Ornua™

THE HOME OF IRISH DAIRY

ANNUAL REPORT 2022

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Nicholson Farm,
Co. Monaghan, Lakeland Dairies

OUR PURPOSE & VISION

Our Purpose:

CREATE VALUE FOR IRISH FARMING FAMILIES

Our Vision:

Together, our vision is to drive sustainable, profitable growth and deliver customer success by investing in our dedicated people, our brands, and our global scale

GUIDED BY OUR VALUES

Show you care

Seek and embrace new ideas

Make it happen

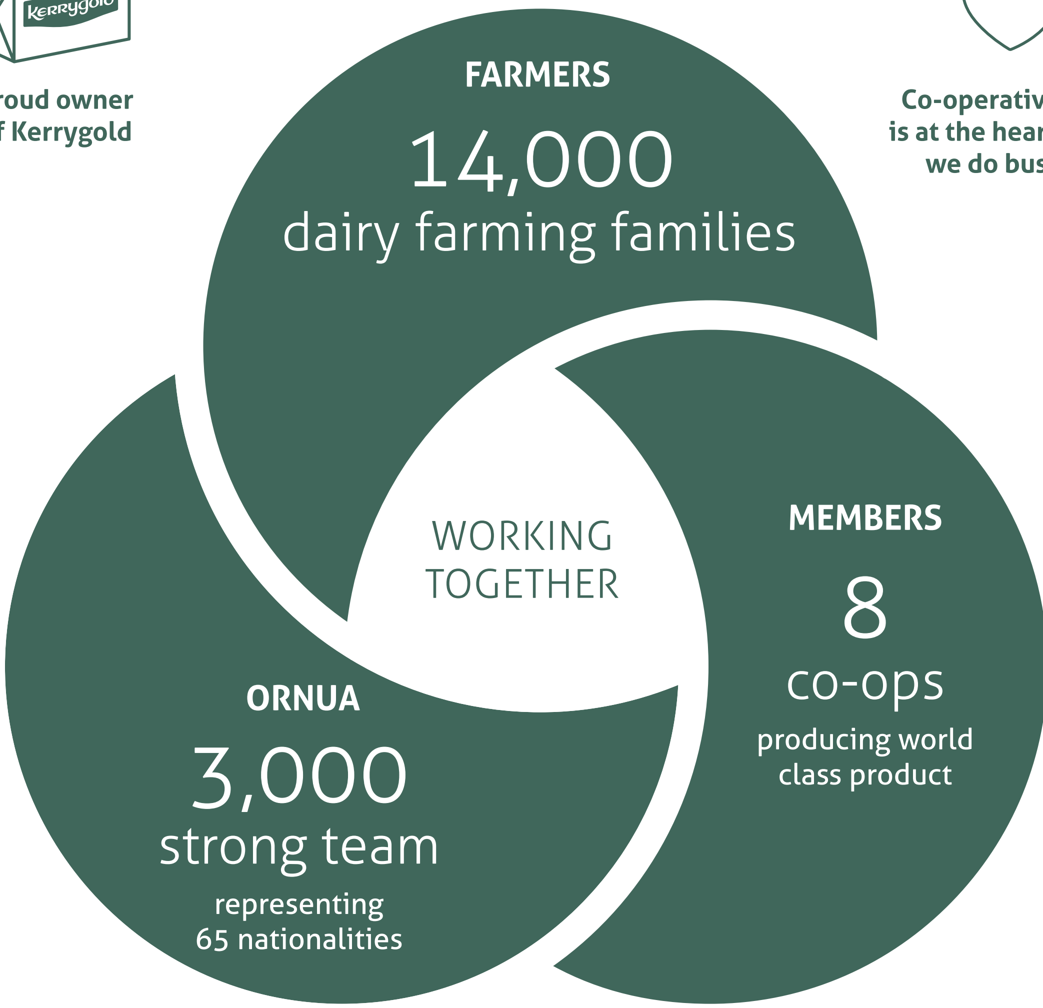
Be our true selves

Achieve great things together

OUR CO-OPERATIVE ETHOS

Proud owner of Kerrygold

Co-operative ethos is at the heart of how we do business



Ireland's largest exporter of dairy products

Annual sales of over €3.4 billion

Markets the unique taste of grass-fed Irish dairy

Performance at a Glance

Olli Dwane,
Ornua Ingredients International

Standout Moments

Kerrygold celebrated 60 years of the brand with over 11 million packets of butter and cheese sold globally each week.

Successful integration of the Whitehall Specialties Inc business to Ornua Ingredients North America, **increasing our production capabilities and giving customers increased service** across our now six-site network.

16,500 containers of Irish dairy ingredients sold and shipped globally.

Construction began on the **expansion of Kerrygold Park** which will see the production volume double at the facility, responding to growing demand in global markets.

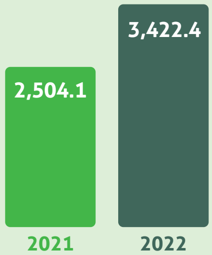
Commitment to **apply for Science Based Targets** in line with our *Growing for Good, Sustainably* strategy.

Introduced and embedded **new corporate values** across the business.

Financial Highlights

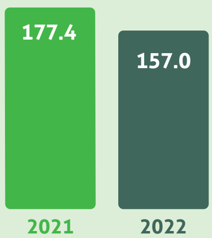
€3,422.4 m

Turnover €m



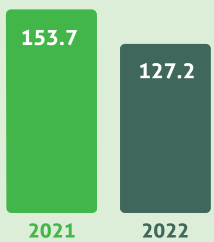
€157.0 m

Group EBITDA* €m



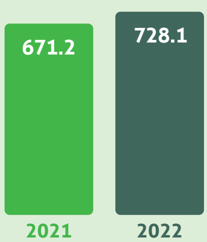
€127.2 m

Operating Profit* €m



€728.1 m

Net Assets €m

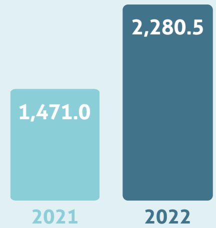


Returning Value to Irish Farming Families

€2,280.5 m

Premium Dairy Products €m

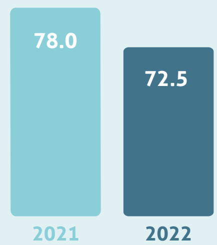
Ornua purchased €2,280.5 million premium dairy products in 2022.



€72.5 m

Ornua Value Payment €m

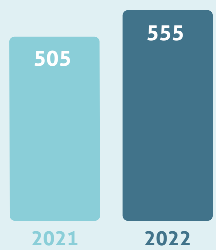
Value-added routes to market generated €72.5 million in additional premiums and bonuses for Member Co-operatives.



€555 m

Working Capital Facilities €m

Ornua provided up to €555 million in working capital facilities to Member Co-operatives.



Financial Statements – see page 42

* Pre *Ornua Value Payment* and exceptional items

Chair's Statement

Despite another year of profound disruption, consistency and experience have been key to Ornua's success in returning value to shareholders.

- Aidan O'Driscoll, Chair

A ROBUST PERFORMANCE IN A UNIQUELY CHALLENGING YEAR

Business Performance

Ornua Co-operative Ltd continued to deliver strong growth across global markets in 2022, despite persistent market volatility. The year commenced positively with the lifting of Covid-19 restrictions in many markets, however the Russian invasion of Ukraine, and resulting inflationary pressures, immediately presented a new set of challenges in an already complex global trading environment.

Ornua continued to demonstrate its resilience, delivering a robust performance with Group Turnover reaching €3.4 billion, up 36.7% year-on-year. In the context of significantly higher costs being felt across the supply chain throughout 2022, Ornua sought to balance high commodity prices, which were paid to its Member Co-operatives, while also maintaining and growing market share. Group EBITDA and Operating Profit, pre *Ornua Value Payment*, were €157.0 million and €127.2 million respectively, and Ornua delivered strong member returns with the *Ornua Value Payment* remaining historically high at €72.5 million. This is in addition to the strong product prices paid across over 387,000MT of premium Irish dairy products purchased.

Key growth projects were also progressed in 2022, including the expansion of Kerrygold Park, a project that represents the beginning of a new era for the Kerrygold brand and underpins its future growth.

Ornua Ingredients delivered a strong performance in 2022, as Whitehall Specialties Inc rebranded as part of Ornua Ingredients North America, marking a new phase of growth and collaboration for the business in a key strategic market.

Path to Prosper 2027

In 2022, the Ornua Board of Directors worked with the leadership team to implement the third year of *Ornua 2025 - Growth for Good*, the business's strategic growth plan. The journey mapped out in this plan, which was launched in 2020, has proven successful for the business over the course of the past three years, delivering significant growth in a challenging period.

In the context of a rapidly evolving marketplace and recognising the opportunity to further leverage the success of *Growth for Good*, the Board and Executive have revised Ornua's strategic plan and its ambitions.

I am pleased to report that in late 2022, the Board approved a new five-year strategic plan for the business, *Path to Prosper*, which will now guide the business to 2027. It aims to stimulate continued growth for Ornua, building on the consistent progress and success achieved by the business in the last number of years, while addressing emerging opportunities and challenges.

Global Dairy Markets

The year proved to be an extraordinary one for Irish dairy farmers, with the average milk price for 2022 reaching 51.6cpl, up 40% on 2021. However, input costs such as as fuel, feed, and fertiliser also rose rapidly; impacting both at farm and processing level. Global milk supply fell by -0.4% in 2022. Supply dropped by -1.2% in the first half of the year before milk collections stabilised in the second half of the year, supported by strong milk prices and yield improvements.

Demand was strongest at the start of the year, with the invasion of Ukraine encouraging buyers to secure additional stock, before easing as the year progressed as retail and export demand slowed. While remaining resilient, global demand fell by about -1.0% compared to a strong 2021. Looking at the year ahead, it is expected that Irish dairy supply will be modestly ahead of 2022, however, volatility looks set to continue in the areas of energy and input prices. An uncertain global economic forecast and its potential impact on consumer spending will also present challenges.

Sustainability

In December, Government published the Climate Action Plan 2023, which set out ambitious plans for the transformation of all economic sectors as part of the roadmap to a more sustainable future. Ornua, like its Member Co-operatives, is committed to rising to the challenge posed by this transition and recognises the need to enact real, tangible change. Action now needs to match the intent in the Plan, while also addressing other challenges within the context of a renewed commitment to all three dimensions of sustainability: economic, social, and environmental.

Businesses have a responsibility to accelerate action and lead by example. Ornua's sustainability journey is already impacting many parts of the business and will be further supported by the commitment in *Path to Prosper* to adopt science-based targets for our entire value chain. This is an important and positive step for Ornua in ensuring its efforts to reduce emissions are aligned to regulatory requirement, market expectation, and the latest science.

Governance

The Ornua Board 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. Following the approval by members in 2020 of a comprehensive reshaping of the governance provisions in Ornua's Rules, 2022 marked the first full year of operation of Ornua's new Advisory Council and Board structure. Our aim is to ensure that we have a modern, fit-for-purpose, co-operative governance model that maintains the crucial links between Ornua, its members, and dairy farmers.

The Board is fulfilling its role of providing support and robust challenge to the Executive as they drive the business forward and the Advisory Council is playing a crucial role in maintaining a strong link to the Member Co-operatives.

As we go forward, we will seek continuous improvement in how we do our business and will also need to address any gaps we identify, including in relation to diversity.

I was honoured to be elected Chair of the Ornua Board and Advisory Council this year and I look forward to continue working with both, and with the Executive Team, to ensure Ornua delivers on its ambitious goals for the future.

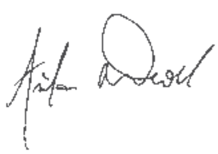
Appreciation

I would like to warmly recognise the contribution of my predecessor, Denis Cregan, who ably led the Ornua Board during a period of significant change. Denis has made an extraordinary contribution to the Irish dairy sector during a long and very distinguished career. I wish him all the best for the future. I would also like to acknowledge Jim Russell who stood down in 2022 after 12 years on the Board, for four of which he was vice chair. Finally, a warm welcome to Dominic Cronin who joined the Board in June as the ICOS nominee.

I wish to thank John Jordan and the Executive team for steering the organisation through a year of new challenges and complex trading conditions. The continued strong performance of Ornua through the many challenges of recent years reflects, in significant part, the skill and dedication of a strong leadership team.

On behalf of the Board, I wish to commend all Ornua's employees around the world for their focus and creativity in delivering for our consumers worldwide, and for their unwavering commitment to the farming families we proudly serve. I would also like to extend my thanks to Ornua's Member Co-operatives, and our 14,000 farming families themselves, who work tirelessly to maintain the high standards upon which Ireland's reputation as a global leader in quality dairy production is built.

Looking ahead to 2023, we continue to face market challenges with rising input costs, inflationary pressures, and supply chain issues. By leveraging the experience, agility, and resilience we have exhibited throughout the challenges of recent years, Ornua will continue to meet the needs of our customers, colleagues, and communities worldwide.



Aidan O'Driscoll
Chair

> **Commitment to our strategic plan has enabled Ornua to withstand shocks and maintain long-term growth, while delivering for our customers, the consumers who choose the products we market, and the suppliers who produce them.**
>
> - John Jordan, Chief Executive

SUSTAINABLE GROWTH IN A CHANGING WORLD

On behalf of the entire team at Ornua, I am pleased to report a positive trading performance for 2022, in what was a uniquely challenging year. As a co-operative, our commitment to creating shared value is integral to who we are as a business, and our success journey.

Business Performance

Turnover reached a record €3.4 billion in 2022, up 36.7% on 2021. This significant growth follows the successful integration of the Whitehall Specialties Inc business which has been part of Ornua for the full financial period, following the late 2021 acquisition. Significant inflation experienced in 2022 heavily impacted the cost of goods sold, however, Ornua successfully balanced this market pressure to maintain high product price returns to our Member Co-operatives, delivering on our purpose of returning value to our members and the Irish farming families who supply them. This resulted in declines in Group EBITDA and Operating Profit, pre *Ornua Value Payment*, though both remain consistently strong. The Group declared an *Ornua Value Payment* to Member Co-operatives of €72.5 million in 2022, maintaining consistently strong returns across over 387,000MT in Irish dairy product purchases. Ornua also supported the working capital requirements of Member Co-operatives by supplying €555 million in working capital facilities in 2022.

Global Trading Environment

Markets showed some signs of stabilising in 2022, as remaining Covid-19 restrictions were gradually lifted, however, emerging challenges around growing inflation and persistent supply chain issues were exacerbated by Russia's invasion of Ukraine. The resulting impact on energy access and input costs, in particular, has been felt throughout the supply chain, as producers and consumers have grappled with increasing costs. We have responded to these shifting market dynamics by remaining steadfastly focused on our strategy and committed in our efforts to deliver for customers, consumers, and partners. This is reflected in the strong sales performance, underpinned by the resolve and creativity of our 3,000-strong global team.

Ornua Foods

The Kerrygold brand reached a significant milestone in 2022, celebrating 60 years since the brand's inception and launch in 1962. The brand's success is testament to the generations of Irish dairy farming families who produce the best quality milk, our Member Co-operatives, and the teams, spanning 60 years, who proudly bring the taste of Kerrygold to the world. In its 60th year, Kerrygold achieved continued volume growth globally, with over 11 million packets of butter and cheese sold each week, and 16 new products and product extensions brought to market. Last year also saw works commence on the expansion of Kerrygold Park at Mitchelstown, Cork.

The expansion project, which will be completed this year, will see production volume double, responding to growing global demand, and ultimately delivering additional value for our Member Co-operatives and in turn, 14,000 Irish dairy farming families.

Ornua Ingredients

The global retail landscape and foodservice sectors returned to smoother trading patterns in 2022, though pricing volatility remained a major challenge. Ornua, through its scale and long-standing partner relationships in multiple major markets, was well-positioned to innovate and create leading-edge dairy ingredients solutions for our customers. I am very pleased with the successful integration of the Whitehall Specialties Inc business into Ornua, following the acquisition in 2021. We have since increased our production capabilities for Ornua Ingredients North America, giving customers increased service across our now six-site network. Elsewhere, we continued to grow our footprint as a leading supplier to the global quick-service restaurant sector, broadening our portfolio of products and deepening connections with industry-leading clients.

Sustainability

The Climate agenda continues to redefine and reshape all aspects of industry. The regulatory picture in Ireland has become clearer for the agriculture sector in particular following the legally-binding agreement on a 25% reduction in emissions by the end of the decade. This represents a significant challenge for the sector and will require enormous collective effort from all parties to achieve. Co-operation is a deep-rooted value within our industry and only through continued collaboration, vision, and investment, can we build on the positive progress made to-date and be successful in delivering on our long-term ambitions as a sector.

Ornua is focused on ensuring our sustainability goals and climate actions are not solely aligned to regulatory requirements but are reflective of the highest industry standards. We have now made a commitment to the adoption of science-based targets through the SBTi (Science Based Targets initiative), an important step for our business in our continued sustainability journey. Although ongoing, we remain on-track with the business achieving a 4% reduction in Scope 1 & 2 emissions in 2022. The implementation of renewable energy across new sites in 2022 will continue to support our efforts to further reduce emissions in the year ahead.

People

Our business thrives through collaboration and connection, so it has been satisfying to see our colleagues seize the opportunity to interface in-person once more, across all levels of the business. Last year, we introduced and embedded new corporate values across the business. The new values were shaped following extensive employee input and thus, reflect the diverse and modern make-up of our global business.

Through Ornua's global Diversity & Belonging strategy, we are working towards strengthening a culture of diversity across our entire business and creating an environment where every individual feels empowered to bring their true selves to work every day. Throughout the year, we continued to work on initiatives that celebrate the range of voices from across our business.

Last year saw the introduction of new Gender Pay Gap Reporting legislation in Ireland and the publication of the first Gender Pay Gap Report for Ornua Co-operative Ltd. The results are largely reflective of a more heavily weighted male representation on the business's Ireland-based Executive and senior leadership teams, as well as traditional employment patterns in the Irish dairy sector. We have significant progress to make in addressing this challenge, but we are confident in the direction our business is moving. Over the past five years, we have introduced a series of measures and targets, including reaching 45% Female: 55% Male at our Executive and senior team level by 2027 and increasing the number of females in our senior talent succession pool.

The Ornua Board of Directors elected a new Chair in 2022, following the retirement of Denis Cregan after his three years in the role. On behalf of the business, I would like to sincerely thank Denis for his successful leadership of the Board during that time. I would also like to acknowledge the new Chair of the Ornua Board of Directors, Aidan O'Driscoll who took up his role in July. Aidan brings an unparalleled knowledge of the agri-food sector and of national, EU and international affairs, economics, and policy. I also want to thank Jim Russell, who stepped down after 12 years on the Board, for his commitment and support, and warmly welcome Dominic Cronin who joined the Board as the new ICOS nominee.

Looking Ahead

This year marks the 50th anniversary of Ornua's transition to a co-operative structure in 1973. Since then, the business has successfully navigated the forces of change by balancing consistency and doing what we do best, with innovation and moving with the times.

I would like to thank our Chair, Board of Directors, and Executive Team for their ongoing support and wish to sincerely thank our 3,000 employees for their dedication to Ornua. I would also like to thank our Member Co-operatives and the Irish farming families we represent for your continued support. We remain steadfast in our commitment to creating value for you.

John Jordan
Chief Executive

HIGH INFLATION IN TURBULENT TIMES

Grounds for optimism as prices remain historically strong.

Supply

Global milk supply fell by -0.4% in 2022 with growth weaker in most major regions. There were concerns supply could fall by more. Milk supply dropped by -1.2% in the first half of the year and there were fears drought in Europe, environmental constraints, and rising farm input costs could push production even lower. Instead, milk collections stabilised in the second half of the year supported by strong milk prices and yield improvements. With port congestion easing, the supply of dairy products was better than expected, particularly in the final quarter, with producers and end-users keen to lower stocks. However, global cheese production was flat in 2022, and butter and SMP output was back to 2019 levels with WMP output the lowest in a decade.

Demand

Global dairy demand was resilient but fell by about -1.0% compared to a strong 2021. Demand was strongest at the start of the year, with the invasion of Ukraine encouraging buyers to secure additional stock, but eased as the year progressed.

The retail sector was the star performer in 2020 and 2021, with Covid-19 lockdowns encouraging consumers to eat more at home. After a strong first quarter, sales converged towards pre-pandemic levels, with high inflation a factor. Foodservice demand recovered but struggled to exceed pre-pandemic levels.

Exports fell year-on-year driven by a sharp decline in Chinese demand. Chinese imports were still on par with 2020 levels, with Southeast Asia, the Middle East, and South and Central America demonstrating growth; however, high pricing and access to finance impacted export demand, particularly from African markets.

Pricing

While European milk prices were strong at the end of 2021, muted global milk supply and robust demand pushed prices higher through the first half of 2022. European SMP and butter markets jumped by 20% between January and June with milk prices rising by similar levels. While New Zealand product pricing peaked in quarter two, European prices stabilised and held a premium over New Zealand origin through quarter three. European prices eventually corrected in quarter four with SMP and butter markets dropping by 20% between October and December.

Future

Looking to 2023, dairy futures currently suggest the market will stabilise around current levels in the first half of the year before firming in the second half. Global milk supply is likely to be strongest in the first half of the year before weakening as the year progresses with modest growth of about +0.6% to +0.9% forecast. The dairy demand situation is not as clear with concerns regarding recession, inflation, and weaker Chinese demand. From an Irish perspective, UK import volumes continue to fall post-Brexit.

However, there are grounds for optimism. Unemployment rates are currently low, retails sales volumes and Chinese imports are solid while lower commodity pricing should simulate export demand. Moreover, commodity pricing typically firms in quarter two. Indeed, with the scope for supply growth limited, commodity pricing, while lower than 2022, should remain above historic averages.

Ornua purchased €2.3 billion in premium Irish dairy products in 2022.

BRINGING GREAT TASTE TO THE TABLE

Market-leading innovation, growth, and leadership in the face of disruption.

Maintaining Momentum

Despite a year of significant disruption to global supply chains, Ornua Foods maintained its momentum and continued to deliver strong results across a range of markets. 60 years on from the inception of the brand, Kerrygold's market leading position was maintained in many international markets, while the brand's impact was strengthened by the launch of a range of new products and product extensions in key markets such as Germany, the US, and the Middle East.

In the US, Kerrygold butter experienced strong volume sales growth by focusing on being responsive to changing consumer needs, while further developing customer relationships via consumer-driven multipacks and exclusive items. Although consumer spending was impacted by high market inflation, Kerrygold butter saw incremental share growth in the branded butter category where it holds the number two position overall. The Magical Pantry launched in the US – an interactive digital platform designed to inspire millennial parents with delicious recipes that they can create together with their families. The one-of-a-kind experience integrates recipes seamlessly into children's fables stories, so they can learn and practice cooking skills every time they read. The platform has supported the brand in growing household penetration in the market to 12.8%, representing approximately 17 million US households.

Despite the impact of high inflation on branded categories, Kerrygold continues to be Germany's most popular dairy brand with almost two-thirds of German households purchasing Kerrygold products in 2022. Kerrygold entered the second largest category in the cheese segment in Germany, with the launch of Kerrygold cream cheese reaching a penetration level of almost one in ten households in Germany, establishing a strong platform for future growth. Last year also saw the launch of a range of flavoured butter SKUs, expanding the range to offer increased variety for more usage occasions.

Kerrygold butter sticks launched in Saudi Arabia, UAE, Bahrain, Kuwait, and Jordan in 2022. Kerrygold butter sticks come in a 100-gram format, which is the fastest selling format in the butter category across the Middle East, representing half of the overall category, in Saudi Arabia. In Nigeria, the team delivered over 200,000 Kerrygood Advantage consumer tastings, which in turn, supported by other marketing activities, has resulted in over 10 million packets of Kerrygold Avantage being sold every month.

In the UK, Pilgrims Choice – the number two branded cheddar - relaunched in July with new packaging and brand architecture to maintain and increase share in an increasingly competitive category. The brand focused on owning the key purchase driver of superior taste through an insights-based campaign titled 'Taste Matters'. The campaign supported Pilgrims Choice in achieving its highest share in the past two years, against a backdrop of high inflation and evolving consumer buying behaviour.

From Green to Gold

October 2022 represented a historic milestone for Ornua, marking 60 years since the inception of the Kerrygold brand in 1962. The last six decades have been underpinned by continued investment in the brand and cutting-edge product innovation, placing Kerrygold along its trajectory as Ireland's most successful food brand. Key to the brand's future growth and success is the expansion of the global home of Kerrygold – Kerrygold Park – which will be completed later this year and see the Mitchelstown facility double its production capacity to match growing global demand.

Kerrygold marked 60 years since the inception of the brand in 1962 with over 11 million packets of butter and cheese sold globally each week.

Kerrygold continues to be the most popular dairy brand in Germany where Kerrygold cream cheese successfully launched in 2022.

Kerrygold butter experienced continued volume sales growth in the US, supported by the launch of an innovative new digital platform called the Magical Pantry.

In the UK, Pilgrims Choice strengthened its position as the number two branded cheddar with the introduction of a new look, supported by its insights-led 'Taste Matters' campaign.

In Nigeria, over 10 million packets of Kerrygold Avantage were sold every month.

CO-OPERATIVE BY NATURE

Leveraging scale, innovation, and collaborative partnerships.

Nurturing Sustainable Growth

Ornua Ingredients delivered a strong performance in 2022, despite the widespread global challenges of increasing input costs, energy shortages, and supply chain changes. This successful performance was driven through close collaboration with a diverse customer base, enabling the business to position itself at the forefront of customers' ever-changing needs and continually capitalise on sustainable growth opportunities for the Group.

In 2022, Whitehall Specialties Inc rebranded as Ornua Ingredients North America (OINA) and welcomed a new phase of growth and collaboration for the OINA business. Since the acquisition, there has been substantial investment in the facilities, significantly increasing OINA's cheese production capabilities, offering customers increased service throughout the six-site network, and providing unparalleled business continuity assurance to customers.

Ornua Ingredients continues to specialise in the delivery of innovative cheese solutions for the quick-service restaurant (QSR) sector. The business successfully launched a new pizza cheese range targeting the €5.4 billion Middle East and North African pizza market in 2022. Produced in Ávila, Spain, the new range reflects an increasingly popular offering among leading global and regional quick-service restaurants, particularly in the Middle East where demand for on-the-go food solutions is experiencing rapid growth.

Collaboration with customers is central to Ornua Ingredients' value proposition. Cutting-edge partnerships have continued to deliver mutual success for the business and its core customers throughout 2022, while also delivering a platform for future growth in key markets. The business received approval from one of the top three global pizza brands across the Asia, the Middle East, and North Africa markets for its mozzarella string cheese product, while significant business was also secured for grated cheese products with a leading foodservice customer in Europe.

Ornua Ingredients Europe continues to lead on innovation globally, and in collaboration with its customers facilitated the creation and launch of two new and bespoke breaded cheese appetiser products for one of the biggest global QSR brands across the UK and Europe – which saw over 13 million individual breaded cheese appetisers being sold across the market.

Navigating Challenges

Last year was dominated by record high commodity pricing coupled with rapidly rising costs throughout the supply chain. The division had to navigate through the ongoing global supply chain crisis with increased difficulty accessing containers, and significantly reduced reliability with shipping lines in many key markets. Despite this challenging environment, a total of 16,500 containers of premium Irish dairy ingredients were exported by the business in 2022.

In fast-growing African markets, Ornua Ingredients International worked in collaboration with customers and Member Co-operatives to focus on delivering FFMP in West Africa and cheddar in North Africa to help deliver strong returns to Member Co-operatives across a portfolio of products.

16,500 containers of Irish dairy ingredients sold and shipped globally.

Ornua Ingredients continued to drive growth in 2022 through close collaboration with a globally diverse customer base, responding to customer needs with agility, and capitalising on market opportunities.

Ornua Ingredients received approval from a top three global pizza brand across the Asia, Middle East, and North Africa markets for its mozzarella string cheese.

Whitehall Specialties Inc rebranded as Ornua Ingredients North America (OINA) and welcomed a new phase of growth and collaboration for the Ingredients business.

Environmental, Social & Governance Report

Collins Farm,
Co. Cork, Drinagh (Carbery Group)

In 2023, Ornua marks 50 years of operating as a co-operative. Since the transformation of An Bord Bainne from a semi-state company to a co-operative in 1973, Ornua has grown to become Ireland's largest exporter of Irish dairy products, all the while supporting the livelihoods of over 14,000 Irish farming families.

As a co-operative, we are an enterprise founded on the principles of sustainable growth and shared equity for our members. Our governance structure places member shareholders at the forefront of the business and is built on values that encourage co-operation, solidarity, transparency, and openness. The fundamentals of responsibility, sustainability, and equality define Ornua's co-operative structure and identity.

GROWING FOR GOOD, SUSTAINABLY

At Ornua, we truly believe growth can be a force for good in the world. Good growth is sustainable and responsible growth, nourishing a growing global population, protecting our animals, building prosperous communities, and supporting our people. Our sustainability journey is guided by our strategy *Growing for Good, Sustainably* which focuses on three core areas - caring for our environment, our animals, and our community.

Emissions

The environmental dimension of sustainability, and specifically the challenge of reducing emissions, is key in securing the long-term sustainability of the food production system.

Ornua has made important progress in recent years in driving down emissions and setting ambitious targets for its sustainability achievements. In 2022, the business achieved a 4% reduction in Scope 1 and 2 emissions, and anticipates a further 6% reduction this year, following the implementation of renewable energy in sites across the Group network. In 2022, Ornua Foods UK, Leek moved to fully renewable electricity, with Ornua Ingredients Europe's facilities at both Leek (UK) and Ávila (Spain) also transitioning to renewable electricity sources, bringing the total number of Group sites operating with renewable electricity to five.

Since 2018, Ornua has disclosed emissions via the Carbon Disclosure Project (CDP) - the leading industry standard for corporate environmental reporting, which is fully aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Ornua's 2022 submission moved to a category 'B' rating, up from 'C' in 2021, indicating the business continues to make meaningful steps in the right direction.

Ornua's commitment to positively address its environmental impact will be further supported by the introduction of science-based targets in conjunction with the SBTi, with third-party validated targets anticipated for the second half of this year.

2022 Highlights

- Carbon Disclosure Project - category 'B' rating in 2022
- Ornua Foods UK moved to 100% renewable electricity, reducing emissions by 77%
- Ornua Deutschland replaced half of its gas consumption with renewable sources
- Renewable electricity is now fully implemented at five sites across the Group

Heery Farm,
Co. Westmeath, Tirlán

The role of science and research will undoubtedly prove a highly influential force in the transition to greater carbon efficiency across the entire sector. Ornua has continued its investment in cutting-edge industry and academic collaboration projects designed to positively impact the upstream supply chain, contributing to the sustainable future of the dairy sector.

2022 Highlights

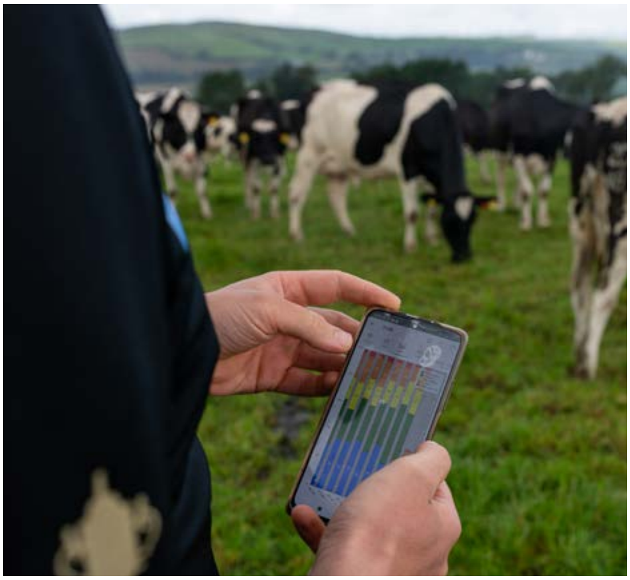
> Investment support of VistaMilk, a research solutions programme operated by Teagasc, which examines innovative practices and new technologies designed to reduce on-farm emissions

> Partnership with the AgTech UCD Agcellerator Programme to support the mentorship and scale-up of AgTech innovations that address climate and sustainability challenges across the sector

> Ornua Sustainability Scholarship offered in partnership with UCC for a second year, supporting the MSc in Sustainable Development, Agri-Food and Co-operatives – a first-of-its-kind programme integrating co-operative approaches into the study of sustainable development and agri-food

Packaging

Following the successful integration of Whitehall Specialties Inc into the Ornua Ingredients North America business last year, a full and comprehensive analysis of packaging across the Group has been progressed with an expected completion in the coming months. This data will inform the roadmap that drives Ornua's commitment to achieve fully circular packaging by the end of the decade in line with the *Growing for Good, Sustainably* strategy.



GROWING FOR GOOD, SUSTAINABLY

Connelly Farm,
Co. Galway, Aurivo

Responsible Sourcing

Ireland's grass-fed family farming system is one of the most carbon efficient in the world, which has earned Ireland its global reputation for sustainably produced dairy. Ornua is committed to promoting that reputation globally and ensuring its protection by supporting the further development and deployment of sustainable practices across the domestic dairy sector.

Each year, Ornua funds Bord Bia programmes including the Sustainable Dairy Assurance Scheme (SDAS), the Bord Bia Grassfed Standard, and Origin Green – Ireland's national food and drink sustainability programme. All farmer suppliers to the Kerrygold brand are Bord Bia SDAS verified, ensuring milk production processes are assessed to ensure that they meet the highest Bord Bia standards, including those for animal welfare, traceability, environmental protection, and food safety. All suppliers to the Kerrygold brand are also Bord Bia Grassfed standard verified, ensuring greater transparency throughout the supply chain, maintaining consumer trust and confidence in Kerrygold products. These commitments are outlined in the Kerrygold Standard, which was updated in 2022 for the coming year, and ensures exemplary responsible sourcing standards are a contractual obligation between Ornua and its Member Co-operative suppliers.

2022 Highlights

- Funding of Bord Bia's SDAS Farmer Engagement programme to further promote awareness and understanding of the SDAS scheme
- Ornua, in partnership with the National Dairy Council, facilitated the Quality Milk Awards for an eleventh year in 2022, championing and rewarding excellence in milk quality, animal welfare, and sustainable farming practices
- Support of the Origin Green Ambassador Programme, developing talent in the areas of social responsibility and sustainability in the agri-food sector
- Funding of the Bord Bia Ornua Dairy Fund to promote and support Irish dairy's sustainability standards globally
- Funding of the Animal Health Ireland Cell Check Awards to support and promote excellence in animal health

Recognising the impact of its supply chain on environmental and social sustainability, Ornua has also commenced development of a new responsible sourcing framework which will extend to cover all facets of the Group supply chain, including indirect suppliers. This framework will ensure Ornua leverages its position to further enhance transparency and promote best practices in line with market expectations.

Ethical Supply Chain

Ornua is committed to ensuring that modern slavery, human trafficking, and any abuse of human rights has no place in the business or its supply chain, and recognises the necessity to remain vigilant to mitigate against modern slavery risks. Ornua recently formed a cross-functional team to evaluate and strengthen the measures in place to prevent modern slavery from occurring within the business and its supply chain, and to raise awareness of the risks of modern slavery both among its employees and business partners.

Caring for Animals

Ireland's grass-fed family farming system sets Irish dairy apart on the world stage and must be protected to ensure continued growth.

Led by the *Growing for Good, Sustainably* strategy, Ornua is focused on embedding the highest animal and calf welfare standards as part of its supplier agreements. In 2022, Ornua, in close collaboration with industry stakeholders, including its Member Co-operatives and the Irish Co-operative Organisation Society (ICOS), reviewed and updated the terms of the ICOS Calf Welfare Charter.

The charter sets out key principles which the entire industry abides by to ensure that the highest possible welfare standards around animal care and the protection and integration of calves apply to all calves produced on Irish dairy farms. The updated charter has been incorporated into Ornua's Kerrygold Standard and the Terms and Conditions of milk supply which apply to the various Milk Supply Agreements in place between farmers and their milk purchasers.

CARING FOR OUR COMMUNITY

As a co-operative, our partnerships, and our people are key to us delivering our business strategy and creating value for our Member Co-operatives. Our business is powered by our team of 3,000 people, representing 65 nationalities worldwide. Guided by our strategy *Growing for Good, Sustainably*, we work as one team to ensure the principles of our co-operative ethos – inclusivity, togetherness, and empowerment – are to the fore in all that we do.

Creating Value for Farming Families

Ornua's purpose is to create value for its Member Co-operatives and in turn, the 14,000 Irish dairy farming families they represent. In 2022, Ornua purchased over 387,000MT of Irish dairy products, paying strong prices, as per the Ornua Purchase Price Index. The *Ornua Value Payment*, which is made up of monthly and year-end cash bonuses and the premium paid on member purchases, amounted to €72.5 million for the year, adding value to products purchased.

Guided by Values

Ornua's ambition is to be a truly diverse organisation where every individual feels empowered to bring their true selves to work every day; to be a leading, accredited employer of choice which retains and attracts top talent, allowing the organisation to maximise its impact in the communities in which it operates. In 2022, Ornua designed and introduced a new set of company values to help guide this ambition, following detailed employee input and close collaboration across the global business.

Ornua's new values have been embedded in all people practices and enthusiastically adopted by employees in all locations around the world.


Members of Ornua's global team who participated in our Diversity & Belonging initiative 'The A to Z of Being Me'.

Maher Farm,
Co. Limerick, Dairygold

Growing Together

Throughout 2022, sourcing and fostering talent has continued to be a major priority for the business. Ornua designed a new approach to Performance Management - Thrive - which has formally launched for 2023 and beyond, strongly focusing on maintaining the organisation's high-performance culture and recognising and rewarding above and beyond performance.

In challenging global employment market conditions, the business continued to introduce supporting initiatives on reward, benefits, ways of working, and wellbeing to enhance the employee experience. This is in addition to maintaining a continued focus on hiring and developing early career talent - 18 interns joined the Grassroots Internship programme; 12 new Graduates joined Ornua in September; and 35 Apprentices commenced across businesses in Ireland, the UK, Germany, and the US.

Ornua has continued to develop leaders and future leaders within the business through a range of targeted and bespoke training programmes and talent initiatives including Women in Leadership - a programme for high-potential female leaders at Ornua, which runs twice yearly.

Since its launch in 2019, 165 female leaders have attended the programme, with 29 employees attending programmes in the US and Europe during 2022.

Other programme focus areas in the year included: Inclusive Leadership, Engagement Coaching for Leaders, and Leading Teams Working Dynamically which has supported the transition to a hybrid working model for office-based employees.

2022 Highlights

> Embedded a new suite of company values across the Group

> 50 People Leaders attended the 'Belonging @ Ornua – Inclusive Leadership' programme this year, bringing the total number of participants to 150

> Since 2019, 165 female leaders have attended the bespoke Women in Leadership at Ornua programme

> BRC training modules completed by 1,700 employees across Finance, Supply Chain, Regulatory, Procurement, Customer Service, Innovation, and Technical teams

CARING FOR OUR COMMUNITY

Connelly Farm,
Co. Galway, Aurivo

Health & Safety

Ornua is committed to creating a culture with a heightened focus on health and safety by continually improving its Health and Safety Management System. Last year, the business continued the roll-out of a range of programmes to enhance the safety of the working environment. In 2022, Ornua experienced a 10% reduction in total accidents across the Group compared to the previous year. The total accident rate across the Group has been almost halved in the past five years.

Diversity & Belonging

Ornua's global Diversity and Belonging strategy is a key part of the business's identity. In 2022, Ornua continued to prioritise the need for strong work-life balance for employees, along with a supportive work environment, through Miscarriage and Fertility Treatment leave policies. Ornua's partnership with Platform 55 has also provided interactive support for both parents and line managers of parents throughout the year. In 2022, The A to Z of Me programme was launched, an open and honest forum designed to help deepen connections within the Ornua community.

Ornua's first Gender Pay Gap Report for Ireland was published last year and reported an average pay gap of 34% and a median pay gap of 29%. Including Kerrygold Park, the average pay gap for all employees was 23% (median 18%). Gender Pay Gap is the difference in the total hourly remuneration between male and female employees. It does not show that men and women are paid different rates for the same work, but rather reports a gender representation gap across a business. The data presented in the report covers 10% of the total employee population, and the results are largely reflective of a more heavily weighted male representation on Ornua's Executive and its senior leadership teams, as well as traditional employment patterns in the Irish dairy sector.

Ornua has been aware of the need to have greater gender balance at these levels within the organisation for a number of years and is committed to addressing this challenge. The last five years have seen a series of measures and focused actions introduced to improve gender diversity within the business, with further targets in place to achieve this goal. Ornua has focused on strengthening gender diversity at both a senior leadership and industry level and has increased its female talent pool from graduate level and upwards.

The Ornua Foods NPD & Innovation team volunteering at FoodCloud's Dublin Hub

Eva Griffin, Ornua Sustainability & CSR Specialist (centre) accepts Ornua's Origin Green Gold Membership for 2022 from Minister of State at the Department of Agriculture, Food & the Marine, Martin Heydon TD, and Deirdre Ryan, Director of Sustainability & Quality Assurance Origin Green Programme, Bord Bia.

Corporate Social Responsibility

Across the Group, Ornua's business units and market teams prioritised social and environmental sustainability in their growth plans and local community engagement in 2022.

2022 Highlights

> Ornua's Glas Communities Fund, in partnership with Rethink Ireland, enabled five businesses to scale up their work in tackling a range of social and environmental issues relating to biodiversity, water quality, and plastic waste

> Ornua's Global Volunteer Programme enabled employees to give back to their local communities

> FoodCloud became a designated local partner for Ornua's Global Volunteer Programme, providing opportunities for Ornua employees in Ireland to tackle food waste

> Ornua maintained its Business Working Responsibly Mark from Business in the Community Ireland

> Retention of Origin Green Gold Membership by surpassing targets and scoring exemplary for initiatives related to diversity and inclusion, and community engagement, as well as raw material sourcing, emissions, and waste

> Group and local in market teams continued support of a wide range of food security, further education, sports in the community, and disaster relief initiatives

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

Ornua's 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 nominated by members of Ornua, IFA, ICMSA, and ICOS (one appointee each) 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. To this end, it holds four meetings annually with the Executive of Ornua to discuss Ornua's performance and high-level strategic direction.

The Board

The Board of Directors is made up of non-conflicted Directors nominated by Ornua's Member Co-operatives, non-conflicted Directors appointed by farmer or industry organisations, Executive Directors, and independent Non-Executive Directors. The Board's primary role is to provide leadership of the Society within a framework of prudent and effective controls and to provide effective, prudent, and ethical over-sight. Its principal responsibilities are to establish the Society's vision, mission, and values, agree overall strategy and investment policy, approve major capital expenditure, scrutinise financial and business performance, provide an essential challenge function to the Chief Executive Officer and other Executives, and monitor Executive performance.

The Board also ensures that good governance is observed at all times, including the presence of proper internal controls and risk management policies, that the Society's obligations to its members and other stakeholders are understood and met, and that the Society conforms to its statutory duties and requirements.

The Board ensures compliance with its principal legislative duties as set out under the Companies Act 2014 and the Industrial and Provident Societies Acts, 1893 to 2021. In addition, the Board has a number of matters reserved for its consideration, which were reviewed and updated by the Rules Committee and Board during 2022. The Board also operates in accordance with the terms of its own Governance Manual and Terms of Reference, which was comprehensively reviewed and updated by the Rules Committee in 2022, and approved by the Board in September.

The Group's planning and financial reporting procedures include detailed operational budgets for the year ahead, the delivery of KPIs, and a regularly updated five-year strategic and financial plan, all of which require Board review and approval. In 2022, the Board updated Ornua's five-year strategic plan, participating in two externally facilitated off-sites with the Executive Team and senior management from key Ornua markets.

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 and training during the year to assist individual Directors in remaining fully informed and responsive to relevant developments. Board training during 2022 included sessions on competition law compliance, sustainability, and finance for non-finance Directors.

In addition to the strategy and training sessions referred to above, the Board held seven ordinary meetings in 2022 which covered routine Board business.

Rules Change

At a Special General Meeting held on 8 June 2022, the members approved a proposed change to the Rules of Ornua whereby a limit on the length of time that an independent Non-Executive Director can serve on the Board was introduced. The limit is now the same as that is applicable to the member-appointed Directors; that is eight years.

Conflicts of Interest and Business Conduct and Ethics

In accordance with Ornua's Conflict of Interest Policy, a register of Directors' interests is maintained. Directors make declarations of interests upon appointment, then again periodically during their term of office and also where a particular issue or event prompts a declaration of interest. A Board Code of Conduct addresses the standards required of each member in the performance of their functions as a member of the Board. Both the Conflict of Interest Policy and the Directors' Code of Conduct were extensively reviewed and updated by the Rules Committee in 2022 and approved by the Board in September. 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 lead the Board and be responsible for its overall effectiveness and its obligations to the Society's members. The Chair is required to demonstrate independent and objective judgement throughout his/her term of office and promote a culture of openness, challenge, debate, and effective decision making.

The Directors

The Board's primary role is to provide entrepreneurial leadership to the Society within a framework of prudent and effective controls which enables risk to be assessed and managed, and to provide effective, prudent, and ethical oversight. All Directors are entrusted to bring independent judgement to bear on the issues the Board considers, to engage in constructive debate and to 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. As part of their role, Directors are charged with making prudent decisions that deliver benefits to members, whilst at the same time, protecting and strengthening the assets of Ornua.

The CEO and Executive Team

The CEO is responsible for managing all day-to-day operations and formulating strategic and business planning options for consideration and approval by the Board. The CEO is answerable to the Board for the way the Society is run and its business performance. 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 key responsibilities of the CEO are as follows:

1. Manage the business day-to-day under authority which has been delegated to him from the Board;
2. Manage the business portfolio in line with the direction of the Board;
3. Formulate the strategic and business planning options for consideration and approval by the Board;
4. Develop operating plans that reflect the strategy set by the Board;
5. Maintain an ongoing dialogue with the Chair, and with stakeholders;
6. Monitor and report, clearly and timely, to the Board on the operating and financial performance of the Society and key strategic matters;
7. Deliver the operational performance of the Society;
8. Ensure that adequate planning, risk, and financial control systems are in place;
9. Ensure objectives and standards of performance are not only understood but owned by all staff;
10. Closely monitor the operating and financial results against plans and budgets;
11. Take remedial action where necessary and inform the Board of material issues;
12. Provide leadership to the management and employees.

The CEO is supported in the performance of his key responsibilities by a team of Executive-Level employees.

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 works closely with the Rules Committee which is tasked with advising the Board on good corporate governance. The Secretary also 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, where appropriate, 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.

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 to the Audit Committee and shared with the Executive team by the Head of Internal Audit. 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

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 which identifies, assesses, mitigates, and tracks risks to ensure the success of the business in achieving its strategic objectives while maintaining an appropriate internal control environment. The Board has delegated to the Audit Committee, the task of 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. The Audit Committee updated its Terms of Reference in 2022 with particular focus on its powers and responsibilities in relation to risk identification, risk mitigation, and risk reporting.

Risk Management Framework

The Ornua Risk Management Policy sets out how risk is to be managed, including details on the process and responsibilities. As required by the Policy, the Group has a framework for identifying, assessing and managing risk, at all levels of the business, to ensure it remains alert to the ever-changing environment in which it operates. 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 Ornua to consider the appropriate mitigation steps or management actions required to eliminate the risk or to reduce the risk to an acceptable level.

At the highest level, risks are categorised as either (1) Imminent or Highly Dynamic or (2) Ongoing or Continuing Risk, and then further sub-categorised as Strategic, Operation, Financial, or Compliance Risks.

The Group business risk assessment process is carried out quarterly and involves the Executive team, the Risk Management function, senior business and other function managers. Under this process, all business units and Group functions are required 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 the use of a common language and approach to the risk management process. The process requires the units and functions to rank their top risks by impact and likelihood of occurrence, and to continually assess the appropriateness and impact 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.

These risks are presented to and discussed at each meeting of 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 by those within the organisation with responsibility for particular risk areas, for example, operational risk.

The process is sponsored by the Chief Risk and Compliance Officer, overseen by the Audit Committee, and presented to the Board annually for review.

The Audit Committee approved in 2022 the commissioning of a third-party expert to report into the management of risk at Ornua and to provide recommendations as to how risk management might be optimised in line with the most up-to-date best practice. The Audit Committee reviewed and approved the report's recommendations in July and a workplan is in place whereby substantially all of the recommendations will be delivered by the end of 2023. Once implemented, the recommendations will materially strengthen the Group's management of risk.

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.

Among the principal risks currently faced by Ornua, together with an example of a key mitigating activity in respect of each, are:

Risk	**Examples of Key Mitigating Activities**
Recessionary Pressures	Divisional spread (Foods and Ingredients divisions) and geographic spread provide natural hedge that reduces exposure to recessionary impacts in individual markets or geographies.
Inflationary Pressures	Increased focus on tenders and fixed rate contracts for the supply of goods and services. Regular market and benchmarking reviews to understand competitive labour market rates.
Volatility In Markets	Board approved Commodity Risk Management and Trading Policy in place. An internal Committee is in place to continually consider Trading and Commodity risk.
Cybercrime	Managed and led by Chief Information Security Officer and ICT Security Manager, policies, procedures, annual ICT awareness training, phishing simulations, and cyber security webinars are in place to educate and protect against cybercrime.
Global Labour Shortages	An Operations Academy has been developed to attract and retain labour in operational facilities, focusing on enhanced training, career development, and external accreditation for operational employees. Monthly HR Dashboard by business and location with mitigating actions. New Talent Acquisition organisation design and team structure introduced.
Health & Safety	Health & Safety (H&S) policy and procedures are in place and H&S officers are employed throughout the Group subsidiaries, with monthly reporting to the Executive team on H&S KPIs. Targets for the reduction of accident rates contained in both the 2023 budget and the new five-year plan, *Path to Prosper*.
Supply Chain Capacity	Group planning, forecasting, and procurement teams are in place and collaborate to manage stock demand and ensure supply chain capacity. Inventory reserve being held locally to mitigate against delays in supply chain.

Other factors which may impact on the business are:

- 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 customers' brands. 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;
- Geopolitical and policy developments which impact on the global trade environment. The ongoing conflict in Ukraine, the withdrawal of the UK from the EU and continued uncertainty around the Northern Ireland protocol, and international trade disputes generally could have a damaging displacement effect, negatively impacting on logistical arrangements and undermining 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;
- Volatility of commodity markets and industry changes, including the sustainable supply of raw materials to our businesses, which could have a negative impact on the Group's financial results. In order to minimise this risk, the Group employs experienced senior trading and commercial managers in this area to help manage the positioning of the businesses in this regard;
- Current volatility and price inflation 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 provide a certain level of mitigation in this regard;
- Financial market volatility, including currency fluctuation risks which are controlled via our centrally operated Treasury function;
- 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;
- Any potential 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.

Directors' Report

Directors' Report

Financial Statements

Supplementary Information

Directors' Report

For the period ended 31 December 2022

The Directors submit their report together with the audited financial statements for the period ended 31 December 2022.

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 2021. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

For a period of at least 12 months from the date of approval of the financial statements, the Directors have assessed the Group's budget, cash flow forecasts, and the assumptions relating to the profitability and cash generation of the Group.

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, Irish dairy farming families. Ornua is Ireland's largest exporter of Irish dairy products, and has annualised sales of €3.4 billion. Headquartered in Dublin, it and has a strong global team of over 3,000 employees and operates from 10 business units worldwide, including 16 production facilities. Ornua exports globally 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 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 and in-market teams in Saudi Arabia, Spain, the UK, the US, Africa, and the Middle East.

2022 Global Markets

Global milk supply fell by -0.4% in 2022. Supply dropped by -1.2% in the first half of the year before milk collections stabilised in the second half of the year, supported by strong milk prices and yield improvements.

Demand was strongest at the start of the year, with the invasion of Ukraine encouraging buyers to secure additional stock, before easing as the year progressed as retail and export demand slowed. While remaining resilient, global demand fell by about -1.0% compared to a strong 2021.

Muted global milk supply and robust demand pushed prices higher through the first half of 2022. Despite a correction in quarter four, European commodity pricing continued to maintain a premium, with milk prices holding at record levels for the year. The average annualised Irish milk price rose 40% year-on-year.

Directors' Report

Financial Performance

Group turnover reached €3.4 billion, up 36.7% year-on-year. In the context of significantly higher costs being felt across the supply chain throughout 2022, Ornua sought to balance high commodity prices, which were paid to its Member Co-operatives, while also maintaining and growing market share. Group EBITDA* and Operating Profit*, pre *Ornua Value Payment*, were €157.0 million and €127.2 million respectively, and Ornua delivered strong member returns in the year with the *Ornua Value Payment* remaining historically high at €72.5 million. This is in addition to the strong product prices paid across over 387,000MT of premium Irish dairy product.

Balanced Portfolio

Ornua Foods maintained its momentum and continued to deliver strong results globally. 60 years on from the inception of the brand, Kerrygold's market-leading position was maintained in multiple international markets, with over 11 million packets of Kerrygold butter and cheese sold globally each week. Kerrygold continued to experience volume growth globally, while a total of 16 new Kerrygold products were brought to market in 2022. Construction began on the expansion of Kerrygold Park, a project that will see the footprint and volume output double at the Mitchelstown facility, responding to growing international demand.

Ornua Ingredients delivered a strong performance in 2022, as Whitehall Specialties Inc rebranded as part of Ornua Ingredients North America, marking a new phase of growth and collaboration for the business in a key strategic market. Ornua Ingredients continued to grow its footprint as a leading supplier to the global quick-service restaurant sector, broadening its portfolio of products and deepening connections with industry-leading clients.

Operational Highlights

The Group continues to deliver strong results across the business. Key operational highlights for 2022 include:

- Strong trading performance with Group Turnover of €3.4 billion, up 36.7%;
- Strong returns for Irish dairy farmers - Ornua purchased €2.3 billion premium dairy products in 2022 across over 387,000MT;
- *Ornua Value Payment* to Member Co-operatives remained historically high at €72.5 million;
- Ornua also supported the working capital requirements of its Member Co-operatives by supplying €555 million in working capital facilities in 2022;
- Exceptional year for Kerrygold with over 11 million packets of butter and cheese sold globally each week;
- Successful integration of the Whitehall Specialties Inc business to Ornua Ingredients North America, increasing our production capabilities and giving customers increased service across our now six-site network;
- Construction began on the expansion of Kerrygold Park which will see the production volume double at the facility, responding to growing demand in global markets;
- Commitment to apply for Science Based Targets in line with the *Growing for Good, Sustainably* strategy;
- Ornua introduced and embedded new Corporate Values across the global business.

Health & Safety

Ornua is committed to creating a culture with a heightened focus on health and safety by continually improving its Health and Safety Management System. Last year, the business continued the roll-out of a range of programmes to enhance the safety of the working environment. In 2022, Ornua experienced a 10% reduction in total accidents compared to the previous year.

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 & Remuneration Committee report on pages 40 to 41 outlines committee information, remuneration consultants, remuneration policy, and key management personnel disclosure.

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.

Political Donations

The Group did not make any political donations during the year (2021: €nil).

Corporate Governance

The Governance section on pages 28 to 31 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.

* Before exceptional items

Board members as at 31 December 2022

Director	Notes	Appointed by
Aidan O'Driscoll (ii)(iii)(iv)	Appointed 8 June 2022 Chair (elected 13 July 2022)	Independent Non-Executive Director
Stephen Arthur (i)		Irish Farmers Association
Dr Sean Brady (iii)(iv)		Lakeland Dairies Co-operative Limited
Donal Buggy		Executive Director
Jerry Houlihan (ii)(iii)		Arrabawn Co-operative Society Limited
John Hunter (i)		Tipperary Co-operative Creamery Limited
John Jordan		Executive Director
Diarmuid Lally (ii)(iv)		Tirlán Co-operative Society Limited
Edmund Lynch (i)(iv)		Dairygold Co-operative Society Limited
Pat McCormack (iii)(iv)		Irish Creamery Milk Suppliers Association
Anne McFarland (ii)(iii)(iv)		Independent Non-Executive Director
Anne O'Leary (i)(ii)		Independent Non-Executive Director
Michael O'Shea (iii)		North Cork Co-operative Creameries Limited
Joe O'Sullivan (ii)		Carbery Food Ingredients Limited
Dominic Cronin (ii)	Appointed 13 July 2022	Irish Co-operative Organisation Society
Sean Sweeney (i)(iv)		Aurivo Co-operative Society Limited

Note on changes to the Board during 2022: Denis Cregan resigned as Chair of the Board and Independent Non-Executive Director with effect 8 June 2022. Aidan O'Driscoll was appointed Independent Non-Executive Director on 8 June 2022 and elected Chair of the Board with effect from 13 July 2022. Jim Russell resigned with effect from 8 June 2022. Dominic Cronin was appointed with effect 13 July 2022.

Committee members as at 31 December 2022

(i) Member of the Audit Committee

(ii) Member of the Personnel and Remuneration Committee

(iii) Member of the Acquisitions and Investment Committee

(iv) Member of the Rules Committee

Advisory Council

Member	Nominated by
Aidan O'Driscoll	Chair & Independent Non-Executive Director
Stephen Arthur	Irish Farmers Association
Jim Bergin	Tirlán Co-operative Society Limited
John Daly	Tipperary Co-operative Creamery Limited
Michael Hanley	Lakeland Dairies Co-operative Limited
Jason Hawkins	Carbery Food Ingredients Limited
John Murphy	Tirlán Co-operative Society Limited
Pat McCormack	Irish Creamery Milk Suppliers Association
John O'Gorman	Dairygold Co-operative Society Limited
Dominic Cronin	Irish Co-operative Organisation Society
Conor Ryan	Arrabawn Co-operative Society Limited
Pat Sheahan	North Cork Co-operative Creameries Limited
Cormac O'Keeffe	Carbery Food Ingredients Limited
Donal Tierney	Aurivo Co-operative Society Limited
Conor Galvin	Dairygold Co-operative Society Limited

On behalf of the Board of Directors

Aidan O'Driscoll
Chair

John Jordan
Chief Executive

30 March 2023

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee ("the Committee") Report for the period ended 31 December 2022.

- Anne O'Leary

This report contains the following information:

> Committee Information
  - Membership
  - Responsibilities
  - Meetings
  - Activity

Committee Membership

During the year, there was just one change to the membership of the Committee when Denis Cregan stepped down from the Board and the Committee in June.

Currently, the Committee is made up of one Independent Non-Executive Director and four stakeholder-nominated Directors as follows:

> Anne O'Leary (Committee Chair)
> Sean Sweeney
> John Hunter
> Edmund Lynch
> Stephen Arthur

The following was also a member of the Committee during 2022:

> Denis Cregan (resigned 8 June 2022)

The Group's Company Secretary acts as secretary to the Committee.

Committee Responsibilities

The Committee's role, authority, duties, and scope are set out in its terms of reference which were reviewed and updated by the Committee in 2022 and approved by the Board in September. The Board may, on occasion, request assistance from the Audit Committee on specific matters. In accordance with its Terms of Reference, the Audit Committee has oversight of a wide range of matters including:

> Reviewing the Group's Annual Report and financial statements and recommending to the Board whether or not to approve the annual accounts;
> Scrutiny of significant judgements and estimates made in the financial statements and the disclosures in the Annual Report;
> Monitoring and assessing of the Group's risk management systems including ongoing reviews of the Group's risk register and mitigating activities;
> Approval of certain corporate and financial policies designed to improve the system of internal control;
> Reviewing the adequacy and security of Ornua's arrangements for its employees and contractors to raise concerns (whistleblowing);
> Reviewing Group procedures for detecting fraud;
> Assessing the appropriateness of the Group's financial accounting policies;
> Making recommendations to the Board on the appointment of external auditors (including remuneration and other terms of engagement);
> Monitoring the performance and the quality of the work of the Group's external auditors and their independence;
> Monitoring and reviewing the effectiveness of the company's internal audit function including approval of the annual internal audit plan and reviewing significant findings arising from internal audit work;
> Monitoring, through reports to it by both internal and external audit and management, the internal controls which are in force and monitoring any remedial actions;
> Receiving reports from management on the effectiveness of the systems they have established, and the conclusions of any testing carried out by internal and external auditors.

Committee Meetings

During the year, the Committee held six meetings. The Chair of the Committee reported to the Board following Committee meetings.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, and the external audit partner were invited to attend meetings, where attendance was required to discuss specified matters. Members of the Executive were also invited to present to the Audit Committee on specific areas of Risk Management.

At each meeting, the Committee has a separate discussion in the absence of management.

In performance of their duties, the Audit Committee members have unrestricted access to both the internal auditors and the external auditors.

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.

Summary of Committee Activity

In addition to the matters set out in its Terms of Reference, referred to above, the Committee carried out the following key activities in 2022:

- Approval of an external third-party report on the development of a new Risk Management Framework for the Ornua Group;
- Updates on Risk Management in the Group from the Chief Risk and Compliance Officer, the Head of Operational Risk, and the Head of Legal;
- Update on the management of cyber security risk from the Ornua Chief Information Security Officer.

Acquisitions & Investment Committee Report

On behalf of the Board, I am pleased to present the Acquisitions & Investment Committee ("the Committee") Report for the period ended 31 December 2022.

- Jerry Houlihan

This report contains the following information:

> Committee Information
  - Membership
  - Responsibilities
  - Meetings
  - Activity

Committee Membership

There were changes to the membership of the Acquisitions & Investment Committee in 2022. Denis Cregan stepped down from the Board and the Committee in June. Aidan O'Driscoll was appointed to the Committee with effect from 13 July. Currently, the Committee is made up of two Independent Non-Executive Directors and four stakeholder-nominated Directors as follows:

- Jerry Houlihan (Committee Chair)
- Dr Sean Brady
- Pat McCormack
- Aidan O'Driscoll (from 13 July 2022)
- Michael O'Shea
- Anne McFarland

The following was also a member of the Committee during 2022:

- Denis Cregan (resigned 8 June 2022)

The Group's Company Secretary acts as secretary to the Committee.

Committee Responsibilities

The Acquisitions and Investment Committee, in accordance with its Terms of Reference which are approved by the Board, has oversight on a wide range of matters including:

- Reviewing and considering proposals from management in respect of significant acquisitions, investments, disposals, and capital expenditure and, where appropriate, makes recommendations to the Board;
- Oversight of a budgetary process and authorisation levels that regulate capital expenditure;
- Evaluation of all investment projects, as well as material capital expenditure proposals, which are then escalated for Board consideration;
- Periodic review of approved projects, including capital expenditure, to ensure they are being implemented in accordance with the approvals received.

Committee Meetings

During the year, the Committee held three meetings. The Chair of the Committee reported to the Board following Committee meetings.

Summary of Committee Activity

In addition to the matters set out in its Terms of Reference, the Committee carried out the following key activities in 2022:

- A comprehensive review and update of the Committee's Terms of Reference which were approved by the Board in May;
- A review of the 2021 acquisition by Ornua of Whitehall Specialties Inc;
- A review of proposed capital expenditure at Ornua Ingredients North America (Whitehall Specialties Inc sites).

Rules Committee Report

On behalf of the Board, I am pleased to present the Rules Committee ("the Committee") Report for the period ended 31 December 2022.

- Dr Sean Brady

This report contains the following information:

> Committee Information
  - Membership
  - Responsibilities
  - Meetings
  - Activity

Committee Membership

There were changes to the membership of the Rules Committee in 2022. Denis Cregan stepped down from the Board and the Committee in June. Aidan O'Driscoll was appointed to the Committee with effect from 13 July. Currently, the Committee is made up of two Independent Non-Executive Directors and five stakeholder-nominated Directors as follows:

> Dr Sean Brady (Committee Chair)
> Diarmuid Lally
> Edmund Lynch
> Pat McCormack
> Aidan O'Driscoll (from 13 July 2022)
> Sean Sweeney
> Anne McFarland

The following was also a member of the Committee during 2022:

> Denis Cregan (resigned 8 June 2022)

The Group's Company Secretary acts as secretary to the Committee.

Committee Responsibilities

The Rules Committee, in accordance with its Terms of Reference, which were reviewed by the Committee in 2022 and approved by the Board in January 2023, has oversight on a wide range of matters including:

> Overseeing the implementation of the Rules of the Society ("Rules");
> Reviewing the Rules periodically to ensure that they are appropriate in their application and amending where required;
> Advising the Board on matters of corporate governance, including on relevant codes of governance.

Committee Meetings

During the year, the Committee held six meetings. The Chair of the Committee reported to the Board following Committee meetings.

Summary of Committee Activity

In addition to the matters set out in its Terms of Reference, the Committee carried out the following key activities in 2022:

> A review of the Ornua Rules on the appointment of Directors following which the Committee recommended and the Board approved a change to the Rules to introduce a limit on the term that may be served by independent Non-Executive Directors. This change was subsequently approved by Ornua members in Special General Meeting on 8 June 2022;
> A review and update of the Board Governance Manual and Terms of Reference;
> A review and update of the Directors' Codes of Conduct and the Directors' Conflicts of Interest Policy;
> A review and update of the List of Matters Reserved for the Board.

Personnel & Remuneration Committee Report

On behalf of the Board, I am pleased to present the Personnel & Remuneration Committee ("the Committee") Report for the period ended 31 December 2022.

- Anne McFarland

This report contains the following information:

> Committee Information
  - Membership
  - Terms of Reference
  - Responsibilities
  - Meetings
  - Activity

> Remuneration Consultants

> Remuneration Policy

> Key Management Personnel Disclosure

Committee Membership

During the year, there were changes to the membership of the Committee with new members appointed. Currently the Committee is made up of two Independent Non-Executive Directors, the Chair of the Board and four Member Directors, as follows:

> Anne McFarland (Chair)

> Dominic Cronin (from 13 July 2022)

> Diarmuid Lally

> Jerry Houlihan

> Aidan O'Driscoll (from 13 July 2022)

> Anne O'Leary

> Joe O'Sullivan

The following were members of the Committee until 8 June 2022:

> Jim Russell

Committee Terms of Reference

The Committee Terms of Reference were reviewed by the Committee and then approved by the Board in September 2021. These Terms of Reference will be reviewed annually going forward. The Terms of Reference are available at all times to any member of the Board and upon request to members of the Advisory Committee.

Committee Responsibilities

The following sets out the main responsibilities of the Committee:

> To determine the remuneration policy;

> To determine the remuneration (salary, pension, and other benefits) and terms of employment, including termination provisions, for the Chief Executive and Group Executives (the Chief Executive's senior direct reports including any Executive Directors) and to oversee any major changes in the Executive benefit structures throughout the Group;

> To establish and provide ongoing oversight of remuneration policies and procedures across the Group;

> To approve the principles, methodology, and outcomes of senior management incentive arrangements and administer the Short Term Incentive Plan for the Chief Executive;

> To administer and make grants under the Ornua Long Term Incentive Plan in accordance with the rules of the plan;

> To review the fees for the Chair of the Board, Non-Executive Directors, and Advisory Council and present recommendations to the full Board for approval;

> To arrange for external benchmarking of remuneration levels of the Chief Executive, Group Executives, and Non-Executive Directors, at least every three to five years;

> To ensure that the Chair of the Board reviews the performance of, and provides feedback to, the Chief Executive on an annual basis;

> To agree the policy for authorising claims for expenses from the Chief Executive, Chair, and Board Directors;

> Evaluate the effectiveness of the Committee every two years and review its Terms of Reference on an annual basis.

Committee Meetings

During the year, the Committee held six meetings. The Chair of the Committee reported to the Board following Committee meetings.

The Chief Executive, members of the Executive and external advisors were invited to attend Committee meetings for specified agenda items. No Director or senior executive was present when their own remuneration was decided.

An external advisor reporting direct to the Chair of the Committee was available for advice to members of the Committee and was invited to one of the Committee meetings.

Summary of Committee Activity

The following lists the key activities undertaken by the Committee in 2022:

- Annual approvals in relation to salary, short term incentive payments, long term incentive grants and payments;
- Review of CEO KPIs;
- Review and approval of Remuneration Policy;
- Arranged for external legal review of executive employment contracts, incentive plan rules, and pension arrangements;
- Review and approval of Short Term Incentive Plan rules for implementation for Group Executive in 2022 and other employees in 2023;
- Review and approval of Long Term Incentive Plan rules;
- Review of total workforce remuneration;
- Review of expenses policy for employees and Directors;
- Review of Non-Executive Director fees;
- Review of Gender Pay Gap reporting;
- Review of transition of Ornua Irish Defined Contribution Pension Plans to a Master Trust;
- Conducted a self-assessment of Committee performance.

Remuneration Consultants

The Committee engaged with external remuneration consultants, Willis Towers Watson, during the year.

Remuneration Policy

A remuneration policy for the Chief Executive and Group Executives was updated by the Committee and approved by the Board in 2022.

Ornua's Remuneration Policy has been designed to support and align around Ornua's Values, Purpose, and Delivery of Business Strategy.

The remuneration framework for Ornua's Group Executive is based on a total remuneration approach which is delivered through fixed and variable remuneration. The fixed component of remuneration consists of base salary, allowances, and pension and will be in the range of 40-60% of total remuneration.

Key Management Personnel Disclosure

The remuneration of key management personnel, charged to the Group Income Statement (but not necessarily paid in 2022) is shown on page 77.

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 31 December 2022 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 31 December 2022;
» 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

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 33, 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.

John Dillon
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
30 March 2023

Group Income Statement for the period ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Turnover		**3,422,373**	2,504,141
Cost of sales		**(3,006,149)**	(2,137,177)
Gross profit		**416,224**	366,964
Selling and distribution expenses		**(244,337)**	(196,600)
Administration expenses - excluding amortisation		**(106,932)**	(87,913)
Administration expenses - amortisation		**(10,258)**	(6,767)
Operating profit before exceptional items		**54,697**	75,684
Exceptional items	4	**(5,792)**	–
Operating profit after exceptional items		**48,905**	75,684
Share of results of associates and joint ventures	10	**2,490**	2,635
Interest payable (net)	5	**(12,812)**	(4,619)
Net interest expense on defined benefit pension schemes	24	**(268)**	(318)
Profit before taxation	2	**38,315**	73,382
Taxation	6	**(9,512)**	(16,890)
Profit for the financial period		**28,803**	56,492
Profit attributable to:			
Owners of the parent		**29,075**	57,027
Non-controlling interest		**(272)**	(535)
		28,803	56,492

The notes on pages 49 to 78 form part of these financial statements.

Group Statement of Comprehensive Income for the period ended 31 December 2022

	2022 €'000	2021 €'000
Profit for the period	**28,803**	56,492
Other comprehensive income/(expense)		
- Remeasurement of net defined benefit obligation	**11,221**	7,114
- Cash flow hedges		
- Change in value of hedging instruments	**5,636**	(11,108)
- Reclassification to profit and loss	**11,108**	(3,172)
- Currency translation differences	**3,924**	21,600
- Total tax on components of other comprehensive income/(expense)	**(3,745)**	879
Other comprehensive income for the financial period, net of tax	**28,144**	15,313
Total comprehensive income for the period	**56,947**	71,805
Total comprehensive income/(expense) attributable to:		
Owners of the parent	**57,190**	72,368
Non-controlling interest	**(243)**	(563)
	56,947	71,805

Group Balance Sheet as at 31 December 2022

	Notes	2022 €'000	2021 €'000
Fixed assets			
Intangible assets	8	**69,624**	68,563
Tangible assets	9	**268,276**	251,261
Associates and joint ventures	10	**5,400**	6,249
Loans to associates and joint ventures	10	**520**	517
Other investments	10	**845**	845
		344,665	327,435
Current assets			
Inventories	11	**1,126,164**	781,625
Debtors	12	**541,109**	408,176
Restricted cash	22	**4,394**	6,140
Cash and bank balances	21	**63,978**	76,368
		1,735,645	1,272,309
Creditors: amounts falling due within one year	13	**(1,109,093)**	(787,561)
Net current assets		**626,552**	484,748
Total assets less current liabilities		**971,217**	812,183
Creditors: amounts falling due after one year	16	**(206,646)**	(97,363)
Retirement benefit obligation	24	**(13,616)**	(18,176)
Provision for liabilities	18	**(22,823)**	(25,459)
Net assets		**728,132**	671,185
Capital and reserves			
Called up share capital	19	**19,649**	19,649
Revenue reserves	19	**707,221**	663,930
Cash flow hedging reserve	19	**4,794**	(9,105)
Share premium	19	**32**	32
Capital levy account	19	**256**	256
Members' equity interest (before redeemable loan stock)		**731,952**	674,762
Redeemable loan stock	7	**4,459**	4,459
Members' funds		**736,411**	679,221
Non-controlling interest		**(8,279)**	(8,036)
Total equity		**728,132**	671,185

The notes on pages 49 to 78 form part of these financial statements.

On behalf of the Board of Directors

Aidan O'Driscoll
Chair

John Jordan
Chief Executive

30 March 2023

Group Statement of Changes in Equity for the period ended 31 December 2022

	Share Capital €'000	Share Premium €'000	Cash Flow Hedging Reserve €'000	Capital Levy Account €'000	Revenue Reserves €'000	Redeemable Loan Stock €'000	Members Equity Interest €'000	Non-controlling Interests €'000	Total €'000
At 27 December 2020	19,649	32	3,108	256	579,349	8,114	610,508	(7,473)	603,035
Profit for the period	–	–	–	–	57,027	–	57,027	(535)	56,492
Other comprehensive income/(expense) for the period:									
Remeasurement of net defined benefit obligation	–	–	–	–	7,114	–	7,114	–	7,114
Cash flow hedges									
- Change in value of hedging instruments	–	–	(11,108)	–	–	–	(11,108)	–	(11,108)
- Reclassification to profit and loss	–	–	(3,172)	–	–	–	(3,172)	–	(3,172)
Currency translation differences	–	–	–	–	21,628	–	21,628	(28)	21,600
Total tax on components of other comprehensive income	–	–	2,067	–	(1,188)	–	879	–	879
Redemption of loan stock (note 7)	–	–	–	–	–	(3,655)	(3,655)	–	(3,655)
At 25 December 2021	**19,649**	**32**	**(9,105)**	**256**	**663,930**	**4,459**	**679,221**	**(8,036)**	**671,185**
Profit for the period	–	–	–	–	29,075	–	29,075	(272)	28,803
Other comprehensive income/(expense) for the period:									
Remeasurement of net defined benefit obligation	–	–	–	–	11,221	–	11,221	–	11,221
Cash flow hedges									
- Change in value of hedging instruments	–	–	5,636	–	–	–	5,636	–	5,636
- Reclassification to profit and loss	–	–	11,108	–	–	–	11,108	–	11,108
Currency translation differences	–	–	–	–	3,895	–	3,895	29	3,924
Total tax on components of other comprehensive income	–	–	(2,845)	–	(900)	–	(3,745)	–	(3,745)
At 31 December 2022	**19,649**	**32**	**4,794**	**256**	**707,221**	**4,459**	**736,411**	**(8,279)**	**728,132**

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

Group Cash Flow Statement for the period ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Cash used in operations	20	**(205,632)**	(32,952)
Income tax paid		**(17,731)**	(18,926)
Net cash outflow from operating activities		**(223,363)**	(51,878)
Cash flows from investing activities			
Purchase of tangible assets	9	**(40,617)**	(28,984)
Purchase of intangible assets	8	**(11,105)**	(11,380)
Purchase of subsidiary undertaking (net of cash acquired)		**–**	(48,433)
Proceeds from sale of assets		**98**	315
Dividends from associates	10	**3,556**	–
Interest received		**439**	74
Decrease in restricted cash	22	**1,746**	1,541
Net cash used in investing activities		**(45,883)**	(86,867)
Cash flows from financing activities			
Interest paid		**(12,631)**	(6,391)
Proceeds from borrowings		**361,932**	85,000
Repayment of borrowings		**(85,000)**	–
Payments in respect of loan stock		**(2,061)**	(3,659)
Net cash generated from financing activities		**262,240**	74,950
Net decrease in cash and cash equivalents in the period		**(7,006)**	(63,795)
Balance at beginning of the period		**76,368**	144,604
Foreign exchange losses		**(5,384)**	(4,441)
Cash and cash equivalents at the end of the period	21	**63,978**	76,368

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 comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the notes to the financial statements.

The financial statements have been prepared 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/assets at the fair value of the plan assets less the present value of the defined benefit obligation.

The Directors, after making appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Group therefore considers it appropriate to adopt the going concern basis in preparing its financial statements.

The financial statements contained herein are presented in euro, which is the functional currency of the Parent Company, Ornua Co operative Limited. The functional currencies of the Group's main subsidiaries are Euro, US dollar and Sterling.

The 2022 financial statements are for 53 weeks from 26 December 2021 to 31 December 2022. The comparative period was the 52 weeks from 27 December 2020 to 25 December 2021.

b) Basis of consolidation

The financial statements of the Parent Society and its subsidiary undertakings are incorporated in the Group financial statements. All Group companies apply consistent accounting policies.

(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 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 of equity 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) In the Income Statement, the Group shows separately the results of continuing and discontinued operations. All operations are classified as continuing unless an operation meets the criteria to be classified as a discontinued operation. 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 major 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.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

c) Revenue recognition

Revenue represents the value of the consideration received or receivable, for goods and services from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. 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. Revenue is recognised when control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is highly improbable.

The Group enters into a number of sale 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, once these debtors are sold the trade debtors are derecognised from the Group's Balance Sheet.

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.

d) 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.

e) Inventory

Inventories are valued at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average costing 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 and all further costs to completion as well as selling and distribution expenses.

In certain circumstances, the Group purchases inventory under arrangements in which final purchase price has not been fully determined by the period end. In these circumstances the Group uses judgement to estimate the final purchase price using all available information including external benchmarks.

At the end of each reporting period, inventories are assessed for impairment by comparing the carrying value of the inventory to the selling prices less costs to sell of the inventory. Judgement is required in estimating the selling price of inventory. The Group uses all available information such as recent sales and quoted market prices if applicable. If the carrying value is greater than the estimated selling prices less costs to sell, the item is impaired and an impairment provision is raised to reduce the carrying value of inventory. Such impairment provisions are booked in cost of sales in the Income Statement and are netted against the carrying value of inventory in the Balance Sheet.

The Group enters into sales contracts which subsequently may become onerous. A sales contract becomes onerous when the sales price within the contract is not sufficient to cover the cost of completing the contract. The Group assesses at the end of each reporting period whether the sales prices within these sales contracts are sufficient to cover the cost of completing these contracts. Judgement can be required to estimate the cost of completing these contracts, in particular in estimating the purchase cost of inventory not on hand that is required to complete the obligation in the contract. The Group uses all available information to estimate the cost of purchasing the required inventory such as recent purchases and quoted market prices if applicable. If the sales prices in these contracts are not sufficient to cover the cost of completing these contracts, the Group raises an onerous contract provision, which is the difference between the sales price and the estimated cost of completing the contract. Such onerous provisions are booked within cost of sales in the Income Statement and are carried and disclosed in the Balance Sheet within Provision for Liabilities.

As part of its commodity risk management, the Group enters into forward commodity contracts. Changes in the fair value of such commodity contracts are recognised in the Income Statement unless they are part of a documented hedging arrangement. The effective portion of changes in the fair values of these commodity contracts that are designated and qualify as cash flow hedges are 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.

The Group has entered into an inventory financing facility with a third party provider. Amounts drawn down under this facility are secured on inventory. This facility has no termination date but it can be terminated on 120 days notice by either party. Amounts drawn under this facility are disclosed within borrowings less than one year.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

e) Inventory (continued)

A number of member suppliers to the Group have entered into a reverse invoice discounting facility (RID facility) with a panel of International Banks led by Rabobank International to sell amounts owed to them by the Group. 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 to Rabobank. There is no amendment to the underlying terms of the invoice, including credit terms. Amounts payable to Rabobank under this facility are disclosed separately within creditors in note 13.

f) Insurance captive

One of the Group's subsidiaries is an insurance captive. The principal activity of the insurance captive is the provision of insurance cover to the Group in respect of property damage and business interruption, marine, product recall, contaminated product liability, credit and products liability.

Claims incurred consist of amounts paid or provided for in respect of claims occurring during the current period.

The provision for outstanding claims represents provisions for known claims plus an estimate for claims incurred but not reported (IBNR) and for the related costs of settlement. The provision for outstanding claims, which is based on actuarial calculations, is believed to be adequate to cover the ultimate cost of claims incurred to the balance sheet date, but are necessarily estimates and may be ultimately settled for a greater or lesser amount. The cost of claims incurred includes a provision for related direct and indirect claims handling expenses.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claim provisions established in prior financial years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.

g) 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. Any stock of spare parts for items of plant and equipment are carried within tangible assets. There are no internal capitalised costs within tangible assets.

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%

In most cases the estimated residual value of other tangible assets is taken to be nil.

The assets useful lives are considered and adjusted, if appropriate in each reporting period. The effect of any change is accounted for prospectively.

If there are any indications that a tangible asset is impaired, the recoverable amount of the asset is compared to the carrying amount of the tangible asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In general, in assessing recoverable amount of a tangible asset the Group uses the value in use of the asset. 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 tangible 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 tangible asset belongs. In general, in assessing the recoverable amount of a CGU the Group uses the value in use of the CGU. 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 tangible asset is impaired the impairment loss is the difference between the carrying amount and its recoverable amount. 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 impairment reversal is recognised in the Income Statement.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

h) 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.

i) Grants

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

j) Business combinations and intangible assets (including goodwill)

Business combinations are accounted for using the purchase method. The cost of the business combination is the fair value of the consideration given. Goodwill is equal to the difference between fair value of assets and liabilities acquired and the fair value of consideration given after taking account of the related direct costs of completing the acquisition. Contingent consideration is initially recognised at 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.

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 CGUs 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. An impairment of goodwill is never reversed.

Goodwill is amortised over a period greater than five years because it arises on the acquisition of businesses which are expected to generate profits over the long term.

If negative goodwill arises on a business combination, the Group recognises the excess up to the fair value of non-monetary assets acquired in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the Income Statement in the periods expected to benefit.

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 (i.e. account for them as if they were made at the acquisition date).

k) 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.

For accounting periods beginning after 1 January 2019, the Group only recognises intangible assets separate from goodwill in a business combination when all three of the following conditions are met:

(a) the recognition criteria are met (i.e. that it is probable that economic benefits will flow and the value of the asset can be measured reliably);
(b) the intangible asset arises from contractual or other legal rights; and
(c) the intangible asset is separable.

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; and
» The ability to measure reliably the expenditure attributable to the software during its development.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

k) Intangible assets (continued)

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 software costs directly associated with 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.

l) Research and development

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

m) 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.

(v) Defined benefit plans
The Group's net obligation/asset 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.

The fair value measurement hierarchy is as follows:

» quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
» inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
» inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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. An asset is recognised only if the Group has an unconditional right to a refund in either of the following circumstances:

a. during the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund, or
b. assuming the gradual settlement of the plan liabilities over time until all members have left the plan, or
c. assuming the full settlement of the plan liabilities in a single event (i.e. as a plan wind-up).

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 obligation".

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

m) Employee benefits (continued)

(v) Defined benefit plans (continued)
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 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, working capital performance and product prices returned to members over the vesting period. The value of awards granted is an estimate which is primarily derived from an adjusted Group profitability calculation adjusted to reflect product prices returned to members, members 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.

At each balance sheet date the Group revises its estimate of the expected cost for both the actual out-turn and forecast out-turn as well as for the number of awards expected to vest, with the adjustment recognised in the Income Statement. Significant judgement is used in the estimation of the percentage of awards that will ultimately vest.

n) 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. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. Further detail is set out in the section "Use of judgements and estimates in applying the Group's accounting policies".

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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.

o) 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.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

o) Provisions and contingent liabilities (continued)

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.

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.

p) 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. All transaction costs relating to borrowings including bank arrangement fees are amortised over the period of the relevant facility. The Group does not capitalise borrowing costs relating to acquisition or construction of assets.

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.

q) 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'). The functional currencies of the Group's main subsidiaries are Euro, US dollar and Sterling.

(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 (i) deferred in equity as qualifying cash flow hedges or (ii) on the retranslation 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 =	**2022**	**2021**	**2022**	**2021**
US$	1.0551	1.1846	1.0703	1.1322
GBP£	0.8525	0.8611	0.8843	0.8457

(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 average exchange rates; and
d. all resulting exchange differences are recognised in Other Comprehensive Income and presented within revenue reserves in equity.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

r) Impairment of non-financial assets

At each balance sheet date for non-financial assets not carried at fair value, the Group considers whether there are any indications that the asset may be impaired. If there are any such indications 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 general, in assessing the recoverable amount of an asset, the Group uses the value in use of the asset. 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 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. In general, in assessing the recoverable amount of a CGU, the Group uses the value in use of the CGU. 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.

s) Share capital

Ordinary shares are classified as equity.

t) Bonus fund and redeemable loan stock

The Board is empowered under the Rules of 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. 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 the following year 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.

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.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

v) Financial instruments (continued)

(i) Financial assets (continued)
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. 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) Financial assets and financial liabilities shown gross except where a right of offset exists
The Group has cash pooling arrangements in place with certain banks that allow the offsetting of cash balances and overdrafts and in such cases the net balance of these is presented in the financial statements.

(viii) 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.

(ix) 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 and estimates 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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant judgements and estimates made in the preparation of these financial statements are set out below.

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.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

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

Retirement benefit obligations/asset
The determination of the pension cost and defined benefit obligation/asset 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. The Group recognises an asset in relation to one of the Group's defined benefit plans as the Group has an unconditional right to a refund assuming the gradual settlement of the plan liabilities over time until all members have left the plan.

Assessment for impairment - intangible assets/tangible assets
The Group tests intangible assets (including 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 CGUs. These CGUs are the lowest level for which there are separately identifiable cash flows. This testing involves determining the CGU's recoverable amount and comparing this to the carrying amount of the CGU. Where the recoverable amount exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the recoverable amount, a provision for impairment is raised to reduce the carrying amount of the CGU to its recoverable amount. Estimates of recoverable amount 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. Where recoverable amount is based on value in use the key assumptions used in determining the value in use are the forecasted cashflows, long-term growth rates and discount rates.

Cost of inventory/inventory impairments/provision for onerous contracts
In certain circumstances, the Group purchases inventory under arrangements in which the final purchase price has not been fully determined by the period end. In these circumstances the Group uses judgement to estimate the final purchase price using all available information including external benchmarks.

At the end of each reporting period, inventories are assessed for impairment by comparing the carrying value of the inventory to the selling prices less costs to sell of the inventory. Judgement is required in estimating the selling price of inventory. The Group uses all available information such as recent sales and quoted market prices if applicable. If the carrying value is greater than the estimated selling prices less costs to sell, the item is impaired and an impairment provision is raised to reduce the carrying value of inventory. Such impairment provisions are booked in cost of sales in the Income Statement and are netted against the carrying value of inventory in the Balance Sheet.

The Group enters into sales contracts which subsequently may become onerous. A sales contract becomes onerous when the sales price within the contract is not sufficient to cover the cost of completing the contract. The Group assesses at the end of each reporting period whether the sales prices within these sales contracts are sufficient to cover the cost of completing these contracts. Judgement can be required to estimate the cost of completing these contracts, in particular in estimating the purchase cost of inventory not on hand that is required to complete the obligation in the contract. The Group uses all available information to estimate the cost of purchasing the required inventory such as recent purchases and quoted market prices if applicable. If the sales prices in these contracts are not sufficient to cover the cost of completing these contracts, the Group raises an onerous contract provision, which is the difference between the sales price and the estimated cost of completing the contract. Such onerous provisions are booked within cost of sales in the Income Statement and are carried and disclosed in the Balance Sheet within Provision for Liabilities.

Income taxes
The Group is subject to income tax in numerous jurisdictions. Significant estimation is required in determining the worldwide provision for income taxes. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise this risk. It recognises liabilities for anticipated tax authority reviews based on estimates of whether additional taxes will be due, having regard to all information available on the tax matter. The Group engages with local tax experts to support the judgements made where there is significant uncertainty about the position taken.

Long Term Incentive Plan
The Group operates a Long Term Incentive Plan, which provides for awards 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, working capital performance and product prices returned to members over the resting period. The value of awards granted is an estimate which is primarily derived from an adjusted Group EBIT calculation adjusted to reflect product prices returned to members, members 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.

At each balance sheet date the Group revises its estimate of the expected cost for both the Actual out-turn and forecast out-turn as well as for the number of awards expected to vest, with the adjustment recognised in the Income Statement. Significant judgement is used in the estimation of the percentage of awards that will ultimately vest.

Notes to the Financial Statements (continued)

1 Statement of Accounting Policies (continued)

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

Business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets acquired and liabilities assumed is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Insurance captive
One of the Group's subsidiaries is an insurance captive. The principal activity of the insurance captive is the provision of insurance cover to the Group in respect of property damage and business interruption, marine, product recall, contaminated product liability, credit and products liability.

Claims incurred consist of amounts paid or provided for in respect of claims occurring during the current period.

The provision for outstanding claims represents provisions for known claims plus an estimate for claims incurred but not reported (IBNR) and for the related costs of settlement. The provision for outstanding claims, which is based on actuarial calculations, is believed to be adequate to cover the ultimate cost of claims incurred to the balance sheet date, but are necessarily estimates and may be ultimately settled for a greater or lesser amount. The cost of claims incurred includes a provision for related direct and indirect claims handling expenses.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claim provisions established in prior financial years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.

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

	2022 €'000	2021 €'000
Ornua Value Payment	**72,469**	78,018
Depreciation (note 9)	**19,622**	16,918
Amortisation of intangible assets (note 8)	**10,258**	6,767
Research and development expenditure	**5,672**	4,842
Operating lease expense	**2,665**	2,267
Auditors remuneration - audit fee	**824**	728
Impairment of trade receivables - credit	**(393)**	(575)
Exchange differences - charge	**2,769**	1,815

3 Employees and remuneration

	2022 No.	2021 No.
The average number of persons employed by the Group is analysed into the following categories*:		
Production	**1,869**	1,552
Selling and distribution	**406**	368
Administration	**652**	589
	2,927	2,509

* Includes employees whose salary costs are capitalised (note 8).

Notes to the Financial Statements (continued)

3 Employees and remuneration (continued)

	2022 €'000	2021 €'000
The staff costs are comprised of:		
Wages and salaries* (including termination benefits of €Nil (2021: €0.7m))	**164,444**	126,851
Social welfare costs	**14,201**	10,489
Pension costs	**3,959**	3,824
Staff costs included in operating profit	**182,604**	141,164
Net interest expense on defined benefit pension schemes	**268**	318
Total charged to Income Statement	**182,872**	141,482
Actuarial gain on defined benefit pension schemes (net of deferred taxation) - credited to other comprehensive income	**(10,321)**	(5,926)
Total aggregate payroll costs expensed	**172,551**	135,556

* These costs include Long Term Incentive Plan costs.

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

	2022 €'000	2021 €'000
Income Statement		
Cost of sales	**93,006**	66,017
Selling and distribution expenses	**29,011**	25,458
Administration expenses** - excluding amortisation	**60,587**	49,689
Included in operating profit	**182,604**	141,164
Net interest expense on defined benefit pension schemes	**268**	318
Total charged to Income Statement	**182,872**	141,482
Statement of Comprehensive Income		
Actuarial gain on defined benefit pension schemes (net of deferred tax)	**(10,321)**	(5,926)
Total aggregate payroll costs expensed	**172,551**	135,556

** Excludes €3.3m (2021: €3.3m) of capitalised salary costs (note 8).

Notes to the Financial Statements (continued)

4 Exceptional items

	2022 €'000	2021 €'000
Impairment of intangible & tangible assets & other costs (i)	**(5,792)**	–
	(5,792)	–

2022

(i) Due to indications of impairment, the Group carried out an impairment review of certain intangible assets and tangible assets, by comparing the assets' recoverable amount to its carrying value and as a result an impairment of €5.4m was recognised in our UK operations (€0.3m in intangible assets and €5.1m in tangible assets) as well as other costs of €0.4m. This impairment occurred as a result of the challenging nature of the specific market which resulted in the recoverable amount of the assets being less than the carrying amount. A tax credit of €1.2m arose on this exceptional item, resulting in the net after tax impact of exceptional items being €4.6m.

5 Interest payable (net)

	2022 €'000	2021 €'000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years, other than by instalments	**13,251**	4,693
Interest receivable	**(439)**	(74)
	12,812	4,619

Notes to the Financial Statements (continued)

6 Taxation on profit

	2022 €'000	2021 €'000
Analysis of taxation charge in the period		
Current tax		
Irish corporation tax on profit for the period	**197**	4,753
Adjustments in respect of previous periods	**(251)**	42
	(54)	4,795
Foreign tax		
Foreign corporation tax on profit for the period	**15,631**	10,666
Adjustments in respect of previous periods	**(975)**	1,185
	14,656	11,851
Total current tax	**14,602**	16,646
Deferred tax		
Origination and reversal of timing differences	**(5,090)**	(1,146)
Impact of change in tax rates	**–**	1,390
Taxation	**9,512**	16,890
Tax expense/(income) included in Other Comprehensive Income	**3,745**	(879)

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.

	2022 €'000	2021 €'000
Profit before taxation	**38,315**	73,382
Profit at the standard rate of corporation tax in Ireland of 12.5%	**4,789**	9,173
Effects of:		
Foreign rates of tax different from Irish rates	**4,658**	6,984
Non utilisation/(utilisation) of tax losses (net)	**621**	745
Expenses/income not deductible/taxable (net)	**398**	438
Movement in other differences	**272**	(1,677)
Adjustments in respect of prior periods	**(1,226)**	1,227
Total taxation	**9,512**	16,890

There were no significant changes during 2022 in the tax rates applying to the Group's subsidiaries. The standard UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The Group has not recognised deferred tax assets of €6.7m (2021: €6.3m) on the basis that there is insufficient evidence that these assets will be recoverable.

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 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 transferred to the annual bonus fund in 2022 is €Nil (2021: €Nil).

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 the following year 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 €Nil (2021 : €3.7m). Cash payments made in the year relating to previous years loan stock redeemed resulted in total cash payments of €2.1m in 2022 (2021 : €3.7m).

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

	2022	2021
	€'000	€'000
At beginning of the period	4,459	8,114
Redemption of loan stock	–	(3,655)
At end of the period	**4,459**	4,459

(b) Cash bonus payable

Annual cash bonus (charged to operating profit)	**27,500**	46,000

Notes to the Financial Statements (continued)

8 Intangible assets

	Goodwill 2022 €'000	Other Intangibles* 2022 €'000	Software 2022 €'000	Total 2022 €'000
Cost				
At beginning of the period	83,380	28,512	40,441	152,333
Additions in the period**	–	–	11,105	11,105
Translation adjustment	2,189	(602)	(211)	1,376
	85,569	27,910	51,335	164,814
Amortisation				
At beginning of the period	57,859	18,440	7,471	83,770
Amortised during the period	4,009	1,945	4,304	10,258
Impairment (note 4)	–	–	332	332
Translation adjustment	1,357	(501)	(26)	830
	63,225	19,884	12,081	95,190
Net book amount				
At end of the period	**22,344**	**8,026**	**39,254**	**69,624**
At beginning of the period	**25,521**	**10,072**	**32,970**	**68,563**

* Other intangibles include supply contracts, customer relationships and trade names.

** Software additions include €3.3m (2021: €3.3m) of capitalised salary costs.

The average remaining amortisation period of the goodwill is 6 years. The average remaining amortisation period of other intangibles is 4 years.

Notes to the Financial Statements (continued)

9 Tangible assets

	Land and Buildings 2022 €'000	Plant Equipment and Vehicles 2022 €'000	Total 2022 €'000
Cost			
At beginning of the period	165,685	246,219	411,904
Additions in the period	13,662	26,955	40,617
Disposals in the period	–	(1,051)	(1,051)
Translation adjustment	698	(1,106)	(408)
	180,045	271,017	451,062
Depreciation			
At beginning of the period	44,193	116,450	160,643
Charge for the period	3,907	15,715	19,622
Impairment (note 4)	351	4,699	5,050
Disposals in the period	–	(953)	(953)
Translation adjustment	(71)	(1,505)	(1,576)
	48,380	134,406	182,786
Net book amount			
At end of the period	**131,665**	**136,611**	**268,276**
At beginning of the period	**121,492**	**129,769**	**251,261**

The buildings, plant, equipment and vehicles are insured at a value of €535.9m (2021: €515.3m).

Notes to the Financial Statements (continued)

10 Associates, joint ventures and other investments

	2022 €'000	2021 €'000
Associates and joint ventures		
At beginning of the period	**6,249**	3,243
Share of profit after tax during the period	**2,490**	2,635
Dividend received	**(3,556)**	–
Translation adjustment	**217**	371
At end of the period	**5,400**	6,249

	€'000	€'000
Loans to associates and joint ventures		
At beginning of the period	**517**	465
Translation adjustment	**3**	52
At end of the period	**520**	517

	€'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.

Impairments of inventories recognised within cost of sales in 2022 were €28.6m (2021: reversal of impairments of €4.2m).

Notes to the Financial Statements (continued)

12 Debtors

	2022 €'000	2021 €'000
Due within one year:		
Trade debtors (i) (iii)	**477,138**	351,793
Other debtors & prepayments	**21,790**	30,021
Derivative financial instruments	**3,731**	–
Corporation tax debtors	**4,896**	3,354
VAT	**12,473**	10,968
	520,028	396,136
Due after one year:		
Deferred taxation (ii)	**12,266**	12,040
Retirement benefit asset (note 24)	**8,815**	–
	21,081	12,040
	541,109	408,176
Deferred tax arising from:		
Accelerated capital allowances	**(6,736)**	(5,666)
Derivative financial instruments	**(255)**	2,004
Post employment benefits	**396**	1,503
Tax losses carried forward	**8,697**	6,853
Research and development deductions	**4,152**	–
Other timing differences	**6,012**	7,346
	12,266	12,040

(i) Trade debtors are stated net of a provision for impairment of €3.5m (2021: €3.9m).
(ii) 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 €100.3m (2021: €104.5m) of trade debtors have been derecognised at period-end.

Notes to the Financial Statements (continued)

13 Creditors: amounts falling due within one year

	2022 €'000	2021 €'000
Trade creditors*	**498,828**	376,161
Amount due under RID facility * (note 15)	**257,742**	212,336
Derivative financial instruments	**–**	22,667
Accruals*	**168,836**	158,750
Option liability**	**1,878**	–
Redeemable loan stock	**1,665**	2,061
Taxation creditors (note 14)	**14,702**	12,912
Borrowings (note 15)	**161,599**	–
Other creditors	**3,843**	2,674
	1,109,093	787,561

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

14 Taxation creditors

	2022 €'000	2021 €'000
Corporation tax	**4,503**	5,147
PAYE	**1,767**	2,374
PRSI	**973**	1,260
VAT	**7,459**	4,131
	14,702	12,912

15 Borrowings

	2022 €'000	2021 €'000
Amounts falling due within one year	**161,599**	–
Amounts falling due after one year	**198,692**	83,359
	360,291	83,359

Notes to the Financial Statements (continued)

15 Borrowings (continued)

In December 2021, the Group entered into a new five year syndicated financing agreement. Initial facilities available under this agreement are €200m (2021: €200m). In September 2022, the Group's banking syndicate agreed an amendment to this financing agreement which resulted in an increase in the amount available from €200m to €300m for a period of 9 months. Certain members of the Group's banking syndicate also entered into financing agreements to provide an additional €70m in facilities available until June 2023. All material subsidiaries of the Group entered into cross guarantees for the debts under the above agreements and also are subject to a negative pledge that security will not be granted to any party during the course of the agreements. The Group is subject to certain financial covenants and other restrictions during the period of these agreements.

During 2022, the Group entered into an inventory financing facility with a third party provider in the amount of US$50m. Amounts drawn down under this facility are secured on inventory. This facility has no termination date but it can be terminated on 120 days notice by either party. Amounts drawn under this facility are disclosed within borrowings less than one year.

Separately, in December 2021, a number of member suppliers to the Group entered into a new 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. Committed facilities under this agreement for 2022 were €380m (2021: €380m). 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 of €257.7m (2021: €212.3m) to Rabobank.

16 Creditors: amounts falling due after one year

	2022 €'000	2021 €'000
Redeemable loan stock	**2,390**	4,054
Deferred taxation (i)	**5,564**	8,227
Option liability*	**–**	1,723
Bank loans (note 15)	**198,692**	83,359
	206,646	97,363

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

(i) Deferred tax arising from:		
Accelerated capital allowances	**8,675**	10,125
Post employment benefits	**(1,993)**	(2,322)
Derivative financial instruments	**586**	–
Other timing differences	**(1,704)**	424
	5,564	8,227

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

Notes to the Financial Statements (continued)

17 Financial instruments

	2022 €'000	2021 €'000
The Group has the following financial instruments at fair value through profit or loss:		
Financial assets measured at fair value through profit or loss		
Derivative financial instruments (i)	**3,731**	–
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments (i)	**–**	22,667
Option liability (ii)	**1,878**	1,723
	1,878	24,390

(i) Derivative financial instruments
The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency debtors. At 31 December 2022 the contracts outstanding have an average maturity of 6 months (2021: 7 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 2022, a hedging gain (net of taxation) of €4.8m (2021: loss of €9.1m) 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 2022 a charge of €Nil (2021: €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) Option liability
The fair value of the option liability 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 13).

18 Provision for liabilities

	Onerous Sales Contracts (i) €'000	Disposal Related Provisions (ii) €'000	Long Term Incentive Plan Provision (iii) €'000	Insurance Provisions (iv) €'000	Total Provisions €'000
At beginning of the period	14,399	904	8,925	1,231	25,459
Provided during the period	12,238	–	2,695	767	15,700
Utilised during the period	(14,399)	–	(3,098)	(891)	(18,388)
Translation adjustment	–	52	–	–	52
At end of the period	**12,238**	**956**	**8,522**	**1,107**	**22,823**

(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) See detail in note 27. This provision is expected to be utilised over 3 years.
(iv) This represents a provision for claims incurred but not reported by the Group's captive insurance company.

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

Notes to the Financial Statements (continued)

19 Share capital and reserves

	2022 No. of Shares	**2022 €'000**	2021 No. of Shares	2021 €'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	1,715,107	1,715
Deferred ordinary shares of €1 each	17,916,961	17,917	17,916,961	17,917
		19,649		19,649

The number of issued and fully paid ordinary shares was as follows:	**2022 No. of shares '000**	2021 No. of shares '000
At beginning and at end of the period	**19,649**	19,649

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 classification of reserves within equity is 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 outflow from operations

	2022 €'000	2021 €'000
Operating profit before exceptional items	**54,697**	75,684
Depreciation of tangible assets (note 9)	**19,622**	16,918
Amortisation of intangible assets (note 8)	**10,258**	6,767
Increase in inventories	**(337,119)**	(163,430)
Increase in debtors	**(130,348)**	(28,375)
Increase in creditors/provision for liabilities	**179,164**	61,380
Post retirement liabilities	**(1,906)**	(1,896)
Cash used in operations	**(205,632)**	(32,952)

21 Analysis of net debt

	2022 €'000	2021 €'000
Analysis of net debt		
Cash and bank balances	**63,978**	76,368
Borrowings < I year (note 13)	**(161,599)**	–
Borrowings > I year (note 16)	**(198,692)**	(83,359)
Net debt	**(296,313)**	(6,991)

Reconciliation of net cash flow to movement in net debt

	2022 €'000	2021 €'000
Net decrease in cash and cash equivalents in the period	**(7,006)**	(63,795)
Increase in borrowing < 1 year (note 13)	**(161,599)**	–
Increase in borrowing > 1 year (note 16)	**(115,333)**	(83,359)
Change in net debt arising from cash flows	**(283,938)**	(147,154)
Foreign exchange losses	**(5,384)**	(4,441)
Movement in net debt in the year	**(289,322)**	(151,595)
Opening net (debt)/cash	**(6,991)**	144,604
Closing net debt	**(296,313)**	(6,991)

Notes to the Financial Statements (continued)

22 Restricted cash

	2022 €'000	2021 €'000
Restricted cash on deposit	**4,394**	6,140

Deposits of €4.4m (2021: €6.1m) 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

	2022 €'000	2021 €'000
Commitments for which contracts have been placed	**22,811**	17,535
Commitments approved but not contracted for	**37,663**	61,368

24 Retirement 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 €0.3m (2021: charge of €0.3m) of which €Nil (2021: €Nil) has been charged against operating profit before exceptional items and €0.3m (2021: €0.3m) has been charged within other finance costs.

Contributions to defined contribution pension schemes in the period were €3.9m (2021: €3.8m).

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 2021 using the projected unit valuation method. Under FRS 102, these valuations, and the most recent actuarial valuations of the other post retirement scheme, have been updated by independent qualified actuaries in order to assess the liabilities of the schemes as at 31 December 2022.

The Irish scheme closed to future accrual in 2018. It has been agreed that the employer contributes €1.0m annually until 2023 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 until 2030 to this scheme.

Financial assumptions

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

	2022	2021	2022	2021
	Irish Scheme		Other Schemes	
	%	%	%	%
Inflation rate	**2.50**	2.00	**2.65**	2.70
Salary rate increases	**3.50**	3.00	**3.15**	3.20
Pension payment increases	**2.50**	2.00	**2.60**	2.70
Discount rate	**4.20**	1.40	**4.80**	1.80

Notes to the Financial Statements (continued)

24 Retirement benefits (continued)

In valuing the liabilities of the pension funds at 31 December 2022, 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 2022/2021		Other Schemes 2022/2021	
- Current pensioner aged 65	23/23 years male	25/25 years female	21/21 years male	24/24 years female
- Future retiree* upon reaching 65	26/25 years male	28/27 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.

	2022 Irish Scheme €'000	2021 Irish Scheme €'000	2022 Other Schemes €'000	2021 Other Schemes €'000	2022 Total €'000	2021 Total €'000
Equities	**19,434**	23,297	**1,473**	8,482	**20,907**	31,779
Bonds	**43,314**	47,048	**10,499**	27,474	**53,813**	74,522
Property	**5,123**	2,074	**610**	1,847	**5,733**	3,921
Other	**13,140**	24,862	**14,796**	15,776	**27,936**	40,638
	81,011	97,281	**27,378**	53,579	**108,389**	150,860
Actuarial value of liabilities	**(72,196)**	(104,825)	**(40,994)**	(64,211)	**(113,190)**	(169,036)
Net surplus/(deficit) in the schemes	**8,815***	(7,544)	**(13,616)****	(10,632)	**(4,801)**	(18,176)

* Disclosed within retirement benefit asset (note 12).
** Disclosed within retirement benefit obligation.

	2022 Irish Scheme €'000	2021 Irish Scheme €'000	2022 Other Schemes €'000	2021 Other Schemes €'000	2022 Total €'000	2021 Total €'000
Analysis of the amount charged to the Group Income Statement during the period:						
Net interest expense	**98**	**116**	**170**	**202**	**268**	**318**

Notes to the Financial Statements (continued)

24 Retirement benefits (continued)

Movement in benefit obligations during the period	Irish Scheme 2022 €'000	Other Schemes 2022 €'000	Total 2022 €'000
Benefit obligations at beginning of the period	104,825	64,211	169,036
Interest expense	1,442	1,108	2,550
Actuarial gain	(30,473)	(20,248)	(50,721)
Benefits paid from plan	(3,598)	(2,179)	(5,777)
Exchange adjustment	–	(1,899)	(1,899)
Benefit obligations at end of the period	**72,196**	**40,993**	**113,189**

Movement in plan assets during the period			
Fair value of plan assets at beginning of the period	97,281	53,579	150,860
Interest income	1,344	938	2,282
Remeasurement losses			
Return on plan assets excluding interest income	(15,016)	(24,484)	(39,500)
Employer's contributions	1,000	906	1,906
Benefits paid from plan	(3,598)	(2,179)	(5,777)
Exchange adjustment	–	(1,383)	(1,383)
Fair value of plan assets at end of the period	**81,011**	**27,377**	**108,388**
Surplus/(deficit) in schemes	**8,815**	**(13,616)**	**(4,801)**
Actual return on plan assets	**(13,672)**	**(23,546)**	**(37,218)**

25 Financial commitments

a) Operating leases

At 31 December 2022, the Group had future minimum payments under non-cancellable operating leases as follows:

	2022 €'000	2021 €'000
Payments due:		
Not later than 1 year	**2,377**	2,176
Later than 1 year and not later than 5 years	**7,074**	6,917
Later than 5 years	**7,851**	8,329
	17,302	17,422

Notes to the Financial Statements (continued)

25 Financial commitments (continued)

b) Bank guarantees

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

	2022 €'000	2021 €'000
Bank guarantees	**37,224**	31,323

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.

	2022 €'000	2021 €'000
Forward foreign currency/commodity contracts	**701,315**	538,238

d) Inventories

The Group had the following outstanding forward contracts with Rabobank at the period end in respect of the purchase of inventories.

	2022 €'000	2021 €'000
Forward contracts	**172,206**	62,810

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 31 December 2022 amounted to €82.7m (2021: €49.7m) and purchases from members amounted to €2,280.5m (2021: €1,471.0m). Amounts receivable from and payable to members arising from the aforementioned sales and purchases transactions as at the balance sheet date are €23.3m (2021: €13.2m) and €127.4m (2021: €99.0m) respectively. There are other payable balances of €3.8m to members (2021: €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.

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.

Notes to the Financial Statements (continued)

26 Related party transactions (continued)

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 2022 Group Income Statement (but not necessarily paid in 2022), was as follows:

	2022 €'000	2021 €'000
Total Non-Executive Directors fees (14 in 2022 & 14 in 2021)	**733**	616
Global Executive Remuneration, including Executive Directors (7 Executives in 2022 & 7 in 2021):		
Basic salary	**2,279**	2,155
Performance related bonus	**1,056**	831
LTIP-Paid during the year	**1,268**	896
Other benefits	**284**	163
Employers pension contribution	**387**	367
Employers PRSI	**539**	445
	5,813	4,857
LTIP - Adjustment to provision during the year *	**74**	640
Total fees and remuneration for key management personnel	**6,620**	6,113

*LTIP - Adjustment to provision during the year represents the adjustment to the LTIP provision and does not represent the amount paid in 2022. 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 2022 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 2020, 2021 and 2022 plus an adjustment for any impact on the provision at 25 December 2021 as a result of updated assumptions in 2022. Further details on the LTIP are included in Note 27.

The Personnel and Remuneration committee recommend the remuneration policy for key management personnel to the Board and oversee the implementation of the policy. The process includes assessment against comparable organisations, review of market trends, consideration of the structure of the policy and ensuring that remuneration arrangements are consistent with members' interests. 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, working capital performance and product prices returned to members over the vesting period. The value of awards granted, is primarily derived from an adjusted Group profitability 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 €2.7m (2021: €4.4m) within employment costs in relation to the scheme, and the obligations recognised within liabilities at period end amounts to €8.5m (2021: €8.9m).

Notes to the Financial Statements (continued)

28 Significant subsidiary companies and associates

The parent society is a Co-operative and is incorporated in Ireland with its registered address at 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	Holding Company
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
The Irish Dairy Board UK Limited*	United Kingdom	100	Holding Company
Ornua Ingredients Europe (UK) 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
Ornua (Whitehall) Ingredients Inc.	U.S.A.	100	Manufacturing, marketing and distributing dairy products

* 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 31 December 2022, 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 31 December 2022.

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 30 March 2023.

Board of Directors & Executive

Board of Directors*

Aidan O'Driscoll **Chair**	Stephen Arthur Dr Sean Brady Donal Buggy Dominic Cronin Jerry Houlihan	John Hunter John Jordan Diarmuid Lally Edmund Lynch Pat McCormack	Anne McFarland Anne O'Leary Michael O'Shea Joe O'Sullivan Sean Sweeney

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**	John McRedmond **Chief Risk & Compliance Officer**	

Company Secretary*

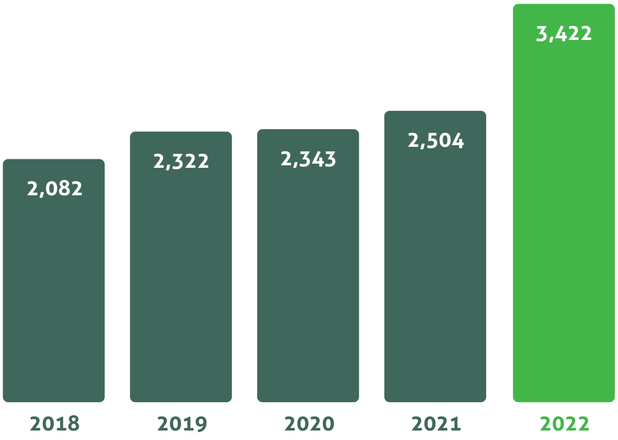
John McRedmond

*As at 31 December 2022

Group Five Year Review

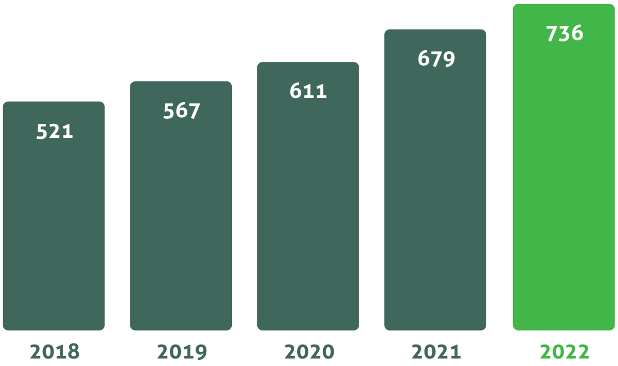
2022 Group Turnover

€3,422 million



2022 Members' Funds

€736 million



	2018 €'000	2019 €'000	2020 €'000	2021 €'000	2022 €'000
a) Historical values					
Turnover	2,082,059	2,322,252	2,343,467	2,504,141	3,422,373
EBITDA	60,544	71,786	107,408	99,369	84,577
Operating profit	40,419	49,092	83,068	75,684	54,697
Profit before taxation and exceptional items	35,355	42,552	86,708	73,382	44,107
Net debt/(cash)	110,109	(22,741)	(144,604)	6,991	296,313
Members' funds	521,360	567,411	610,508	679,221	736,411

	2018	2019	2020	2021	2022
b) Financial ratios					
EBITDA as % of turnover	2.9%	3.1%	4.6%	4.0%	2.5%
Operating profit as % of turnover	1.9%	2.1%	3.5%	3.0%	1.6%
Leverage (Net debt/(cash)/EBITDA) (times)	1.8x	(0.3x)	(1.3x)	0.1x	3.5x
Interest Cover (EBITDA/Interest Payable) (times)	16.6x	12.8x	22.1x	21.5x	6.6x

Irish Product Utilisation Overview

Total Irish Milk Supply (million litres)

	2022	2021
Jan	183	182
Feb	368	352
Mar	809	830
Apr	1,055	1,061
May	1,166	1,181
Jun	1,058	1,067
Jul	1,023	1,017
Aug	919	917
Sep	786	777
Oct	692	650
Nov	485	466
Dec	283	259
	8,827	**8,759**

Source: CSO

Total Irish Product Output (tonnes)

	2022	2021
Butter	269,200	275,600
Cheese	290,000*	287,000
SMP	173,700	147,700

Source: CSO/Ornua
*Estimate

Notes

Ornua's commitment to environmental sustainability is reflected in this Annual Report. This report is printed in Ireland using environmental print technology which minimises the impact of printing on the environment. This report is printed on Horizon Offset paper and board, which is chlorine free and sustainably sourced from European managed forests.

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