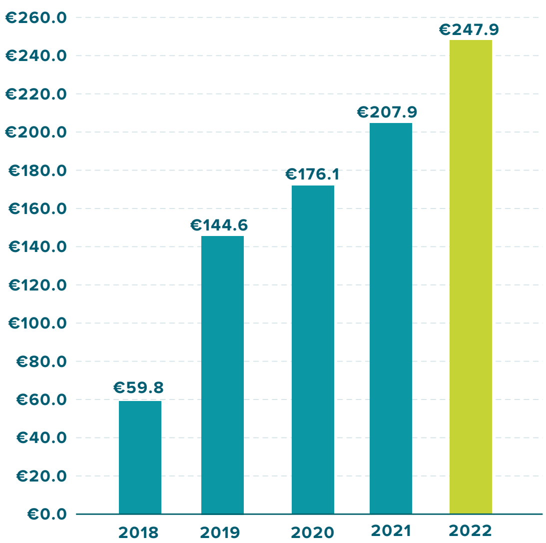
Net Bank Debt €million



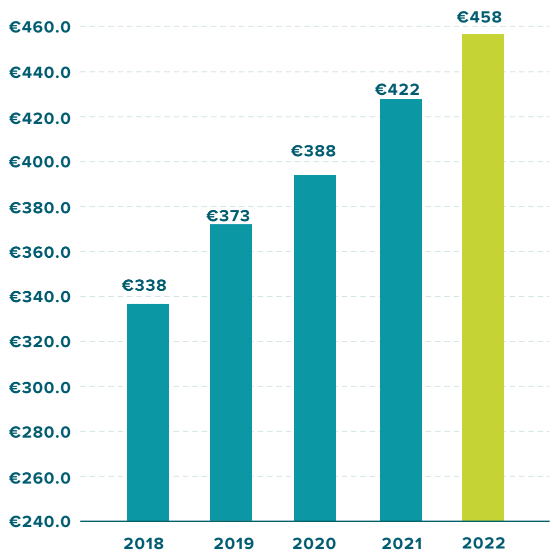
Net Bank Debt: EBITDA



Cumulative Capital Investment €million



Net Asset Value €million



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