2020

Annual Report

CARBERY

CONTENTS

BUSINESS PERFORMANCE
AT A GLANCE

Revenue
€459.5m
↑ 5.8%

EBITDA
€44.9m
↑ 1%

EBITA
€28.3m
6.2% ↓

596m
litres of milk processed in Ballineen

+5%
milk volume

It's all about the stretch! — Our mozzarella team in Ballineen demonstrate the stretch of the new Carbery Dairy mozzarella.

CARBERY AT A GLANCE

Global Employees	Farmer Shareholders	Global Facilities
793	1,215	10

OUR MISSION

To create sustainable value for our farmer shareholders.

OUR STRATEGY

Our focus and investment are aligned to our three strategic platforms of Dairy, Nutrition and Taste to ensure we are well positioned for long term growth.

Our Dairy platform will continue to create value for our milk pool, focusing on delivering efficiencies in our cheese business and growing our cheese portfolio internationally.

Our Nutrition platform will deliver value through the development, production and marketing of nutritional ingredients for performance and lifestyle nutrition, infant formula and clinical nutrition markets.

Our Taste platform, represented by our Taste division, Synergy, will deliver growth through the creation of innovative customer solutions with flavours, extracts & essences.

CHAIRMAN'S STATEMENT

2020 AT A GLANCE

2020 was another significant year in Carbery's journey with the commissioning of the new cheese plant in Ballineen. Covid-19 has had an impact on all our lives but Carbery's business performance remained robust in this most challenging of years.

Dairy markets started off the year in a positive way but were quickly impacted during the Spring as the pandemic gripped the whole world. They slowly recovered after initial shocks and began to make up lost ground. The milk price was supported during the year and most especially when the first wave of Covid restrictions came into effect.

> Covid-19

I would like to take this opportunity to sincerely thank all employees of Carbery Group in every division around the world for their dedication during this most difficult time. During Spring 2020 there was a huge level of fear of the consequences of Covid on our health and the health of our families and communities. Reports from across the world of milk being discarded and factories closing down did little to help, but production continued at Carbery thanks to the quality of people who are part of the team. Covid-19 mitigation practices were quickly put in place to protect staff and keep the facilities running. It was also a very difficult period for farmers as Springtime is generally the busiest and most stressful time of the year, particularly in one person operations. Farmers have ensured that milk supply has continued and we have played an essential part in ensuring that the food supply chain has remained intact, which was a major concern, especially in the early stages of the crisis.

Milk supply grew by 5% to a record 596m litres up from 567m litres processed in 2019. The weather was favourable during the first half of the year but became more challenging in the second half, especially in August when some farmers had to deal with flooding.

TJ Sullivan
Chairman

DAIRY MARKETS

2020 started with a steady market with positive signals in the medium term. During late March to early April the global economy was rocked by extreme volatility across all commodities. Oil prices even went to negative territory. At that time businesses across the world scrambled to come to terms with what was happening, from panic buying in supermarkets to issues surrounding procurement of products. The dynamics of the market changed overnight as retail demand soared and foodservice stopped.

> Milk pricing

With the onset of Covid, extreme volatility quickly turned a steady to positive market into free fall, and the board urgently took the decision to support our milk price to shareholders. This support was provided from the business and the stability fund and continued through year end. The board also decided to pay a 0.5cpl bonus for all milk supplied in 2020.

> *"Farmers have ensured that milk supply has continued and we have played an essential part in ensuring that the food supply chain has remained intact, which was a major concern, especially in the early stages of the crisis. "*

> Brexit

Preparations for Brexit continued throughout the year, with uncertainty on the outcome present until the last minute of the negotiations. There are no winners in Brexit but from a Carbery point of view we are glad that the negotiations concluded with a deal in place. There may be some logistical challenges but overall our detailed planning and preparation means we are in a good position to ensure no disruptions to our supply chain or for our customers. The outcome of Brexit maintains our position as a competitive player in the UK marketplace, while our ongoing diversification project puts us in a good position to expand our reach into markets beyond the UK.

> Expansion and diversification

Covid had an impact on the commissioning of our new cheese production facility, which was delayed for several months during lockdown. But during the autumn we had great news to deliver in seeing the first block of mozzarella rolling off the production line. It was a very special moment after all the Covid related delays during the year. Since commissioning, mozzarella has been shipped to customers and this is an exciting prospect and just the beginning of the next chapter. Carbery's cheeses were launched into Asia and other markets under the name of Carbery Dairy.

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SYNERGY

Our Taste business Synergy continues to perform well. Synergy like all food businesses was impacted by Covid and in particular the decline in the food service business. However, the breadth of the business across other market segments such as retail as well as a strong pipeline of new growth opportunities meant that Synergy weathered the challenges well. Investment has continued in both people and facilities.

SAFETY AND WELLBEING

2020 will go down in history as the year that has transformed all our lives. Everyone has been affected by Covid-19 either directly by the virus or indirectly by the changes made to the way we live our lives. Farming is by its nature often an isolated occupation and that's actually been a positive in the current situation we find ourselves in. One thing I took note of during the lockdown was how lucky we are as farmers living in the countryside. I was struck by the generosity and kindness of people during this period and hopefully if there is a silver lining from this pandemic it's that we appreciate nature, fresh air and the beautiful countryside that surrounds us everyday and spend a little more time looking after ourselves and others. Remember your neighbours and community and ask for help if you need it. As evidenced during the last year, there are kind people everywhere willing to help even in the smallest of ways.

QUALITY AND SUSTAINABILITY

Our standards are high and getting higher, but so are the expectations from our customers and regulators in terms of quality and sustainability, and so we continue to innovate and set ambitious targets for our quality and sustainability standards. Our new mozzarella plant in Ballineen passed BRC audit first time round. Sustainability continues to be a priority, not only for customers but for ourselves, our families and making sure we have a robust model for the next generation. Carbon emissions and water quality on farms are most important and we have been expanding our work to include pro-active actions on these fronts. Our Farm Zero C project to create a climate neutral dairy farm, based on the Shinagh Farm in West Cork, is a flagship project for us with the potential to be rolled out worldwide if successful. The approach to creating a zero emissions farm using the best science and cutting edge technology aims to decrease carbon while not impacting productivity or profitability for farmers.

Carbery became an Origin Green Gold member during 2020. The Bord Bia Grass Fed Standard is also rolling out which will differentiate Irish dairy produce from our global competitors in terms of the quality of products produced from our grass fed cows. We have the best feed in the world which in turn can produce the best food for our customers.

Modern dairy farming is not easy and we have stringent standards to adhere to which can make our job more stressful at times but the upside is that we are producing excellent products from our grass fed milk. This is the future, a future in which our climate, our water, our biodiversity will be handed on to the next generation with a goal to keep improving. We have the opportunity today to set the standards for protecting our environment that others will someday aspire to achieve.

Farm Zero C — A project to create a climate neutral dairy farm.

BOARD AND GLOBAL TEAM

2020 has been challenging to say the least, but we have come through it in a stronger position than we began. I would like to take this opportunity to thank the Carbery team across all divisions both at home in Ballineen and across the world for your excellent service during the year. We are nothing without our people, and Carbery's people are our greatest asset, well done to all. I would like to thank the board for all their help and assistance during the year. We had some challenges but overcame them and have settled into our new normal working and having meetings virtually.

> *" This is the future, a future in which our climate, our water, our biodiversity will be handed on to the next generation with a goal to keep improving. "*

This year has seen changes to the board. Joe O'Sullivan has retired after a long and distinguished term on the board and Vice Chairman Paddy Ryan has also retired. We wish them well in the future. Seamus Daly and new Vice Chairman Cormac O'Keeffe have joined the board, and I wish them the best of luck in their respective tenures.

Finally I would like to thank you, our shareholder farmer milk suppliers, for your hard work and for supplying another year's top quality product into your state of the art processing plant that is Carbery.

TJ Sullivan
Chairman

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2020 HIGHLIGHTS

March – Covid response

Our people across the business globally respond to an unprecedented challenge with resilience and commitment, ensuring the safety of everyone and safeguarding the continuity of production.

April – Let's get digital

Our marketing and business development teams across the globe pivot to digital to engage with our customers. Our Trendcast podcast series is launched.

June – Optipep® 4Power Launch

Optipep 4Power is a hydrolysed whey protein that, when taken before a high-intensity workout, helps athletes produce and sustain more power compared to whey protein concentrate.

June – Launch of Carbery Dairy

We entered B2B international markets with our Carbery Dairy range of high-quality cheeses.

September – The first block

The first block of mozzarella is produced from our new production facility in Ballineen.

October – Mozzarella production begins

Our Cheese Diversification Project is finalised and our new plant is up and running and making product for our customers.

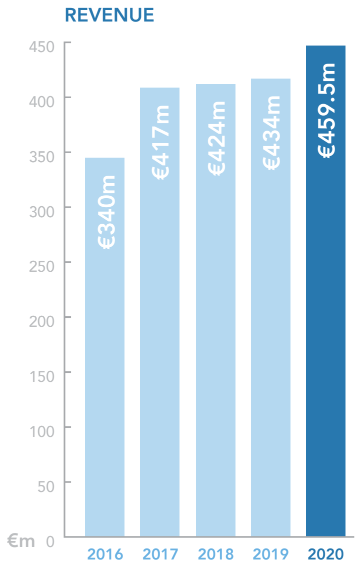
Origin Green
IRELAND
Sustainability Programme
GOLD MEMBER
2020

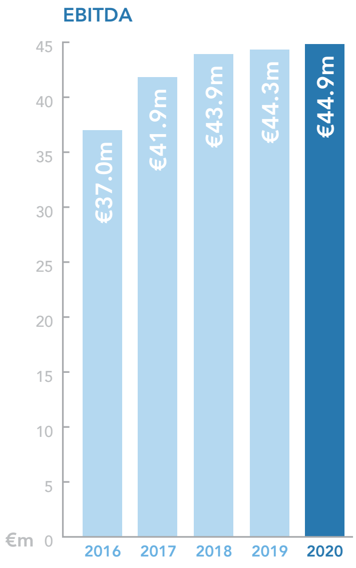
November – Awarded Origin Green Gold Membership

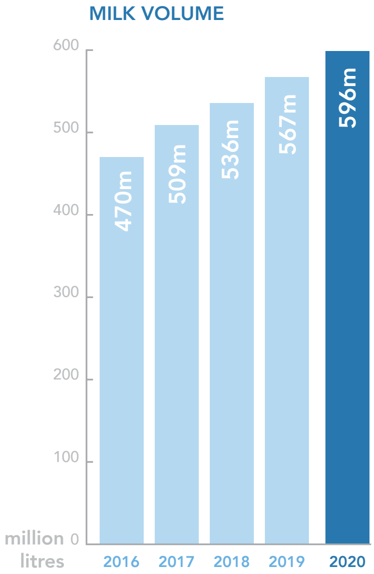
Gold Membership is awarded to companies who demonstrate an exceptional annual performance on their sustainability targets.

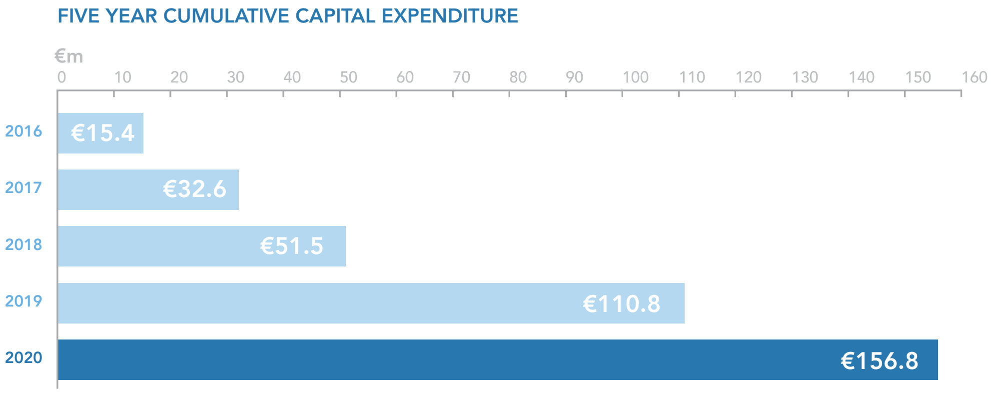
FINANCIAL REPORT

Five Year Review









	2016 €m	2017 €m	2018 €m	2019 €m	2020 €m
Revenue	340.0	417.3	423.5	434.1	459.5
EBITDA*	37.0	41.9	43.9	44.3	44.9
EBITA*	27.1	31.1	32.4	30.2	28.3
Operating profit (EBIT)*	22.1	25.5	26.6	24.3	24.2
Net Debt	26.2	12.7	30.1	47.2	57.8

*Before exceptional items

A RESILIENT BUSINESS

CHIEF EXECUTIVE'S REVIEW

Maintaining our operations and protecting our employees while delivering business objectives.

I would like to start my 2020 review by acknowledging the incredible dedication and commitment of our farmer suppliers and employees. This past year will obviously be recognised as being one of the most challenging periods for our business and businesses and individuals globally. While Covid-19 brought many challenges during the year we are incredibly proud to have demonstrated our resilience by maintaining the smooth operation of our facilities and protecting our valued customer relationships throughout the crisis. This has only been possible through the hard work and commitment of our employees around the world who, while maintaining extremely high hygiene and safety standards to protect each of us during this health crisis, ensured that we continued to operate our facilities and meet all of our customers' expectations.

Furthermore, the ability of our farmer suppliers to continue to seamlessly supply quality and sustainably produced milk reflects the resilient nature of our farming and co-operative model in West Cork.

Weather and general farming conditions were favourable in 2020, which resulted in an overall Carbery milk supply growth of 5% over the year. Dairy prices were subdued but stable during the year, with weakness in foodservice markets offset by strong consumer retail demand as a result of Covid-19. Global milk supply continued to be stable at 1.7%. Due to market performance, the Carbery Board once again decided to fully utilise the stability fund throughout the year to supplement the milk price paid. The board declared a €10m bonus at year end in respect of milk supplied during the year. A decision was taken to defer this €10m bonus payment and allocate it to the Stability Fund.

Jason Hawkins
Chief Executive Officer

> *" The ability of our farmer suppliers to continue to seamlessly supply quality and sustainably produced milk reflects the resilient nature of our farming and co-operative model in West Cork. "*

The saga of Brexit continued throughout 2020, as political developments made predictions on the eventual outcome impossible. While Brexit will never be a positive development for Irish food producers, at least the agreement of a deal did make the transition somewhat managed and has kept markets in a relatively stable position. Our planning and preparation stood to us throughout this uncertainty and in managing the eventual outcome. Some instability continues in terms of exports between our two countries, but for now the situation is relatively stable, though we continue to manage it closely.

Despite the challenging environment in 2020 we continued to invest in the business and deliver on our strategy. In particular we accelerated the market development efforts to support our investment in a new mozzarella facility in Ballineen. Furthermore, we continued to invest in innovation and research across our Nutrition and Taste businesses. Lastly but most importantly we continued to invest in our people, who are at the very centre of our ability to enhance the performance of the business today and into the future.

Sustainability remains central to all that we do at Carbery and throughout the report you will see many examples of the progress that we have made from the farm level, through operations, into our products and across our communities.

2020 FINANCIAL RESULTS

Our strategic imperative at Carbery Group is to build a sustainable business that delivers a competitive milk price to our shareholders, based on a diversified product range which provides the best return possible.

Group turnover increased by 5.8% to €459.5m, while on a constant currency basis turnover increased by 6.4% year-on-year. Group EBITDA (Earnings before interest, tax, depreciation (net of grants), amortisation of goodwill and other intangibles and exceptional items) increased by 1% to €44.9m (2019: €44.3m). On a constant currency basis EBITDA increased by 2%.

Revenue	EBITDA	EBITA
€459.5m	€44.9m	€28.3m
^ 5.8%	^ 1%	6.2% ⌄

Group EBITA (Operating Profit before interest, tax, amortisation of goodwill and other intangibles and exceptional items) decreased to €28.3m (2019: €30.2m) reflecting a year-on-year decrease of 6.2%. On a constant currency basis EBITA decreased by 5%. The Group's net debt position at 31st December 2020 was €57.8m (2019: €47.2m).

This performance is based on the combined strength of our three Carbery platforms; Dairy, Nutrition and Taste. Our Dairy and Nutrition business divisions are led from our head office and production facility in Ballineen in West Cork, while the Taste elements of our business are delivered by Synergy, our Taste division, a leading global manufacturer and supplier of flavourings, extracts and essences with manufacturing and commercial facilities in the UK, mainland Europe, Asia and the Americas.

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> Dairy

Covid-19 overtook our priorities in 2020 such that the primary focus of our Dairy business for most of 2020 was to ensure that our operations in Ballineen would have no interruptions. As a result of Covid-19 we made the decision to delay the commissioning of the new Mozzarella production facility to later in the year, which we successfully did. The commercial teams were focused on the launch of our new 'Carbery Dairy' brand and the identification of new markets and customers for our new products. These efforts were greatly supported by the efforts of our cheese R&D team who have developed a number of high-quality products.

Our retail business in Ireland performed very well, and included the re-launch of our Carbery Cracker brand. We continued to work closely with Ornua to support the Kerrygold brand during a very successful year and we look forward to building upon our close partnership.

> Nutrition

Our Nutrition Ingredients business continues to grow and performed strongly in 2020. Selling to over 40 countries, our strategy is based on delivering advanced protein solutions to the infant, clinical and sports nutrition markets.

We continued to expand upon the product portfolio in 2020 with the launch of our Optipep 4Power product line, which is focused on athletes. Our Nutrition business is focused on continuing to develop our product range and to support this we work with numerous external research partners.

Asia continues to be a focus region also and we have a team of people in the region working with partners and customers to further develop our market reach.

> Taste

Overall our Taste business performed very well in the year, under the extremely difficult circumstances. Research and development has not paused across our Synergy business despite the challenges of lockdowns and staff onsite restrictions. We began collaborating and developing products with customers in a virtual world ensuring that customers remained supported throughout the year.

Our teams continued to be focused on executing across our key platforms of natural extracts, nutrition, beverage and dairy taste across the globe. We continue to build on our global footprint and have added to our teams to meet our new market growth targets.Our Innovation teams continue to look to the changing needs of consumers in developing taste solutions for the future.

> Our people and ways of working

The success of Carbery is built on our people. I could not be prouder of their dedication and achievements in 2020. We continue to focus on the safety and wellbeing of our employees and to make the overall experience of working across the Group a positive one.

We are committed to the development and training of our people and to creating a culture that is open and fair. To achieve further success and growth in our business, we know we need to leverage the total capabilities of our global team. To support our people and our ambitions for further connectivity and collaboration, we rolled out a number of new systems and tools in 2020 to improve communication and collaboration across the Group.

> *" The success of Carbery is built on our people. I could not be prouder of their dedication and achievements in 2020. "*

Our newly expanded plant in Ballineen

> Our farmer suppliers

The dairy industry continues to flourish and grow but has its challenges also. While consumer demand for high quality and nutritious dairy products continues to grow, this is accompanied by rising standards and expectations of transparency, sustainability and regulation from consumers and regulators. In 2020 our new mozzarella facility passed its first BRC audit. We continue to work on meeting specific quality standards for Asian consumers, and for consumers around the world. We also prepared for the implementation of the Bord Bia Grass Fed Standard, which will secure a unique position for Irish grass fed dairy products in international markets.

We at Carbery are very much committed to ensuring that the right balance is found reflecting the needs of consumers, the public and our farmers. Along with the four West Cork co-ops of Bandon, Barryroe, Drinagh and Lisavaird, we continue to focus on delivering best practices in the areas of quality, animal welfare and the environment. Our farmer suppliers have never been found wanting when it comes to delivering against these requirements and we thank you for that. In 2020 we focused on a number of on-farm initiatives such as the Glas Bio-refinery project, Farm Zero C and ASSAP.

Since the elimination of quotas in 2015 our milk volumes have grown by 56% to 596 million litres which we have processed entirely at our site in Ballineen in 2020. As we look forward to future supply growth we believe that our current capital investment will allow us to continue to support our farmer shareholders' growth through 2030, without significant additional capacity investment. The board and management of Carbery Group are wholly focused on delivering the best returns for our suppliers through the milk price and shareholder value. Carbery has been built on this purpose and we are fortunate to have a supplier base committed to the long-term success of the business.

> Corporate responsibility and sustainability

Our co-operative model, where we consider the long-term impact of everything we do, alongside the commitment of our suppliers to traditional dairying methods, has meant that our business has been operating sustainably since its establishment. In recent years, we have built on those green foundations and chosen to reflect our commitment to the future sustainability of farming by working to reduce emissions in our plant and on farm and adding value to every litre of milk produced.

We know it's essential for the future of dairy that we continue the work with our farmers to improve the carbon footprint of farming. This is why we have prioritised our Farm Zero C project this year, a project aiming to create a climate neutral dairy farm. The interest in this project from our farming community shows that, as we have always known, farmers understand the challenges of climate change, their central role in addressing it, and are ready to act. However, the solutions we offer have to be easy to apply on family farms, and not impact profitability or milk quality. We will continue to prioritise supporting sustainability on our farms in a variety of ways like the Glas Bio-refinery project, protecting our waterways through programs like ASSAP and implementing the Grass Fed Standard.

> *" It's essential for the future of dairy that we continue the work with our farmers to improve the carbon footprint of farming. "*

We were also delighted this year to achieve Origin Green Gold Member status. Origin Green has been a flagship program for the Irish food industry, and this recognition of our continued ambition to improve our sustainability targets, and ultimately to decarbonise our operations is a great endorsement of our commitment.

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> 2020 and beyond

As we move into 2021, we continue to live with Covid but are heartened by the emergence of vaccines globally. With that in mind, our primary focus continues to be on the ongoing health and wellbeing of our employees as well as our farmer suppliers. I do believe, however, that the resilience that we have shown during 2020 will make us even stronger as we look forward to 2021 and beyond. Our people and our business have been tested significantly, and our position at the end of 2020 shows we have a strong business model underpinned by our co-operative ownership and culture.

Dairy markets look to have firmed in recent months, with muted supply growth expected in the current year globally. Market demand continues to be impacted by Covid with foodservice demand muted and retail demand strong to date. We would hope that as economies re-open that this may rebalance with overall dairy demand and supply in good balance. We will continue to focus on our mozzarella customer developments in 2021.

I would like to thank all of our dedicated milk suppliers and your families for your ongoing support. Thanks to the four co-ops in Bandon, Barryroe, Drinagh and Lisavaird and all their staff for the continuing support of our business.

A special thank you to our team of people around the world who continue to be committed to the business and who make everything come together in being able to deliver our performance.

Thanks to our customers and business partners who continue to work with us to grow our respective businesses together.

Finally, a sincere thank you to the Board of Carbery, led by our Chairman TJ Sullivan, who continue to advise and support the management team. The support of the board was more important than ever in 2020.

Jason Hawkins
Chief Executive Officer

DAIRY BUSINESS

BUSINESS UPDATES

> Overall cheese business

Our dairy business throughout 2020 had a strong and resilient performance against a backdrop of volatile and rapidly shifting markets. Due to delays in construction caused by the Covid-19 related lock-down in Q2, the start-up of mozzarella production was inevitably delayed but despite this the new plant was commissioned in late 2020 with the first commercial orders sent to the UK, South Korea, China and Europe.

Cheddar demand remained strong throughout Covid and we produced 55,000T of cheese in 2020. This involved the production of more cheddar which ultimately saw significant uplift in demand due to the changes in the marketplace caused by Covid-19.

Food service was negatively affected globally due to the pandemic which has led to a decreased demand for cheese into food service settings. Countering the decline of food service, retail demand was very high throughout the pandemic, which can be seen through the increased demand for Dubliner, Mature Cheddar and Reduced Fat Cheddars. The growth of the retail sector during the pandemic globally has led to an increased demand for cheddar overall and in particular high-quality cheddars which Carbery specialises in producing.

> *" Our new mozzarella plant was commissioned in late 2020 with the first commercial orders sent to the UK, South Korea, China and Europe. "*

Brexit continued to create uncertainty across the year, with the final outcome looking relatively postive with a deal in place. The departure of the UK from the EU and the common market will add some additional costs and logistical challenges but ultimately allows us to continue developing our business in the UK.

Research, innovation and new product development continued, with multiple mozzarella recipes developed, as well as launches of some value-added cheddar recipes suitable for a number of global markets.
Our commitment to quality and high standards continued, as the new mozzarella plant passed the British Retail Consortium audit on the first inspection.

> Irish retail performance

Irish retail performance was very strong in 2020 due to Covid-19. Cheese sales to retail were up 13% on a volume basis in 2020 versus 2019. Key trends that emerged in Ireland throughout Covid-19 which also impacted consumer behaviour were shopping local and online shopping. Online grocery sales in Ireland have doubled in the past year. Sales of groceries through digital channels reached a record-breaking market share this month, accounting for 5.2% of grocery sales in January 2021 — almost doubling from 2.7% a year ago. Shoppers continue to treat themselves to high quality branded products. It has been a tough year, so it's no surprise that shoppers are looking for ways to indulge while we're all spending more time at home. Irish branded products, including ours, have benefitted from this.

Towards the end of 2020 we relaunched our Carbery Cracker brand with new packaging and a focused launch campaign, which has continued into 2021. As part of this campaign, we conducted research between May and June 2020 to get a better understanding of Irish consumer cheese consumption and behaviours and this was used to inform the positioning and advertising for the Carbery Cracker relaunch.

Some of these research outcomes were:

- Cheese is perfect for giving snackers enough fuel to keep working and is a healthier snack than biscuits or chocolate, so it is no surprise that 68% of those surveyed said they planned to use cheese for snacking.
- Irish consumers love cheese! 72% of consumers surveyed would prefer to buy Irish cheese.

We also had new launches into a leading supermarket this year including winter and Christmas season specials and the repositioning of a vintage cheddar line from an 18 month old cheddar to a 24 month old cheddar.

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> International

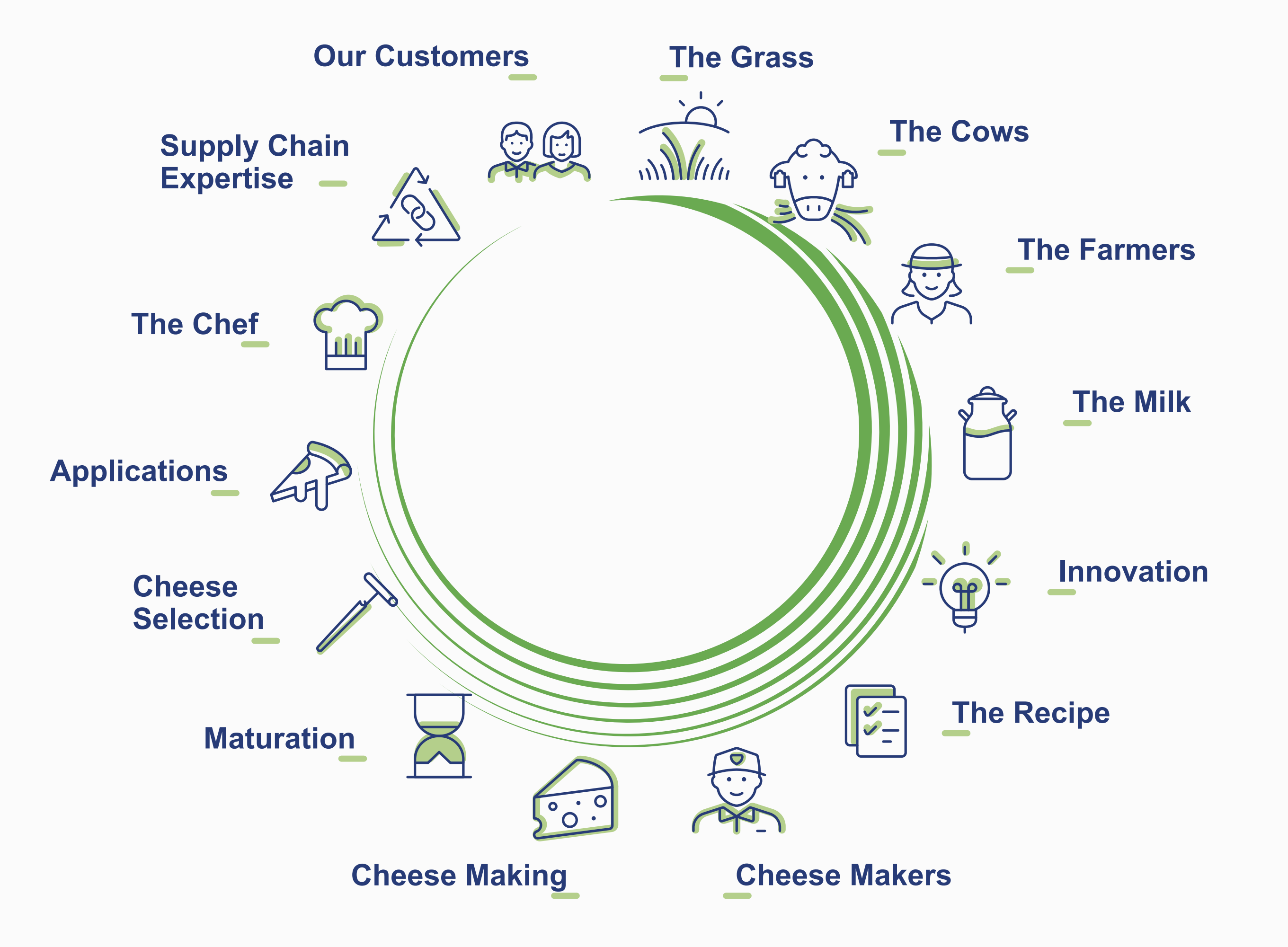
Our international business continues to grow in line with our strategic objectives and focus on this area, in particular in Asia.

In mid 2020 Carbery Dairy launched as a cheese B2B and food service brand. The launch was digital with customer webinars, digital storytelling (a Carbery Dairy video mini-series) and trade media PR. Our Italian Style Cheese launched in Indonesia and was selected for bakery application due to the excellent flavour. We also had the first sale of cheddar into the convenience store channel in Japan. The cheddar is used in a gratin ready meal product as part of the sauce. Ready meals are hugely popular and are heated up in store and eaten on the go. Other successes in the region included our first sale of cheddar to a large processed cheese brand in Japan and the first commercial shipments of our new mozzarella to China.

With in-person events being cancelled around the globe, we took part in a number of virtual events including the first virtual Bord Bia trade mission to Vietnam, Indonesia and Malaysia to continue business development in the SEA region.

Our local team in China also attended a number of events to support the launch of Carbery Dairy into Asia, including two Bord Bia events, a chef-led event with key customers in attendance showcasing our mozzarella (see picture below), and a digital event introducing Carbery. Our application specialist presented at CDIA, combining our rich knowledge in dairy, cheese and flavour.

Carbery Dairy promotion in China



The Carbery Dairy Arc — The story of Carbery Dairy is told from the fresh West Cork grass through to the end consumer

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NUTRITION BUSINESS

BUSINESS UPDATES

Our Nutrition Ingredients business continues to grow and performed strongly in 2020. Selling to over 40 countries, our strategy is based on delivering advanced protein solutions to the infant, clinical and sports nutrition markets.

Our customer partnerships are the cornerstone of our business, and in Q4 2020 we conducted a customer survey to establish the levels of satisfaction within our customer base. Despite a complete change in ways of working due to Covid-19, and the inability to have regular face to face meetings, 88% of our customers rated our customer service as excellent. We will continue to monitor satisfaction levels annually and identify key areas to expand on. The launch of our global Customer Relationship Management (CRM) tool in Q4 2020, is also an exciting step forward that will enable co-ordination of customers across the Synergy and Carbery businesses.

Asia continues to be a focus region, and we have a distribution network of personnel in place that are experts in their local nutrition markets. We are currently in the process of completing in-depth market assessments in three key markets. Our Optipep® product portfolio continues to be our principal strategic focus for China, where we have achieved wins and developed new opportunities in infant, sports and clinical nutrition markets, including a key win in China for our protein bar offering.

2020 saw the launch of Optipep 4Power, a hydrolysed whey protein that, when taken before a high-intensity workout, helps athletes produce and sustain more power compared to whey protein concentrate. The online launch included a well-attended webinar, along with a marketing and educational campaign to promote the usage of whey protein pre-exercise. The supporting scientific paper on the clinical study is due to be published in a peer reviewed journal in May 2021, and on-going promotion is planned over the next year.

> *" 88% of our customers rated our customer service as excellent. "*

Our innovation pipeline continues to evolve, with the development of ingredients that can achieve key customer requirements such as high protein levels in compact formulations, and superior heat stability in nutritional formulations. In addition to our external research programme and our market and consumer insights, we are well positioned to remain at the forefront of dairy protein innovation.

Optipep® 4Power — New clinically proven whey protein ingredient for performance nutrition.

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TASTE BUSINESS

BUSINESS UPDATES

GENERAL PERFORMANCE

Our Taste platform has performed strongly in 2020, despite the multiple challenges that the year presented. Covid-19 impacted our operations across the world, first in Thailand, then Italy, UK, the US and Brazil. We shared information and learned from colleagues across the world, as we adapted to ways of working that kept our people safe. We pivoted to digital interactions with our customers, while ensuring we continued to deliver quality and service.

We continued to enhance our operations this year, investing in systems and technologies to further how we deliver on quality, health and safety and meeting and exceeding our customers' requirements. The overall investment made across the company in new systems and technology is transforming our interactions and service levels for our customers, providing additional support in customer relations, analytics, new product development, collaboration, tracking engagement and customer satisfaction.

> *" We pivoted to digital interactions with our customers, while ensuring we continued to deliver quality and service. "*

SYNERGY EUROPE AND ASIA

Preparing for Brexit has also been a major priority for the Synergy UK team in particular who worked through all UK government recommended changes by end October 2020. Synergy leadership in the UK is actively working with industry bodies to push for government intervention and support to address logistical challenges in early 2021.

> Customer focus

Research and development haven't paused at Synergy. Projects have been able to continue thanks to the introduction of a virtual sensory lab which uses sensory software to facilitate online and remote sensory tasting panels.

Key customer development projects have continued to progress throughout the lockdown period thanks to the implementation of remote tasting workshops. In a time when face-to-face meetings, conferences and trade shows were not possible, the Synergy commercial teams across Europe and Asia needed to find new ways of connecting with customers, prospects and the wider industry. Since mid-March, the Synergy commercial, innovation and marketing teams have successfully delivered hundreds of remote presentations with samples and in-home tasting. The pipeline of customer briefs has not slowed either. Enabling customer NPD teams to work from home, project loads peaked in October which was a record month for new business won.

In recognition of an outstanding year's performance in the most challenging circumstances Synergy Flavours UK were shortlisted as a finalist in the Ingredients Manufacturing Company of the Year Category.

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SYNERGY AMERICAS

Our business in the US continued to perform strongly throughout 2020, though it was impacted, like all parts of the business, by the fallout of Covid-19. This meant finding ways to operate safely to keep supplying customers with finished products, as well as ongoing support for development projects. Like other companies globally, we continued to manage these internal challenges while working to sort through the market impacts.

Our business in Ohio particularly felt the effects of the decline in food service as many of our customers are in the hospitality space which was hit hard, but overall the business performed well under exceptional circumstances. In Brazil, the business recovered from early Covid-related weakness, to finish the year ahead of plan.

All of this was underpinned by a focus on our people, including improving employee engagement, and providing better training and personal development opportunities. 2020 was the year we all found ways to remain connected in a virtual world, and the Americas team really stepped up to the challenge. Operationally, we had our best safety year ever as measured by OSHA recordable injury rates. Though we always have more room to improve in safety, the key measures we track show our efforts are paying off in keeping our team safe.

In 2020 we prioritised developing our innovation pipeline, taking advantage of lower project loads from customers to accelerate some of our work on strategic projects. We also focused on training and support for our sales team, enhancing the tools available to the marketing team, including a new website project and improving customer insights and metrics.

Our major product campaigns in the Americas in 2020 included:

- Hops Evolution
- Flavors of the Future 2.0
- Paired 2 Perfection

We also made major accommodations to adapt to doing business with our customers virtually. These included hosting our bi-annual business meeting virtually and providing Insights sessions and Training Thursday sessions virtually.

> Thought leadership – engaging the wider industry

The Global Marketing Team collaborated to deliver 17 "TrendCast" episodes in 2020. Trendcast is a brand new series of video podcasts focusing on industry trends. It was developed as a new vehicle to bring Synergy to customers in a year where our marketing plans required some quick pivoting. Episodes focused on everything from the impact of Covid-19 on new product development to a deep dive into vanilla. The series features various members of the global marketing team discussing the latest trends from across the UK, Europe, Asia and the Americas.

Through the campaign Inspiring Flavors, Synergy US brought flavour inspiration based on the macro trends of Mindfulness, Vintage and Wanderlust to customers through the year ((#inspiringflavors on LinkedIn). Our marketing, R&D, quality and flavourists teams brought inspiration and education to members of The Hatchery, a Chicago based incubator dedicated to growing communities, through investment in food business startups.

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SUSTAINABILITY

OUR APPROACH

Our heritage and our co-operative ethos mean that we are clear on our purpose: to generate long-term value. When Carbery was founded over 50 years ago, this meant ensuring a stable and sustainable future for Irish family dairy farms. Today, we consider a wider set of stakeholders: our customers, our people, our communities and the planet we share. Sustainability has always been integrated into our core business strategy. Today, we manage this through a global Corporate Responsibility Strategy, supported by our sustainability team.

Our Corporate Responsibility Strategy is informed by the United Nations Sustainable Development Goals (SDGs) which were devised in 2015 as a blueprint to achieve a better and more sustainable future for everyone. By operating responsibly, our business makes a contribution to 8 of the 17 goals. We listen to our stakeholders and stand ready to review our approach to keep pace with change.

> *" Sustainability has always been integrated into our core business strategy. "*

In 2020, we conducted a Group-wide materiality assessment to provide us with strategic input to guide our sustainability activities. We used the SDGs and the Sustainability Accounting Standards Board (SASB) framework to identify the issues most relevant to our sector and conducted desk research and interviews to understand the views of 45 different US and Irish regulators, global peers, customers, and relevant NGOs – as well as the views of our own people. This process helped to identify the environmental, social, and governance risks and opportunities that matter most to our business and our stakeholders.

This materiality assessment highlighted the growing importance of environmental issues to both our business and stakeholders, as well as social issues such as animal welfare and sustainable supply chain management, and governance issues, such as transparency (particularly in the ingredients industry). The Group leadership were fully engaged with the output of the process and are fully committed to the next steps resulting from it. Broadly, the process confirmed that the five pillars of our existing strategy are fit for purpose. In particular, our focus on cutting carbon emissions is critical if we are to futureproof our business against the threat of climate change. One notable project to address this is our Farm Zero C project, launched in 2020, which is a comprehensive effort to find ways to decarbonise our dairy supply chain (see page 28).

The United Nations 17 SDGs

OUR STRATEGIC PRIORITIES

Our Corporate Responsibility Strategy has five pillars which allow us to channel our efforts to the places where we can make the most difference:

OUR ENVIRONMENT

OUR PEOPLE

OUR SUPPLY CHAIN

OUR COMMUNITY

OUR MARKETPLACE

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OUR SUSTAINABILITY TEAM

To support our sustainability team in achieving our corporate responsibility objectives, in 2020 we also established Green Teams across our global sites. Volunteers from different departments help bring our corporate responsibility strategy to life by running onsite initiatives and green projects as well as sharing best practice and ideas between sites.

ACCREDITATIONS

> Awards

Green Food & Beverage Producer Awards 2020 — WINNER — Best Green Ingredient Producer

Green Food & Beverage Producer Awards 2020 — WINNER — Bets Green Dairy Producer

Green Food & Beverage Producer Awards 2020 — WINNER — Overall Green Food & Beverage Producer

Green Awards 2020 Green Business & Sustainability — WINNER — Sustainability Team of the Year

> Shortlised

Sustainable Business Impact Awards 2020

> Gold Members of Origin Green

Origin Green, Bord Bia's pioneering food and drink sustainability programme for Ireland, enables the industry to set and achieve measurable sustainability targets that respect the environment and serve local communities more effectively.

In 2020, Carbery was one of just 26 companies to be awarded Gold Membership, indicating that we have demonstrated an exceptional annual performance on our sustainability targets based on the assessment of the independent verification authority.

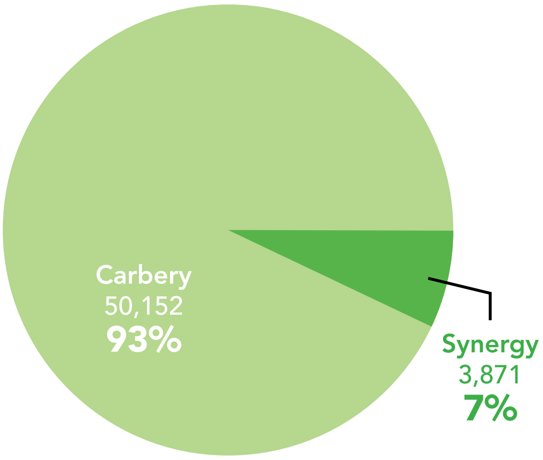
OUR ENVIRONMENT

Operating efficiently is a commercial opportunity and an environmental responsibility. We are dependent on the natural world to run our businesses – whether that's a stable supply of water or the means of generating energy – and our philosophy is to gain maximum value while causing minimal impact.

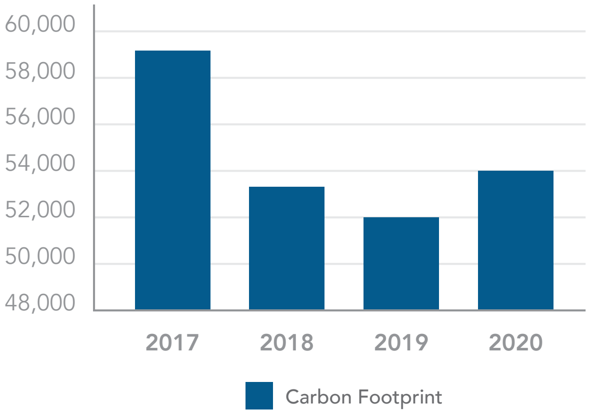
Our key environmental impacts are energy, water and waste. We closely manage our use of energy and the resultant greenhouse gas (GHG) emissions that we are responsible for; we monitor our water use and effluent discharges; and we aim to minimise the creation of waste. Through our Environmental Management System (EMS) and membership of Origin Green, we review our environmental impacts annually.

2020 Total MT of CO_2 equiv

(t CO2 e/T of production)



Carbon Fooootprint in MT of CO_2 equiv



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> Decarbonising our energy

We aim to be carbon neutral by 2035 across all of our sites through decarbonising our existing energy sources. In Ballineen, we already procure 100% renewable electricity through a green tariff and, since October 2020, this practice has been replicated at the Synergy UK facility at High Wycombe. However, the majority of our energy is provided by natural gas. We use more than we can generate from our onsite anaerobic digestor so we are now exploring other ways to decarbonise our energy radically over the next 5 to 10 years. Encouragingly, we managed to reduce our emissions intensity across the group by 4.8% between 2019 and 2020: we are making more product, but it has less embedded carbon.

In 2020 we also installed solar PV on the roof of our R&D building in Ballineen. The 11 kW system is the latest project deployed to decarbonise our energy use.

Installation of solar panels at Ballineen

UNDERSTANDING SCOPE 1, SCOPE 2 AND SCOPE 3 EMISSIONS

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the Greenhouse Gas (GHG) Protocol, the most widely-used international accounting tool:

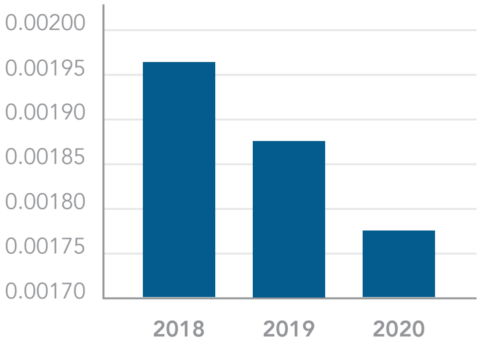
- Scope 1 covers direct emissions from owned or controlled sources.
- Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
- Scope 3 includes all other indirect emissions that occur in a company's value chain.

> Setting Science Based Targets

Carbery Group's Scope 3 emissions – emissions generated in our value chain – include emissions from our suppliers' farms, transportation and distribution, business travel, and waste disposal. During 2021, we will be conducting a comprehensive Scope 3 emissions investigation across the Group.

This knowledge will allow us to set carbon reduction targets for our Scope 1, Scope 2 and Scope 3 emissions, aligned with the latest climate science – known as Science Based Targets. Science Based Targets are greenhouse gas emissions reduction targets that are in line with the level of decarbonisation required to meet the goals of the Paris Agreement – to limit global warming to below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Production GHG intensity by year across Carbery Group



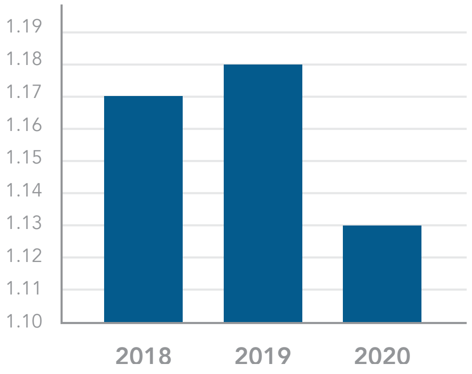
> Farm related emissions

In West Cork we are very fortunate to have a grass-based system that enables our cows to spend almost their full lactation out at pasture. This means our milk has a relatively low carbon footprint. This same system also allows for a low water footprint, typically about six litres to produce every litre of milk. Carbon Navigator data assembled and calculated by Bord Bia through the Sustainable Dairy Assurance Scheme (SDAS) shows that Carbery farmers have reduced their carbon footprint by 4.2% in 2020 compared to 2019. This is an encouraging trend and one we anticipate will continue in the coming years.

> *" Carbery farmers have reduced their carbon footprint by 4.2% in 2020 compared to 2019. "*

Numerous studies have estimated that around 90% of the embedded carbon emissions of dairy products – such as a block of cheese – originate from farm. We are working in partnership with our farmer suppliers to explore how to reduce carbon emissions from their farms through initiatives like Carbery Greener Dairy Farms™ and the 'Farm Zero C' project. Case studies about both these projects can be found in the Supply Chain section of this report on page 28.

Average Carbon Footprint of Carbery suppliers in kgCO2e/kg FPCM



CASE STUDY

Our new mozzarella plant in Ballineen

As part of our cheese diversification strategy we wanted to expand the range of cheese products that we can manufacture in Ballineen and, in 2020, completed construction of a new plant. From the beginning, minimising our environmental impact has been a key consideration of the expansion. The building is partly constructed from recycled metals and the concrete substitute, GGBS.

Minimising energy once the site became operational was crucial too: all our energy use is managed through a Control System which ensures that all our processes and lighting use only the minimum power required. This is further bolstered by our decision to install LED lighting throughout the facility, considerably reducing our energy requirements. We also maximise energy recovery from the process operations through regeneration and utilisation of heat recovery streams, while air heat recovery systems minimise the energy used to heat and cool the facility.

The new building has also helped us to increase the amount of water being recovered in our processes. We capture the water that we remove from the milk when making cheese, and this recovered water now accounts for 20% of all water used on site.

> Conserving water

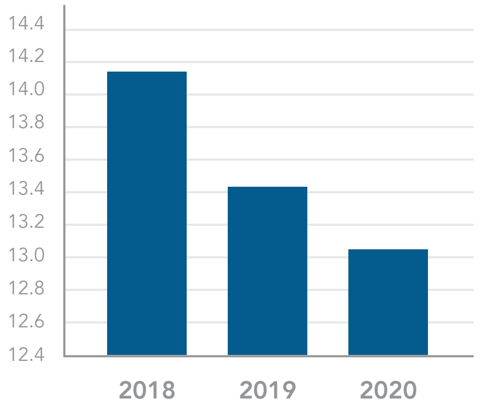
At all our manufacturing facilities around the world, conserving water is a priority. Each plant maps water usage and has plans in place to recover water where possible. In 2020, we used 1.63 million cubic meters of water – an increase of 2.5% versus 2019 – due to increased production at all facilities.

Since 2016, we have used reverse osmosis to recover and recycle the water in the whey permeate and various condensate streams at our Ballineen site, reducing water abstraction. Our facility at Hamilton Ohio developed a water reclamation project in 2020 from Reverse Osmosis (RO) technology. The new process reduces cycle time, enabling the production team to be more efficient. The estimated water conservation is 4.3 million litres a year in addition to reductions in energy, natural gas, and waste.

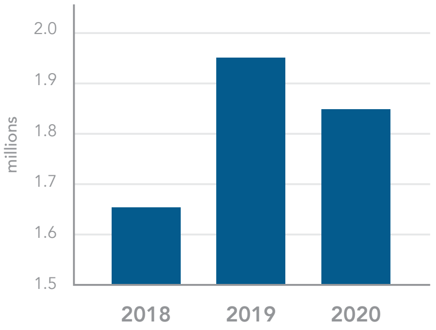
We envisage continued investment in reverse osmosis and other technologies as we continue to work to reduce our water usage. In 2020, we reduced our water use per unit of production across the Group by 2.8%. We are a considerable water user, but we also return significant volumes to the environment – more, in fact, than we draw out. This is because we remove the water from milk when we turn it into cheese or whey products at our Ballineen site.

> *A water reclamation project at our facility in Ohio using Reverse Osmosis has conserved 4.3 million litres of water*

Water Use Intensity (m^3/tonne of production) across Carbery Group



Volume of wastewater that is treated and returned to nature in m^3



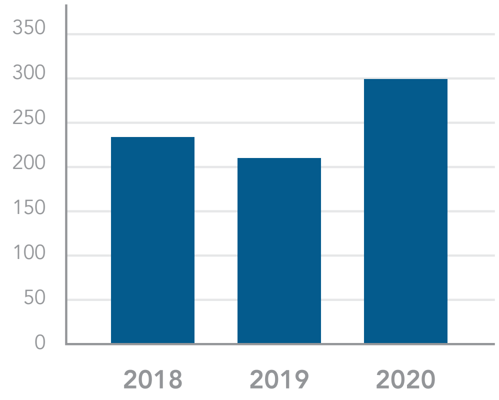
> Waste management

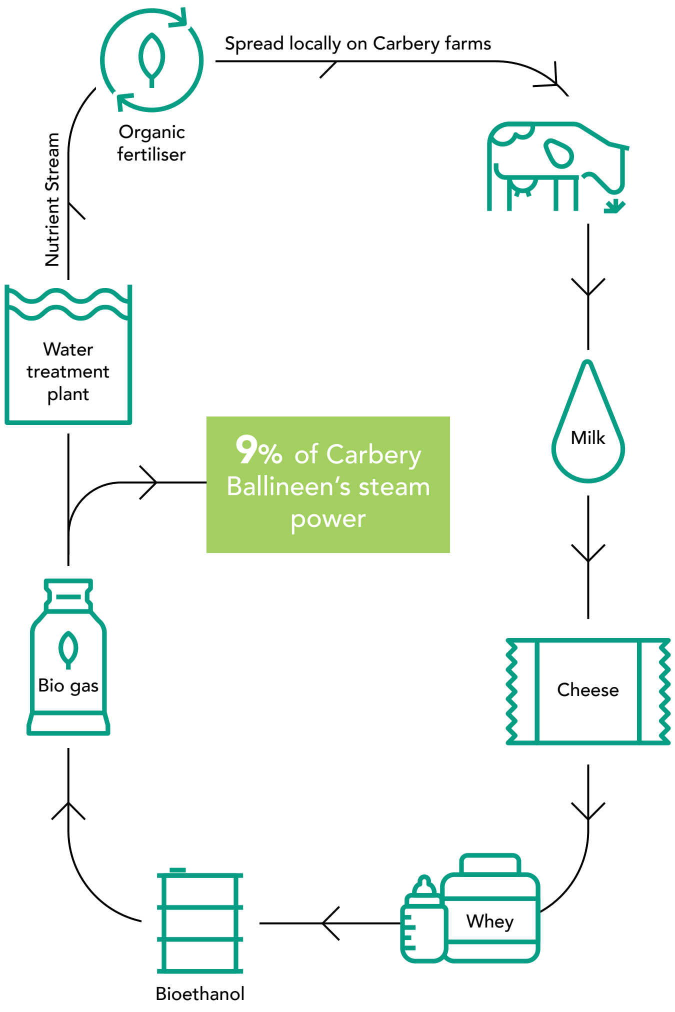
Our ambition is to be a zero-waste company across all our sites. However, 2020 was a challenging year for waste management and we sent 38% more waste to landfill than we did in 2019. This is largely due to the Cheese Diversification Project (CDP) at Ballineen, an expansion project which introduced nine different new zones across the site and, with it, significant infrastructural changes. Some of these changes rendered older equipment obsolete and disposing of these items had a sizable impact on our waste footprint. Wherever possible, this waste was sent for resource recovery but a significant portion was unsuitable for recovery and had to be sent to landfill. Other factors contributing to the rise include more accurate reporting of waste to landfill at Synergy sites.

We expect to get back on track in 2021 as we roll out a series of waste reduction initiatives throughout the year. This includes a waste reduction & segregation project in Ballineen and improved segregation and collection facilities across the Group.

Although waste arising increased significantly in 2020, we are pleased to report that recycling and recovery also increased by a third across the Group. This is due to old plant from the CDP project being recycled, where possible, and increased segregation of waste across all global sites.

Waste to landfill across Carbery sites in Metric Tonnes





> Promoting the circular economy

We look for opportunities to embrace the circular economy by finding uses for the co-products generated at our sites.

In 2020, we more than doubled the amount of organic fertiliser produced from waste coffee beans at our Hamilton facility in Ohio, USA. Combined with the nutrient rich organic fertiliser produced at Ballineen, we generated almost 20,000 tonnes of organic fertiliser last year, providing farmers with a natural alternative to synthetic fertilisers, and offsetting significant carbon emissions as a consequence.

> Promoting biodiversity and sustainability

We marked World Biodiversity Day on 22 May at our Carbery headquarters by sharing information on how to enhance biodiversity at home and handing out bee friendly plants for our people to take home and plant in their gardens.

We also marked World Sustainability Day across all our sites globally with videos, team talks, giveaways for the best sustainability suggestions, and the establishment of our Green Teams.

World Biodiversity Day at Ballineen

OUR PEOPLE

We believe that Carbery Group should be a great place to work and aim to be a best-in-class employer for our diverse, multi-cultural, multi-generational workforce. Almost 800 people work for Carbery Group in our ten sites around the world and, as we grow, we want them to grow their careers right alongside us, and to feel excited about the opportunities we can offer them.

During 2020, the safety of our people has been our paramount concern. We have embraced new ways of working and new technologies that have allowed people working from home to remain productive. Above all, we have worked hard to maintain morale and keep teams working well together in spite of the enormous stress caused by the global Covid-19 pandemic. Despite all the uncertainty and challenges, our people continue to achieve great results.

> Keeping our people safe

As Covid-19 made its way around the planet, we took quick action to protect our people and our business.

Where possible, our people were asked to work from home. For those whose jobs can only be done on site, we organised people into 'bubbles' to mitigate against outbreaks, and implemented social distancing practices.

We concentrated on business continuity, making it safe for essential staff to get back on site. We did this with extremely strict protocols to protect everyone's physical and psychological safety, such as protective equipment, distancing policies and automated access solutions.

Overnight, we had to move our non-production employees to work from home and our communications became 100% digital. We saw no decrease in collaboration and productivity during this time - in fact, we saw increased collaboration as everyone tried to help during these uncertain times.

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Colleagues at Synergy US showing that we can remain social while keeping our distance

> Adapting to new ways of working

When it comes to keeping people safe, we knew that adapting our behaviours was as important as updating our protocols. As well as introducing new signage at our sites to act as constant reminders of safe behaviours, we also delivered awareness sessions to all employees.

We were able to take full advantage of the new IT systems that we had introduced in 2020. Through Office 365 and Workvivo we have improved the way we communicate with our people, and helped to make it easier for them to connect with each other too. It became apparent that we also needed to focus not just on physical wellbeing but mental wellbeing. We introduced new virtual programmes in every location to support our teams and their families thoughout this period.

> Developing talent

Despite the challenges posed by Covid-19, we continue to look to the future. We remain committed to developing talent across our business and to keeping the pipeline primed through our graduate recruitment programme.

During 2020, across the globe we began reviewing our succession planning process to identify and develop our future leaders and technical experts – a process that will continue into 2021. We identified a need to support our front-line managers with their people management skills, and worked with an external provider to develop a new online course.

> Welcoming new talent

We want to attract the brightest, most innovative and creative young minds to our business and have invested in our Graduate Programme. We aim to offer a stimulating blend of training, development and experience for the participants, helping to build competencies, develop thinking and enhance future leadership potential – all while growing an international network of friends and colleagues.

Each graduate placement lasts two years and the roles they take up are real, meaning that they begin contributing to the organisation immediately.

From September 2020, we were pleased to welcome graduates into our global programme at several sites. Although our recruitment campaign was largely delivered virtually, we received our highest ever number of applications.

> *" Although our graduate campaign was largely delivered virtually, we received a record number of applications. "*

> Celebrating success

We want our people to feel proud of working for Carbery or Synergy, and to know that their contribution is valued. We encourage and reward loyalty through Long Service Awards, given at intervals of 10, 15, 20, 25, 30 and even 40 years. We also have recognition programmes that acknowledge the contribution of colleagues who demonstrate impactful behaviours, contributions or improvements which enhance the business.

CASE STUDY

Honouring our past: supporting retiring staff

At Carbery, it is not unusual for us to have employees who have worked for us for 30 or 40 years. In 2020, we delivered a two-day workshop to help 20 members of the team at Ballineen who are preparing for their retirement. This was the first time we have offered support like this but, with so many people shortly planning to retire from our production, maintenance, and quality teams, we wanted to make sure they had the skills they needed to enjoy an active retirement. The workshop covered financial planning and budgeting, health and nutrition, and lifestyle changes.

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OUR SUPPLY CHAIN

Beara Peninsula, West Cork

We have mapped Carbery Group's direct carbon footprint from our production and taken significant steps to reduce it. We will continue to work to improve this, and we are expanding our focus to tackle on farm emissions. We know that over 90% of the carbon emissions associated with our dairy products occur at the farm level. We are working in partnership with our farmer suppliers to explore positive ways to make dairy farming more environmentally sustainable.

Through our work on the Farm Zero C project (see case study), we aim to demonstrate that a carbon-neutral dairy farm is possible. Meanwhile, we continue to grow our Carbery Greener Dairy Farms™ programme which provides support to help our farmer suppliers to reduce energy use and carbon emissions.

In addition to cutting carbon emissions, we are also supporting our suppliers to protect and enhance the biodiversity on their land, reduce on-farm risks to water courses and support animal health and welfare.

> Carbery Greener Dairy Farms

Launched in 2012, the objective of this programme is to introduce efficiencies and improve environmental sustainability on all participating farms. We now have 60 farms participating in the programme and, although the pandemic prevented us from hosting our usual meetings in 2020, we held a number of virtual sessions to provide updates and invite discussion. There are currently 16 farmers completing their Diploma in Environment, Sustainability and Climate Change from University College Cork.

> *" We now have 60 farms participating in the Carbery Greener Dairy Farms programme. "*

> GLAS Biorefinery

Carbery was one of five participants in 'Biorefinery Glas', the initiative which tested a small-scale grass bio-refinery on five Carbery farms in West Cork. The biorefinery – Ireland's first – converts freshly harvested grass into a range of products, including cattle feed fibre and grass whey for fertiliser or bioenergy. The high-protein grass feed helps to lower the carbon emissions from dairy farming as it can replace imported soybean feed. In January 2020, a team from Carbery was invited to visit Lyons Farm to witness the feed trials and the results of the overall project suggest there is a place for grass biorefining in West Cork and Ireland.

> Supporting biodiversity

Maintaining and enhancing biodiversity provides benefits to farmers, as well as the natural world. We marked the international day for biological diversity on May 22nd with a special item in our co-op newsletters with advice on nine things farmers can do to improve biodiversity on their land, such as planting and maintaining native trees and hedgerows and managing wetlands and field margins effectively.

> Farming for water quality

Carbery is a founding member of Ireland's national Dairy Sustainability Initiative (DSI), which created the Agricultural Sustainability Support and Advisory Programme (ASSAP). ASSAP offer a free advisory service to farmers which aims to improve Ireland's water quality. The focus of the programme is to break the pathway from pollution source to water course and, in farms with free-draining soils, to improve nutrient use and minimise nitrogen and phosphate leaching.

Carbery's dairy sustainability advisor supports our farmer suppliers to manage issues related to water quality, management and conservation. Although Covid-19 impacted physical farm visits in the first half of the year, we were able to carry out farm assessments throughout the second half of the year. To date, we have worked with over 70 farmers in priority areas for action (PAAs). Together with Teagasc, we hosted a well-received online stream-side event to connect with farmers in PAA's.

> Animal health and welfare

We continue to support Animal Health Ireland (AHI) and our farmer suppliers work closely with them to ensure the effective control of potential disease on farm.

We support the AHI's Johne's Control Programme which aims to support farmers in the eradication of Johnes disease on farm. We are a key contributor to the implementation group. We also coordinate the AHI's national CellCheck programme which seeks to ensure top quality milk while also ensuring good animal health and less requirements for antibiotics. Carbery farmer suppliers are ahead of the national curve in this important area and, in summer 2020, we produced a video to introduce a series from AHI focusing on the drying off period.

> Supporting our farmer suppliers

Sustainable farming is so often focused on the environmental aspects, but the social side is just as important. At Carbery, we want to help reduce stress on farms, raise awareness about mental health, and support behaviours that aid physical safety.

In January 2020, we held a Farmer Conference in West Cork in conjunction with Teagasc to help prepare the attending farmers for the busy spring calving season ahead. They were given up-to-date insights into topics such as lean farming, nutrition, farm safety, and overall health and wellness.

CARBERY

Carbery 2020 - Farmer Ready
Tuesday 7th January - 7.00pm
Fernhill House Hotel, Clonakilty, Co. Cork

7.15pm Welcome Address
7.30pm Transforming your Health
Ivor Cummins - Irish Heart Disease Awareness
7.50pm Efficient Farming -The Lean Process
Marion Beecher - Teagasc
8.10pm Staying Active
Cork Sports Partnership
8.30pm Farm Safety
Tomás Allen, West Cork Rapid Response
8.50pm Positive Farming
Declan Coyle - Motivational Speaker
9.10pm Panel Discussion

The Farmer Conference in Fernhill, Clonakilty in January 2020

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CARBERY
MILK QUALITY & SUSTAINABILITY AWARDS

Name: Tadhg Hurley
Location: Barleyfield, Kilbrittain
Farming: 90 Acres
Herd Size: 74 Cows
Milk: 460kg of milk solids per cow

Tadhg Hurley, farming in Barleyfield, Kilbrittain, was the overall winner of the 16th Carbery Milk Quality and Sustainability Awards. Tadhg is a member of Barryroe Co-op.

With this year's Awards taking place virtually, the 16 nominated farmers and their families tuned in for an online event, broadcast by a small Carbery team from Virtual Event Studios in Cork.

Tadhg is farming on land that his grandfather, Daniel, bought in 1936 and his father Finbarr still milks with him. Tadhg's family also includes his wife, Helena and their sons TJ (4) and Charlie (1). On 90 acres, he has a herd of 74 cows, producing an average of 460kg milk solids per cow.

Tadhg feels that enjoying farming is about balance.

> *'Springtime is busy and you might work around the clock but then in Autumn you might have more time — it balances out. The key is to take your break and slow down when you can.'*

Milk Quality Award winner, Tadhg Hurley with his family, receiving the award.

> *These Awards and nominees are about celebrating the best of farming, and of what dairy farming can be. The Awards highlight that farmers are progressive and adaptable, that they prioritise quality and food safety, that they think about the future and their impact on it. They also highlight that Irish farms are family farms, a team effort, supported by and supporting their local communities. Family farms keep the lights on, and especially this year, in our rural schools, villages and businesses.*
>
> TJ Sullivan — *Carbery Chairman*

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Farm Zero C: Farming for a Sustainable Future

A third of Ireland's greenhouse gas emissions currently come from the Agriculture sector. We therefore recognise an urgent need to create a blueprint for a zero emissions farm, to ensure a secure future for our farmer suppliers.

We are spearheading a project to investigate the feasibility of creating a climate neutral dairy farm. The project – called Farm Zero C – brings together a group of academic and industry experts in a world-first attempt to come up with a farm-level solution for a global problem. The interdisciplinary programme of work is targeting soil and grassland; animal diet and breeding; biodiversity; life cycle analysis; and renewable energy. It is also considering business models and planning to ensure all proposed interventions are commercially viable, and looking at the potential for carbon trading to be integrated within a low emission farm model.

Shinagh Farm, owned by the four West Cork co-ops, is the site of the project. The farm is an intensive, highly stocked commercial farm which will allow the project team to prove that a new sustainable business model for farming is possible: if it can be done at Shinagh, it can be widely applied anywhere. The changes will be implemented on the farm and evaluated and compared with benchmark data to evaluate the impact each step can make in reducing emissions.

The project has already secured €200,000 seed funding from the Science Foundation Ireland Zero Emissions Challenge which seeks to support disruptive solutions that accelerate progress towards net-zero greenhouse gas emissions in Ireland by 2050. We are now competing for additional funding of up to €3m.

Enda Buckley, our Director of Sustainability, who is spearheading Carbery's efforts on the project, said: "One of the first things we did, in May 2020, was to plant multi species swards to gather evidence that grassland and better soil management can help absorb carbon. Other activities that happened in Shinagh throughout 2020 included extensive habitat mapping of the farm, and soil carbon levels have been measured throughout the farm.

"We've been blown away by the interest and enthusiasm in Farm Zero C – from dairy farmers, to all the scientists we've approached, and now wide interest from overseas partners. I'm excited to be part of a project that is showing that net zero emissions farming can help to make agriculture more environmentally, economically and socially sustainable."

Ecologist Cian White mapping the biodiversity of Shinagh

Farm Zero C is a collaboration between industry, academia and farmers.

> Recognising excellence

In 2020, we held our 16th Carbery **Milk Quality and Sustainability Awards**. This event recognises the achievements of our farmer suppliers, and the importance of maintaining high standards: they celebrate the best of farming, and demonstrate that farmers are progressive and adaptable. Four farmers – one from each co-op – were awarded a Sustainability Award:

Bandon co-op

John & Annette O'Donoghue, *Peafield, Ballinadee.*
John and Annette's sustainable approach to farming means grass measuring, keeping the farm stocked at the right level, and keeping trees and natural features where possible. John's father Paddy planted 4–5 acres of trees and built a pier on the farm which is regularly visited by seabirds and seals.

"I find grass measuring very good. Information is key to successful farming"

Barryroe CO-OPERATIVE LIMITED

Eoin Hayes, *Lispatrick, Oldhead of Kinsale*
The grass quality on Eoin's farm is excellent: he reseeded it a decade ago, and again in 2020 using a clover mix to reduce fertiliser use. He aims to get his cows grazing it from February to November.

"Sustainability makes business sense for me and it's a good fit for our farm. If we all do our bit, we'll hit our carbon targets."

Drinagh

Tim O'Mahony, *Cooladreen, Leap*
Tim is committed to improving yield from the cows he has, rather than increasing his herd. He has experimented with protected urea, is committed to reducing slurry spreading, and has planted trees and hedgerows over the years.

"Farmers are willing to try things, but they have to see it work first. Everything is an investment, so we need to be sure we're investing in the right things."

LISAVAIRD CO OP

Caroline Walsh, *Crohane, Ballinascarthy*
Animal welfare is an absolute priority for Caroline, with no effort too much to make the cows and calves comfortable. Caroline places great value on collecting information, especially breeding, milk recording, soil sampling and grass measuring. The farm also has a tank for harvesting rainwater.

"The cows — the dollybirds! — are the most important thing for me, I was reared with a respect for animals and this is what I want to pass on to my children."

OUR COMMUNITY

Aligns with SDG;

17 PARTNERSHIPS FOR THE GOALS

We strive to be a good neighbour. As well as boosting the local economy by creating employment and purchasing goods and services from local suppliers, we seek to improve the quality of life for people in our communities through philanthropy. We support a number of educational and community groups such as charities, schools and sporting organisations, gifting money, time, and products.

During 2020, we also looked for opportunities to support frontline workers battling the Covid-19 pandemic, as well as helping the hardest hit families.

> Supporting frontline workers

The Covid-19 pandemic put hospitals everywhere under pressure. We donated money and food to support frontline workers and bolster morale in our local hospitals.

Feed Our Heroes, Ireland

Carbery donated to a campaign which supported frontline healthcare workers by providing them with takeaway meals.

Umphang Hospital Foundation, Tak province, Thailand

The Synergy team in Asia supported its local hospital with funding to help it meet the increased demand for care.

Community Hospitals, West Cork, Ireland

Carbery donated food hampers, facemasks and PPE to the eight community hospitals near its head office, to let the staff know that the community was grateful for everything they were doing to support people during the pandemic.

CASE STUDY

Synergy Americas: supporting our neighbours

The Synergy team found numerous ways to support our neighbours when the pandemic hit. We distributed hand sanitiser and N95 face masks to local fire departments, hospitals, and nursing homes in both Wauconda and Brazil. We gave grinders and coffee beans to first responders in Hamilton and to the non-profit group MOMS, and provided PPE to Envision Partnerships, which helps people dealing with addiction and high-risk behaviours.

We also participated in The Great American Takeout by sponsoring lunches for frontline employees, provided by local restaurants. So, as well as nourishing the pandemic's heroes, we also helped to sustain food businesses that were affected by lockdown restraints

> Helping people facing hardship

The global pandemic caused hardship for so many families. As a food business, we were able to offer our products to people in our communities who needed them. We have also donated to numerous charities that aim to tackle hunger.

One Can Trust, Buckinghamshire, UK

Synergy UK donated money and essential food items to this food bank, which distributed them to families in need across the region in the run up to Christmas.

Greggs Breakfast Club, Buckinghamshire, UK

Synergy UK continues to fund a Greggs Breakfast Club at Beechview Academy, a primary school in a deprived area near its head office. The Club provides a free breakfast to 90 schoolchildren every day, ensuring they have the energy to learn. During lockdown, the school continued to feed the children of keyworkers, as well as making up breakfast parcels for vulnerable children at home.

FoodCloud

Foodcloud, Dublin, Ireland

This Irish social enterprise aims to reduce food waste by redistributing surplus food to charities and community groups. Carbery selected it as its charity partner for 2020, making both a financial donation to support investment in vital services, and a cheese donation.

Angel Tree, Ohio and Wauconda, USA

Our team in Hamilton, Ohio, provided children with Christmas presents by supporting the Salvation Army Angel Tree gift drive.

The Angel Tree in Hamilton, Synergy US

Wauconda Island Food Pantry

We provide donations and support to this food bank through our Wauconda Strong programme. In addition to our corporate donation, we also match any donations made by our employees.

ONGOING SUPPORT FOR OUR PHILANTHROPIC PARTNERS

Wherever in the world they work, our people are eager to make a difference by supporting worthwhile causes. Year after year, we raise and donate money and products, or give our time, to help support people in our local communities.

> Wearing jumpers for good causes!

The Carbery team in Cork raised vital funds in 2020 for three national charities by hosting a Jersey Day and supporting the Simon Community's Christmas Jumper appeal. On Jersey Day, employees wore their county colours or favourite sporting jersey to raise funds for Pieta House and Alone.

Christmas Jumper Day in Ballineen

> Preparing young people for the world of work

Since 2006 we have supported Mary Immaculate Community College in Dunmanway, near our Ballineen site, helping students to think about their career options. In 2020, these events were held virtually instead of in person. Several Carbery staff members shared information about working in food manufacturing through 'Day in the Life' briefings. We also helped to prepare young people for their first job search by helping them to prepare a CV and holding mock interviews.

> Helping food businesses thrive

In Chicago USA, we support The Hatchery, a non-profit organisation which enables local entrepreneurs to build and grow successful food and beverage businesses and provides job training and placement programmes, which in turn create sustainable economic growth and new job opportunities. In 2020, we co-sponsored a community event, providing food, treats and craft activities for local families.

> Keeping our neighbourhood clean

Since 2018, Synergy Flavours has worked with the local community on the upkeep of Garland Road, a highway near our facility in Wauconda. This is part of the nationwide Adopt-A-Highway scheme. During 2020, our people joined three clean-up events, removing litter and debris from the roadside to keep the area beautiful.

Synergy US donation to front line workers

> Sharing the funds raised by the 2019 Skibbereen Charity Adventure Race

Carbery sponsors the Skibbereen Charity Adventure Race (SCAR) which raises money for various local charity groups. The 2020 race was cancelled due to the pandemic but, before it hit, we invited three charities to our site to receive the donations raised in 2019, totalling €11,000.

The donation helped Jack & Friends Centre for Autism to run their annual programme of events; Foodcloud purchased a floor washer to be used across its three hubs; and Dunmanway Community Hospital used the funds to furnish a new day room. Additional donations were made to Marymount Hospice and the CUH Children's A&E Unit.

Although we were not able to sponsor a race in 2020, we did donate cheese for hampers that the SCAR committee produced at Christmas for elderly members of the community in Skibbereen that receive meals on wheels.

> Supporting vanilla growers and processors in Madagascar

Vanilla is a key ingredient for Synergy Flavours, and we have taken steps to procure vanilla beans through sustainable sources that prioritize the well-being and livelihood of vanilla farmers and their families. We work only with suppliers that use traditional curing methods which promote environmental and economic benefits in the community.

We source our vanilla from Madagascar which is one of the world's poorest and most under-developed countries. Over the past five years, we have worked in partnership with the Madagascar Development Fund (MDF) to drive transformative change through education and, in 2020, announced the completion of a new primary school in Antanapizina, in addition to the eight schools we have previously funded.

We have also expanded the scope of our partnership with MDF to include clean water accessibility as an area of focus: our first joint initiative was the construction of a new well in Ambolomadinika, and we plan to install a safe, clean water system near the new school in Antanapizina in the year ahead.

> Supporting medical research

Synergy Italy diverted the budget that was set aside for corporate gifts at Christmas, instead giving it to IRCCS Burlo Garofolo hospital in Trieste, Italy. This highly specialised hospital supports scientific research in paediatric medicine and women's health. Our donation was used for scientific research by the hospital.

> *" In 2020, funding from Synergy saw the completion of the ninth primary school we have funded in partnership with the Madagascar Development Fund . "*

Madagascan school children at the opening of a new school funded by Synergy Americas.

OUR MARKETPLACE

We know that consumers are paying more attention to their physical and mental wellbeing, and are increasingly open to making changes to their diet and lifestyle. We also know they want products that are guilt-free – both ethically and nutritionally. Meeting this need is a key driver of our business: whether cheese, whey protein or flavours, our portfolio is evolving to meet the desire for healthy, sustainable and delicious products.

> Dairy: A delicious and nutritious whole food

Ireland has one of the best grass-fed dairy systems in the world. Studies show that grazing on such rich pastureland produces milk of the highest quality which contains increased levels of conjugated linoleic acid (CLA), omega-6 and omega-3 fatty acids, and vitamins B2, B7 and E.

We use this milk to produce cheese – one of the most natural and wholesome foods available. Cheese is a great source of calcium, fat, and protein and contains high amounts of vitamins A and B12, along with zinc, phosphorus, and riboflavin.

Two-thirds of consumers say that they have become more conscious about their overall health and wellness as a result of the Covid-19 pandemic (FMCG Gurus, 2020). Although cheese sales through foodservice channels declined in 2020, the amount of cheese purchased through retail channels increased, demonstrating the nutritional importance of dairy diets across the globe.

CASE STUDY

New cheese products and initiatives

Our €78m expansion project in Ballineen has allowed us to expand our range of cheeses. We continue to expand and promote our reduced fat cheese products under the new name Cheese Extra. This is targeted at ingredients and food service markets and aims to demonstrate the nutritional benefits of this range – lower fat, with more protein and calcium – as well as their superb functionality in bakery and ready meals. As more and more food manufacturers are coming under pressure to meet specific nutritional targets, our Cheese Extra range offers clear benefits both nutritionally and functionally.

Eating habits have changed with the demands of modern society: instead of only eating at set mealtimes, we have become snackers. Research tells us that Irish people love to snack, with more than half of Irish consumers surveyed saying they snack two to three times a day, and over two-thirds saying they planned to snack on cheese. Cheese is perfect for giving snackers enough fuel to keep working and is healthier than biscuits or chocolate. Carbery Cracker cheese aims to satisfy that need. And, in 2020, we redesigned our packaging to make that clearer.

> Whey: a complete, high-quality protein

Whey is one of the best dietary sources of protein available: it is easy to digest and contains all the essential amino acids. This complete, high-quality protein is also a source of many other nutrients which strengthen and support human health.

Our whey protein portfolio uses the latest dairy protein science and technology to develop innovative nutritional ingredients for the sports, clinical and infant nutrition sectors.

CASE STUDY

Improving nutrition ingredients and taste

Whey protein hydrolysates deliver all the benefits of whey protein but are more rapidly absorbed and easily digested; with increased amino acid availability to support the growth and maintenance of muscle mass. Whey protein has also shown positive nutritional benefits in specific conditions and need states, such as protein malnutrition, critical care, gastrointestinal disorders, sarcopenia and glycaemic management.

In the past, RTD manufacturers had to mainly rely on casein-based ingredients, or compromise on the protein level to avoid taste issues. Optipep RTD is a significant breakthrough, allowing manufacturers to offer whey protein in a neutral pH ready-to-drink beverage that tastes great.

Optipep® RTD was developed specifically for the clinical nutrition market and delivers over 10% protein per serving in compact complete nutrition product, this equates to 12.5g of high-quality whey protein per 125ml serving. Patient compliance is a major focus for both health care practitioners and clinical nutrition manufacturers and our latest development delivers on both taste and nutrition requirements, rating highly in an external sensory panel. Additionally our specialised Synergy flavour and dairy enhancer ranges are effective in masking the undesirable vitamin and mineral off-notes that many products contain, allowing us to market an extensive taste and nutrition offering to our customers.

Flavours: Delivering great tasting nutrition

At Synergy, we are fully committed to improving consumers' dietary health by using our flavour technology and our unique dairy expertise to support reformulation of lower calorie and nutritionally balanced products.

CASE STUDY

Ice cream: Cutting the cream, not the creaminess

Our versatile dairy flavour portfolio can help manufacturers to deliver a richer dairy experience across a broad spectrum of market applications. In Italy we have been working with industrial and artisan ice cream manufacturers to enhance the creaminess of their recipes using our range of dairy indulgence flavours. Our dairy flavours are helping to boost taste and texture which is allowing manufacturers to reduce fat content, without impacting flavour for customers, and manage recipe costs. We do this both through a powdered ice-cream mix that is used in gelaterias across the globe, and via ready to eat ice-cream, produced for wholesale.

Synergy Italy ice-cream flavours promotional campaign

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REPORT OF THE COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL ACTIVITIES

Carbery Creameries Limited and Subsidiaries ("the Group") is a leader in the development, manufacture and supply of cheeses, dairy and nutritional ingredients and flavours.

The Group operates across many global geographies with facilities comprising manufacturing and commercial capabilities in Ireland, the UK, the USA, South America, China, Europe and South East Asia.

Synergy, the Group's international flavours and taste business, continues to grow both organically and acquisitively from its European and Asian headquartered base in High Wycombe, Berkshire (UK) and from its Americas headquartered base near Chicago, Illinois (USA).

REVIEW OF THE BUSINESS

> Results and dividends

Group turnover increased by 5.8% in 2020 to € 459.5m (2019: €434.1m). On a constant currency basis turnover increased by 6.4%. Group EBITA (operating profit before interest, exceptional costs, amortisation of goodwill and other intangibles, share of profit/losses in joint ventures and tax) decreased by 6.2% to €28.3m (2019: €30.2m). On a constant currency basis EBITA decreased by 5%. Profit before taxation on ordinary activities (excluding exceptional and once off items) in the financial year amounted to €22.9m compared with a profit of €23m in the year ended 31 December 2019.

After debiting taxation of €5.8m (2019: debiting €5.6m) and paying dividends to minority interests of €0.1m (2019: €0.5m) a profit of €16.9m has been transferred to reserves (2019: €16.9m).

Group net debt increased to €57.8m at 31 December 2020 (2019: €47.2m). Group debt is presently funded by bank term debt and revolving credit facility borrowings with repayments of between one and twelve year duration.

DIVIDENDS

The committee does not propose to pay a dividend. Free cash flow for the Group increased in 2020 by €1.5m to (€9.3m) (2019:€(10.8)m) (non-GAAP).

> Results for the year

Details of the results for the year are set out in the Consolidated Income Statement on page 47 and in the related notes forming part of the financial statements.

> Capital structure

The Group finances its operations principally through cash generation, working capital facilities and bank debt. During 2012 and 2013 the Group broadened its capital structure with the issuance of equity in one of its subsidiary companies to its existing 'A' shareholders. This resulted in a cumulative amount of €9m of equity being subscribed for by the existing 'A' shareholders. During 2019 €7m of this equity was redeemed with the balance of €2m being redeemed during 2020.

> Share capital

Details of the share capital are shown in note 19 of the financial statements.

The share capital is divided into 'A' and 'B' ordinary shares, the respective rights of which are detailed in note 19. During the year ended 31 December 2020, 162,421 'B' ordinary shares were issued, 5,892 'B' ordinary shares were converted from processing notes, 1,278 'B' ordinary shares were converted to processing notes and 201,293 'B' ordinary shares were repurchased by the Society under the terms of "The Milk Supply Share Scheme".

> Milk Supply Share Scheme

The Milk Supply Share Scheme was launched for the milk suppliers of the Group's parent society 'A' shareholders during 2012.

The purpose of the milk supply share scheme was to ensure that Carbery was well positioned to efficiently manage the growth in milk supply volumes subsequent to the removal of milk quota limits which occurred on 1 April 2015. In addition the scheme is designed to enable milk suppliers share in the future growth of Carbery by the provision of an exit mechanism for suppliers retiring from milk supply in the future.

Since 1 April 2015 milk suppliers are now obliged to have a minimum shareholding of 16 'B' shares per 1,000 litres of pre April 2015 permanent milk quota (Existing Milk) and a minimum shareholding of 25 'B' shares per 1,000 litres of extra milk (New Milk).

Following a review of the Scheme in 2016 the board decided to decouple the entry price for New Milk from the 'B' share price with effect from 1 January 2017. As a result suppliers now have a choice of purchasing 25 Processing Notes or 25 'B' shares per 1,000 litres of New Milk. Alternatively suppliers may purchase any combination of 'B' shares and Processing Notes provided that the combined number amounts to 25 per 1,000 litres of New Milk. Each year there is an annual supply trading window for suppliers to purchase shares in respect of New Milk supplied in the preceding calendar year and a general trading window where suppliers may, if eligible, sell 'B' shares in Carbery.

OTHER COMMITTEES

The board has established committees to help it discharge its responsibilities in compliance with appropriate corporate governance standards. Two such committees established by the board are the Audit Committee and the Remuneration Committee.

These committees have specified terms of reference outlining their respective roles and the delegated authority of the board.

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> Audit Committee

The Audit Committee is chaired by Mr. Cormac O'Keeffe and its other members include, Mr. Peadar Murphy, Mr Seamus Daly and Mr. Dermot O'Leary. All members of the Committee are determined by the board to be independent non-executive directors. The Audit Committee met five times during the 2020 financial year. Under its terms of reference, the Audit Committee monitors the integrity of the Group's financial statements, the independence of the external auditor, internal audit and risk management functions. The Committee is also responsible for monitoring the effectiveness of the external audit process and making recommendations to the board in relation to the appointment, reappointment and remuneration of the external auditor. As appropriate, the Audit Committee is supported by expert independent professional advice on industry best practice.

> Remuneration Committee

The Remuneration Committee is chaired by Mr. TJ Sullivan and its other members include Mr. Dermot O'Leary, Mr. Cormac O'Keeffe, Mr. Peter Fleming and Mr. Jerome O'Mahony all of whom are determined by the board to be independent non-executive directors. In delivering its responsibilities regarding remuneration policy for the Carbery Group, the Remuneration Committee applies robust governance standards to its decisions.

As appropriate, it is supported by expert independent professional advice on industry best practice, including benchmarking and other remuneration matters within its remit. The principal responsibilities of the Remuneration Committee are to establish and maintain a remuneration policy for the Group and to approve the remuneration arrangements for certain senior executives, including the Chief Executive. The Committee is also responsible for the remuneration policy in regard to the Group's international senior executives, including those working with Synergy in global markets.

A key objective of the Group remuneration policy is to attract, retain and incentivise senior executives to grow shareholder value for the long term benefit of Carbery's shareholders. In this regard, the Committee is responsible for approving the terms of the Synergy Long Term Incentive Plan (LTIP) for certain senior executives responsible for the strategic development and future growth of the Synergy business.

The Committee, at its discretion, is also responsible for making recommendations to the board in respect of the remuneration and expenses payable to board members.

The Remuneration Committee met twice during the 2020 financial year.

Attendance at scheduled board and committee meetings during the financial year under review was as follows:

Board Member	Board	Audit Committee	Remuneration Committee
TJ Sullivan	18/18		2/2
Cormac O'Keeffe[1]	6/6	2/2	
Gerard Brickley	18/18		
Seamus Daly[1]	5/5	2/2	
Peter Fleming	18/18		2/2
Pat Moriarty	18/18		
Peadar Murphy	18/18	5/5	
Dermot O'Leary	18/18	5/5	2/2
Jerome O'Mahony	18/18		2/2
Joe O'Sullivan[1]	12/13	3/3	
Paddy Ryan[1]	11/12	2/3	2/2

1. Paddy Ryan resigned as a board member on 16th September 2020 and Cormac O'Keeffe was appointed on the same day. Joe O'Sullivan resigned as a board member on 15th October 2020 and Seamus Daly was appointed on the same day.

COMMITTEE AND SECRETARY'S INTERESTS

The committee members are as listed on page 43.

Paddy Ryan resigned as a committee member on 16th September 2020 and Cormac O'Keeffe was appointed on the same day. Joe O'Sullivan resigned as a committee member on 15th October 2020 and Seamus Daly was appointed on the same day.

Except for an indirect interest held by certain committee members in the four co-op 'A' shareholders and an interest in the 'B' ordinary shares received under the Patronage Loyalty Scheme and purchased under the Milk Supply Share Scheme, the committee members and the secretary had no interest in the shares of Carbery Creameries Limited or any of its trading subsidiaries at any time during the year.

IMPORTANT EVENTS SINCE YEAR END

There have been no significant events affecting the Group since year-end.

FUTURE DEVELOPMENTS IN THE BUSINESS

The Group's strategy is to develop its international dairy, nutrition and taste business in developed and developing markets in the years ahead.

Further to the removal of quotas in April 2015 the Group's Irish based dairy and nutrition business has managed the transition to increased capacity and growth output well.

Brexit and the uncertainty surrounding it prevailed for most of 2020. The ultimate emergence of a late deal brought welcome stability to the transition of the UK from the EU. As outlined in the Chairman's and CEO's reports, despite a delay due to Covid, the Group's dairy and nutritional business successfully completed the construction and commissioning of a new Mozzarella facility during 2020. This will see the business broaden its cheese product portfolio as well as diversify into new markets. As well as providing the business with necessary further capacity the investment will help insulate the business from any negative effects consequential to the decision of the UK to leave the European Union.

The Group is confident that its taste business, Synergy, will continue to build on its increasing international presence and benefit from continuing strong growth rates in the years ahead. In addition to driving further organic growth within the existing business Synergy will also continue its acquisitive growth strategy seeking further suitable acquisitions in its pursuit of growing market share internationally.

As an international food and food ingredients business, the Group will continue to focus and invest in its success-enabling platforms of technology, innovation, research and development and people talent to ensure it is well positioned to outperform market growth rates.

RESEARCH AND DEVELOPMENT

Research and development plays a critical role in the success of the Group's activities. The Group continues to develop existing and new technologies and processes, establish centres of excellence in its critical markets and invest in attracting and retaining the best people to meet the ever changing needs of its global customer base.

CORPORATE RESPONSIBILITY

> Employees

Carbery Group's success is dependent on the commitment, skills and creativity of its employees. Retaining employees and developing their skills is therefore central to the execution of the Group's strategy in the years ahead.

The Group will continue to pursue and ensure excellence in management and staff practices through the continued development and implementation of training and development programmes.

The Group is committed to the principle of equality and diversity and complies with all relevant equality and anti-discrimination legislation.

> Environment

The Group is committed to all social and legal responsibilities in regard to the environment at large and is committed to growing its business in an environmentally responsible and sustainable manner.

This is borne out by the Group's continued programme of investment in facilities, processes and systems that monitor and manage waste emission, energy consumption, materials and packaging conservation. The section on our sustainability strategy which is included provides further details and information on this.

> Marketplace

Food quality and safety is of paramount importance to Carbery. The Group continues to invest in people, technologies, processes and facilities to ensure that the highest standards are maintained.

> Communities

Carbery is committed to the local communities in which its facilities operate and encourages its businesses and people to support and participate in community based initiatives and projects.

PRINCIPAL RISKS AND UNCERTAINTIES

As a significant manufacturer of cheese and to a lesser extent cream and milk powder, a significant proportion of the Group's revenues are dependent on international dairy markets. Experiences of recent years clearly illustrate the susceptibility of global dairy markets to periods of volatility. Notwithstanding the generally positive broader outlook for global food demand and consumption in the long term, there remains much uncertainty regarding dairy market returns in the medium and long term due to the ever present susceptibility to market volatility.

As outlined earlier, for now the Brexit situation is relatively stable but we will continue to monitor and manage it closely. The board will continue to actively evaluate all impacts on the business from the UK's departure and will continue to take all necessary measures to minimise the impact on our suppliers and shareholders.

Global economic and geo-political factors continue to influence the dynamics of international markets. The impacts of such factors are varied but can have a consequence in terms of market demand, market access or market returns which in turn has the potential to impact Carbery's business. Carbery continues to broaden its product portfolio as well as endeavouring to develop new markets thereby reducing both product and market specific risk. The Group takes an active role in ensuring its and its shareholders' interests are advocated within appropriate industry and governmental forums.

The Group is a major user of energy in the form of steam and electricity. Against an increasingly uncertain global energy environment, energy price movements will continue to have a material impact on the business' cost base. Where appropriate the Group has forward hedges in place in respect of energy purchases from time to time.

Certain of the Group's activities have trade-related foreign currency exposure most notably in Sterling and US Dollar. Where possible the Group manages these exposures by way of forward hedges. Further and sustained weakening in these currencies would lead to a deterioration in market returns and a possible decline in margins for elements of the Group's dairy and dairy ingredients businesses.

Cyber risk poses an increasingly significant challenge to international business organisations such as Carbery. The risk of malicious acts that seek to damage data, steal data, or disrupt business operations in general are increasingly predominant in today's business environment. Carbery, like many businesses, is endeavouring to ensure it is well positioned to defend its business interests from cyber threats by investing in the requisite resources and technologies to mitigate such risk. To that end a Chief Information Officer was recruited to the business in 2020.

Covid-19 has had a significant impact on global markets and supply chains in 2020. The ongoing and active efforts to manage the transmission of the virus continues to see significant disruption to market activities with some sectors such as food service, travel and leisure continuing to be significantly impacted. Whilst the present outlook is for a gradual re-opening of global markets and a phased return to pre Covid activity over the course of 2021, this return to normal activity all hinges on a successful roll out of the vaccine globally and the avoidance of further disruptions from virus variants. Undoubtedly

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this road to recovery will be prone to unexpected delays and developments over the course of the year. In overall terms Carbery's business has proven itself to be broadly resilient to the challenges posed by Covid in 2020. Whilst the Group incurred disruption to some of its food service customer base in 2020, these losses were offset by gains elsewhere such as with customers in retail facing markets as well as from gains secured by new business wins from a strong pipeline of commercial opportunities with both existing and new customers. Overall the Group's exposure to food service and retail markets has a healthy balance and this has sustained it through the 2020 market collapses witnessed to the former market segment.

Carbery will continue to manage supply chain constraints and customer needs with minimised disruption and to the best of our ability as we navigate the months ahead. Above all we will take all necessary steps and precautions to protect the health and wellbeing of our global workforce.

The Group has procedures in place to enable management and directors to continually monitor the performance of all areas of the business. These include the preparation of a detailed annual budget which is used for comparison with monthly management accounts throughout the year. In addition, such procedures include the reporting of key performance indicators such as EBITDA, gross margins, operating margins, free cash flow and return on capital employed (ROCE).

FINANCIAL INSTRUMENTS

The Group has an active approach to treasury and financial risk management operating a centralised treasury function to manage the financial risks of the Group. Key executives monitor the Group's foreign exchange rate and interest rate risks and ensure that the Group has sufficient credit facilities available. Financial exposures are managed by using appropriate and approved financial instruments.

Principal foreign currency exposures arise on Sterling and US Dollar purchases and receivables. Transaction exposure is managed by netting receivables and payables and then by hedging net flows. Translation exposure is not hedged. The Group minimises statement of financial position translation exposure by matching foreign currency investments with foreign currency borrowings. The Group's exposure to interest rate risk is typically managed by optimising the mix of fixed and floating rate borrowings.

Group liquidity is presently funded from operating cash generation and term debt that is maturing between one and twelve years. The Group is considered a prime borrower and maintains strong relationships with key debt providers. The Group has performed strongly over recent years on key funding measurements of debt to EBITDA and EBITDA to interest. The Group completed a refinancing of its primary bank facilities with Allied Irish Banks, Bank of Ireland and Rabobank comprising term debt, revolving credit facilities (RCF's) and ancillary lines of credit in 2016. The Group put additional funding in place during 2019 with the European Investment Bank to part fund the ongoing capital investment in our Irish operations.

POLITICAL CONTRIBUTIONS

The Group made no political donations or incurred any political expenditure during the current year or in the prior year.

ACCOUNTING RECORDS

The Committee is responsible for ensuring that proper books and accounting records are kept by the Group. To achieve this, the Committee has appointed appropriate personnel to ensure that those requirements are complied with. These books and accounting records are maintained at Dromidiclough, Ballineen, Co. Cork.

RELEVANT AUDIT INFORMATION

The committee believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware.

On behalf of the committee:

TJ

TJ Sullivan
Chairman

15th March 2021

Cormac O Keeffe

Cormac O'Keeffe
Vice Chairman
15th March 2021

SOCIETY INFORMATION

COMMITTEE

TJ Sullivan [2]
(Chairman)

Cormac O'Keeffe
(appointed 16
September) [1&2]
(Vice-Chairman)

Gerard Brickley

Seamus Daly
(appointed 15
October) [1]

Peter Fleming [2]

Pat Moriarty

Peadar Murphy [1]

Dermot O'Leary
[1&2]

Jerome
O'Mahony [2]

CEO

Jason Hawkins

SECRETARY & CFO

Colm Leen

REGISTERED OFFICE

Dromidiclough
Ballineen, Co. Cork

BANKERS

Allied Irish Banks plc
Bank of Ireland plc
Rabobank Ireland plc
European Investment Bank

SOLICITOR

Ronan Daly Jermyn
2 Park Place
City Gate Park
Mahon Point, Cork

AUDITOR

KPMG,
85 South Mall,
Cork.

[1] Audit Committee Member
[2] Remuneration Committee Member

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COMMITTEE RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2020

The committee are responsible for preparing the Report of the Committee and the financial statements in accordance with applicable law and regulations.

The Industrial and Provident Societies Acts 1893 to 2018 requires the committee to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law.

The Society's financial statements are required by law to give a true and fair view of the state of affairs of the Society and of its surplus/ deficit for that year. In preparing the 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The committee are responsible for keeping adequate accounting records which enable them to prepare financial statements of the Society in accordance with the requirements of the Industrial and Provident Societies Act 1893 to 2018. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities. The committee are also responsible for preparing the Annual Report that complies with the requirements of the Industrial and Provident Societies Act 1893 to 2018.

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

On behalf of the Committee:

T J Sullivan
Chairman
15th March 2021

Cormac O Keeffe

Cormac O'Keeffe
Vice Chairman
15th March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CARBERY CREAMERIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

> Opinion

We have audited the financial statements of Carbery Creameries Limited ("the Society") for the year ended 31 December 2020 set out on pages 47 to 74, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of affairs of the Society as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

> Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

> Conclusions relating to going concern

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

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 Society's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

> Other information

The committee are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the report of the committee. The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

> Our conclusions on the other matter on which we are required to report by the industrial and provident societies act 1893 to 2018 is set out below

As required by section 13(2) of the Industrial and Provident Societies Act 1893 to 2018, we examined the balance sheets showing the receipts and expenditure, fund 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.

RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE

> Responsibilities of directors for the financial statements

As explained more fully in the committee responsibilities statement set out on page 44, the committee are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Society'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 they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

> Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f- a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

> The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie O'Connell
KPMG
Chartered Accountants, Statutory Audit Firm
85 South Mall
Cork
16th March 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2020

	Note	2020 (€'000)	2019 (€'000)
Turnover	2	459,507	434,115
Cost of sales		(320,667)	(301,504)
Gross profit		138,840	132,611
Administrative expenses:		(114,599)	(108,283)
Operating profit	3	24,241	24,328
Share of profit in joint ventures	9	154	106
Other interest receivable and similar income	5	23	205
Interest payable and similar charges	5	(1,571)	(1,672)
Other finance income - retirement benefit and other	5	13	20
Profit before taxation		22,860	22,987
Taxation on profit	6	(5,842)	(5,572)
Profit for the financial year:		17,018	17,415
Profit for the financial year attributable to:			
Non-controlling interests		139	531
Owners of the parent society		16,879	16,884
Profit for the financial year		17,018	17,415

On behalf of the Committee:

TJ Sullivan

Cormac O Keeffe

T J Sullivan
Chairman
15th March 2021

Cormac O'Keeffe
Vice Chairman
15th March 2021

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2020

	Note	2020 (€'000)	2019 (€'000)
Profit for the financial year		17,018	17,415
Other comprehensive income			
Remeasurement loss recognised on defined benefit retirement benefit schemes	17	(364)	(364)
Currency translation difference on net assets of subsidiary undertakings	20	(10,396)	2,949
Cash flow hedges:			
- Change in value of hedge instrument	20	295	635
- Reclassifications to income statement	20	(635)	139
Total other comprehensive (expense)/income		(11,100)	3,359
Total comprehensive income for the year		5,918	20,774
Total comprehensive income for the year attributable to:			
Non-controlling interests		139	531
Owners of the parent society		5,779	20,243
		5,918	20,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2020

Fixed assets	Note	2020 (€'000)	2019 (€'000)
Intangible assets	7	27,261	34,486
Tangible assets	8	189,463	164,236
Financial assets	9	1,689	1,625
		218,413	200,347
Current assets			
Stocks	10	65,667	67,547
Debtors	11	157,705	137,406
Cash at bank and in hand		15,937	13,167
		239,309	218,120
Creditors: falling due within one year	12	(103,073)	(86,434)
Net current assets		136,236	131,686
Total assets less current liabilities		354,649	332,033
Creditors: falling due after more than one year	13	(69,710)	(58,043)
Provisions for liabilities			
Deferred taxation	15	(8,445)	(6,691)
Other provisions	15	(11,057)	(8,961)
		265,437	258,338
Government grants	18	(5,032)	(1,573)
Net assets		260,405	256,765
Capital and reserves			
Called up share capital	19	86,291	86,325
Share reserve fund		1,973	2,078
Retained earnings		158,263	141,308
Other reserves	20	(3,953)	7,223
Shareholders' and milk suppliers' loans	23	17,831	17,831
Equity attributable to owners of the parent society		260,405	254,765
Non-controlling interests	24	-	2,000
		260,405	256,765

On behalf of the Committee:

Cormac O Keeffe

T J Sullivan
Chairman
15th March 2021

Cormac O'Keeffe
Vice Chairman
15th March 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2020

	Called up share capital (€'000)	Share reserve fund (€'000)	Retained earnings (€'000)	Other reserves (Note 20) (€'000)	Shareholders' and milk suppliers' loans (Note 23) (€'000)	Equity attributable to owners of the parent society (€'000)	Non-controlling interests (€'000)	Total Equity (€'000)
At 1 January 2019	86,210	1,817	124,348	3,940	18,565	**234,880**	9,000	243,880
Profit for the financial year	–	–	16,884	–	–	**16,884**	531	17,415
Other comprehensive (expense)/income	–	–	(364)	3,723	–	**3,359**	–	3,359
Total comprehensive income/(expense) for the year	–	–	16,520	3,723	–	**20,243**	531	20,774
Transfer from revaluation reserves	–	–	440	(440)	–	**–**	–	–
Shares issued during the year	260	709	–	–	–	**969**	–	969
Shares repurchased during the year	(145)	(448)	–	–	–	**(593)**	–	(593)
Processing notes reclassified	–	–	–	–	(734)	**(734)**	–	(734)
Redemption of non-controlling interest shares	–	–	–	–	–	**–**	(7,000)	(7,000)
Equity dividends paid to non-controlling interest	–	–	–	–	–	**–**	(531)	(531)
At 31 December 2019	86,325	2,078	141,308	7,223	17,831	**254,765**	2,000	256,765
Profit for the financial year	–	–	16,879	–	–	**16,879**	139	17,018
Other comprehensive expense	–	–	(364)	(10,736)	–	**(11,100)**	–	(11,100)
Total comprehensive income for the year	–	–	16,515	(10,736)	–	**5,779**	139	5,918
Transfer from revaluation reserves	–	–	440	(440)	–	**–**	–	–
Shares issued during the year	162	501	–	–	–	**663**	–	663
Shares repurchased during the year	(201)	(620)	–	–	–	**(821)**	–	(821)
Share conversions	6	18	–	–	–	**24**	–	24
Processing note conversions	(1)	(4)	–	–	–	**(5)**	–	(5)
Redemption of non-controlling interest shares	–	–	–	–	–	**–**	(2,000)	(2,000)
Equity dividends paid to non-controlling interest	–	–	–	–	–	**–**	(139)	(139)
At 31 December 2020	86,291	1,973	158,263	(3,953)	17,831	**260,405**	–	260,405

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December 2020

	2020 (€'000)	2019 (€'000)
Cashflows from operating activities		
Profit before tax	22,860	22,987
Working capital adjustments		
(Increase)/decrease in stock	(202)	893
(Increase) in debtors	(16,479)	(6,438)
Increase in creditors	17,495	13,959
Adjustments for non-cash items:		
Increase/(decrease) in other provisions	2,096	(2,770)
Depreciation (net of grant amortisation)	15,247	12,811
Amortisation of intangibles	5,487	7,114
Loss on sale of fixed assets	12	80
Increase in unlisted investments	(8)	-
Share of (profit) in joint ventures	(154)	(106)
Net finance cost	1,548	1,467
Retirement benefit adjustments	(364)	(364)
Interest received	23	205
Finance costs paid	(1,537)	(1,635)
Dividends paid to non-controlling interests	(139)	(531)
Defined benefit employer contributions paid	(351)	(344)
Corporation tax paid	(6,453)	(1,611)
Net cash inflow from operating activities	39,081	45,717
Cashflows from investing activities		
Purchase of tangible fixed assets	(48,126)	(56,066)
Purchase of intangible fixed assets	(330)	(467)
Receipts from sale of tangible fixed assets	69	57
Net cash outflow from investing activities	(48,387)	(56,476)
Cashflows from financing activities		
Issue of 'B' ordinary shares	687	969
Repurchase of 'B' ordinary shares	(826)	(593)
Issue of processing notes	551	513
Minority interests share redemption	(2,000)	(7,000)
Loans issued	27,723	35,000
Loan repayments	(13,502)	(10,148)
Capital element of finance leases and hire purchases repaid	(11)	(4)
Net cash inflow from financing activities	12,622	18,737
Net increase in cash and cash equivalents	3,316	7,978
Effect of exchange rate fluctuations on cash held	(604)	254
Cash and cash equivalents at 1 January	13,167	4,935
Cash and cash equivalents at 31 December	15,879	13,167

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

for the year ended 31st December 2020

	2020 (€'000)	2019 (€'000)
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	15,937	13,167
Bank overdrafts	(58)	–
Cash and cash equivalents	15,879	13,167

Analysis of Net Debt

(i) **Reconciliation of net cash flow to movement in net debt**	**(€'000)**
Increase in cash	3,316
Loan repayments	13,513
Loans issued	(27,723)
Change in net debt resulting from cash flows	(10,894)
Translation adjustment	297
Movement in net debt in year	(10,597)
Net debt at 1 January 2020	(47,183)
Net debt at 31 December 2020	(57,780)

(ii) **Analysis of changes in net funds**

	At 1/1/2020 (€'000)	Net cash flow (€'000)	Exchange Movement (€'000)	At 31/12/2020 (€'000)
Cash at bank and in hand	13,167	3,374	(604)	15,937
Bank overdrafts	–	(58)	–	(58)
Total cash and demand debt	13,167	3,316	(604)	15,879
Loans repayable	(60,325)	(14,221)	901	(73,645)
Finance leases and hire purchases	(25)	11	-	(14)
	(60,350)	(14,210)	901	(73,659)
Net debt	(47,183)	(10,894)	297	(57,780)

1. ACCOUNTING POLICIES

(a) Statement of compliance

Carbery Creameries Limited is a registered society, incorporated, domiciled and registered in the Republic of Ireland. The address of the registered office is Dromidiclough, Ballineen, Co. Cork.

The society Group financial statements have been prepared in compliance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Ireland* as it applies to the financial statements of the Group for the year ended 31 December 2020.

(b) Basis of preparation

The financial statements are prepared in Euro (€) which is the presentational currency of the Group and rounded to the nearest €1,000.

The Committee prepared these financial statements on a going concern basis. In making this judgement, management considered the Group's budget and cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements which demonstrate that the Group will be in a position to meet its liabilities as they fall due. Accordingly, these financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note (f).

(c) Basis of consolidation

The Group financial statements consolidate the financial statements of Carbery Creameries Limited and all its subsidiary undertakings drawn up to 31 December each year.

A subsidiary is an entity that is controlled by the holding undertaking. The results of the subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

An associate is an entity in which the Group has significant input but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial polices of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

(d) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

(e) Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(f) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the Group's key sources of estimation uncertainty:

Revenue and stocks

The sales of some products to Ornua are based on "on account prices" which are subject to adjustment when the prices are finally agreed. In some cases the time period between the date when the product is invoiced at the on account price and when the prices are finally agreed could be as much as up to a year or more. Preparation of the consolidated financial statements requires management to make certain estimates and assumptions around the expected realisation of their stock and debtor balance which affect the reported profits and assets of the Group. As with any estimate the actual outturn may differ to the estimate.

At the year end management, having estimated the expected realisation, review the stock and debtor values, and if required as a consequence reduce stock to the net realisable value and make the required adjustment to the "on account" pricing for their debtor balance.

In their estimation process management typically consider previous pricing trends, predicted market variables including milk output, production volumes, currency trends, supply/demand dynamics and general global economics to derive their best estimate of the expected realisation prices.

Retirement benefit

The cost of the defined benefit retirement plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future retirement benefit increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such

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estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and retirement benefit increases are based on expected future inflation rates in the Republic of Ireland. Further details are given in note 17.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Impairment of non-financial assets

The Group assesses at each reporting date or when indications exist whether any non-financial asset may be impaired. If any such indication exists the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the cash generating unit (CGU). The key assumptions for the value in use calculations are discount rates, cash flows and growth rates during the forecasted period. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment charge in the income statement.
An impairment loss recognised for all non-financial assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 6.

Long term incentive plan

The cost used in the valuation of the Long Term Incentive Plan ("LTIP") is subject to estimation. The terms of the plan are such that the participants are eligible to earn a bonus payment based on a calculation referenced to the growth in the profitability of the "Synergy Division". Management's estimation is required to determine the expected growth of the "Synergy Division". The value of the LTIP is determined by applying assumptions to the actual values at the date of grant of LTIP units which apply an underlying growth factor to the projections over the period of the LTIP.

(g) Turnover and revenue recognition and other income

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer, which is usually on delivery, at a fixed and determinable price, and when collectability is reasonably assured. Rebates to customers are provided for in the period that the related sales are recorded based on the contract terms. The sales of some products to Ornua are based on 'on account' prices which are subject to adjustment when the prices are finally agreed. Revenue in the year is adjusted for the estimated realisable value.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Dividend Income

Dividends income is recognised when the Group's right to receive payment is established.

Convertible loan stock and trading bonus

Convertible loan stock and trading bonuses can be issued by Ornua to the Society, and other members, for each trading year based on qualifying trading activity. The trading bonus is recognised as income after approval by the Ornua board occurs and payment becomes irrevocable and unconditional. The loan stock is recognised as income, on a discounted basis, when approval by the Ornua board occurs and redemption becomes irrevocable and unconditional. Any loan stock approved for redemption not yet redeemed is recognised as a receivable.

(h) Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the consolidated statement of financial position and amortised on a straight line basis over its expected or estimated useful life of 20 years.

Each year the goodwill will be reviewed for impairment indicators and an impairment loss will be booked where appropriate.

The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the income statement is taken into account in determining the profit or loss on sale or discontinuance.

(i) Other intangibles

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives as follows:

Other intangibles	
Intangible formulae	5 to 10 years
Intangible process technology	5 to 10 years
Customer relationships	5 to 10 years
ERP Systems/Software	5 to 10 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

(j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at rates calculated to write off the cost less estimated residual value, of each asset, other than land, on a straight line basis over its expected useful life, as follows:

Buildings	– 40 years
Plant and machinery	– 3 to 20 years
Motor vehicles	– 5 years
IT systems and Infrastructure	– 3 to 10 years

Depreciation methods, useful lives and residual values will be reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the society expects to consume an asset's future economic benefits.

Plant advances which are not in use, including buildings and equipment are not depreciate.

(k) Financial assets

Financial assets are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through income statement). Subsequently, they are measured at fair value through income statement except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

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

(l) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

- Raw materials and consumable stores comprise of purchase cost on a first-in, first out basis.
- In the case of finished goods, cost comprises purchase price of materials and an appropriate portion of labour and production overheads.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal.

(m) Debtors and creditors

Trade and other debtors and trade creditors and other creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price less attributable transaction costs. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade and other debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

(n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and in hand, bank overdrafts and short term deposits with an original maturity of three months or less.

(o) Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings, including goodwill, are translated into the presentation currency at the rate of exchange ruling at the statement of financial position date. Key income and expenses within each overseas statement of comprehensive income are translated at the particular average exchange rates prevailing for the period.

Exchange differences resulting from the retranslation of the net investment in overseas subsidiaries and joint ventures at closing rates together with the differences on the translation of their income statements are recognised in the statement of comprehensive income in the period and accumulated in the deferred translation reserve in the statement of financial position.

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

Average rates (Turnover)		
	2020	2019
US$	1.1382	1.1201
GBP£	0.8884	0.8775

Closing rates (31 December)		
	2020	2019
US$	1.2225	1.1229
GBP£	0.8956	0.8467

(p) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or

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loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the statement of financial position date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/asset shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

(q) Provisions

A provision is recognised when the entity has a present legal or constructive obligation as a result of a past event that can be reliably measured and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

(r) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

(s) Derivative financial instruments and hedging

The Group uses forward foreign currency contracts to reduce exposure on foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Group applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The forward foreign exchange contracts are designated as cash flow hedges of forecasted transactions.
Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is taken directly to the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged asset or liability is derecognised or the hedging instrument is terminated.

(t) Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful life. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the statement of financial position. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

(u) Government and other grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.
Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.
Research and development tax credits claimed under legislation are treated in the same way as government grants and credited to the income statement in the year in which the expenditure to which they relate is charged.

(v) Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance charges in the income statement.

(w) Accounting for long term incentive plan

Synergy, the international flavours division of Carbery Group, has a Long Term Incentive Plan (LTIP) in place. Phase 1 of the Synergy LTIP is in place since 2008 and allocations to participants under this phase ceased in 2014. Phase 2 commenced in 2015 with allocations to participants commencing the same year. The terms and conditions of the LTIP were approved by the Remuneration Committee under independent professional advice and in accordance with best governance standards. Under the terms of the LTIP, certain senior executives in Ireland, the UK and the US (including executive directors) are invited to participate. The terms of the plan are such that the participants are eligible to earn a bonus payment based on a calculation referenced to the growth in the profitability of the "Synergy Division". The Plan is a long term one and amounts which may be determined as due to the participants will therefore accrue over the term of the plan. Provision is made at each year end using the same accounting methodology as used for defined benefit retirement plans as detailed in the following note and based on the terms of the plan and taking account of the expected growth of the "Synergy Division". Once paid the amounts are included in the wages and salaries disclosure of the Group.

(x) Retirement benefit costs

The Group operates both defined benefit pension schemes and defined contribution pension schemes for its employees which require contributions to be made to separately administered funds.

Defined benefit pension scheme assets are measured using fair values; retirement benefit scheme liabilities are measured using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance income or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the income statement in subsequent periods.

The net defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly.

Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net defined benefit pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme. Contributions to defined contribution pension schemes are recognised in the income statement in the period in which they become payable.

(y) Research and development

Expenditure on research and development is charged to the income statement in the year in which the expenditure is incurred.

Development expenditure is capitalised in accordance with the following accounting policy.

Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefit.

(aa) Shareholders' and milk suppliers' loans

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) There is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable.

(ii) The instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

The Group's shareholders' loans are classified as equity as there is no contractual obligation to repay the loans and are non-derivative in nature.

(ab) Financial liabilities

A financial liability is any liability that is:

- (a) a contractual obligation:
    - (i) to deliver cash or another financial asset to another entity; or
    - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and:
    - (i) under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
    - (ii) which will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

The Group's Processing Notes are classified as financial liabilities under Creditors: falling due after more than one year, as the notes may be redeemed, on cessation of milk supply, by milk supplier shareholders at an unspecified future date for cash at the price paid or may be settled by the delivery of a variable number of B Shares in the Society based on the prevailing share price as determined from the most recent valuation. The processing notes will be redeemed if milk supply falls below a minimum level.

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2. TURNOVER

The amount of each category of revenue recognised in the year is as follows:	2020 (€'000)	2019 (€'000)
Sale of goods	459,507	434,115

3. OPERATING PROFIT

	2020 (€'000)	2019 (€'000)
Operating profit is stated after charging/(crediting):		
Research and development expenditure	6,702	6,665
Foreign exchange differences	180	(609)
Depreciation charge:		
Depreciation of owned assets (Note 8)	15,553	13,066
Depreciation of assets held under finance leases and hire purchase contracts (Note 8)	11	11
Amortisation of intangibles (Note 7)	5,487	7,114
Amortisation of government grants (Note 18)	(317)	(266)
Operating lease rentals:		
Land and buildings	75	85
Plant and machinery	95	116
Motor vehicles	138	133
Loss on disposal of fixed assets	12	80

4. EMPLOYEES

	2020 Number	2019 Number
The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:		
Production/operations/technical	592	555
Sales	92	75
Administration	109	113
	793	743

The aggregate payroll costs of these employees were as follows:	2020 (€'000)	2019 (€'000)
Wages and salaries	50,250	46,823
Social welfare costs	4,568	4,067
Retirement benefit and related costs	2,698	2,684
Other costs	2,840	2,231
Total employee costs	60,356	55,805
Long term incentive plan paid during the year	939	460
Total payroll related costs	61,295	56,265

Other costs include health insurance and other benefits paid. Total wages and salary costs included above that were capitalised during the year were €0.01m (2019: €0.34m).

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5. INTEREST

	2020 (€'000)	2019 (€'000)
Other Interest receivable and similar income:		
Interest receivable on bank deposits	(23)	(205)
	(23)	(205)
Interest payable and similar charges:		
Finance and hire purchase lease interest	1	1
Interest payable on bank loans and overdrafts wholly repayable within five years	1,570	1,671
	1,571	1,672
Other finance income - retirement benefit and other:		
Retirement benefit finance (credit)	(13)	(20)

6. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity	2020 (€'000)	2019 (€'000)
(a) Tax on profit	5,842	5,572
Current tax:		
Corporation tax on profit for the year	5,136	5,515
Adjustments in respect of prior years'	(718)	(274)
Group current tax	4,418	5,241
Share of joint ventures' current tax	13	23
Total current tax	4,431	5,264
Deferred tax:		
Origination and reversal of timing differences	2,130	207
Adjustments in respect of prior years	(22)	(2)
Utilisation of tax (losses)/assets	(697)	103
Total deferred tax	1,411	308
Tax on profit	5,842	5,572
(b) Tax included in Statement of Other Comprehensive Income		
Actuarial loss on retirement benefit scheme	–	–
Total tax charge OCI	–	–
(c) Factors affecting the total tax charge The tax assessed for the year is different from the standard rates of corporation tax in Ireland. The differences are explained below:		
Profit before tax	22,860	22,987
Profit multiplied by the Irish standard rate of tax 12.5%	2,858	2,873
Effects of:		
Tax depreciation in year in deficit/(excess) of depreciation	1,294	(56)
Intangibles amortisation in excess/(deficit) of tax deduction	347	(439)
Tax exempt earnings and credits	(1,883)	(1,150)
Effect of tax rates in foreign jurisdictions	2,685	2,876
Expenses not deductible for tax purposes	383	1,149
Adjustments in respect of prior years	(738)	(276)
Others	896	595
Total Group tax	5,842	5,572

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6. TAXATION *(continued)*

(d) Factors that may affect future tax charges

The Group has tax losses and credits arising in Ireland of €8.47m that are available indefinitely for offset against future taxable profits of those companies in which losses and credits arose and are recognised as part of current assets either falling due within one year or after more than one year based on management's estimation on timing of recoverability.

Current or deferred tax assets are not recognised in respect of losses that arise in certain subsidiaries if there is insufficient certainty as to the timing of the ultimate utilisation of such tax losses.

The Group's overseas tax rates are higher than those in the Republic of Ireland primarily because the profits earned by the Synergy division are taxed at headline rates of 26.39% in the US and 19% in the UK. For 2021 these headline rates are projected to be 26.39% and 19% respectively. The Chancellor of the Exchequer in the UK announced in the 2021 UK Budget that corporation tax rates will increase to 25% from April 2023.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint venture as the Group has no commitment to repatriate funds that will be subject to taxation in Ireland in the foreseeable future.

	2020 (€'000)	2019 (€'000)
(e) Deferred tax The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 11)	1,060	341
Included in provision for liabilities (note 15)	(8,445)	(6,691)
	(7,385)	(6,350)
Deferred tax is recognised on the following: Accelerated capital allowances and tax depreciation	(8,882)	(8,240)
Tax amortisation of goodwill and intangibles less than book amortisation	190	646
Other timing differences/expenses	1,307	1,244
	(7,385)	(6,350)
The movement in the deferred tax included in the statement of financial position is as follows:		
At 1 January - net	(6,350)	(6,069)
Deferred tax (debited) to income statement for the year	(2,130)	(207)
Origination of tax losses in the year	697	6
Adjustments in respect of prior years'	22	2
Exchange adjustment	376	(82)
Provision at 31 December - net	(7,385)	(6,350)

7. INTANGIBLE ASSETS

	Goodwill (€'000)	Acquisition related intangible assets (€'000)	Computer software & other intangibles (€'000)	Total (€'000)
Cost:				
At 1 January 2020	81,255	30,051	10,755	122,061
Transfers*	–	(24)	24	–
Additions	–	–	330	330
Effect of movements in foreign exchange	(6,158)	(2,243)	(667)	(9,068)
At 31 December 2020	75,097	27,784	10,442	113,323
Amortisation:				
At 1 January 2020	55,496	28,830	3,249	87,575
Transfers*	449	(463)	14	–
Amortised during the year	3,595	500	1,392	5,487
Effect of movements in foreign exchange	(4,480)	(2,249)	(271)	(7,000)
At 31 December 2020	55,060	26,618	4,384	86,062
Net book value:				
At 31 December 2020	20,037	1,166	6,058	27,261
At 31 December 2019	25,759	1,221	7,506	34,486

Goodwill and other intangibles primarily result from prior acquisitions within the Synergy division. Other intangibles include formulas, process technology and customer relationships separately identifiable at the respective acquisition dates. Goodwill and other intangibles are amortised over their expected useful lives and are also subject to annual impairment testing or more frequently if there are indicators of impairment. The amortisation of Goodwill and Other Intangibles charged to the Consolidated Income Statement in 2020 is €5.5m.

Under FRS 102, investments in ERP systems software are classified as intangible assets.

The recoverable amount of goodwill and intangibles allocated to a cash generating unit (CGU) is determined based on a value in use computation. Goodwill and intangibles acquired in a business combination are allocated to CGU's that are expected to benefit from the business acquisition. Where practically measurable and identifiable, intangible assets are sub-allocated within CGU's at specific location or site level or otherwise they are grouped at a geographical or divisional level.

The key assumptions employed in arriving at the estimates of future cash flows factored into impairment testing are subjective as they are based on a combination of management's past experience and estimates of future outcomes. Key assumptions include managements' estimates of future profitability, cash flow components and discount rates.

Cash flow forecasts, employed for the value in use calculations are for a five year period approved by management and a terminal value which is applied to year five cash flows. The terminal value reflects the discounted present value of the cash flows beyond year five which is based on projected long term growth rates for the particular market in which the CGU operates. The present value of future cash flows is calculated using a pre-tax discount rate which is based on the Group's weighted average cost of capital (WACC) adjusted to reflect the risks associated with that specific CGU.

*There has been a transfer in 2020 of intangible asset amortisation between goodwill, acquisition related tangible assets and computer software and other intangible assets.

8. TANGIBLE FIXED ASSETS

	Land & buildings (€'000)	Leasehold improve-ments (€'000)	Plant & machinery owned (€'000)	Plant & machinery leased (€'000)	Motor vehicles (€'000)	Plant advances (€'000)	Total (€'000)
Cost:							
At 1 January 2020	85,051	799	200,180	2,010	303	39,421	327,764
Additions	7,075	21	32,590	–	20	5,868	45,574
Disposals	–	–	(294)	–	(69)	–	(363)
Transfers	9,462	–	29,621	(1,828)	–	(37,255)	–
Exchange adjustments	(3,376)	(52)	(4,005)	(9)	(56)	(332)	(7,830)
At 31 December 2020	98,212	768	258,092	173	198	7,702	365,145
Depreciation:							
At 1 January 2020	21,999	462	138,855	1,994	218	–	163,528
Charged during year	2,393	18	13,117	11	25	–	15,564
Disposals	–	–	(218)	–	(64)	–	(282)
Transfers	–	–	1,828	(1,828)	–	–	–
Exchange adjustments	(489)	(207)	(2,374)	(15)	(43)	–	(3,128)
At 31 December 2020	23,903	273	151,208	162	136	–	175,682
Net book value:							
At 31 December 2020	74,309	495	106,884	11	62	7,702	189,463
At 31 December 2019	63,052	337	61,325	16	85	39,421	164,236

9. FINANCIAL ASSETS

Joint ventures	2020 (€'000)	2019 (€'000)
At 1 January	1,443	1,285
Share of profit retained by joint ventures	154	106
Share of tax charge in joint ventures	(13)	(23)
Exchange movements	(85)	75
At 31 December	1,499	1,443
Unlisted investments – at cost less impairment		
At 1 January	182	182
Bonus shares issued	8	–
At 31 December	190	182
Total financial assets and investments	1,689	1,625

The Group's investment in Ornua Co-operative Limited (Ornua) is recognised at the nominal value of the shares held based on the Group's share of "B" Ordinary and Bonus shares in Ornua at €1 each.

Details of principal subsidiaries and joint ventures are included in note 25 to the financial statements.

10. STOCKS

	2020 (€'000)	2019 (€'000)
Raw materials	15,578	23,042
Consumable stores	3,999	2,826
Finished goods	46,090	41,679
	65,667	67,547

A material portion of the Group's product portfolio is commodity in nature. There is a requirement at period end to review the carrying value or cost of certain stocks and compare this to their estimated selling price less costs to complete and sell (net realisable value or NRV) to ensure that stocks are valued at the lower of cost or NRV. Where the carrying value is greater than the estimated NRV, the Group makes a provision resulting in a charge to the income statement in the period. Should the final selling price less costs to complete and sell exceed the previously estimated NRV then the Group will reverse or credit this to the income statement in the subsequent period. The net charge to the income statement in the year resulting from year end reviews of cost versus NRV together with prior year reversals was €1.9m (2019: €2.1m).

In addition, stocks written off as an expense in the year were €2.4m (2019: €1.2m) for the Group.

11. DEBTORS

	2020 (€'000)	2019 (€'000)
Amounts falling due within one year:		
Trade debtors	136,200	119,799
Other debtors, prepayments and accrued income	12,263	9,889
Convertible loan notes	284	297
Derivative financial instruments (note 26)	314	665
VAT	2,196	3,359
Corporation tax:		
- Irish	518	880
- Overseas	3,627	1,077
	155,402	135,966
Amounts due after more than one year:		
Convertible loan notes	631	580
Corporation tax		
- Irish	612	519
Deferred tax		
- Irish	1,060	341
	2,303	1,440
	157,705	137,406

12. CREDITORS: *falling due within one year*

	2020 (€'000)	2019 (€'000)
Trade creditors	77,667	62,318
Other creditors including tax and social welfare (see below)	18,927	20,160
Bank loans and overdrafts (note 14)	5,791	3,535
Amounts owed to related companies	655	372
Derivative financial instruments (note 26)	19	30
Leasing and hire purchase liabilities (note 13)	14	19
	103,073	86,434
Tax and social welfare included in other creditors:		
Corporation tax	15	100
PAYE	719	550
VAT	–	36
	734	686
Social welfare	460	394
	1,194	1,080

The bank facilities with AIB Bank plc, Bank of Ireland plc, Rabobank Ireland plc and European Investment Bank are secured by Group Composite Guarantees and Indemnities.

13. CREDITORS: *falling due after more than one year*

	2020 (€'000)	2019 (€'000)
Leasing and hire purchase liabilities	–	6
Processing notes	1,798	1,247
Bank loans (note 14)	67,912	56,790
	69,710	58,043
Finance lease and hire purchase payments are due as follows:		
In one year or less	14	19
Between one and two years	–	6
	14	25

With effect from 1 January 2017 the board agreed to the introduction of Processing Notes as an alternative to purchasing B shares for suppliers of New Milk i.e. in respect of all New Milk supplied from 1 January 2016. Each processing note costs €1.00 per unit and the Milk Supply Share Scheme requires each milk supplier to hold either 25 B shares or 25 Processing Notes per 1,000 litres of New Milk. The purchase of Processing Notes will rank equally with the purchase of B shares for the purpose of meeting the minimum standard under the Milk Supply Share Scheme. The Processing Notes will be redeemed on ceasing milk supply at the price at the time of purchase or if a supplier wishes to convert Processing Notes to B shares at a future date it is permitted to convert at the prevailing B share price at that date i.e. the price determined from the most recent B share valuation.

14. BANK BORROWINGS

	2020 (€'000)	2019 (€'000)
Bank overdrafts	58	–
Bank loans - amounts payable by equal instalments:		
Within one year	5,733	3,535
Between one and two years	36,412	3,535
Greater than two years	31,500	53,255
	73,703	60,325

Group loans wholly repayable are secured by a floating charge over the Group's assets.

The Group's bank borrowings are primarily denominated in Euro, US Dollar and Pound Sterling and amounts are borrowed at fixed and floating interest rates. Loans borrowed at floating rates are calculated by reference to Euribor or LIBOR of 1 to 6 months depending on the currency drawn plus an agreed margin that varies with the Group's net debt to EBITDA ratio. These multi currency term and revolving credit facilities of the Group are available for draw down by the Society and certain subsidiaries and mature in July 2022.

An amortising term loan facility with EIB was put in place in 2019, was drawn down during the prior year and is repayable in equal instalments over a 10 year period commencing in February 2022 and ending during November 2031. Interest rates are fixed for the duration of the term of this facility.

15. PROVISIONS FOR LIABILITIES

		2020 (€'000)	2019 (€'000)
Deferred tax:			
Provision at 1 January		6,691	6,401
Charge to the income statement for the year		2,130	207
Exchange adjustments		(376)	83
Provision at 31 December		8,445	6,691
Other provisions:	Note		
Long Term Incentive Plans (LTIP)	(i)	1,057	1,745
Stability fund	(ii)	10,000	7,216
		11,057	8,961

(i) LTIP:		
Provision at 1 January	1,745	1,731
Paid during the year	(939)	(458)
Current service cost	287	472
Exchange movements	(36)	-
Provision at 31 December	1,057	1,745
Due within one year	171	1,237
Due greater than one year	886	508

Synergy, the international flavours division of Carbery Group, has a Long Term Incentive Plan (LTIP) in place. This plan was implemented with an objective to attract, retain and incentivise senior executives to grow shareholder value of the Synergy business for the long term benefit of Carbery's shareholders. Phase 1 of the Synergy LTIP was in place since 2008 and allocations to participants under this phase ceased in 2014. Phase 2 commenced in 2015 with allocations to participants commencing the same year. As allocations to participants vest after three years, all allocations in Phase 1 of the scheme had vested in 2017. Phase 1 of the LTIP scheme concluded in 2019, when in accordance with the scheme rules, all vested allocations remaining unsold were fully divested. Phase 2 of the scheme will conclude in 2024 when the final year allocations for the second phase will vest. The LTIP is commensurate with similar schemes in various private and public companies and has been put in place under governance oversight by the Remuneration Committee of Carbery Group under independent advice. Benefits associated with the scheme are entirely performance based and are referenced to the additional shareholder value generated over the term of the plan. Whilst the actual cost of the LTIP cannot be determined until the scheme completion, which is 2024 for Phase 2, a provision is being made over the lifetime of the plan for the estimated total cost. A charge of €0.29m is included in the 2020 financial statements. This is relating to the estimated cost of the scheme attributable to 2020. If certain trading performance projections for Synergy materialise in future years (2021 to 2023) then, commensurate with the resulting increase in shareholder value, the total cost of the LTIP will be greater than the cost provided at 31 December 2020. Any increased cost will be reflected in the financial statements of the business over the remaining lifetime of the scheme between now and 2024. Total disbursements made to participants exercising their option to sell vested allocations under LTIP phase 2 amounted to €0.94m during 2020.

(ii) Stability Fund:	2020 (€'000)	2019 (€'000)
Provision at 1 January	7,216	10,000
Increase in the period	10,014	–
Support payments to milk suppliers	(7,230)	(2,784)
Provision at 31 December	10,000	7,216
Due within one year	–	2,958
Due greater than one year	10,000	4,258

Total milk support payments to shareholder suppliers from the stability fund during the year amounted to €7.2m. There was an increase in the stability fund provision of €10m during the year reflecting a milk bonus payment of €10m declared in January 2021 in respect of 2020 milk supplies to the Group's Irish operations, Carbery Food Ingredients. It was agreed by the Board of Carbery that this 2020 payment would be deferred and allocated to the Stability Fund from which it would be paid at a future date to Carbery's milk suppliers when it is required to lessen the impact of adverse milk price movements.

The board believes that, on the basis of recurring market volatility, payments from the stability fund are likely to arise within a three year period. The parameters governing the payment of the stability fund are such that, in any regard, payment will have to be effected no later than 3 years from the date of provision. This is on the basis that the supplier co-ops to whom the stability fund will be paid may, at their discretion, request Carbery to effect payment of any balance remaining in the stability fund three years from the date of provision. Based on these governing parameters it is anticipated that the €10m provision provided for in 2020 will be paid on or before 31 December 2023.

16. OBLIGATIONS UNDER LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2020		31 December 2019	
	Land & buildings (€'000)	Other (€'000)	Land & buildings (€'000)	Other (€'000)
Not later than one year	82	190	85	221
Later than one year and not later than five years	232	274	326	356
	314	464	411	577

The Group also uses finance leases to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments due under finance leases is disclosed in note 13.

17. RETIREMENT BENEFIT COMMITMENTS

The Group operates both a defined benefit pension scheme and defined contribution pension scheme for its employees that require contributions to be made to separately administered funds. The schemes are funded by the payment of contributions to separately administered trust funds.

Annual contributions to the defined benefit pension scheme are based on the advice of independent actuaries.

The contributions for funding purposes to the defined benefit pension scheme are determined, using the projected unit credit method, by Mercer who are Actuaries to the schemes but are neither officers nor employees of the Group. The most recent actuarial valuation was carried out at 1 January 2020. The contribution made by the Group in respect of the current year was €351,000 (2019: €344,000). The actuaries' reports are not available for public inspection but the results are advised to members of the various schemes.

The valuation used for the defined benefit scheme has been based on the most recent actuarial valuation at 1 January 2020 and was updated by Mercer to take account of the requirements of FRS 102 in order to assess the liabilities of the schemes at 31 December 2020 and 31 December 2019. Scheme assets are stated at their market values at the respective statement of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

As of 31 December 2013 service costs in respect of future service in the Group's defined benefit scheme terminated. Effective 1 January 2014 there is no further accrual of service in the defined benefit scheme, with all future service being provided in the defined contribution scheme.

The total contributions to the defined benefit scheme in 2021 are expected to be €358,000 (2020: €351,000).

The Group participates in an industry-wide Irish Co-operative Societies' Retirement benefit Scheme. This is a multi-employer defined benefit retirement benefit scheme. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Group has accounted for the retirement benefit scheme as if it was a defined contribution pension benefit scheme.

An Actuarial Funding Certificate was prepared with an effective date of 1 January 2020 and confirmed that the Scheme satisfied the Funding Standard set out in Section 44(1) of the Pensions Act, 1990 at that effective date. A Funding Standard Reserve Certificate was also prepared with an effective date of 1 January 2020 and confirmed that the Scheme held sufficient additional assets to satisfy the Funding Standard Reserve set out in Section 44(2) of the Pensions Act, 1990 at that effective date.

The financial assumptions relating to the return on investment, the rate of increase in pensionable pay or salaries, and price inflation are outlined in the actuarial valuation report.

The most recent full actuarial valuation of the Irish Co-operative Societies' Retirement Benefit Scheme was carried out on 1 January 2020. The report is available for inspection by Scheme members but is not available to the public.

The current contribution rate is 15.3% of pensionable pay (10.3% employer and 5% employee) for contributory members.

The net retirement benefit assets and liabilities are analysed as follows:	2020 (€'000)	2019 (€'000)
Scheme assets at fair value:		
Equity instruments	4,852	3,615
Debt instruments	19,945	21,918
Cash	1	1
Fair value of scheme assets	24,798	25,534
Present value of scheme liabilities	(24,798)	(25,534)
	-	-

The retirement benefit plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

17. RETIREMENT BENEFIT COMMITMENTS *(continued)*

The amounts recognised in the income statement and in the Group statement of other comprehensive income for the year are analysed as follows:

Movements in present value of the defined benefit obligation. **Recognised in the income statement**	2020 (€'000)	2019 (€'000)
Current service cost	–	–
Recognised in arriving at operating profit	–	–
Net interest on net defined benefit liability	13	20
Total recognised in the income statement	13	20

Recognised in other comprehensive income	2020 (€'000)	2019 (€'000)
Actual return on scheme assets	642	1,927
Less: amounts included in net interest on the net defined benefit liability (Note 5)	120	(144)
	762	1,783
Other actuarial losses	(1,126)	(2,147)
Remeasurement losses recognised in other comprehensive income	(364)	(364)

Financial assumptions

The major assumptions used by the actuaries are:	2020 (%)	2019 (%)
Inflation rate increase	1.50	1.50
Salary rate increase	n/a	n/a
Retirement benefit payment increase	0.00	0.00
Discount rate	0.90	1.20

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2044 at age 65 will live on average a further 25 years after retirement if they are male and a further 27 years after retirement if they are female.

Changes in the present value of the defined benefit obligations are analysed as follows:	2020 (€'000)	2019 (€'000)
As at 1 January	24,765	23,812
Interest cost	285	436
Benefits paid	(2,027)	(1,720)
Remeasurement adjustments	766	2,237
At 31 December	23,789	24,765

The defined benefit deficit comprises €Nil (2019: €Nil) from plans that are wholly or partly funded. Management are not recognising the surplus of €1,009,000 (2019: €769,000) on the retirement benefit as there are no future service contributions and it is not clear that any surplus would be recoverable in the event of the plan closing. This is the default approach in accordance with FRS 102 28.22 – Employee Benefits.

Changes in the fair value of scheme assets:	2020 (€'000)	2019 (€'000)
As at 1 January	25,534	24,527
Actual loss on plan assets	642	1,927
Interest income	298	456
Employer contributions	351	344
Benefits paid	(2,027)	(1,720)
At 31 December	24,798	25,534

The contributions payable by Carbery Group to defined contribution schemes are charged to the income statement in the year in which they relate and amounted to €2,126,703 (2019: €1,658,825) for the year. The amount outstanding at year end was €425,081 (2019: €327,802).

18. GOVERNMENT GRANTS

Cost:	2020 (€'000)	2019 (€'000)
At 1 January	10,738	10,738
Recognised during the year	3,776	–
At 31 December	14,514	10,738
Amortisation:		
At 1 January	9,165	8,899
Amortised during the year	317	266
At 31 December	9,482	9,165
Net book value:		
At 31 December	5,032	1,573
Between one and two years	391	218
Between two and five years	995	383
In more than five years	3,646	972
	5,032	1,573

The Group received a number of grants in prior years which are being amortised over the useful economic lives of the tangible assets which they relate to. In 2020 a grant of €3.8m was recognised which relates to an interim claim on an approved €5.7m Enterprise Ireland capital grant for the cheese diversification investment in the Ballineen facility.

19. SHARE CAPITAL

Allotted, called up and fully paid:	2020 (€'000)	2019 (€'000)
'A' ordinary shares of €1 each	75,805	75,805
'B' ordinary shares of €1 each:		
At 1 January	10,520	10,405
Issued during the period	162	260
Repurchased during the period	(201)	(145)
Share conversions	6	–
Processing note conversions	(1)	–
Total movement in 'B' ordinary shares at 31 December	10,486	10,520
	86,291	86,325

The Milk Supply Share Scheme was launched for the milk suppliers of the Group's parent society 'A' shareholders during 2012. The purpose of the milk supply share scheme is to ensure that Carbery is well positioned to efficiently manage the expected growth in milk supply volumes subsequent to the removal of milk quota limits in 2015. In addition the scheme is designed to enable milk suppliers share in the future growth of Carbery by the provision of an exit mechanism for suppliers retiring from milk supply in the future. During the year ended 31 December 2020, 162,421 'B' ordinary shares were issued, 5,892 'B' ordinary shares were converted from processing notes, 1,278 'B' ordinary shares were converted to processing notes and 201,293 'B' ordinary shares were repurchased by the society under the terms of the scheme.

SHARE RIGHTS

Voting rights:

'A' ordinary shareholders have full voting rights whilst 'B' ordinary shareholders are entitled only to vote on special resolutions.

Dividends:

'A' ordinary shareholders only have the right to receive dividends.

Winding up:

'A' and 'B' ordinary shareholders rank pari passu in the event of the winding up of the society.

During 2012 and 2013, the Society broadened its capital base by the issuance of 'B' ordinary shares in subsidiary companies controlled by the Society to existing 'A' shareholders.

The holders of the shares in each of the companies to which the minority interests relate have no rights against any other Group company.

During the year, €139,260 (2019: €531,397) was paid to those holders of the 'B' ordinary shares in subsidiary companies qualifying for payment of the annual coupon of 6.5%.

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20. OTHER RESERVES

	Non-distributable capital reserve (€'000)	Deferred translation reserve (€'000)	Cash flow hedge reserve (€'000)	Total (€'000)
At 1 January 2020	2,908	3,680	635	7,223
Translation loss	–	(10,396)	–	(10,396)
Change in value of hedge instrument	–	–	(340)	(340)
Reclassifications to retained earnings	(440)	–	–	(440)
At 31 December 2020	2,468	(6,716)	295	(3,953)

Non-distributable capital reserve

This reserve is used to record increases in the fair value of land, buildings, property, plant and equipment and decreases to the extent such decrease relates to an increase on the same asset. This non-distributable reserve will be released to retained earnings at the end of the remaining useful lives of the tangible assets that have been subject to fair value increases and decreases.

Deferred translation reserve

This reserve represents the exchange movements on foreign currency earnings, investments and borrowings in subsidiary undertakings.

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. €339,632 is made up of the net movements in cash flow hedges and the effective portion of the forward exchange contracts, net of tax.

21. COMMITMENTS

Future capital expenditure approved by the committee but not provided for in these financial statements is as follows:

	2020 (€'000)	2019 (€'000)
Contracted for	7,344	28,236
Authorised but not contracted for	25,171	28,866
	32,515	57,102

The Group has outstanding trade related gas forward purchase contracts for GBP£24,670 (€27,546) at the year end. The fair value of these contracts was (£6,955) ((€7,766)) at year end.

Fixed Milk Price Schemes (FMPS)

The Group operates voluntary Fixed Milk Price Schemes (FMPS) to offer all shareholder milk suppliers' price certainty, in the context of fluctuating and volatile market pricing, on a portion of their milk supply. FMPS 5 commenced on 1 January 2019 and ends on 31 December 2021 and the total volume allocated and subscribed for approximates 1.1% of the 2018 milk supplied to the Group. FMPS 6 commenced on 1 January 2020 and ends on 31 December 2022 and the total volume allocated and subscribed for approximates 0.6% of the 2019 milk supplied to the Group. FMPS 7 commenced on 1 January 2021 and ends on 31 December 2023 and the total volume allocated and subscribed for approximates 3% of the 2020 milk supplied to the Group.

The Group is committed to making the contracted fixed milk price payments under the FMPS but it does not carry any forward market hedging exposure on the sale of the Group's products, associated with the milk supplied under these schemes, as the sale of these products are hedged through the entry into forward sale agreements.

22. CONTINGENCIES

(a)The Group's subsidiary bank borrowings and overdrafts are secured by a Group Composite Guarantee and Indemnity. The Group has guaranteed bank borrowings and overdrafts at year end of €72.8m (2019: €60.3m) and has in addition guaranteed performance bonds and letters of credit at the end of the year totalling €4.7m (2019: €1.6m). The Group has an ongoing funding requirement that is satisfied by bank facilities and trade related working capital facilities. Arising from the provision of these finance facilities the Group has to comply with certain loan covenants and during the year ended 31 December 2020, the Group has been in compliance with these loan covenants. The Group's primary bank facilities comprising term debt, revolving credit facilities (RCF's) and ancillary lines of credit now mature in July 2022 after exercising an extension option during a prior period.

(b) The Group has recognised government grants amounting to €3.8m (2019: €Nil) which may be revoked, rebated or cancelled in certain circumstances set out in the agreements. The Group has provided a parental guarantee for €5.8m to Enterprise Ireland related to an approved capital grant for the cheese diversification investment in the Ballineen facility and an interim claim of €3.8m was submitted during the year with the remainder of €2.0m expected to be fully claimed before the end of 2021.

(c) In accordance with the provisions of Section 357(1(b)) of the Companies Act 2014, the Society has irrevocably guaranteed all liabilities and losses of its Irish subsidiary undertakings, Carbery Food Ingredients Limited, Kinetica Sports Limited, Carbery Group Treasury Limited, Carbery Investments (Ireland) Limited, Carbery Cheese Services Limited, Carbery Group Treasury Operations Designated Activity Company, Carbery Investments (Bandon) Limited, Carbery Investments (Barryroe) Limited, Carbery Investments (Drinagh) Limited and Carbery Investments (Lisavaird) Limited in respect of the financial year as are referred to in Part III, Section A, Paragraph 14 of that Act, for purposes of enabling the subsidiaries to claim exemption from the requirement to file their own financial statements with the Registrar of Companies.

Valuable security has not been provided by the Society in respect of the guarantees. The above disclosure has been made merely to comply with statutory requirements concerning the filing exemption referred to, as, in the committee's opinion, the likelihood of crystallisation of the contingency is remote.

23. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES

The majority of the Society is controlled and owned by four 'A' shareholders, Drinagh Co-Operative Limited, Bandon Co-Operative Agricultural & Dairy Society Limited, Barryroe Co-Operative Limited and Lisavaird Co-Operative Creamery Limited. The Group sources a substantial part of its raw materials from its 'A' shareholders who in turn source from the "B" shareholders.

During the year ended 31 December 2020, total raw material purchases from the 'A' shareholders were €226m (2019: €201.9m). At 31 December 2020, the Group was owed €0.2m (€0.3m) by and owed €77m (2019: €59.3m) to its shareholders.

Carbery Food Ingredients Limited purchases whey protein concentrate from its joint venture company, Barbery Limited. Total purchases during the year amounted to €11.3m (2019: €10.9m). Amounts due to Barbery Limited at 31 December 2020 amounted to €0.66m (2019: €0.37m) (Note 12).

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within normal market credit terms. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2020, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2019: nil).

Key management personnel

Executive directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. This includes individuals working across the Group and employed in markets in Ireland, UK and USA.

Total remuneration in respect of these individuals in 2020 (15 Executives) is made up of the following components:

- Basic salary cost of €2.89m (2019: €2.89m) paid to individuals and which is normally set at market rates for equivalent roles
- Employer social insurance costs (ancillary to salary costs) which amounted to €0.37m (2019: € 0.34m)
- Retirement benefits paid by the employer to provide retirement benefits amounted to €0.41m (2019: €0.44m) for the year
- Other benefits which amounted to €0.23m (2019: €0.24m) for the year
- Performance related bonus / provision for future LTIP amounted to €1.96m (2019: €1.73m) for the year.

Synergy, the international flavours division of Carbery Group, has a Long Term Incentive Plan (LTIP) in place. This plan was implemented with an objective to attract, retain and incentivise senior executives to grow shareholder value of the Synergy business for the long term benefit of Carbery's shareholders. Phase 1 of the Synergy LTIP is in place since 2008 and allocations to participants under this phase ceased in 2014. Phase 2 commenced in 2015 with allocations to participants commencing the same year. As allocations to participants vest after three years all remaining unvested allocations in Phase 1 vested during 2017 and Phase 1 of the scheme concluded in 2018 when all remaining allocations for this phase were divested by participants. Phase 2 of the scheme will conclude in 2024 when the final year allocations for the second phase will vest. The LTIP is commensurate with similar schemes in various private and public companies and has been put in place under governance oversight by the Remuneration Board of Carbery Group under independent advice. Benefits associated with the scheme are entirely performance based and are referenced to the additional shareholder value generated over the term of the plan. Whilst the actual cost of the LTIP cannot be determined until 2024 for Phase 2, provision is being made over the lifetime of the plan for the estimated total cost. Further details of the LTIP including

23. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES *(continued)*

total provisions as at 31 December 2020 are outlined in Note 15 to the financial statements.

The total cost of the above components of remuneration in 2020 is €5.86m (2019: €5.64m).

Cost attributable to overseas employees has been translated from the local currency to euro at average rates of exchange.

Non-Executive Directors

Total remuneration paid to nine non-executive directors in 2020 was €207,187 (2019: €225,937) and together with employer social insurance contributions of €20,621 (2019: €23,164), the total remuneration cost was €227,808 (2019: €249,101).

Shareholders' and milk suppliers' loans	2020 (€'000)	2019 (€'000)
'A' shareholder loans	17,831	17,831
	17,831	17,831

The majority of the Society is owned by four 'A' shareholders, Drinagh Co-Operative Limited, Bandon Co-Operative Agricultural & Dairy Society Limited, Barryroe Co-Operative Limited and Lisavaird Co-Operative Creamery Limited.

The shareholder loans are non-interest bearing and are subordinated to the rights of the banks in relation to bank facilities provided to the Society and its subsidiaries including all monies due to the banks in respect of principal, interest or otherwise. The subordinated loans are secured by a debenture ranking in priority after the rights of the banks.

24. NON-CONTROLLING INTERESTS

	2020 (€'000)	2019 (€'000)
At 1 January	2,000	9,000
Redemptions	(2,000)	(7,000)
At 31 December	–	2,000

The non-controlling interests relate to 6.5% cumulative redeemable preference shares of €1.25 each issued in a subsidiary company, Carbery Food Ingredients Limited, in 2012 and 2013.

Carbery Food Ingredients Limited exercised its right to redeem the preference shares and the 5,600,000 preference shares of €1.25 each issued in 2012 and held by Bandon Co-Operative Agricultural & Dairy Society Limited, Barryroe Co-Operative Limited and Lisavaird Co-Operative Creamery Limited were redeemed at par in October 2019.

The remaining 1,600,000 preference shares of €1.25 each issued in 2013 held by Drinagh Co-Operative Limited were redeemed at par during 2020.

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25. SUBSIDIARIES AND JOINT VENTURES

At 31st December 2020 the Society had the following principal subsidiaries:

Principal subsidiaries

COMPANY NAME	NATURE OF BUSINESS	REGISTERED OFFICE	% VOTING RIGHTS
Carbery Food Ingredients Limited	Food ingredients and alcohol	Ballineen, Co. Cork	100
Carbery Group Treasury Operations Designated Activity Company	Intercompany financing	Ballineen, Co. Cork	100
Carbery (UK) Limited	Investment holding company	2 Hillbottom Road, Sands Industrial Estate, High Wycombe, Buckinghamshire, UK	100
Synergy Flavours Limited	Flavour ingredients	2 Hillbottom Road, Sands Industrial Estate, High Wycombe, Buckinghamshire, UK	100
Synergy Flavours (Thailand) Limited	Flavour ingredients	888/22 Moo 9 Soi, Roongcharoen, Lieb Klong, Suvarnabhumi Road, Bangpla, Bangplee, Samutprakarn, Thailand 10540	100
Synergy Flavours (Italy) Societa'perAzioni	Flavour ingredients	Strada per i Laghetti, 34015 Muggia, Trieste, Italy	100
Synergy Flavors Inc.	Flavour ingredients	1500 Synergy Drive, Wauconda, Illinois, USA	100
Synergy Flavors NY LLC	Flavour ingredients	1500 Synergy Drive, Wauconda, Illinois, USA	100
Synergy Flavors (OH) LLC	Flavour ingredients	1500 Synergy Drive, Wauconda, Illinois, USA	100
Synergy Flavors SG LLC	Flavour ingredients	1500 Synergy Drive, Wauconda, Illinois, USA	100
Synergy Aromas Ltda	Flavour ingredients	Rua Jose De Rezende Meirelles, 3835 Santa Candida, Vinhedo, Sao Paulo, Brazil	100

Joint venture company

COMPANY NAME	NATURE OF BUSINESS	REGISTERED OFFICE	% VOTING RIGHTS
Barbery Limited	Manufacture and sale of food ingredients	Maryland Farm, Ditcheat, Shepton Mallet, Somerset, UK	50

All shareholdings consist of ordinary shares.

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26. FINANCIAL INSTRUMENTS

	2020 (€'000)	2019 (€'000)
Financial assets measured at cost less impairment		
Unlisted investments	190	182
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	136,200	119,799
Other debtors	14,458	13,248
Loan notes	915	877
Financial liabilities measured at amortised cost		
Trade creditors	(78,322)	(62,690)
Other creditors	(18,911)	(20,060)
Bank overdraft	(58)	–
Loans	(73,645)	(60,325)
Finance leases and hire purchase contracts	(14)	(25)

Cash flow hedges - foreign currency risk

The Group purchases forward foreign currency contracts to hedge currency exposure on highly probable forecast transactions denominated in a foreign currency. The expected future sales and purchases which are hedged are expected to occur throughout 2021 (2019: throughout 2020). As at 31 December 2020, a net unrealised loss of €339,632 (2019: net unrealised gain of €773,640) was included in other comprehensive income in respect of the contracts. This amount which was retained in other comprehensive income at 31 December 2020 and 2019 is expected to mature and affect the income statement in 2021 and 2020 respectively. The amount that was reclassified from equity to the income statement for the periods is disclosed in note 21. At 31 December 2020, the Group had derivative assets of €0.3m and derivative liabilities of €0.02m.

27. SUBSEQUENT EVENTS

There have been no significant events affecting the Group since year end.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The committee approved the financial statements on 15th March 2021.

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