ORNUA ANNUAL REPORT 2020

THE HOME OF IRISH DAIRY

GROWING FOR GOOD

By growing for good, Ornua will deliver a bright future for our member co-ops and the generations of Irish farmers that continue to believe in our global scale, world-class production capabilities and our passion and commitment to delivering for them and their families.

With growth, comes responsibility. To grow responsibly, we are committed to caring for our environment, our animals, and the communities we operate in.

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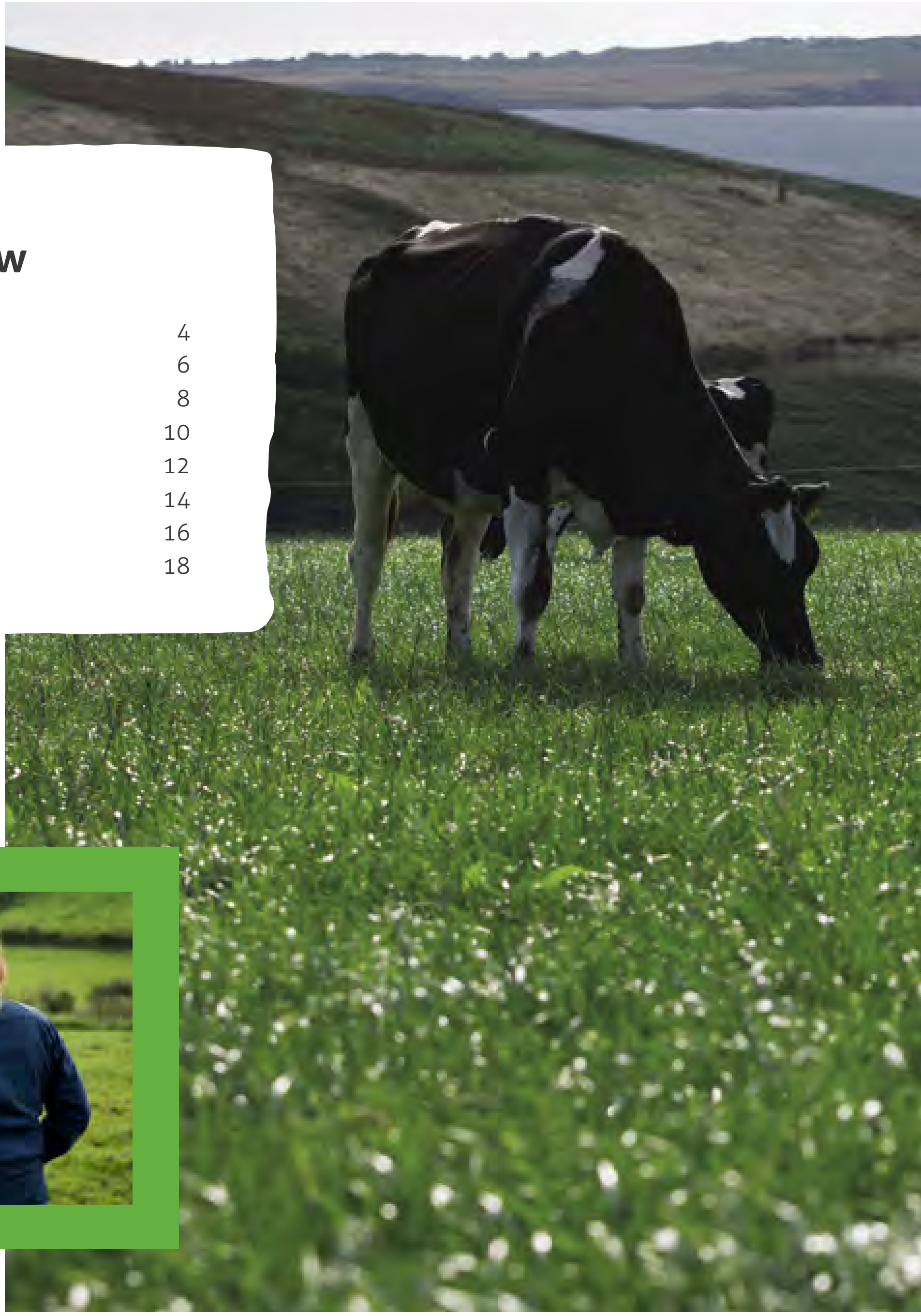

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PERFORMANCE AT A GLANCE

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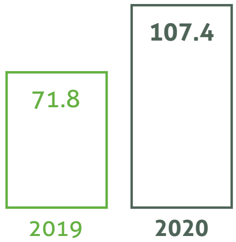
Financials

0.9%

Turnover €m
Year-on-Year Change

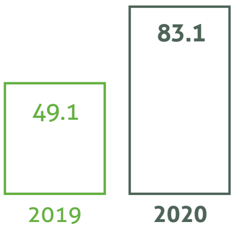
49.6%

Group EBITDA* €m
Year-on-Year Change



69.2%

Operating Profit* €m
Year-on-Year Change



6.6%

Net Assets €m
Year-on-Year Change

*Before exceptional items

Climate Impact

25%

Total Emissions Reduction

Absolute emissions have decreased by 25% since 2016.

38%

Carbon Intensity Reduction

Ornua has reduced carbon intensity per tonne of product by 38% since 2016.

29%

Food Waste Reduction

Total food waste as a proportion of total food handled decreased by 29% compared to 2019.

Returning to Farmers

OVER €1 BILLION

Premium Dairy Products

Ornua purchased over €1 billion of premium dairy products in 2020, equating to 366,000MT.

€475 MILLION

Working Capital Facilities

Ornua provided working capital facilities to members of up to €475 million.

400 MILLION LITRES

Fixed Milk Price

400 million litres of milk equivalent was purchased under fixed-price contracts, helping protect against volatility.

€68.7 MILLION

Ornua Value Payment

Value added routes to market generated €68.7 million in additional premiums and bonuses for members.

Powered by our People

2,400

People

2,400 from 59 different countries all working together to grow our business.

56

Leaders

56 people participated in bespoke leadership programmes to develop the next generation of leaders.

77%

Employee Engagement

Employee engagement reached 77%, up 4% year-on-year, an increase recognised as outperformance.

OUR MEMBERS

Ornua is a dairy co-operative that is proud to sell Irish dairy products purchased from our members, Ireland's dairy processors.

ADDED VALUE

Growing for good, together

Our members are experts in producing quality grass-fed dairy products from well-invested, state-of-the-art production facilities. Their knowledge and expertise are key to the success of Ornua's business. Sustainable, guaranteed routes to market are provided for our members' world-class produce, and as we grow, our members grow with us.

In 2020, through the *Ornua Value Payment*, we added €68.7 million in value to products purchased. This was made up of monthly and year-end cash bonuses and the premium paid for Kerrygold products.

A trusted partnership

A co-operative is a partnership of collaboration and co-operation. At Ornua, we work hand in hand with our members to develop premium brands and sought-after ingredients. We work with members to provide market insights, analysis, and pricing reports that help identify and manage risk. Ornua's scale allows us to purchase large volumes, optimise efficiencies, and mitigate risk.

In the initial stages of the pandemic, we committed to honouring over €1 billion in Irish dairy purchases and created a once-off €75 million working capital fund for members, providing security for the industry at a time of uncertainty.

Celebrating Irish dairy

Sustainable, grass-fed Irish dairy farming is a national asset, and we are proud to represent our members and Irish dairy farmers on the world stage. In an ever-changing and connected world, it is more important than ever to promote and celebrate the very best of Irish dairy.

In 2020, the NDC & Kerrygold Quality Milk Awards celebrated the highest standards of excellence in dairy farming, with 11 farming families, representing our members, announced as finalists. The Starrett family, supplying Aurivo Co-Op, were crowned winners of the awards.

CHAIRMAN'S STATEMENT

Ornua delivered a robust performance in 2020 with double-digit profit growth, strong product prices, and the introduction of the *Ornua Value Payment* reflecting product premiums. This was achieved against a challenging trading environment dominated by the global pandemic, market volatility, and the uncertainty around Brexit.

Denis Cregan
Chairman

On behalf of the Board of Directors, it is a privilege to report a strong trading performance for Ornua in 2020, a year like no other. Group Turnover reached €2.3 billion, while EBITDA* and Operating Profit* enjoyed double-digit growth, enabling the Board to declare an *Ornua Value Payment* of €68.7 million to members for 2020. This was delivered on top of the strong prices paid for over €1 billion (366,000MT) of Irish dairy products.

In 2020, Ornua successfully implemented the first year of its ambitious and focused growth plan, *Growth for Good*. This strategy is founded on driving long-term sustainable growth to help deliver product premiums and strong returns for Member Co-Ops and the 14,000 Irish farming families they represent.

As part of this ambitious growth plan, the Board approved a €40 million investment to expand Kerrygold Park, the butter production, packing and R&D facility in Mitchelstown, Cork. The next phase of investment is key to enabling Ornua to meet the growing demand for Kerrygold, Ireland's most successful food brand, in the years ahead.

Covid-19

The Executive team swiftly assembled a crisis management team early in 2020 to monitor and mitigate against the increasing risks of Covid-19. Given the pace and severity of the continually evolving pandemic, I would like to commend Ornua on their effective management of the business during this uncertain time. The trading performance set against such volatility is testament to their successful leadership and the commitment of their global team.

Looking to 2021, Covid-19 still poses significant challenges. As the vaccine programme rolls out globally, medium-term demand will be dictated by regional lockdown responses globally. Long term demand will be dictated by global GDP, overall consumption changes in the foodservice and retail mix, oil prices, geopolitical issues, and currency changes.

Brexit

While the trade deal between the UK and Europe in late December was welcomed, the additional regulatory requirements on trading with Ireland's closest partner does present considerable added complexity, the impact of which should not be underestimated.

*Before exceptional items

It is too early to fully assess the implication of Brexit; we have yet to see how the market and sterling reacts. The one certainty is that post-Brexit trading will add significant administrative costs to the business.

Ornua has been preparing for Brexit for four years and has robust risk mitigation measures in place to ensure continuity of supply to UK customers. This preparation has afforded them time to navigate this new trading environment and I am confident, with their expertise in export trading, Ornua will manage through it effectively.

BACK TO BASICS

With an increased focus on health and wellbeing, consumers went back to basics, seeking out high-quality dairy products from brands they could trust.

Global Dairy Markets

Dairy markets proved resilient throughout the pandemic, aided by buoyant cheese and butter retail sales and strong demand for milk powders. Outstanding retail sales helped to offset the decline in foodservice with demand stronger overall. Global milk supply increased by 1.7%, which saw stable European farm-gate prices. Irish milk price saw a marginal increase above 30 cent per litre. Looking to 2021, global milk output is likely to continue growing, which will increase the supply of product to global markets, particularly from the US. Volatility in global markets is likely to be a feature of 2021 as regional lockdowns dictate demand. Purchasing power in key economies will also be a factor as we prepare for the economic impact of the removal of Government stimulus programmes in key markets, particularly in the US. Globally, higher feed costs and environmental considerations will impact supply.

Governance

Ornua is committed to high standards of business oversight and acknowledges the value that strong corporate governance brings to the long-term sustainability of the business and its key stakeholders.

The Board of Ornua completed an 18-month in-depth review of its corporate governance structure looking at its international competitive set, corporate governance best practice, and the requirements of a co-operative representative structure. In 2020, the Directors of Ornua agreed on a new governance structure consisting of an Advisory Council and an Ornua Co-operative Board with no change in shareholder structure. Members approved the new governance structure of Ornua at a Special General Meeting held in September 2020, and the Advisory Council and new Board were constituted in November 2020.

This new corporate governance structure delivers a modern, fit-for-purpose, co-operative governance model that maintains a crucial link between Ornua, their Member Co-Ops, and its farmer shareholders, which will underpin the future success of the organisation.

Appreciation

As we enter 2021 and under this new governance structure, I wish to extend my sincerest gratitude to the Board for their support and full commitment in this important process and, in particular, those Directors who stood down from the Board towards the end of 2020. I welcome their transition to our Advisory Council, where their collective industry expertise will be of real value to Ornua's future.

Following the new Ornua Co-operative Board's first meeting in November 2020, I extend a warm welcome to our newly elected Board members. I would also like to acknowledge Joe Collins, a highly regarded and much-respected member of the Executive team, who retired in 2020 after a remarkable 35 years of dedicated service to Ornua.

Lastly, my sincerest gratitude goes to the Ornua leadership team for steering the organisation through a period of such significant change, to the 2,400 dedicated employees all over the world and to our Member Co-Ops and Irish farming families who supported Ornua in delivering a strong 2020 performance despite the exceptional times we live in.

Denis Cregan
Chairman

CHIEF EXECUTIVE'S REPORT

Ornua's balanced product portfolio, our geographical spread over 110 markets, and our strong financial position provided a great foundation from which to manage challenges posed by the pandemic.

John Jordan
Chief Executive

On behalf of the Group, I am delighted to report that, during a period of severe disruption to global trade, Ornua delivered a strong performance. This performance is testament to the agility and resilience of our colleagues globally who applied their full focus on keeping our business running, serving our customers, and protecting the interests of our Member Co-Ops and the farming families that supply them.

Financial Performance

Group turnover reached €2.3 billion. Group EBITDA* reached €107 million, up 49.6% year-on-year, with an Operating Profit* of €83 million, up 69.2% year-on-year. This performance was achieved against the backdrop of a complex trading environment dominated by Covid-19 and macro-economic challenges of Brexit and punitive trade tariffs in the US.

At Ornua, our purpose is to create value for Irish farming families by providing guaranteed routes to market and maximising the price paid for Irish dairy products. During the initial stages of the pandemic, we committed to honouring over €1 billion in Irish dairy product purchases and created a once-off, €75 million working capital fund for members, providing security for the industry at a time of great uncertainty.

*Before exceptional items

2020 saw the introduction of the *Ornua Value Payment* bringing greater transparency to how Ornua creates value. In 2020, Ornua paid strong base returns on 366,000MT of Irish dairy product purchases. In addition, the *Ornua Value Payment* was €68.7 million, up 54% year-on-year, which is made up of monthly and year-end cash bonuses and the premium we pay for Kerrygold products.

Covid-19

While we have seen and overcome many trading challenges, no one was prepared for the impact of Covid-19 on all our lives. It has affected every market we operate in. Our crisis response was characterised by two key elements; putting our people's safety first and collaborating closely with our customers.

Our group-wide focus on swift risk mitigation measures meant our production facilities continued to operate safely, allowing us to meet the surge in demand from retail and manufacturing customers.

Our Balanced Portfolio

Ornua's branded and own-label portfolio benefitted from the change in consumer behaviour which saw Kerrygold sales volume grow by 13% in 2020.

Kerrygold butter continues to be the fastest-selling brand on supermarket shelves in Germany, and sustained investment in the US resulted in Kerrygold becoming the preferred dairy brand of 10% of US consumers. Pilgrims Choice outperformed the UK's cheddar category with 29% growth year-on-year.

Our North American B2B business, selling ingredients into manufacturers supplying retail brands, was strategically positioned to meet the shift in consumer demand and supported our customers with a range of new innovations. Impacted by hospitality closures, our foodservice business in Europe and the Middle East was adversely affected by the fall in demand. Despite this, the overall Ingredient's business delivered positive year-on-year growth.

Growth for Good

In 2020, we launched *Growth for Good*, our 2025 strategic plan that centres around simplifying our business and focusing on areas that drive valuable and profitable growth to secure our long-term sustainability.

Year one saw an expansion of Ornua Ingredients North America, unlocking an additional 30% growth capacity. In December, the Board approved a €40 million investment which proposes expanding the existing facilities in Kerrygold Park to meet the growing demand for Kerrygold. Evolve, a multi-year business transformation project, also went live in two of our UK manufacturing facilities, enhancing our ways of working and supporting our business with world-class technology.

With growth comes responsibility, and to grow responsibly, sustainability must be at the heart of everything we do. Since 2016, absolute emissions in Ornua are down 25%. As production increases, carbon intensity per tonne of product is down 38% on 2016 which demonstrates our commitment to growing sustainably.

Our People

Our global success would not be possible without the close collaboration, care, and commitment of our 2,400 strong team. A key priority for us in 2020 was to maintain business continuity, while ensuring our people's health and well-being was a priority, which Ornua's Wellbeing Programme supported. In 2020 we launched a new Diversity & Belonging strategy to foster a culture of equality where everyone can bring their whole selves to work. This strategy is a key part of who we are as a business. We understand that each member of our global workforce is unique, and by recognising our differences, we can benefit from a more inclusive, collaborative, and compassionate workplace.

BACK TO BASICS
Ornua's Covid-19 response had a clear focus on staying close to customers, leveraging our scale and expertise to deliver on their ever-changing needs.

In a year like no other, employee engagement reached 77%, up 4%, an increase recognised as outperformance, as we all pulled together to deliver for our stakeholders.

Looking to the Future

The global trading environment continues to pose challenges, and the global pandemic remains on the horizon. Our outlook will be impacted by slowing GDP in key markets, global consumption trends, international trade tariffs, and shifts in input costs. There are positives to consider, including the rollout of vaccines, clarity on Brexit, and there are strong signals from the US administration that they will look to improve EU trade relations.

The fundamentals of our business proved themselves in 2020. As such, we face 2021 from a position of strength with an excellent product portfolio and a diversified global reach which will underpin the long-term sustainability of our business.

I would like to thank our Chairman, Board of Directors, and Executive Team, in particular Joe Collins, who stepped down as Chief Risk Officer following 35 years of service to Ornua. To all our employees, I wish to thank them sincerely for their dedication, support, and resilience.

Finally, I want to thank our Member Co-Operatives and the generations of Irish farmers who continue to produce world-class dairy products that allow Ornua to build long term, sustainable, and value-added routes to market.

John Jordan
Chief Executive

GLOBAL MARKET REPORT

Dairy markets proved resilient throughout the pandemic, aided by retail sales and strong demand for milk powders from China, Southeast Asia, and Africa.

RESILIENCE

Supply

Covid-19 dominated the global dairy market in 2020. Global milk supply was up 1.7% year-on-year. Supply increased across all major regions with growth in Argentina, Uruguay, and the US particularly strong. The strength of the global milk supply resulted in output growth of all commodities – the highest of which was whole milk powder, followed by skim milk powder and butter.

Demand

Despite the backdrop of Covid-19, global demand was remarkably resilient. The retail sector, accounting for 60% of total cheese and butter consumption, saw increased demand with retail sales growing by c.10% in Europe. Overall global trade performed well with volumes up year-on-year. While cheese and butter shipments fell, milk powder shipments were generally higher.

In contrast, foodservice demand fell due to lockdowns in hospitality. Strong retail sales helped offset foodservice weaknesses, with demand, and buying, flat to marginally higher due to customers moving from 'just in time' to 'just in case' deliveries.

Pricing

The average European farm-gate milk price fell slightly in 2020 but remained relatively stable. Irish milk prices were stable, with average prices rising marginally above 30 cent per litre. Overall, product balance within commodity markets supported milk price stability. While commodity prices fell in the weeks preceding the first lockdown in March, markets steadied and remained consistent throughout the second half of the year.

European butter prices were well below the five-year average, with cheddar prices marginally above average and skim milk powder prices higher than normal. This trend was primarily replicated in other regions with US and New Zealand prices at or above average; though US cheddar prices reached record lows followed by highs aided by government stimulus packages.

The retail sector, accounting for 60% of total cheese and butter consumption, saw increased demand with consumers eating nearly all of their meals at home.

Future

Looking forward to 2021, physical markets made a positive start to the year as the roll-out of vaccines boosted sentiment with early signs of foodservice buyers re-engaging. Butter prices made big gains and futures suggest dairy markets will remain stable with the potential for further firming as the year progresses. It is likely that we will experience periods of 'double-demand' as foodservice pipelines are refilled against a backdrop of strong retail sales. Buyers are also more comfortable holding larger amounts of stock due to supply chain challenges.

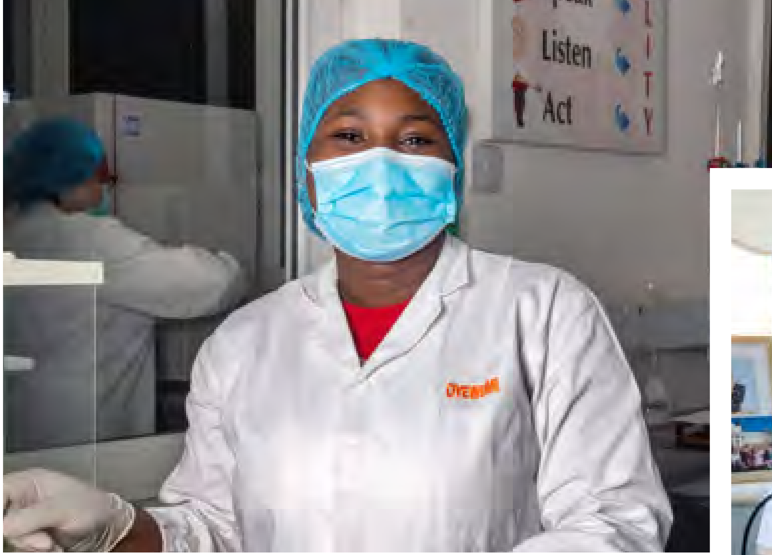
The outlook is largely positive, though the market does remain vulnerable to some supply and demand-side risks. Global milk output is likely to continue growing in 2021, with a projected growth of +1.3%. This will increase the supply of product, particularly from the US. However, supply may be restricted by higher input costs and increased environmental and regulatory constraints.

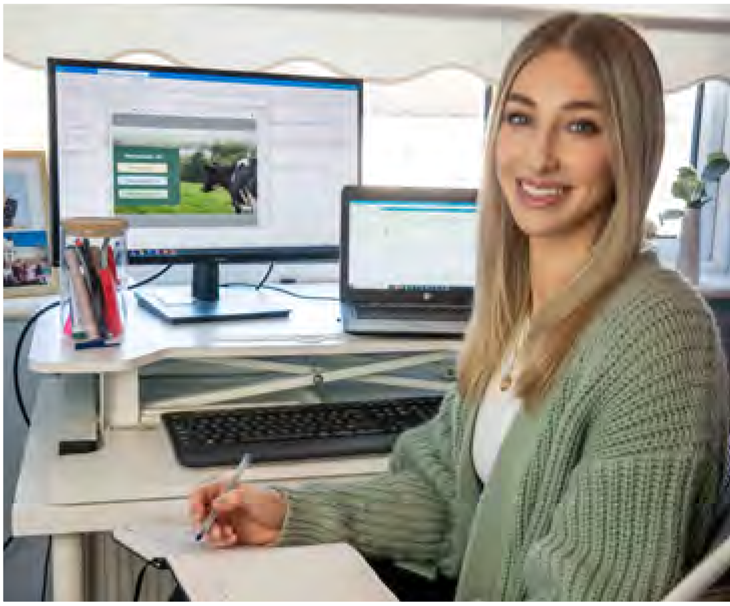
There are also demand-side risks as bars and restaurants across Europe are likely to remain shut throughout Spring. Government stimulus packages will eventually be removed, which will negatively affect demand, and while the Brexit deal was welcomed, administrative costs will be higher which may hinder trade.

COVID-19
WORKING TOGETHER FOR A COMMON PURPOSE

As the global pandemic took hold, consumer behaviour changed overnight. Global lockdowns saw the hospitality sector shut down, with consumers eating most of their meals at home. This translated into a surge in demand for Ornua's branded and own-label portfolios and a sharp fall in foodservice orders. Our response required agility on a scale never witnessed before, with a clear focus on staying close to customers and leveraging our scale and expertise to deliver on their ever-changing needs.

BACK TO BASICS
Our teams focused on what was important; simplifying product offerings and improving operational efficiencies to meet the surge in demand from our customers.





Ornua’s priority was to protect the health, safety, and wellbeing of our people. Our biggest challenge was to keep our facilities operating safely, keep routes to market for Irish dairy open and continue to serve our customers.

Crisis management teams were established with risk mitigation measures implemented. Over 40% of our employees moved to remote working. Additional health and safety measures were executed in production facilities, back-ups for skill sets were identified and made available, physical segregation of shifts were implemented, and additional facilities in Ornua’s global network were on standby to ensure production volumes were maintained.

Close collaboration with customers was essential. We simplified our product range to improve operational efficiencies and increase output. We worked closely with our logistics partners to ensure supply chains remained open and navigated increased complexities regarding compliance. Careful planning and early implementation resulted in Ornua's facilities continuing to operate throughout the year, keeping products on shelves and returning value to the Irish farming families who depend on Ornua.

Ornua’s resilient team supported the business throughout the pandemic. Although 2021 sees increasing levels of hope with the rollout of vaccines worldwide, our new agile way of working will remain a focus in the short to medium term.

ORNUA FOODS
2020 REPORT

Ornua Foods benefitted from the change in consumer behaviour with Kerrygold enjoying 13% growth in sales volume in 2020.

BACK TO BASICS
With an increased focus on health and wellbeing, consumers went back to basics – buying natural, nutritional foods from brands they could trust.

Growth for Good

Kerrygold butter continues to be the fastest-selling brand on supermarket shelves in Germany, with more than half of German households purchasing Kerrygold in 2020. Market share for Kerrygold Extra reached 30% and Kerrygold cheese experienced 28% volume growth, securing its position as the clear market leader.

Despite punitive import tariffs, leading to an increased on-shelf price, Ornua Foods North America benefitted from increased retail demand and enjoyed another successful year. Kerrygold butter saw double-digit growth, securing its position as the No. 2 butter brand in the 325 million consumer market. Its cheese business achieved distribution gains, resulting in 64% growth in Kerrygold Shreds & Slices. Sustained brand investment saw over one million new households purchase Kerrygold in the US last year.

Kerrygold butter saw 21% volume growth in Ireland, securing its position as the No. 1 butter brand. Kerrygold Regato exceeded 50% market share in Greece, and increased brand exposure led to a 23% growth in Kerrygold cheese sales in Poland. In the Middle East, Kerrygold experienced over 35% volume growth.

Ornua Foods UK's cheese packing facility experienced record output to meet increased demand, resulting in Pilgrims Choice growing its market share to 18%, strengthening its position as the No. 2 cheddar brand in the UK.

NATURAL

SUSTAINED INVESTMENT

As Ireland's most successful food export, Kerrygold is committed to long-term, sustainable investment. Last year, the brand reached over 330 million consumers globally through integrated marketing campaigns.

Brand Investment

As Ireland's most successful food brand, delivering both volume and value, Kerrygold is committed to long-term, sustained brand investment. Last year, Kerrygold marketing activity reached more than 330 million consumers, which saw the launch of *The Taste that Takes you There*, Kerrygold's global TV campaign in Ireland and the UK. *Middle of the Night*, a new TV campaign, aired in the US celebrating people coming together and enjoying small moments over a home-cooked meal.

As consumers' eating habits changed, with global lockdowns causing many to turn to food as a source of comfort, Kerrygold invested in digital media which focused on virtual cooking demonstrations. In Germany, this resulted in Kerrygold being one of the most successful dairy brands on Instagram, and its US digital footprint reaching over 100 million people.

Pilgrims Choice launched Megablock, a simple but innovative packaging innovation, which sees 40% less plastic per pack of cheese. This launch was supported by a fully integrated marketing campaign featuring out-of-home advertising and extensive digital and social media.

ORNUA INGREDIENTS
2020 REPORT

Ornua Ingredients performed well despite being particularly exposed to the change in consumer eating habits, as the foodservice sector shutdown overnight. The business benefitted from its balanced portfolio of B2B retail and foodservice customers.

BACK TO BASICS
Going back to basics, Ornua Ingredients focused on maintaining operations, staying close to customers, providing flexibility and support, and cementing key customer relationships.

Despite fluctuating oil prices affecting buying power in the African market, Ornua saw strong growth in its powder business in West Africa.

EXPAND

Growth for Good

Ornua Ingredients Ireland had a successful year with record volumes of Irish product bought, sold, and shipped, despite significant market volatility and supply chain complexity. The team effectively managed increased supply into the UK as part of Ornua's Brexit mitigation plans.

Ornua Ingredients North America was strategically positioned to meet the shift in consumer demand from foodservice to retail, resulting in another year of record volume and profit growth. Their ability to respond quickly to changes in demand secured incremental business, offsetting any decline from the foodservice sector.

Fluctuating oil prices in 2020 significantly affected buying power in the African market. Despite this, Ornua Ingredients International saw strong growth in its cheddar business in Algeria and in its powder business in West Africa.

Ornua Ingredients Europe was adversely affected by the closure of the foodservice sector globally. Early in the year, it collaborated with Ornua Foods UK to deliver an additional 350,000 packets of cheese into the UK retail market, meeting the surge in consumer demand. The team focused on long-term growth, developing new flavours for its pizza ropes product portfolio, which supplied over four million pizza ropes for leading quick-service restaurants.

Investment for the Future

2020 was a year of sustained investment, with the North American business investing in the expansion of its facility in Wisconsin, unlocking an additional 30% growth capacity. A capital investment was also approved for its processing facility in Minnesota, which will unlock a further 50% growth capacity.

Ornua Ingredients Europe unveiled a new pizza cheese range under its Spinneyfields foodservice brand, targeting the UK's £2.1 billion pizza takeaway market. Despite the challenges posed by Covid-19, Ornua Ingredients Europe implemented Evolve, a business transformation project, in two of its UK manufacturing facilities enhancing its ways of working and supporting the business with world-class technology.

FINANCIAL STATEMENTS

Supplementary Information

Corporate Governance

Ornua Co-operative Society ("Ornua" or "the Society") is a co-operative committed to operating in accordance with best practice in corporate governance. This means maintaining the highest standards of financial reporting, risk management, business integrity and ethics.

Governance in Action

Following an 18-month review of Ornua's governance structures led by the Board of Ornua and with input from member co-operatives, ICOS, corporate governance and legal experts, the directors approved in March 2020 a new governance framework for Ornua. The revised Rules of the Society containing this framework were subsequently approved by the members of Ornua in Special General Meeting.

The new governance structure is comprised of two distinct bodies: (1) the Ornua Advisory Council and (2) the Ornua Board.

The Advisory Council

The Advisory Council is made up of individuals appointed by members of Ornua (eleven such appointees at the end of 2020), IFA, ICMSA and ICOS (one appointee each at the end of 2020), and the Chair of the Board (an independent non-executive director). The primary role of the Advisory Council is to monitor on behalf of the members of Ornua the direction, performance and operations of the Group and for that purpose holds a number of meetings per year with the Executive of Ornua to discuss Ornua's performance and high-level strategic direction.

The Board

The new Rules of Ornua provide that the Board of directors be made up of non-conflicted directors appointed by Ornua's member-suppliers (of which there were eight at the end of 2020), non-conflicted directors appointed by farmer or industry organisations (three at the end of 2020), executive directors (two at the end of 2020), and independent non-executive directors (one at the end of 2020).

The Board's principal responsibilities are to agree overall strategy and investment policy, manage risk, approve major capital expenditure, provide an essential challenge function to the Chief Executive Officer and other Executives, monitor Executive performance and ensure that good corporate governance is observed at all times including the presence of proper internal controls and risk management practices.

As well as ensuring compliance with its principal legislative duties as set out under the Companies Act 2014 and the Industrial and Provident Societies Acts, 1893 to 2018, the Board has a number of matters reserved for its consideration. It plays a key role in scrutinising financial and business performance. The Group's planning and financial reporting procedures include detailed operational budgets for the year ahead, the delivery of KPIs and a regularly updated 5-year plan, all of which require Board review and approval.

The Board receives regular reports on important operational and business issues arising in its two Group divisions: Ornua Foods and Ornua Ingredients. It also receives topical briefs during the year to assist individual Directors remain fully informed and responsive to relevant developments.

The Board held 10 ordinary meetings in 2020 which covered routine Board business.

Measures like these ensure that all Board Directors are aware of, and are in a position to, monitor business progress and to discharge effectively their individual Directors' duties under the governing legislation.

Induction

Newly appointed Board members undergo a structured induction programme involving presentations and site visits to ensure that they have the necessary knowledge and understanding of the Group and its activities. Continued development and training are made available to all Board members.

Conflicts of Interest and Business Conduct and Ethics

A register of Directors' interests is maintained. Directors make declarations of interests upon appointment, then again periodically during their term of office where a particular issue or event prompts a declaration of interest.

A Code of Conduct for the Ornua Board of Directors addresses the standards required of each member in the performance of his/her functions as a member of the Board. Board members are also required to comply with the Ornua Code of Business Conduct and Ethics.

The Chair

The Chair, who is elected by the Board annually, must be an independent non-executive director. The Chair's primary role is to facilitate good corporate governance by ensuring that the Board is in full control of the Society's affairs, aware of its legal and other obligations and alert to its responsibilities to shareholders. He/she ensures that the Board is kept properly informed, is consulted on all issues reserved to it and that its decisions are made in a timely and considered way so as to enable the Directors to fulfil their duties. There is a clear division of responsibilities between the Chair and the Chief Executive Officer (CEO).

Corporate Governance (Continued)

The Directors

The Directors are entrusted to bring an independent judgement to bear on all matters of consideration. Their wide-ranging experience, backgrounds, and skillsets ensure that they can contribute significantly to the Board and, specifically, engage in constructive debate and challenge management in relation to both the development of strategy and the performance of the Group against the goals set by the Board and the Society's stakeholders. The Chair liaises with the individual Directors informally during the year. These communications, and other regular informal discussions, create the opportunity for valuable input from all Directors.

The CEO and Executive Team

The CEO has responsibility for ensuring that the organisation and its subsidiary companies operate effectively and to a high standard of probity. The appointment and removal of the CEO is a decision reserved for the Board, in accordance with the Rules of Ornua Co-operative Society.

The operational day-to-day management of the Group is delegated by the Board to the CEO. The CEO chooses to deliver the performance of executive functions by a team of Executive-Level employees. The CEO is responsible for leading, managing and controlling the Group, save for those matters reserved for decision by the Board and/or its Committees.
The Executive team is subordinate to the Board.

The key responsibilities and tasks delegated to the Executive team include:

- implementing Board strategy, decisions and policy;
- monitoring compliance with legislative requirements and rules of the Society;
- ensuring effective performance and co-ordination of the Group's business activities within its divisions;
- overseeing operational performance, including health and safety and sustainability performance;
- monitoring and controlling financial performance; and
- approving expenditure and other financial commitments as delegated by the Board.

The Secretary

The Board is guided in the lawful and diligent performance of its functions by the Secretary who attends all Board meetings. The Secretary facilitates Board business through the provision of timely and appropriate advice on matters of law and governance. The Secretary recommends corporate governance policies and practices to the Chair and the CEO for Board consideration, where appropriate, and advises the Board on appropriate procedures for the management of its meetings and the effective discharge of its duties. With the approval of the Chair, and on the advice of the CEO, the Secretary sets the Board meeting agenda and order of business and follows up on all outstanding matters. The appointment and removal of the Secretary is a decision reserved to the Board. All Board Directors have access to the confidential counsel of the Secretary as and when necessary.

Board Committees

To provide effective and proper control, certain Board functions have been delegated to the following Board Committees.

Audit Committee

The Audit Committee is responsible for a wide range of matters including the scrutiny of the financial statements, significant financial reporting issues, the effectiveness of internal controls, the Group's risk management systems, corporate business and financial policies, recommendations to the Board as to the appointment of external auditors (including remuneration and other terms of engagement), and the ongoing management of, and the unrestricted access to these relationships, once they are established.

The Audit Committee monitors, through reports to it by both internal and external audit and management, the controls which are in force and monitors any remedial actions. Periodic updates of the work of the Audit Committee are provided to the Board to facilitate the Board's informed assessment of the Group's internal control system and risk management framework.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee is responsible for inter alia, setting the remuneration policy of the Board and determining the remuneration arrangements of the CEO and, on the recommendation of the CEO, his Senior Direct Reports. In addition, the Committee is responsible for the oversight of reward structures for the Society to ensure they are consistent with shareholder interest.

Acquisitions and Investment Committee

The Acquisitions and Investment Committee reviews and considers proposals from management in respect of significant acquisitions, investments, disposals, and capital expenditure and, where appropriate, makes recommendations to the Board. A budgetary process and authorisation levels regulate capital expenditure. All investment projects, as well as material capital expenditure proposals, are evaluated by the Acquisitions and Investment Committee and are then escalated for Board consideration. Approved projects are reviewed periodically by the Acquisition and Investment Committee to ensure they are being implemented in accordance with the approvals received.

Rules Committee

The Rules Committee oversees the implementation of the Rules of the Society and reviews the Rules periodically to ensure that they are appropriate in their application and are consistent with Group strategic objectives and good corporate governance. Where necessary, it makes recommendations to the Board on any alteration to or amendment of the Rules.

Corporate Governance (Continued)

Internal and External Audit

Internal Audit

The Internal Audit department is an integral function of the Group. The internal audit plan requires annual approval and periodic review by the Audit Committee. The results, recommendations, and significant findings are reported to the Executive team via the Head of Internal Audit and are periodically summarised for the Audit Committee throughout the year. The Internal Audit function reports directly to the Chair of the Audit Committee and the CEO, thereby ensuring its independence and objectivity and is afforded unfettered access to these reporting lines and throughout the Group.

External Audit

The external auditors provide the Audit Committee (as delegated by the Board) with reports on the external audit of the Group. The Committee annually assesses the external auditors' independence and objectivity, the effectiveness of the external audit process, the provision of additional services and the level of audit and non-audit fees.

Risk Management, Assurance and Internal Control

The Board acknowledges it has ultimate responsibility for risk management and internal controls. This includes the Group's risk governance structure and determining the Group's risk appetite to ensure success in achieving its strategic objectives and maintaining an appropriate internal control environment. The Audit Committee has responsibility for reviewing the design and effectiveness of the Group's risk management and internal control systems to ensure an effective process exists for the identification, assessment, and management of risk.

Risk Management Framework

The Risk Management Policy sets out the Group's attitude to risk. The Group has a clear framework for identifying and managing risk, at all levels of the business, to ensure we remain alert to the ever-changing environment in which we operate. The Group's risk assessment framework underpins a common language and approach to risk management and facilitates the early identification and assessment of the principal risks and uncertainties facing the Group today. By focusing on the early identification of business risks, the framework enables us to consider the appropriate mitigation steps or management actions required to eliminate the risk or to reduce the risk to an acceptable level. The Group business risk assessment process is carried out annually and involves the Executive team, senior business managers and Internal Audit. While the process is sponsored by the Chief Financial Officer, the Board and Audit Committee have a key oversight role.

Risk Monitoring and Reporting

On a quarterly basis, significant business units are requested to complete a formal risk review and submit their register of key business risks for Executive level review.

The risk register template ensures consistency of approach in reporting the risks and helps to underpin a common language and approach to the risk management process. The process requires significant business units to rank their top risks by impact and likelihood of occurrence, and to continually assess the appropriateness of the risk mitigation steps in place. The key focus of this review is to ensure the Group's residual risks are within the scope of what the Board is willing to accept in order to achieve its strategic objectives. During the annual cycle, these risks are presented to the Audit Committee as a consolidated register of significant Group risks, along with management's key mitigations. This is in addition to ongoing business risk updates provided to the Audit Committee during the year.

Principal Risks and Uncertainties

Ornua operates in a fast-moving, global foods market which is becoming more and more complex and challenging. The performance of the Group is influenced by a number of factors and is becoming increasingly exposed to a large variety of risks which need to be managed in order to achieve our strategic objectives. Where possible, the Group has policies, processes, and controls in place to mitigate these risks.

Some factors affecting results

The success of Ornua depends on its ability to further strengthen its position as a leading international dairy organisation, rewarding its customers and stakeholders through the delivery of high-quality, innovative products using world-class brands and superior customer service. These objectives are subject to a degree of seasonality or climatic factors which may have an adverse impact on Group operations.

Any major food safety issue or Irish dairy industry issue may result in a supply disruption or contamination of products and/or raw materials which would ultimately impact the Group's growth potential or ability to operate and have a serious impact on the Group's reputation and brands or our customer's brands. These may result in a loss of revenue growth momentum. However, Ornua is confident that the underlying strength of its key brands and its strong brand platform should continue to lead product innovation and market growth. The Group is committed to food safety and quality regulations and aims to employ best practice in its procurement procedures and across all its production facilities to maintain the highest standards.

As a global export business, the Group is mindful of geopolitical and policy developments which impact on the global trade environment. The withdrawal of the UK from the EU, addition of tariffs on butter and cheese imported into the US, the ongoing impact of the Covid-19 pandemic and international trade disputes generally could have a damaging displacement effect negatively impacting on logistical arrangements and undermine trade flows and business relations. The Group seeks to mitigate these developments through active monitoring and analysis, market and product diversification and customer engagement and relationship building.

Corporate Governance (Continued)

Some factors affecting results (continued)

The Group is highly responsive to the volatility of commodity markets and industry changes, including the sustainable supply of raw materials to our businesses. Any adverse changes in these areas could have a negative impact on the Group's financial results. In order to minimise this risk, the Group employs experienced senior purchasing and commercial managers in this area to help manage the positioning of the businesses in this regard.

Current volatility in the global economy may adversely affect customer spending, which could result in less demand for our products. Although the Group is unable to influence the global economic conditions, our diverse portfolio and the geographical spread of our businesses provides a certain level of mitigation in this regard.

The Group is also exposed to financial market volatility, including currency fluctuation risks which are controlled via our centrally operated Treasury function. In light of continued economic and financial volatility in the Eurozone, risks relating to the future of the Euro currency could impact our business. Furthermore, some trade receivables and large customer concentration risks give rise to credit risk, which is diversified based on our risk appetite, while the Group has trade credit insurance as a measure of last resort. To mitigate dairy price volatility, the Group has built upon its trading and de-risking expertise to further protect the business.

Failure to execute, identify or properly integrate new acquisitions and/or divestitures could impact the overall financial performance of the Group.

The Group is largely reliant on timely and accurate information including numerical data from key software applications. These are required without disruption to enable an effective and efficient day-to-day decision-making process to occur, and controls are in place for disaster recovery to minimise business interruptions.

The Group has controls in place to comply with environmental regulations which apply in all countries in which it operates. The Group is committed to growing its business in a sustainable manner, mindful of our impact on the environment. We take pride in the fact that our products are produced sustainably, and this has become an inherent expectation of our key customers.

Ornua is subject to Health & Safety regulations in all countries in which it operates. Certain policies and procedures have been put in place to ensure the Group is compliant with each of these regulations and has ensured the protection of the safety and welfare of all employees and contractors.

As with any business, there is a risk of fraudulent activity, which the Group's control environment and anti-fraud programme is designed to mitigate.

The Group can be subject to legal claims arising through the normal course of business. The Group has put in place relevant policies and procedures to ensure there are valid defences against such claims.

As the Group continues its growth strategy to build new routes to market for Irish dairy produce, our business may be negatively impacted by political decisions, civil unrest, or any other developments in the countries in which we operate. This leads to heightened integration risks and is closely monitored and managed by the business.

The Group is dependent upon the quality, ability, and commitment of key personnel in order to sustain, develop and grow the business in line with its key objectives. Failure to attract, retain and develop creative, committed, and skilled employees may impact the Group's ability to achieve its strategic objectives.

Directors' Report for the period ended 26 December 2020

The Directors submit their report together with the audited financial statements for the period ended 26 December 2020.

Directors' Responsibilities Statement

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;
- 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 Act, 1893 to 2018. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Books of Account

The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with the Group's obligation to keep proper books of account. The books of the Society are kept at its registered office.

Going Concern

The Directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Principal Activities

Ornua is a dairy co-operative which sells dairy products on behalf of its members, Ireland's dairy processors and, in turn, the Irish dairy farmer. Ornua is Ireland's largest exporter of Irish dairy products, exporting to 110 countries worldwide. Headquartered in Dublin, it has annualised sales of €2.3 billion and has a strong global team of over 2,400 employees. It operates from 10 business units worldwide, including 12 production facilities, and has sales and marketing teams working in-market across all strategically important markets.

The Group is comprised of two divisions: Ornua Foods and Ornua Ingredients. Ornua Foods is responsible for the marketing and sales of Ornua's consumer brands, including Kerrygold, Dubliner, Pilgrims Choice, Kerrygold Avantage, Forto and BEO. Markets are served by production facilities and in-market sales and marketing teams in Africa, Asia, Germany, Ireland, the UK, the rest of Europe, the Middle East and the US. Ornua Ingredients is responsible for the procurement of Irish and non-Irish dairy products and for the sale of dairy ingredients to food manufacturing and foodservice customers. Ornua Ingredients is supported by production facilities in Saudi Arabia, Spain, the UK, the US, and by in-market teams in Africa and the Middle East.

2020 Global Markets

Dairy markets proved resilient throughout the Covid-19 pandemic aided by buoyant cheese and butter retail sales and strong demand for milk powders. Outstanding retail sales helped to offset the decline in foodservice with demand stronger overall. Global milk supply increased by 1.7%, which saw stable European farm-gate prices. Irish milk price was marginally increased above 30 cents per litre.

Financial Performance

Group turnover reached €2.3 billion in 2020. Group EBITDA* reached €107 million, up 49.6% year-on-year, with Operating Profit* of €83 million, up 69.2% year-on-year. This performance was achieved against the backdrop of a complex trading environment dominated by Covid-19 and macro-economic challenges of Brexit and punitive tariffs in the US. Ornua declared a Ornua Value Payment of €68.7 million to members for 2020, up 54% year-on-year.

The Group closed the year with net cash of €144.6 million and a very strong balance sheet with net assets in excess of €603 million.

*Before exceptional items

Directors' Report (Continued) for the period ended 26 December 2020

Covid-19

Ornua assembled a crisis management team in early 2020 to monitor and mitigate against the increasing risks of Covid-19. Ornua's crisis response was characterised by two key elements; putting the health and safety of its people first and collaborating closely with customers to protect its business.

The impact of Covid-19 fundamentally changed consumer buying behaviours globally. The world's hospitality sectors shut down overnight, resulting in an increased demand for retail with challenges to the foodservice sector. Ornua's groupwide focus on swift risk mitigation measures ensured its production facilities continued to operate safely, allowing the business to meet the surge in demand from retail and manufacturing customers.

Balanced Portfolio

Kerrygold sales volume was up 13% in 2020. Kerrygold butter continues to be the fastest-selling brand on supermarket shelves in Germany, and sustained investment in the US resulted in Kerrygold becoming the preferred dairy brand of 10% of US consumers. Pilgrims Choice outperformed the UK's cheddar category with 29% growth year-on-year securing its position as the No.2 cheddar brand in the market.

Ornua Ingredients North America's B2B business, selling ingredients into branded retail, was well-positioned to meet the shift in consumer demand and support consumers with a range of new innovations. Impacted by hospitality closures, the foodservice business in Europe and the Middle East was adversely affected by the fall in demand. Despite this, Ornua Ingredients delivered positive year-on-year growth.

Operational Highlights

The Group continues to deliver strong results across the business. Key operational highlights for 2020 include;

- Strong trading performance with Group EBITDA* of €107 million, up 49.6% and Operating Profit* of €83 million, up 69.2%.
- New governance structure implemented with the first sitting of the new board in November 2020.
- Launch of *Growth for Good*, Ornua's ambitious five-year growth plan for the Group.
- Expansion began of Ornua's ingredient's facility in North America, unlocking an additional 30% growth capacity.
- Board approval for a €40 million investment to expand existing facilities at Kerrygold Park to meet growing demand for Kerrygold.
- Go-live of two more sites under Ornua's business transformation project Evolve in the UK.
- Launch of the Megablock, an innovative new packaging solution delivering a saving of over 40% of plastic per pack of Pilgrims Choice.
- Launch of a new Diversity & Belonging programme fostering a culture of equality where everybody can bring their whole selves to work.

Health & Safety

Ornua is committed to preventing harm and providing a safe and healthy working environment for its people and partners. In 2020, Ornua experienced a 13% reduction in total accidents compared to 2019. The business achieved this by focusing on prevention initiatives in all business areas. While steady progress has been made to reduce accidents, Ornua recognises the importance of continuing to develop and implement new ways of working to keep people safe and healthy.

Subsidiary Undertakings

A list of the significant trading subsidiary companies is included in Note 28 to the financial statements.

Executive and Directors' Remuneration

Executive remuneration at Ornua is subject to full oversight by the Board and specifically, its Personnel and Remuneration Committee. The Personnel and Remuneration Committee has been delegated responsibility for the implementation of the remuneration policy of the Board, determining the remuneration arrangements for the members of the Board, the CEO and Senior Executives. The Committee prepares its recommendations to ensure that Ornua can continue to attract and retain talented people in a highly competitive market. The process includes review and assessment against comparable organisations, ensuring that remuneration arrangements are consistent with shareholder interest and the purpose, vision, and values of the Society. The resources of independent professional advisers are used in the review and assessment process.

Directors' and Secretary's Shareholdings

The Directors and Secretary and their families had no interests in the shares of the Society or any other Group company at any time during the period.

*Before exceptional items

Directors' Report (Continued) for the period ended 26 December 2020

Political Donations

The Group did not make any political donations during the year (2019: €nil).

Corporate Governance

The Corporate Governance section on pages 21 to 24 sets out the Group's application of corporate governance principles, the Group's governance structure, the Group's system of risk management and internal control and the principal risks and uncertainties facing the Group.

Auditors

The Rules of the Society provide that the Auditor shall be appointed at the Annual General Meeting. The incumbent Auditor is eligible for reappointment.

Post Balance Sheet Events

There have been no significant events since the period end which require disclosure in the financial statements.

Board members as at 26 December 2020

Director	Notes	Appointed by
Denis Cregan (i)(ii)(iii)	Chairman	Independent Non-Executive Director
Sean Brady (iii)	Appointed 11 November 2020	Lakelands Dairies Co-operative Limited
Helen Brophy (i)	Appointed 11 November 2020	Aurivo Co-operative Society Limited
Donal Buggy	Appointed 11 November 2020	Executive Director
Henry Corbally (ii)	Appointed 11 November 2020	Glanbia Co-operative Society Limited
Jerry Houlihan (ii)	Appointed 11 November 2020	Arrabawn Co-operative Society Limited
John Hunter (i)	Appointed 11 November 2020	Tipperary Co-operative Creamery Limited
John Jordan	Appointed 11 November 2020	Executive Director
Pat McCormack (iii)		Irish Creamery Milk Suppliers Association
John Malone (i)	Appointed 11 November 2020	Dairygold Co-operative Society Limited
Gus O'Brien (ii)	Appointed 11 November 2020	Carbery Food Ingredients Limited
Michael O'Shea (iii)	Appointed 11 November 2020	North Cork Co-operative Creameries Limited
Jim Russell (ii)		Irish Co-operative Society Limited
Tom Phelan (i)		Irish Farmers Association

Note on changes to the Board during 2020: Aaron Forde resigned with effect from 7 January 2020. Donal Tierney was appointed with effect from 12 February 2020. Peter Fleming resigned with effect from 10 June 2020. TJ Sullivan was appointed with effect from 10 June 2020. Jim Bergin, John Daly, Michael Hanley, Jason Hawkins, Martin Keane, John O'Gorman, TJ Sullivan, Pat Sheahan, Conor Ryan, Donal Tierney, and Jim Woulfe resigned from the Board with effect from 11 November 2020.

Committee members as at 26 December 2020

(i) Member of the Audit Committee
(ii) Member of the Personnel and Remuneration Committee
(iii) Member of the Acquisitions and Investment Committee

Directors’ Report (Continued) for the period ended 26 December 2020

Advisory Council

Member	Appointed by
Denis Cregan	Chairman & Independent Non-Executive Director
Jim Bergin	Glanbia Co-operative Society Limited
John Daly	Tipperary Co-operative Creamery Limited
Michael Hanley	Lakeland Dairies Co-operative Limited
Jason Hawkins	Carbery Food Ingredients Limited
Martin Keane	Glanbia Co-operative Society Limited
Pat McCormack	Irish Creamery Milk Suppliers Association
John O’Gorman	Dairygold Co-operative Society Limited
Tom Phelan	Irish Famers Association
Jim Russell	Irish Co-operative Organisation Society
Conor Ryan	Arrabawn Co-operative Society Limited
Pat Sheahan	North Cork Co-operative Creameries Limited
T J Sullivan	Carbery Food Ingredients Limited
Donal Tierney	Aurivo Co-operative Society Limited
Jim Woulfe	Dairygold Co-operative Society Limited

On behalf of the Board of Directors

Denis Cregan
Chair
10 March 2021

John Jordan
Chief Executive

Independent Auditors’ Report to the members of Ornua Co-operative Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ornua Co-operative Limited’s Group financial statements (the “financial statements”):

» give a true and fair view of the Group’s assets, liabilities and financial position as at 26 December 2020 and of its profit and cash flows for the period then ended; and
» have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Irish law).

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

» the Group Balance Sheet as at 26 December 2020;
» the Group Income Statement for the period then ended;
» the Group Statement of Comprehensive Income for the period then ended;
» the Group Statement of Changes in Equity for the period then ended;
» the Group Cash Flow Statement for the period 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 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 Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The 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.

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.

Independent Auditors' Report to the members of Ornua Co-operative Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the 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 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 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors Dublin
10 March 2021

Group Income Statement for the period ended 26 December 2020

	Notes	2020 €'000	2019 €'000
Turnover		**2,343,467**	2,322,252
Cost of sales		**(1,999,385)**	(2,025,401)
Gross profit		**344,082**	296,851
Selling and distribution expenses		**(176,517)**	(165,412)
Administration expenses - excluding amortisation		**(76,539)**	(74,670)
Administration expenses - amortisation		**(7,958)**	(7,677)
Operating profit before exceptional items		**83,068**	49,092
Exceptional items	4	**(12,183)**	2,088
Operating profit after exceptional items		**70,885**	51,180
Share of results of associates & joint ventures	10	**8,869**	28
Interest payable (net)	5	**(4,850)**	(5,611)
Net interest expense on defined benefit pension schemes	24	**(379)**	(957)
Profit on ordinary activities before taxation	2	**74,525**	44,640
Tax on profit on ordinary activities	6	**(15,660)**	(10,162)
Profit for the financial period		**58,865**	34,478
Profit attributable to:			
Owners of the parent		**63,728**	35,295
Non-controlling interest		**(4,863)**	(817)
		58,865	34,478

The notes on pages 36 to 64 form part of these financial statements.

Group Statement of Comprehensive Income for the period ended 26 December 2020

	2020 €'000	2019 €'000
Profit for the period	**58,865**	34,478
Other comprehensive income/(expense)		
- Remeasurement of net defined benefit obligation	**(3,334)**	2,821
- Cash flow hedges		
- Change in value of hedging instrument	**3,172**	(5,903)
- Reclassification to profit and loss	**5,903**	3,748
- Currency translation differences	**(22,662)**	14,283
- Total tax on components of other comprehensive income	**(212)**	14
Other comprehensive (expense)/income for the period, net of tax	**(17,133)**	14,963
Total comprehensive income for the period	**41,732**	49,441
Total comprehensive income/(expense) attributable to:		
Owners of the parent	**47,283**	50,296
Non-controlling interest	**(5,551)**	(855)
	41,732	49,441

Group Balance Sheet as at 26 December 2020

	Notes	2020 €'000	2019 €'000
Fixed assets			
Intangible assets	8	**56,391**	60,249
Tangible assets	9	**205,897**	222,203
Associates & joint ventures	10	**3,243**	103
Loans to associates & joint ventures	10	**465**	11,559
Other investments	10	**845**	845
		266,841	294,959
Current assets			
Inventories	11	**585,955**	584,039
Debtors	12	**338,998**	317,743
Restricted cash	22	**7,681**	5,101
Cash and bank balances	21	**144,604**	102,196
		1,077,238	1,009,079
Creditors: amounts falling due within one year	13	**(687,144)**	(607,769)
Net current assets		**390,094**	401,310
Total assets less current liabilities		**656,935**	696,269
Creditors: amounts falling due after one year	16	**(12,140)**	(88,333)
Post employment benefits	24	**(26,160)**	(24,852)
Provision for liabilities	18	**(15,600)**	(17,595)
Net assets		**603,035**	565,489
Capital and reserves			
Called up share capital	19	**19,649**	19,624
Revenue reserves	19	**579,349**	540,067
Cash flow hedging reserve	19	**3,108**	(4,893)
Share premium	19	**32**	32
Capital levy account	19	**256**	256
Members' equity interest (before annual bonus fund and redeemable loan stock)		**602,394**	555,086
Annual bonus fund	7	**–**	2,500
Redeemable loan stock	7	**8,114**	9,825
Members' funds		**610,508**	567,411
Non-controlling interest		**(7,473)**	(1,922)
Total equity		**603,035**	565,489

The notes on pages 36 to 64 form part of these financial statements.

On behalf of the Board of Directors

Denis Cregan
Chair
10 March 2021

John Jordan
Chief Executive

Group Statement of Changes In Equity for the period ended 26 December 2020

	Share Capital	Share Premium	Cash Flow Hedging Reserve	Capital Levy Account	Revenue Reserves	Annual Bonus Fund	Redeemable Loan Stock	Members Equity Interest	Non-controlling Interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 29 December 2018	19,607	32	(3,268)	256	490,646	2,000	12,087	521,360	(1,067)	520,293
Profit for the period	–	–	–	–	35,295	–	–	35,295	(817)	34,478
Other comprehensive income/(expense) for the period:										
Remeasurement of net defined benefit obligation	–	–	–	–	2,821	–	–	2,821	–	2,821
Cash flow hedges										
- Change in value of hedging instruments	–	–	(5,903)	–	–	–	–	(5,903)	–	(5,903)
- Reclassification to profit and loss	–	–	3,748	–	–	–	–	3,748	–	3,748
Currency translation differences	–	–	–	–	14,321	–	–	14,321	(38)	14,283
Total tax on component of other comprehensive income	–	–	530	–	(516)	–	–	14	–	14
Transfer to/from annual bonus fund	–	–	–	–	(2,500)	500	2,000	–	–	–
Redemption of loan stock/issue of shares (note 7)	17	–	–	–	–	–	(4,262)	(4,245)	–	(4,245)
At 28 December 2019	**19,624**	**32**	**(4,893)**	**256**	**540,067**	**2,500**	**9,825**	**567,411**	**(1,922)**	**565,489**
Profit for the period	–	–	–	–	63,728	–	–	63,728	(4,863)	58,865
Other comprehensive income/(expense) for the period:										
Remeasurement of net defined benefit obligation	–	–	–	–	(3,334)	–	–	(3,334)	–	(3,334)
Cash flow hedges										
- Change in value of hedging instruments	–	–	3,172	–	–	–	–	3,172	–	3,172
- Reclassification to profit and loss	–	–	5,903	–	–	–	–	5,903	–	5,903
Currency translation differences	–	–	–	–	(21,974)	–	–	(21,974)	(688)	(22,662)
Total tax on component of other comprehensive income	–	–	(1,074)	–	862	–	–	(212)	–	(212)
Transfer from annual bonus fund	–	–	–	–	–	(2,500)	2,500	–	–	–
Redemption of loan stock/issue of shares (note 7)	25	–	–	–	–	–	(4,211)	(4,186)	–	(4,186)
At 26 December 2020	**19,649**	**32**	**3,108**	**256**	**579,349**	**–**	**8,114**	**610,508**	**(7,473)**	**603,035**

A description of each reserve account is included in note 19.

Group Cash Flow Statement for the period ended 26 December 2020

	Notes	2020 €'000	2019 €'000
Cash generated from operations (after cash exceptional items)	20	**148,768**	204,378
Income tax paid		**(10,331)**	(10,925)
Net cash inflow from operating activities		**138,437**	193,453
Cash flows from investing activities			
Purchases of tangible assets	9	**(22,634)**	(31,944)
Purchases of intangible assets	8	**(7,098)**	(15,415)
Proceeds from sale of assets		**4,230**	599
Proceeds from sale of subsidiary (net of cash disposed)	4	**566**	–
Repayment of loans advanced to associates and dividends from associates		**20,773**	–
Interest received		**56**	498
Increase in restricted cash	22	**(2,580)**	(3,151)
Net cash used in investing activities		**(6,687)**	(49,413)
Cash flows from financing activities			
Interest paid		**(5,205)**	(6,135)
Repayment of borrowings		**(80,000)**	(120,000)
Payments in respect of loan stock redeemed		**(4,151)**	(4,201)
Net cash used in financing activities		**(89,356)**	(130,336)
Net increase in cash and cash equivalents in the period		**42,394**	13,704
Balance at beginning of the period		**102,196**	88,986
Foreign exchange gains/(losses)		**14**	(494)
Cash and cash equivalents at the end of the period	21	**144,604**	102,196

Notes to the Financial Statements

1 Statement of Accounting Policies

a) Statement of Compliance

These financial statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The financial statements have been prepared on the going concern basis under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below and the measurement of the net defined benefit pension liabilities at the fair value of the plan assets less the present value of the defined benefit obligation. The 2020 financial statements are for a 52 week period (2019: 52 weeks).

b) Trading policy

In general it is the Parent Society's trading policy to provide a return to supplying members equivalent to net proceeds realised in each product group. Accordingly the Parent Society's purchase prices are subject to regular revision to reflect average market realisations. Arising from this policy, a liability is recognised in the accounts for any amounts outstanding to members.

c) Basis of consolidation

The financial statements of the Parent Society and its subsidiary undertakings for the period from 29 December 2019 to 26 December 2020 are incorporated in the Group financial statements.

(i) Subsidiary undertakings are included in the financial statements from the date on which control is obtained and cease to be consolidated from the date on which control is lost by the Group. Subsidiaries are all entities where the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(ii) An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

(iii) Non-controlling interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised directly in equity. Gains or losses on disposals to non-controlling interests, without a loss of control, are also recognised directly in equity.

(iv) A discontinued operation is a component of an entity that has been disposed of and:
   a. represents a separate major line of business or geographical area of operations; or
   b. was part of a single co-ordinated plan to dispose of a separate line of business or geographical area of operations; or
   c. was a subsidiary acquired exclusively with a view to resale.

(v) When the Group ceases to have control any gain or loss is recognised in the Income Statement. The cumulative amounts of any difference on translation, recognised in equity, are not included in the gain or loss on disposal. The gain or loss also includes amounts included in Other Comprehensive Income that are required to be reclassified to the Income Statement. Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

(vi) Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated upon consolidation.

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for goods and services supplied to external customers exclusive of trade discounts and value added tax. The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the amount of revenue can be measured reliably; and (c) it is probable that future economic benefits will flow to the Group.

Interest income is booked on an accruals basis, by reference to the principal outstanding and at the effective interest rate over the period to expected maturity.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

e) Exceptional items

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

f) Inventory

Inventories are valued at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises purchase price, including taxes and duties and transport costs attributable to bringing the inventory to its present location and condition. Selling price less costs to sell is based on contracted or estimated selling prices, less selling and distribution expenses. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, an impairment provision is raised to reduce the carrying value of inventory.

g) Private storage aid income

The Parent Society places inventory in an EU scheme called Private Storage Aid during certain months of the year. The income earned from the EU on this inventory is accounted for within revenue as it is earned.

h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes original purchase price, costs directly attributable to bringing the asset to its location and working condition for its intended use. 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 Income Statement.

Depreciation is not provided on freehold land. Depreciation on other tangible fixed assets is provided on a straight-line basis as appropriate to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

» Freehold buildings: 2% to 5%
» Leasehold land and buildings: written off over the term of the lease or its estimated useful life, whichever is the lower
» Plant and equipment: 5% to 33%
» Motor vehicles: 10% to 33%

The assets residual values and useful lives are reviewed and adjusted, if appropriate, in each reporting period. The effect of any change is accounted for prospectively. Provision is made for any impairment of tangible fixed assets. Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

i) Leased assets

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Income Statement on a straight line basis over the lease term. Incentives received to enter into an operating lease are credited to the Income Statement on a straight line basis over the period of the lease.

j) Grants

Capital based grants are accounted for in the period they are received and are treated as deferred credits. These grants are released to the Income Statement on the same basis as the related assets are depreciated.

k) Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination. Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where the contingent consideration is not considered probable or can't be measured reliably but subsequently becomes probable and measurable or contingent consideration previously recognised is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

k) Business combinations and goodwill (continued)

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. On acquisition, goodwill is allocated to Cash Generating Units (CGU) that are expected to benefit from the combination.

Goodwill is amortised on a straight line basis over its useful economic life, subject to a maximum of 15 years. Goodwill is assessed for impairment when there are indications of impairment and any impairment is charged to the Income Statement.

Goodwill is amortised over a period greater than five years because it arises on the acquisition of profitable businesses which are expected to remain profitable over the long term. The Group shall recognise in its financial statements provisional amounts for the items for which the accounting is incomplete. Within twelve months after the acquisition date, the Group shall retrospectively adjust the provisional amounts recognised as assets and liabilities at the acquisition date to reflect new information obtained.

l) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the depreciable amount of the assets to their residual value over their expected useful lives as follows;

Software: 3-8 years.

Other intangibles include supply contracts, customer relationships and trade names and are amortised over periods ranging from 10-20 years.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

» The technical feasibility of completing the software so that it will be available for use or sale.
» The intention to complete the software and use or sell it.
» The ability to use the software or to sell it.
» How the software will generate probable future economic benefits.
» The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
» The ability to measure reliably the expenditure attributable to the software during its development.

Acquired software costs are recognised as an intangible asset at their purchase price and amortised over the estimated economic useful life of the asset. Internally generated costs directly associated with software development projects are amortised over the estimated economic useful life of the asset.

If there is an indication that there has been a significant change in amortisation rate or residual value of an intangible asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

m) Research and development

Research and development expenditure is written off to the Income Statement in the period in which it is incurred.

n) Employee benefits

(i) Short term benefits
Short term benefits, including holiday pay are recognised as an expense in the period in which the service is received.

(ii) Pension obligations
The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. A defined benefit plan is a post-employment plan other than a defined contribution plan.

(iii) Termination benefits
Termination benefits are payable when employment is terminated before normal retirement date or whenever an employee is expected to accept voluntary redundancy. The Group recognises these costs when it is demonstrably committed to terminating the employment of current employees in line with a formal plan, or providing termination benefits as a result of the expected take up of an offer for voluntary redundancy.

(iv) Defined contribution plans
Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

n) Employee benefits (continued)

(v) Defined benefit plans
The Group's net obligation in respect of defined benefit plans (both funded and unfunded schemes) is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. When the calculation of the defined benefit obligation and the fair value of the plan assets results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement of net defined benefit liability".

The cost of the defined benefit plan recognised in the Income Statement comprises;
a. the increase in pension benefit liability arising from employee service during the period; and
b. the cost of plan introductions, benefit changes, curtailments and settlements.

Negative past service costs are recognised when benefits under the defined benefit pension schemes are modified and such modifications are approved by the Pensions Board.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. The cost is recognised in the Income Statement as a finance cost.

(vi) Other long term employee benefits
The Group operates a Long Term Incentive Plan, which provides for awards to be granted to a limited number of executives and senior management as nominated by the Chief Executive and approved by the Personnel and Remuneration Committee. The value of awards granted, is primarily derived from an adjusted Group EBIT calculation adjusted to reflect product prices returned to members, members bonuses and some other variables. The total amount expected to be paid out under the scheme, is expensed over the vesting period, which is three years. At each balance sheet date the Group revises its estimate of the expected cost for both actual adjusted EBIT out-turn and forecast out-turn, with the adjustment recognised in the Income Statement.

o) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

(i) Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amount expected to be paid to the tax authorities.

(ii) Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax is not discounted. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

» the Group is able to control the reversal of the timing difference; and
» it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Income Statement in the period it arises.

A provision for restructuring is recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring. Insurance provisions are recognised to cover claims including claims which are known to be incurred but not reported at period end. Provision for onerous contracts are made when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

q) Borrowings and cash and cash equivalents

Interest bearing loans and overdrafts are recognised initially at fair value, which is the proceeds received, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

r) Foreign currency translation

(i) Functional and presentation currency
The consolidated financial statements are presented in Euro, rounded to thousands, which is the Parent Society's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency that reflects the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in foreign operations. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Rates used for translation of results and net assets into Euro:

	Average Rates		Period end Rates	
€ 1 =	2020	2019	2020	2019
US$	1.1403	1.1201	1.2153	1.1175
GBP£	0.8891	0.8780	0.8969	0.8548
SAR	4.2762	4.2003	4.5574	4.1905
CNY	7.8703	7.7346	7.9509	7.8174

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

r) Foreign currency translation (continued)

(iii) Group companies
The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
b. goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate;
c. income and expenses for each Income Statement are translated at actual exchange rates or when they are a reasonable approximation at average exchange rates; and
d. all resulting exchange differences are recognised in Other Comprehensive Income and presented within revenue reserves in equity.

s) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication of impairment, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or Cash Generating Unit (CGU). The impairment loss recognised is the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows of other assets or groups thereof.

If a non-financial asset is impaired, the impairment loss is the difference between the carrying amount and its recoverable amount.

The impairment loss is recognised in exceptional items in the Income Statement. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The impairment reversal is recognised in exceptional items in the Income Statement.

t) Share capital and redeemable loan stock

Ordinary shares are classified as equity.

Redeemable loan stock is included in equity until any redemption is ratified by the Board. On ratification, the amount to be redeemed is moved from equity to liabilities.

u) Related party transactions

The Group discloses transactions with related parties which are not wholly-owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

v) Financial instruments

(i) Financial assets
Basic financial assets including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the transaction constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the Income Statement. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying value does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income Statement.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures are initially measured at fair value which is normally the transaction price.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

v) Financial instruments (continued)

(i) Financial assets (continued)
Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Income Statement except where the investment is in equity instruments that are not publicly traded and whose fair values cannot be measured reliably, in which case the investments are measured at cost less impairment.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest method.

(iii) Derivatives
Derivatives including foreign exchange contracts are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the Income Statement unless they are part of a hedging arrangement.

(iv) Hedging arrangements
Derivative financial instruments are mainly used to manage exposures to foreign exchange/price risks. The Group designates certain derivatives as hedges of the variability in cash flow attributable to a particular risk associated with assets and/or liabilities or highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on reporting dates, of the effectiveness of the hedge in offsetting changes in cash flows of hedged items. The fair value of a hedging derivative asset is classified as a current asset. The fair value of a hedging derivative liability is classified as a creditor falling due within one year or after one year based on the remaining maturity of the hedge.

(v) Cash flow hedges
The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income (OCI) and presented in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time is recognised in the Income Statement when the forecast transaction to which it relates occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the Income Statement.

(vi) Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of such derivative instruments are recognised immediately in the Income Statement.

(vii) Net investment hedges
Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, to the extent that the hedge is effective foreign exchange differences are recognised in Other Comprehensive Income and presented within revenue reserves.

(viii) Put/call option liabilities
Put/call option liabilities arising as part of business combinations are recognised at fair value as a financial liability with a corresponding entry to controlling equity. Such liabilities are classified within creditors falling due within one year or after one year based on the expected payment date. Any changes in the fair value of such options in the year are recognised in the Income Statement.

w) Use of judgements in applying the Group's accounting policies

The preparation of financial statements in conformity with FRS 102 requires the use of significant judgements, estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to accounting for deferred income tax, retirement benefit obligations, impairment of intangible and tangible assets, inventory impairments and provisions for onerous contracts.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

w) Use of judgements in applying the Group's accounting policies (continued)

Deferred income tax
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Significant judgement is used when assessing both the extent to which deferred tax assets should be recognised and the amount to be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

Retirement benefit obligations
The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include, inter alia, the discount rate, inflation rate, salary growth, and longevity, all of which are key judgements. Advice is sourced from independent actuaries in selecting suitable assumptions.

Assessment for Impairment - Intangible assets/tangible assets
The Group tests goodwill and tangible assets for impairment whenever there is an indication that the intangible assets or tangible assets may be impaired. Goodwill has been allocated as appropriate to the relevant Cash Generating Units (CGU.) These CGUs are the lowest level for which there are separately identifiable cash flows.

This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, a provision for impairment is raised to reduce the carrying amount of the CGU to its value in use.

Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information where available. The key assumptions used in determining the value in use are the forecasted cashflows, long-term growth rates and discount rates.

Inventory impairments/provision for onerous contracts
It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of the inventory. The Group provides for onerous contracts when the revenues from a sales contract do not cover the cost of completing the contract.

2 Profit on ordinary activities before taxation is stated after charging/(crediting):

	2020 €'000	2019 €'000
Depreciation (note 9)	**16,382**	15,017
Amortisation of intangible assets (note 8)	**7,958**	7,677
Operating lease expense	**2,395**	2,647
Auditors remuneration - audit fee	**670**	668
Reclassification of prior period fair value losses on derivatives	**5,903**	3,748
Impairment of trade receivables - charge	**225**	656
Exchange differences - (credit)/charge	**(1,692)**	3,596

Notes to the Financial Statements (continued)

3 Employees and remuneration

	2020 No.	2019 No.
The average number of persons employed by the Group is analysed into the following categories:		
Production	**1,521**	1,509
Selling and distribution	**373**	421
Administration	**529**	496
	2,423	2,426

	2020 €'000	2019 €'000
The staff costs are comprised of:		
Wages and salaries* (including termination benefits of €0.1m (2019: €0.5m))	**113,684**	106,424
Social welfare costs	**10,090**	8,974
Pension costs	**3,950**	3,585
Settlement gain	**–**	(7,660)
Staff costs included in operating profit	**127,724**	111,323
Pension - other finance costs (net)	**379**	957
Total charged to Income Statement	**128,103**	112,280
Actuarial loss/(gain) on defined benefit pension schemes (net of deferred taxation) - charged to comprehensive income	**2,472**	(2,305)
Total aggregate payroll costs	**130,575**	109,975

* These costs include long term incentive plan costs.

Notes to the Financial Statements (continued)

3 Employees and remuneration (continued)

These costs are recognised in the following line items in the Income Statement and Statement of Comprehensive Income respectively:

	2020 €'000	2019 €'000
Income Statement		
Cost of sales	**60,122**	56,064
Selling and distribution expenses	**23,882**	23,062
Administration expenses	**43,720**	39,374
Exceptional items	**–**	(7,177)
Included in operating profit	**127,724**	111,323
Other finance costs (net)	**379**	957
Total charged to Income Statement	**128,103**	112,280
Statement of Comprehensive Income		
Actuarial loss/(gain) on defined benefit pension schemes (net of deferred tax)	**2,472**	(2,305)
Total aggregate payroll costs	**130,575**	109,975

4 Exceptional items

	2020 €'000	2019 €'000
Impairment of intangible & tangible assets (i)	**(15,828)**	(4,087)
Reversal of impairment of investments in and loans to associates & joint ventures (ii)	**3,497**	–
Gain on disposal of Shanghai En Bo Lu Food Co, Limited China (Ambrosia Dairy) (iii)	**115**	–
Disposal of tangible assets (iv)	**33**	1,038
Restructuring costs (v)	**–**	(2,272)
Settlement gain (vi)	**–**	7,660
Net cost in relation to fire at Spanish plant (vii)	**–**	(251)
	(12,183)	2,088

2020

(i) The Group tests goodwill and tangible assets for impairment whenever there is an indication that the goodwill or tangible assets may be impaired. To test goodwill for impairment the Group compares the cash generating unit's (CGU) carrying amount to which the goodwill has been allocated to that CGU's recoverable amount. During 2020 the Group tested for impairment its CGU in Saudi Arabia, Al Wazeen Trading Company LLC (Al Wazeen) due to indications of impairment. As a result of this impairment testing the Group has booked a non-cash impairment of €15.8m (€0.8m in goodwill (note 8) and €15.0m in tangible assets (note 9)). This impairment provision in 2020 is as a result of the continued weak trading conditions being experienced by Al Wazeen in Saudi Arabia with the company suffering trading losses for a number of years.

(ii) In 2018, the Group impaired its associate investment in Nextwave Distribution Holdings LLC (Nextwave) as a result of the competitive nature of the market in which that business operated in. In 2020 the Group has reversed that impairment (note 10) as the conditions that led to that impairment no longer exist. During 2020 the Group received €20.8m from Nextwave in the form of a dividend and the repayment of loans previously advanced.

Notes to the Financial Statements (continued)

4 Exceptional items (continued)

(iii) Gain on disposal of Shanghai En Bo Lu Food Co, Limited China (Ambrosia Dairy) during the year.

	2020 €'000
Details of the net assets disposed are as follows:	
Tangible assets (note 9)	**286**
Stock	**108**
Debtors	**138**
Cash*	**28**
Creditors	**(81)**
	479
Consideration *	**594**
Profit on disposal	**115**

* Cash received net of cash disposed was €566k.

(iv) During the period the Group disposed of some tangible assets at a profit.

2019

(i) The Group carried out an impairment review of certain intangible assets, by comparing the asset's recoverable amount to its carrying value and as a result an impairment of €4.1m was recognised. This impairment was a result of the competitive nature of the specific market which resulted in the recoverable amount of certain intangibles being less than their carrying amount.

(iv) During the period the Group disposed of some tangible assets at a profit.

(v) During the period the Group incurred restructuring costs (including redundancy and asset impairments) in its UK operations.

(vi) This non-cash settlement gain arose as a result of certain employees transferring their benefits from the Irish Defined Benefit Plan to a defined contribution plan in January 2019. As part of this transfer the Group made a one-off cash contribution of €6.3m to the Irish Defined Benefit Plan.

(vii) On 5 November 2017 there was a fire at the Group's Spanish production plant. The fire destroyed all the plant & equipment as well as the inventory stored or under production at the plant. The fire also destroyed the leased building in which the plant was located.

The fire destroyed plant and equipment with a book value of €3.8m, stock with a book value of €3.5m and the Group also incurred business interruption costs as a result of the fire. As outlined in previous years the Directors considered that the insurance policies in place provided sufficient cover for both the material damages at the facilities, including plant & equipment and inventories, and loss of earnings brought about by the fall in sales and the additional costs that the Company incurred to recover sales as a result of the fire. During 2019 the Group made a settlement of its insurance claim arising as a result of the fire and the net cost to the Group taking account of asset write downs, business interruption costs incurred net of insurance proceeds received was €0.3m.

5 Interest payable (net)

	2020 €'000	2019 €'000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years, other than by instalments	**5,895**	6,496
Interest receivable	**(1,045)**	(885)
	4,850	5,611

Notes to the Financial Statements (continued)

6 Tax on profit on ordinary activities

	2020 €'000	2019 €'000
Analysis of taxation charge in the period		
Current tax		
Irish corporation tax on the profit for the period	**2,891**	167
Adjustments in respect of previous periods	**(12)**	–
	2,879	167
Foreign tax		
Foreign corporation tax on profit for the period	**12,170**	8,124
Adjustments in respect of previous periods	**(8)**	(486)
	12,162	7,638
Total current tax	**15,041**	7,805
Deferred tax		
Origination and reversal of timing differences	**260**	2,357
Impact of change in tax rates	**359**	–
Tax on profit on ordinary activities	**15,660**	10,162
Tax expense/(income) included in Other Comprehensive Income	**212**	(14)

Reconciliation of effective tax rate

The total tax charge for the period is different from the standard rate of corporation tax in Ireland of 12.5%.

The differences are explained below.

	2020 €'000	2019 €'000
Profit on ordinary activities before taxation	**74,525**	44,640
Profit on ordinary activities at the standard rate of corporation tax in Ireland of 12.5%	**9,316**	5,580
Effects of:		
Foreign rates of tax different from Irish rates	**5,543**	3,994
(Utilisation)/non utilisation of tax losses (net)	**(3,093)**	(1,731)
Expenses/income not deductible/taxable (net)	**2,950**	1,041
Movement in other differences	**964**	1,764
Adjustments in respect of prior periods	**(20)**	(486)
Total tax	**15,660**	10,162

There were no significant changes during 2020 in the tax rates applying to the Group's subsidiaries except that the UK corporation tax rate will remain at 19% and will not drop to 17% as had been previously announced.

Notes to the Financial Statements (continued)

7 Annual bonus fund, redeemable loan stock and cash bonus

(a) Annual bonus fund and redeemable loan stock

The Board is empowered under the Rules of the Ornua Co-operative Limited ("The Rules") to set up an annual bonus fund and issue bonus shares and redeemable loan stock to the members based upon purchases of dairy products during the period from members. On an annual basis, an amount may be transferred from revenue reserves to the annual bonus fund in the Group's financial statements. The amount allocated to redeemable loan stock (via a transfer to the annual bonus fund) in 2020 is €Nil (2019: €2.5m).

Following the ratification of the amount to be transferred to the annual bonus fund and the calculation of each member's individual share, the annual bonus fund is then applied in issuing, as fully subscribed bonus shares and convertible redeemable loan stock in the ratio of one share per each ninety nine units of convertible redeemable loan stock. These bonus shares and convertible redeemable loan stock are then issued to the holders of the A and B ordinary shares.

Members are entitled, at any time after the expiry of five years from the date of any issue of the units of convertible redeemable loan stock, to apply to the Board so as to have the loan stock redeemed. The Board has discretion as to whether, and to what extent the loan stock shall be redeemed. However, in the case of all approved redemptions, they shall be paid in instalments of 50% in the first year and 10% in each of the following five years. When the redemption is ratified the value of the cash payment is reclassified as a liability.

During the period, the Board decided to redeem loan stock to the value of €4.2m (2019: €4.2m) issued in respect of the 2015 financial period, 50% was paid in cash (the rest was included in creditors) and when combined with cash payments relating to previous years resulted in total cash payments of €4.2m in 2020 (2019: €4.2m).

The movement in the redeemable loan stock balance during the period was as follows:

	2020 €'000	2019 €'000
At beginning of the period	**9,825**	12,087
Transferred from the annual bonus fund	**2,500**	2,000
Redemption of loan stock/issue of share capital	**(4,211)**	(4,262)
At end of the period	**8,114**	9,825

(b) Total bonuses payable

	2020 €'000	2019 €'000
Annual cash bonus (charged to operating profit)	**52,000**	23,500
Redeemable loan stock (transfer to annual bonus fund)	**–**	2,500
	52,000	26,000

Notes to the Financial Statements (continued)

8 Intangible assets

	Goodwill 2020 €'000	Other Intangibles 2020 €'000	Computer Software 2020 €'000	Total 2020 €'000
Cost				
At beginning of the period	81,425	31,735	22,355	135,515
Additions in the period	–	–	7,098	7,098
Disposals	(3,109)	(3,370)	(109)	(6,588)
Translation adjustment	(3,674)	(709)	(343)	(4,726)
	74,642	27,656	29,001	131,299
Amortisation				
At beginning of the period	53,052	17,724	4,490	75,266
Amortised during the period	3,512	1,975	2,471	7,958
Impairment (note 4)	780	–	–	780
Disposals	(3,109)	(3,370)	(109)	(6,588)
Translation adjustment	(1,881)	(482)	(145)	(2,508)
	52,354	15,847	6,707	74,908
Net book amount				
At end of the period	**22,288**	**11,809**	**22,294**	**56,391**
At beginning of the period	**28,373**	**14,011**	**17,865**	**60,249**

The Group expensed €4.8m in research and development expenditure in the period (2019: €4.4m). The remaining amortisation period of the goodwill ranges from 5-11 years. The remaining amortisation period of other intangibles ranges from 3-16 years.

Notes to the Financial Statements (continued)

9 Tangible assets

	Land and Buildings				
	Freehold Land	Freehold Buildings	Leasehold Buildings	Plant Equipment and Vehicles	Total
	2020	2020	2020	2020	2020
	€'000	€'000	€'000	€'000	€'000
Cost					
At beginning of the period	6,690	134,539	202	198,128	339,559
Reclassification*	–	932	–	(932)	–
Additions in the period	–	19	–	22,615	22,634
Disposals in the period	(346)	(1,671)	–	(1,218)	(3,235)
Disposal of subsidiary (note 4)	–	–	–	(516)	(516)
Translation adjustment	229	(4,438)	(12)	(6,021)	(10,242)
	6,573	129,381	190	212,056	348,200
Depreciation					
At beginning of the period	–	28,978	145	88,233	117,356
Charge for the period	–	3,073	6	13,303	16,382
Disposals in the period	–	(403)	–	(827)	(1,230)
Disposal of subsidiary (note 4)	–	–	–	(230)	(230)
Impairment in the period (note 4)	–	8,125	–	6,923	15,048
Translation adjustment	–	(1,484)	(5)	(3,534)	(5,023)
	–	38,289	146	103,868	142,303
Net book amount					
At end of the period	**6,573**	**91,092**	**44**	**108,188**	**205,897**
At beginning of the period	**6,690**	**105,561**	**57**	**109,895**	**222,203**

*Work in progress items included in plant & equipment during construction and transferred out on completion.

The buildings, plant, equipment and vehicles are insured at a value of €401.4m (2019: €414.1m). €Nil (2019: €10m) of tangible assets has been pledged as security.

Notes to the Financial Statements (continued)

10 Associates, joint ventures & other investments

	2020 €'000	2019 €'000
Associates & joint ventures		
At beginning of the period	**103**	71
Share of profit after tax during the period	**8,869**	28
Dividend received	**(6,145)**	–
Reversal of impairment (note 4)	**690**	–
Translation adjustment	**(274)**	4
At end of the period	**3,243**	103

	€'000	€'000
Loans to associates & joint ventures		
At beginning of the period	**11,559**	10,898
Additions in the period	**989**	387
Repayments in the period	**(14,628)**	–
Reversal of impairment (note 4)	**2,807**	–
Translation adjustment	**(262)**	274
At end of the period	**465**	11,559

	€'000	€'000
Other investments		
At beginning and at end of the period	**845**	845

11 Inventories

Inventories at the period end primarily consist of finished goods for consumption. Reversals of impairments of inventories recognised within cost of sales in 2020 were €1.5m (2019: impairments of €4.0m).

Notes to the Financial Statements (continued)

12 Debtors

	2020 €'000	2019 €'000
Due within one year:		
Trade debtors (i) (iii)	**289,004**	278,679
Prepayments	**16,764**	13,607
Derivative financial instruments	**13,156**	334
Corporation tax debtors	**1,817**	2,121
Other debtors	**12,620**	17,520
	333,361	312,261
Due after one year:		
Deferred taxation (ii)	**5,637**	5,482
	338,998	317,743
Deferred tax arising from:		
Accelerated capital allowances	**(1,788)**	(1,999)
Derivative financial instruments	**(63)**	1,011
Post employment benefits	**4,504**	3,979
Other timing differences	**2,984**	2,491
	5,637	5,482

(i) Trade debtors are stated net of a provision for impairment of €3.2m (2019: €3.0m).

(ii) The Group has not recognised deferred tax assets of €0.6m (2019: €4.4m) on the basis that there is insufficient evidence that these assets will be recoverable. Deferred tax assets are expected to substantially reverse in greater than one year.

(iii) The Group also manages credit risk of trade debtors through the use of a number of sales of debtor arrangements. Under the terms of these agreements the Group has transferred substantially all of the credit risks which are subject to these agreements. The Group retains a minor element of late payment risk. Accordingly, €94.0m (2019: €112.8m) of trade debtors have been derecognised at period-end.

Notes to the Financial Statements (continued)

13 Creditors: amounts falling due within one year

	2020 €'000	2019 €'000
Trade creditors*	**344,977**	287,889
Amount due to factor* (note 15)	**173,190**	168,074
Derivative financial instruments	**2,297**	10,004
Accruals*	**151,258**	127,875
Redeemable loan stock	**1,883**	2,058
Option liability**	**–**	1,851
Taxation creditors (note 14)	**10,865**	7,344
Other creditors	**2,674**	2,674
	687,144	607,769

* The majority of these creditors will unwind in the next six months, however new creditors will arise as the Group purchases product during the year.

** The option liability in the prior period relates to an option to acquire the non-controlling interest in a Group subsidiary. This liability is now included in creditors falling due after one year as the period during which the option can be exercised has been extended.

14 Taxation creditors

	2020 €'000	2019 €'000
Corporation tax	**5,874**	1,755
PAYE	**2,111**	1,911
PRSI	**1,161**	1,141
VAT	**1,719**	2,537
	10,865	7,344

Notes to the Financial Statements (continued)

15 Loans

	2020 €'000	2019 €'000
Amounts falling due after one year (loans)	**–**	79,455

In November 2017, the Group entered into a five year syndicated financing agreement. Current facilities available under this agreement are €280m.

All material subsidiaries of the Group entered into cross guarantees for the debts under this agreement and also are subject to a negative pledge that security will not be granted to any party during the course of the agreement.

The Group is subject to certain financial covenants and other restrictions during the period of this agreement.

Separately, in November 2017, a number of member suppliers to the Group entered into a five-year agreement (reverse invoice discounting or RID facility) with a panel of International Banks led by Rabobank International to sell amounts owed to them by the Group, with committed facilities of €350m.

Under this agreement, the Group acknowledges invoices on behalf of the member suppliers to enable them to receive early payment of those invoices. Upon acknowledgement of member invoices which have been sold to Rabobank, the Group's obligations to the member is extinguished and the Group thereafter assumes an obligation to pay the amount of member invoices sold (2020: €173.2m, 2019: €168.1m) to Rabobank.

16 Creditors: amounts falling due after one year

	2020 €'000	2019 €'000
Redeemable loan stock	**4,236**	4,026
Deferred taxation (i)	**5,893**	4,852
Option liability*	**2,011**	–
Bank loans (note 15)	**–**	79,455
	12,140	88,333

*The option liability relates to an option to acquire the non-controlling interest in a Group subsidiary.

	2020 €'000	2019 €'000
(i) Deferred tax arising from:		
Accelerated capital allowances	**5,627**	4,440
Other timing differences	**266**	412
	5,893	4,852

Deferred tax liabilities are expected to substantially reverse in greater than one year.

Notes to the Financial Statements (continued)

17 Financial instruments

	2020 €'000	2019 €'000
The Group has the following financial instruments:		
Financial assets at fair value through profit or loss		
Derivative financial instruments (i)	**13,156**	334
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	**289,004**	278,679
Other debtors	**12,620**	17,520
Investment in associates & joint ventures	**3,243**	103
Preferred shares in associate	**–**	11,051
Loans to joint venture	**465**	508
	305,332	307,861
Cash & bank balances	**144,604**	102,196
Financial assets that are equity instruments measured at cost less impairment		
Other investments	**845**	845
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments (i)	**2,297**	10,004
Call option liabilities (ii)	**2,011**	1,851
	4,308	11,855
Financial liabilities measured at amortised cost		
Trade creditors	**344,977**	287,889
Amount due to factor (note 13)	**173,190**	168,074
Accruals	**151,258**	127,875
Redeemable loan stock	**6,119**	6,084
Other creditors	**2,674**	2,674
Loans (note 15)	**–**	79,455
	678,218	672,051

Notes to the Financial Statements (continued)

17 Financial instruments (continued)

(i) Derivative financial instruments

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency debtors. At 26 December 2020 the contracts outstanding have an average maturity of 6 months (2019: 5 months). The foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

The key assumptions used in valuing the derivatives are the forward exchange rates for EUR:USD and EUR:GBP at the end of the financial period.

The fair value of the Group's financial instruments are listed in the above tables. During 2020, a hedging gain (net of taxation) of €4.8m (2019: gain of €4.3m) was recognised in Other Comprehensive Income.

The Group's derivative financial instruments mainly relate to its commitments to sell USD and GBP and receive a fixed euro amount, as well as relating to commodity contracts.

In 2020 a charge of €Nil (2019: €Nil) was recognised in the Income Statement in relation to cash flow hedges which represented the excess of the fair value of the hedging instruments over the change in the fair value of the expected cash flows.

(ii) Call option liabilities

The fair value of the call option liabilities is based on the discounted value of the expected amounts to be paid on the exercise of the options at their expected exercise date (note 16).

18 Provision for liabilities

	Onerous Sales Contracts (i) €'000	Disposal Related Provisions (ii) €'000	Other Provisions (iii) €'000	Total Provisions €'000
At beginning of the period	11,134	916	5,545	17,595
Provided during the period	6,604	–	4,738	11,342
Utilised during the period	(11,134)	–	(2,129)	(13,263)
Translation adjustment	–	(74)	–	(74)
At end of the period	**6,604**	**842**	**8,154**	**15,600**

(i) The onerous sales contracts provision relates to contracted sales whose revenues do not cover the cost of completing the contract.

(ii) Relates to provisions made in 2015 on disposal of the DPI business for certain costs that will be incurred by the Group subsequent to the disposal.

(iii) Other provisions includes the Group's insurance provision and the Group's Long Term Incentive Plan provision.

The majority of the above provisions will be utilised within one year.

Notes to the Financial Statements (continued)

19 Share capital and reserves

	2020 No. of Shares	2020 €'000	2019 No. of Shares	2019 €'000
Issued share capital				
"A" shares of €1 each	**13,335**	**13**	13,335	13
"B" shares of €1 each	**3,429**	**4**	3,429	4
"C" shares of €1 each	**267**	**–**	267	–
"D" shares of €1 each	**130**	**–**	130	–
Bonus shares of €1 each	**1,715,107**	**1,715**	1,690,106	1,690
Deferred ordinary shares of €1 each	**17,916,961**	**17,917**	17,916,961	17,917
		19,649		19,624

The number of issued and fully paid ordinary shares was as follows:	2020 No. of shares '000	2019 No. of shares '000
At beginning of the period	**19,624**	19,607
Issue of shares	**25**	17
At end of the period	**19,649**	19,624

The shareholding of the Parent Society is subdivided into a number of classes of shares.

The main classes of shares are A, B, C and D shares as well as bonus and deferred shares of €1 each.

The holders of "A" and "B" shares may, subject to board approval, be issued with bonus shares and convertible loan stock based on sales of product to the Parent's group. They are also entitled to attend and vote at General Meetings of the Society.

Bonus shares rank pari passu with "A" and "B" shares.

The holders of "C" and "D" shares are not entitled to vote at General Meetings of the Society.

The holders of deferred shares do not have the right to attend or vote at the General Meetings of the Society.

A description of each of the classifications of reserves within equity are below:

» Revenue reserves have been created out of profit and represent the amount of profit not paid to shareholders in the form of dividends.
» Share premium is a capital reserve that is created when shares are issued at a premium (more than their nominal value).
» Cash flow hedging reserve represents the fair value of cash flow hedges net of taxation which have been deferred in equity.
» Capital levy account represents the excess of capital levy receipts for which deferred shares have not been issued.
» Annual bonus fund (note 7)
» Redeemable loan stock (note 7)

Notes to the Financial Statements (continued)

20 Net cash inflow from operations

	2020 €'000	2019 €'000
Operating profit before exceptional items	**83,068**	49,092
Depreciation of tangible assets (note 9)	**16,382**	15,017
Amortisation of intangible assets (note 8)	**7,958**	7,677
(Increase)/decrease in inventories	**(16,211)**	163,484
Increase in debtors	**(31,116)**	(6,026)
Increase/(decrease) in creditors	**90,556**	(15,509)
Post retirement liabilities	**(1,869)**	(8,025)
Cash generated from operations (before cash exceptional items)	**148,768**	205,710
Exceptional expenditure	**–**	(1,332)
Cash generated from operations (after cash exceptional items)	**148,768**	204,378

21 Cash and cash equivalents and net cash/(debt)

	2020 €'000	2019 €'000
Cash and cash equivalents consist of:		
Cash and bank balances	**144,604**	102,196
Loans (note 15)	**–**	(79,455)
Net cash	**144,604**	22,741

Reconciliation of net cash flow to movement in net cash/(debt)	2020 €'000	2019 €'000
Net increase in cash and cash equivalents in the period	**42,394**	13,704
Decrease in loans (note 15)	**79,455**	119,640
Change in net cash arising from cash flows	**121,849**	133,344
Foreign exchange gains/(losses)	**14**	(494)
Movement in net cash in the year	**121,863**	132,850
Opening net cash/(debt)	**22,741**	(110,109)
Closing net cash	**144,604**	22,741

Notes to the Financial Statements (continued)

22 Restricted cash

	2020 €'000	2019 €'000
Restricted cash on deposit	**7,681**	5,101

Deposits of €7.7m (2019: €5.1m) were held at period end within the Group's insurance company and are restricted for use by the Group's insurance company.

23 Capital commitments

	2020 €'000	2019 €'000
Commitments for which contracts have been placed	**6,301**	6,025
Commitments approved but not contracted for	**66,663**	37,266

24 Post employment benefits

The Parent Society and certain subsidiaries operate and contribute to defined benefit and defined contribution schemes in addition to a number of internally funded arrangements.

The total Income Statement charge in respect of defined benefit schemes for the Group was a charge of €0.4m (2019: credit of €6.5m) of which €Nil (2019: €0.2m) has been charged against operating profit before exceptional items and €Nil (2019: €7.7m) has been credited to exceptional items and €0.4m (2019: €1.0m) has been charged within other finance costs.

Contributions to defined contribution pension schemes in the period were €3.9m (2019: €3.4m).

The trustees of the Parent Society scheme have obtained an actuarial valuation dated 1 January 2020 using the projected unit valuation method. The trustees of the Ornua Foods UK Limited scheme have obtained an actuarial valuation dated 31 December 2018 using the projected unit valuation method. Valuations as at 26 December 2020 have been obtained for the internally funded schemes. Under FRS 102, these valuations, and the most recent actuarial valuations of the other post retirement schemes, have been updated by independent qualified actuaries in order to assess the liabilities of the schemes as at 26 December 2020.

The Irish scheme closed to future accrual in 2018. It has been agreed that the employer contributes €1.0m annually to the Irish scheme. The main other scheme closed to future accrual in 2019 and it has been agreed that the employer will contribute €0.7m annually to this scheme.

Financial assumptions

The major assumptions used by the actuaries to calculate scheme liabilities are:

	2020 Irish Scheme	2019 Irish Scheme	2020 Other Schemes	2019 Other Schemes
	%	**%**	**%**	**%**
Inflation rate	**1.35**	1.40	**2.15**	2.00
Salary rate increases	**2.35**	2.40	**2.65**	2.50
Pension payment increases	**1.35**	1.40	**2.20**	2.10
Discount rate	**1.10**	1.40	**1.40**	2.00

Notes to the Financial Statements (continued)

24 Post employment benefits (continued)

In valuing the liabilities of the pension funds at 26 December 2020, mortality assumptions have been made as indicated below.

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

	Irish Scheme 2020/2019		Other Schemes 2020/2019	
- Current pensioner aged 65	23/23 years male	25/25 years female	22/21 years male	24/24 years female
- Future retiree* upon reaching 65	26/26 years male	28/28 years female	23/23 years male	26/26 years female

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

*Current age 40 years for the Irish scheme and current age 45 years for the other schemes.

	2020	2019	2020	2019	2020	2019
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Equities	**21,772**	27,401	**9,619**	15,816	**31,391**	43,217
Bonds	**38,742**	29,607	**17,011**	22,113	**55,753**	51,720
Property	**4,375**	2,291	**–**	504	**4,375**	2,795
Other	**26,181**	28,992	**21,228**	8,725	**47,409**	37,717
	91,070	88,291	**47,858**	47,158	**138,928**	135,449
Actuarial value of liabilities	**(102,103)**	(100,310)	**(62,985)**	(59,991)	**(165,088)**	(160,301)
Net deficit in the schemes	**(11,033)**	(12,019)	**(15,127)**	(12,833)	**(26,160)**	(24,852)

	2020	2019	2020	2019	2020	2019
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Analysis of the amount charged to the Group Income Statement during the period:						
Current service cost	**–**	14	**–**	230	**–**	244
Settlement gain (note 4)	**–**	(7,660)	**–**	–	**–**	(7,660)
Net interest expense	**161**	615	**218**	342	**379**	957
	161	(7,031)	**218**	572	**379**	(6,459)

Notes to the Financial Statements (continued)

24 Post employment benefits (continued)

Movement in benefit obligations during the period	Irish Scheme 2020 €'000	Other Schemes 2020 €'000	Total 2020 €'000
Benefit obligations at beginning of the period	100,310	59,991	160,301
Interest expense	1,380	1,098	2,478
Actuarial loss	3,857	6,583	10,440
Benefits paid from plan	(3,444)	(1,933)	(5,377)
Exchange adjustment	–	(2,754)	(2,754)
Benefit obligations at end of the period	**102,103**	**62,985**	**165,088**

Movement in plan assets during the period	Irish Scheme 2020 €'000	Other Schemes 2020 €'000	Total 2020 €'000
Fair value of plan assets at beginning of the period	88,291	47,158	135,449
Interest income	1,219	880	2,099
Remeasurement gains			
Return on plan assets excluding interest income	4,004	3,102	7,106
Employer's contributions	1,000	869	1,869
Benefits paid from plan	(3,444)	(1,933)	(5,377)
Exchange adjustment	–	(2,218)	(2,218)
Fair value of plan assets at end of the period	**91,070**	**47,858**	**138,928**
Deficit in schemes	**(11,033)**	**(15,127)**	**(26,160)**
Actual return on plan assets	**5,223**	**3,982**	**9,205**

Notes to the Financial Statements (continued)

25 Financial commitments

a) Operating leases

At 26 December 2020, the Group had future minimum payments under non-cancellable operating leases as follows:

	2020 €'000	2019 €'000
Payments due:		
Not later than 1 year	**2,016**	2,006
Later than 1 year and not later than 5 years	**6,436**	5,531
Later than 5 years	**8,530**	7,230
	16,982	14,767

b) Bank guarantees

The Group had outstanding guarantees at the period end as follows:

	2020 €'000	2019 €'000
Bank guarantees	**30,639**	21,304

These guarantees are used to support the activities of Group companies.

c) Other financial commitments

The Group had the following outstanding forward currency/commodity contracts at the period end in respect of foreign exchange/price risk.

	2020 €'000	2019 €'000
Forward foreign currency/commodity contracts	**436,915**	385,345

26 Related party transactions

The principal related party relationships requiring disclosure in the consolidated financial statements of the Group pertain to transactions with members of the Parent Society entered into by subsidiaries of the Group.

Sales to members during the financial period ended 26 December 2020 amounted to €36.4m (2019: €33.6m) and purchases from members amounted to €1,184.4m (2019: €1,139.6m). Amounts receivable from and payable to members arising from the aforementioned sales and purchases transactions as at the balance sheet date are €10.7m (2019: €8.4m) and €125.1m (2019: €92.3m) respectively. There are other payable balances of €2.7m to members (2019: €2.7m).

In general, the transfer pricing policy implemented by the Group across its subsidiaries is market-based. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with members are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables.

Notes to the Financial Statements (continued)

26 Related party transactions (continued)

There were no transactions with Directors or key management during the period apart from the payment of remuneration as set out in the table below.

There were no Director loans in existence during the period or outstanding at period end.

Key management personnel

Key management personnel comprises the Board of Directors and the executive committee members who manage the business and affairs of the Group.

The remuneration of key management personnel, charged to the 2020 Group Income Statement (but not necessarily paid in 2020), was as follows:

	2020 €'000	2019 €'000
Total Non-Executive Directors fees (15 in 2020 & 15 in 2019)	**536**	556
Global Executive Remuneration, including Executive Directors (7 Executives in 2020 & 6 in 2019):		
Basic salary	**2,129**	1,918
Performance related bonus	**898**	815
LTIP-Paid during the year	**741**	267
Other benefits	**285**	235
Employers pension contribution	**330**	279
Employers PRSI	**446**	582
	4,829	4,096
LTIP - Adjustment to provision during the year *	**1,180**	1,056
Total fees and remuneration for key management personnel	**6,545**	5,708

*LTIP Adjustment to provision during the year represents the adjustment to the LTIP provision and does not represent the amount paid in 2020. The total amount expected to be paid out under the LTIP scheme is expensed over the vesting period, which is three years, and vested awards are settled by way of cash payment to employees over the following three years. The adjustment to the LTIP provision in 2020 is calculated as one-third of the expected pay-out (based on a number of assumptions that may or may not eventuate) in respect of awards granted in 2018, 2019 and 2020, plus an adjustment for any impact on the provision at 28 December 2019 as a result of updated assumptions in 2020. Further details on the LTIP are included in Note 27.

Executive remuneration at Ornua is subject to full oversight by the Board and specifically its Personnel and Remuneration Committee. The Personnel and Remuneration Committee has been delegated responsibility for the implementation of the remuneration policy of the Board, determining the remuneration arrangements for the Members of the Board, Chief Executive and Senior Executives. The process includes Review and Assessment against comparable organisations, ensuring that remuneration arrangements are consistent with Shareholder interest and the Vision, Mission and Values of the Society. The resources of Independent Professional Advisers were used in the Review and Assessment process.

27 Long term incentive plan

The Group operates a Long Term Incentive Plan (LTIP), the purpose of which is to align the interests of participants and members in achieving exceptional growth, in line with the strategic plan, in a sustainable manner over the longer term, while taking into account product prices paid to members. The LTIP pays out where significant incremental value has been generated for both the owners of the business and the supplying members.

The LTIP provides for awards to be granted to a limited number of executives and senior management as nominated by the Chief Executive and approved by the Personnel and Remuneration Committee. The LTIP is measured both in terms of profitability and product prices returned to members over the vesting period. The value of awards granted, is primarily derived from an adjusted Group EBIT calculation adjusted to reflect product prices returned to members, member bonuses and some other financial metrics.

The total amount expected to be paid out under the scheme is expensed over the vesting period, which is three years, and vested awards are settled by way of cash payment to employees over the following three years. The Group has not established a separate fund out of which obligations will be settled directly. The Group has a charge of €4.0m (2019: €3.2m) within employment costs in relation to the scheme, and the obligations recognised within liabilities at period end amounts to €7.0m (2019: €4.6m).

Notes to the Financial Statements (continued)

28 Significant subsidiary companies and associates

The parent society is a Co-operative and is incorporated in Ireland and its registered address is Grattan House, Mount Street Lower, Dublin 2.

	Incorporated in and operating from	*% Holding*	*Activities*
Ornua Limited*	Ireland	100	Marketing food products
IDB Investment Limited*	Ireland	100	Group financing
Ornua Insurance Designated Activity Company	Ireland	100	Group captive insurance
IDB Treasury Limited	Ireland	100	Group factoring and financing
Kerrygold Butter Packing Ireland Limited	Ireland	93	Packaging of dairy products
Salsola Limited*	Ireland	100	Group financing
Kerrygold Limited*	Ireland	100	Holding Company
Al Wazeen Trading Company LLC	Saudi Arabia	75	Manufacturing, marketing and distributing dairy products
Ornua Ingredientes Espana SL	Spain	100	Manufacturing, marketing and distributing dairy products
Ornua Foods UK Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
Ornua Nutrition Ingredients Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
Ornua Butter Trading (UK) Limited	United Kingdom	100	Marketing and distributing dairy products
Ornua Ingredients UK Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
The Irish Dairy Board UK Limited*	United Kingdom	100	Holding Company
F J Need (Foods) Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
Ornua Deutschland GmbH*	Germany	100	Manufacturing, marketing and distributing dairy products
Irish Dairy Board (Shenzhen) Co., Limited	China	100	Marketing and distributing dairy food products
Ornua Foods North America Inc.	U.S.A.	100	Marketing dairy food products
Ornua (Wisconsin) Ingredients LLC	U.S.A.	100	Manufacturing, marketing and distributing dairy products
Ornua (Minnesota) Ingredients LLC	U.S.A.	100	Manufacturing, marketing and distributing dairy products
CoreFX Ingredients LLC	U.S.A.	90	Manufacturing, marketing and distributing dairy products
Nextwave Distribution Holdings LLC	U.S.A.	20	Marketing and distributing food products
IDB Holdings Inc	U.S.A.	100	Holding Company

* These subsidiary companies are directly owned by the Parent Society.

In accordance with section 357 of the Companies Acts 2014, Ornua Co-operative Limited of Grattan House, Mount Street Lower, Dublin 2 as the holding undertaking of the Irish subsidiary companies (defined below) incorporated in Ireland and for the purposes of the exemptions referred to in section 357 of the Companies Acts 2014, hereby irrevocably guarantees in respect of the whole of the financial period of the Irish Subsidiaries ending on 26 December 2020, all of the commitments entered into by the Irish subsidiaries, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such Irish Subsidiary's statutory financial statements for the period ended 26 December 2020.

The 'Irish subsidiaries' covered by this guarantee are: Kerrygold Limited, Kerrygold Irish Cream Liqueur Limited, Kerrygold Butter Packing Ireland Limited, Ornua Limited, Salsola Limited, An Bord Bainne (Management) Limited, IDB Treasury Limited, IDB Investment Limited, The Irish Dairy Board Limited, IDB Premier Limited, An Bord Bainne (Services) Limited and An Bord Bainne (Exports) Limited.

29 Post balance sheet events

There have been no significant events since the period end which require disclosure in the financial statements.

30 Approval of financial statements

The financial statements were approved by the Board of Directors on 10 March 2021.

Board of Directors & Executive

Board of Directors*

Denis Cregan
Chair

Sean Brady

Helen Brophy

Donal Buggy

Henry Corbally

Jerry Houlihan

John Hunter

John Jordan

Pat McCormack

John Malone

Gus O'Brien

Michael O'Shea

Jim Russell

Tom Phelan

Executive*

John Jordan
Chief Executive

Donal Buggy
Chief Financial Officer

Bernard Condon
Managing Director Global Ingredients Division

Majella Darcy
Chief People Officer

Gilles Fellens
Chief Growth Officer

Róisín Hennerty
Managing Director Global Foods Division

Company Secretary*

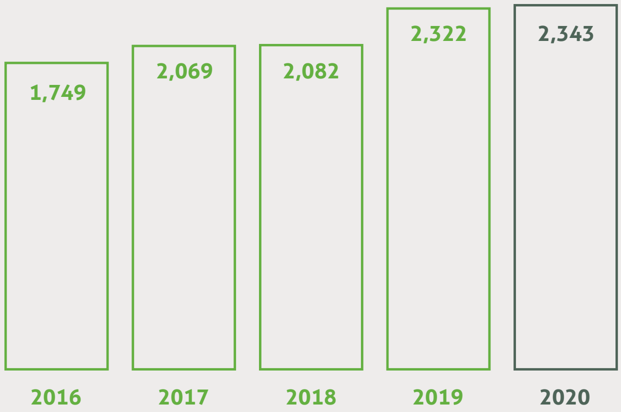
John McRedmond
Company Secretary & General Counsel

*As at 26 December 2020

Group Five Year Review

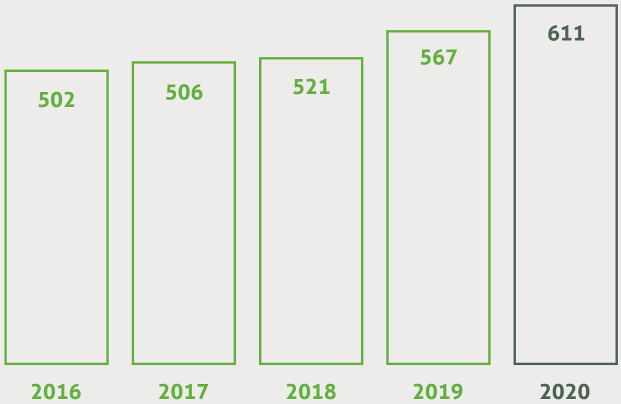
2020 Group Turnover

€2,343 million



2020 Members' Funds

€611 million



	2016 €'000	2017 €'000	2018 €'000	2019 €'000	2020 €'000
a) Historical values					
Turnover	1,749,367	2,069,219	2,082,059	2,322,252	2,343,467
EBITDA	43,082	53,830	60,544	71,786	107,408
Operating profit	26,611	35,245	40,419	49,092	83,068
Profit before taxation and exceptional items	22,556	31,170	35,355	42,552	86,708
Net debt/(cash)	(57,155)	(310)	110,109	(22,741)	(144,604)
Members' funds	502,439	505,814	521,360	567,411	610,508
b) Financial ratios					
EBITDA as % of turnover	2.5%	2.6%	2.9%	3.1%	4.6%
Operating profit as % of turnover	1.5%	1.7%	1.9%	2.1%	3.5%
Leverage (Net debt/(cash)/EBITDA) (times)	(1.3x)	(0.01x)	1.8x	(0.3x)	(1.3x)
Interest Cover (EBITDA/Interest Payable) (times)	11.6x	17.6x	16.6x	12.8x	22.1x

Irish Product Utilisation Overview

Total Irish Milk Supply (million litres)

	2020	2019
January	**176**	175
February	**332**	304
March	**726**	709
April	**983**	953
May	**1,115**	1,072
June	**1,031**	1,001
July	**985**	943
August	**867**	843
September	**725**	722
October	**646**	605
November	**451**	418
December	**255**	241
Total	**8,292**	7,986

Source: CSO

Total Irish Product Output (tonnes)

	2020	2019
Butter	**262,600**	250,800
Cheese	**289,500***	278,400
SMP	**141,600**	142,500

Source: CSO/Ornua

*Estimate

NOTES

Ornua™
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