CARBERY FINANCIAL REPORT 2021

CARBERY

CONTENTS

CARBERY AT A GLANCE

882
GLOBAL EMPLOYEES

1,230
FARMER SHAREHOLDERS

12
GLOBAL FACILITIES

OPERATIONAL HIGHLIGHTS

REVENUE
€535.7m ^ 17%

EBITDA
€50.1m ^ 12%

EBITA
€31.2m ^ 10%

LITRES OF MILK PROCESSED IN BALLINEEN
612 million

MILK VOLUME
+2.7%

DIVISIONAL BREAKDOWN

DAIRY

NUTRITION

TASTE

OUR MISSION

50 years ago, our purpose was to create a stable and sustainable future for the farmers of West Cork. Today, we retain that commitment, and as a global company, consider a wider set of stakeholders, including our communities, customers, suppliers and the planet.

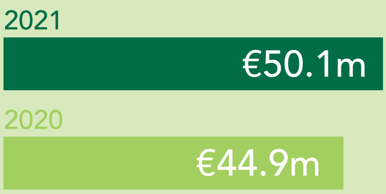
FINANCIAL REPORT

	2017	2018	2019	2020	2021
Revenue	417.3	423.5	434.1	459.5	**535.7**
EBITDA*	41.9	43.9	44.3	44.9	**50.1**
EBITA*	31.1	32.4	30.2	28.3	**31.2**
Operating Profit (EBIT)	25.5	26.6	24.3	24.2	**25.3**
Net Debt	12.7	30.1	47.2	57.8	**79.6**

* Before Exceptional Items

REVENUE

EBITDA



EBITA

CUMULATIVE CAPITAL EXPENDITURE

2017	2018	2019	2020	2021
17.1	36.0	95.4	141.3	**167.7**

REPORT OF THE COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2021

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 research, manufacturing and commercial capabilities in Ireland, the UK, mainland Europe, the USA, South America, China and South East Asia.

Synergy, the Group's international flavours and taste business, continues to grow both organically and acquisitively from its European, Asian and American based facilities. During the year Carbery acquired Innova, a savoury flavour and ingredients supplier based in Chicago, Illinois. The addition of Innova to the Group expands the savoury capabilities of Synergy America and complements Synergy's offerings worldwide.

REVIEW OF THE BUSINESS

> Results and dividends

Group turnover increased by 17% in 2021 to €535.7m (2020: €459.5m). On a constant currency basis turnover increased by 18%. Group EBITA (operating profit before interest, exceptional costs, amortisation of goodwill and other intangibles, share of profit/losses in joint ventures and tax) increased by 10% to €31.2m (2020: €28.3m). On a constant currency basis EBITA increased by 14%. Profit before taxation on ordinary activities (excluding exceptional and once off items) in the financial year amounted to €23.7m compared with a profit of €22.9m in the year ended 31 December 2020.

After debiting taxation of €6.3m (2020: debiting €5.8m) and paying dividends to minority interests of €Nil (2020: €0.1m) a profit of €17.4m has been transferred to reserves (2020: €16.9m).

Group net debt increased to €79.6m at 31 December 2021 (2020: €57.8m). Group debt is presently funded by bank term debt and revolving credit facility borrowings with repayments of between one and ten year duration.

> Dividends

The committee does not propose to pay a dividend. Free cash flow for the Group increased in 2021 by €25.2m to €15.9m (2020: (€9.3m)) (non-GAAP).

> Results for the year

Details of the results for the year are set out in the consolidated income statement on page 51 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 2021, 175,658 'B' ordinary shares were issued, 11,384 'B' ordinary shares were converted from processing notes and 79,938 '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.

From 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.

In 2021 the Board of Carbery introduced the Share Redemption Exit Plan (SREP) as part of the Milk Supply Share Scheme. The purpose of the SREP is to enhance the manner in which long term milk suppliers can share in the equity value being created by Carbery. Under the SREP retiring milk suppliers whose milk has been supplied to Carbery for not less than 20 years will receive an enhanced value (equivalent to one bonus B share for each two B shares held) at retirement for each B share held under the Milk Supply Share Scheme should they apply to have their shares redeemed (and subject to their application being approved by the Board).

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.

> Audit Committee

The Audit Committee is chaired by Mr. Dermot O'Leary and its other members include; Mr. Seamus Daly, Mr. Peter Fleming and Mr. Pat Moriarty. All members of the Committee are determined by the Board to be independent non-executive directors. The Audit Committee met six times during the 2021 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. Cormac O'Keeffe and its other members include Mr. Dermot O'Leary, Mr. Raymond Collins, Mr. Peter Fleming and Mr. Donal McCarthy 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 four times during the 2021 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
Cormac O'Keeffe[1]	19/19	3/3	4/4
Dermot O'Leary[1]	19/19	6/6	4/4
Gerard Brickley	19/19		
Raymond Collins[1]	9/9		1/1
Seamus Daly	19/19	6/6	
PeterFleming[1]	19/19	3/3	4/4
Pat Moriarty	19/19	3/3	
Peadar Murphy[1]	19/19	3/3	
Donal McCarthy[1]	9/9		1/1
TJ Sullivan	10/10		3/3
Jerome O'Mahony	10/10		3/3

1. Mr. Cormac O'Keeffe completed his term as Chairperson and member of the Audit Committee on 14 July 2021. Mr. Dermot O'Leary was appointed Chairperson of the Audit Committee on 14 July 2021. Mr. Peadar Murphy completed his term on the Audit Committee on 14 July 2021 and Mr. Peter Fleming was appointed in his stead. Mr. TJ Sullivan and Mr. Jerome O Mahony resigned as board members and members of the Remuneration Committee on 16 June 2021 and Mr. Donal McCarthy and Mr. Raymond Collins were appointed as Board members on the same date. Mr. McCarthy and Mr. Collins were appointed as Members of the Remuneration Committee on 14 July 2021.

IMPORTANT EVENTS SINCE THE YEAR END

The Group recently 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 early 2022.

The escalation of global geo-political tensions in recent weeks has brought uncertainty to European energy markets resulting in a significant and unprecedented increase in gas prices, an energy source which Carbery relies upon for its Ireland operations. The Group is monitoring the situation closely and taking any appropriate measures available to minimise the financial impact to the Group's operations in 2022.

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.

Back to Contents

Brexit and the uncertainty surrounding it prevailed for most of 2020. The ultimate emergence of a deal in late 2020 has brought welcome stability to the transition of the UK from the EU. The Group's dairy and nutritional business successfully completed the construction and commissioning of a new mozzarella facility during 2020 and 2021 was the first full year of production in this facility. This investment has enabled the business to broaden its cheese product portfolio and diversify into new markets since its commissioning in late 2020. 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 EU.

Building on another year of organic growth in 2021, 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 and further to the acquisition of Innova in the North American market during 2021, Synergy is committed to continuing 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.

COMMITTEE AND SECRETARY'S INTERESTS

The committee members are as listed on page 47.

Mr. TJ Sullivan and Mr. Jerome O'Mahony resigned as co-op committee members on 16 June 2021 and Mr. Donal McCarthy and Mr. Raymond Collins were 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.

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 procuring 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. Our Sustainability report 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. Past experiences 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 the business will continue to monitor and manage any emerging implications closely, taking all necessary measures to minimise any 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 already increasingly uncertain global energy environment, energy prices have escalated dramatically and significantly as a consequence of very recent geo political developments in Russia and Ukraine. The Group is monitoring the situation closely and taking any appropriate measures available to minimise the financial impact to the Group's operations in 2022. 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 and active strategies are in place to mitigate any potential cyber risk to the Group's global interests.

Covid-19 has had a significant impact on global markets and supply chains in 2020 and 2021. The development and deployment of effective vaccines globally continues to have an increasingly positive impact on controlling the virus and as a result society at large continues to gradually open up as the positive impact of the vaccine program takes hold. Whilst 2021 saw continuing disruption to market activities with some sectors such as food service, travel and leisure continuing to be significantly impacted, the present outlook is for a continuing — albeit gradual — re-opening of global markets and a phased return to pre-Covid activity. This return to normal activity all hinges on the continuing roll out of the vaccine globally and the avoidance of further disruptions from virus variants. Undoubtedly this road to recovery will be prone to unexpected delays and developments over the course of 2022 as has been evident during 2021 with disruptions to certain markets and supply chains alike. In overall terms, Carbery's business has proven itself to be broadly resilient to the challenges posed by Covid-19 over the past two years. Whilst the Group incurred continuing disruption to some of its food service customer base particularly in H1 2021, these losses were offset by stronger demand emerging in H2 as markets gradually re-opened 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 market collapses witnessed to the former market segment during the past two years.

Given the supply chain challenges evident globally during 2021, Carbery continues to manage supply chain constraints and customer needs with minimised disruption evident to date for the Group. Notwithstanding the beneficial impact of the global vaccine rollout, we are continuing to 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 ten 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 recently 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 early 2022. The Group had already put additional funding in place during 2019 with the European Investment Bank to part fund the 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:

Cormac O'Keeffe
Chairman

15th March 2022

Dermot O'Leary
Vice Chairman
15th March 2022

Back to Contents

SOCIETY INFORMATION

COMMITTEE

Cormac O'Keeffe [2]
(Chairman)

Dermot O'Leary [1&2]
(Vice Chairman)

Gerard Brickley

Raymond Collins [2]
(appointed 16 June 2021)

Seamus Daly [1]

Peter Fleming [1&2]

Pat Moriarty [1]

Peadar Murphy

Donal McCarthy [2]
(appointed 16 June 2021)

Jason Hawkins
(CEO)

Colm Leen
(Secretary & CFO)

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

Back to Contents

COMMITTEE RESPONSIBILITIES STATEMENT

for the year ended 31st December 2021

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

The Industrial and Provident Societies Acts 1893 to 2021 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 Committee 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 2021. 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 2021.

On behalf of the Committee:

Cormac O'Keeffe
Chairman

15th March 2022

Dermot O'Leary
Vice Chairman
15th March 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBERY CREAMERIES LIMITED AND SUBSIDIARIES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

> Opinion

We have audited the financial statements of Carbery Creameries Limited and Subsidiaries ("the Society") for the year ended 31 December 2021 set out on pages 51 to 81, 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 issued in the United Kingdom by the Financial Reporting Council.

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Society as at 31 December 2021 and of its surplus for the year then ended;
- the financial statements 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 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.

Our responsibilities and the responsibilities of the Committee with respect to going concern are described in the relevant sections of this report.

> 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 committee report. 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 undertaken during the course of the audit, 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 2021 is set out below

As required by Section 13(2) of the Industrial and Provident Societies Act 1893 to 2021, 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 Committee for the financial statements

As explained more fully in the committee responsibilities statement set out on page 48, 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.

> 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 http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

> 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
16 March 2022
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
85 South Mall
Cork

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2021

	Note	2021 (€'000)	2020 (€'000)
Turnover	2	535,650	459,507
Cost of sales		(405,353)	(346,658)
Gross profit		130,297	112,849
Administrative expenses		(105,019)	(88,608)
Operating profit	3	25,278	24,241
Share of profit in joint ventures	9	133	154
Other interest receivable and similar income	5	8	23
Interest payable and similar charges	5	(1,707)	(1,571)
Other finance income - retirement benefit and other	5	12	13
Profit before taxation		23,724	22,860
Taxation on profit	6	(6,283)	(5,842)
Profit for the financial year		17,441	17,018
Profit for the financial year attributable to:			
Non-controlling interests		-	139
Owners of the parent society		17,441	16,879
Profit for the financial year		17,441	17,018

On behalf of the Committee:

Cormac O'Keeffe
Chairman
15th March 2022

Dermot O'Leary
Vice Chairman
15th March 2022

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2021

	Note	2021 (€'000)	2020 (€'000)
Profit for the financial year		17,441	17,018
Other comprehensive income			
Remeasurement gain/(loss) recognised on defined benefit retirement benefit schemes	17	1,873	(364)
Movement on deferred tax relating to defined benefit pension schemes	17	(280)	-
Currency translation difference on net assets of subsidiary undertakings	20	8,949	(10,396)
Cash flow hedges:			
- Change in value of hedge instrument	20	672	295
- Reclassifications to income statement	20	(295)	(635)
Total other comprehensive income/(expense)		10,919	(11,100)
Total comprehensive income for the year		28,360	5,918
Total comprehensive income for the year attributable to:			
Non-controlling interests		-	139
Owners of the parent society		28,360	5,779
		28,360	5,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2021

	Note	2021 (€'000)	2020 (€'000)
Non-current assets			
Intangible assets	7	47,550	27,261
Tangible assets	8	212,161	189,463
Financial assets	9	1,924	1,689
Pension surplus	17	2,243	-
		263,878	**218,413**
Current assets			
Stocks	10	80,952	65,667
Debtors (including amounts due after more than one year)	11	166,798	157,705
Cash at bank and in hand		14,743	15,937
		262,493	239,309
Creditors: falling due within one year	12	(118,778)	(103,073)
Net current assets		143,715	136,236
Total assets less current liabilities		407,593	354,649
Creditors: falling due after more than one year	13	(88,412)	(69,710)
Provisions for liabilities			
Deferred taxation	15	(10,824)	(8,445)
Other provisions	15	(12,677)	(11,057)
		295,680	**265,437**
Government grants	18	(6,488)	(5,032)
Net assets		**289,192**	**260,405**
Capital and reserves			
Called up share capital	19	86,398	86,291
Share reserve fund		2,293	1,973
Retained earnings		177,664	158,263
Other reserves	20	5,006	(3,953)
Shareholders' loans	24	17,831	17,831
Equity attributable to owners of the parent society		**289,192**	**260,405**

On behalf of the Committee:

Cormac O Keeffe

Cormac O'Keeffe
Chairman
15th March 2022

Dermot O'Leary
Vice Chairman
15th March 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2021

	Called up share capital (€'000)	Share reserve fund (Note 20) (€'000)	Retained earnings (€'000)	Other reserves (Note 20) (€'000)	Shareholders' loans' (Note 24) (€'000)	Equity attributable to owners of the parent society (€'000)	Non-controlling interests (€'000)	Total equity (€'000)
At 1 January 2020	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
Profit for the financial year	–	–	17,441	–	–	**17,441**	–	17,441
Other comprehensive income	–	–	1,593	9,326	–	**10,919**	–	10,919
Total comprehensive income for the year	–	–	19,034	9,326	–	**28,360**	–	28,360
Transfer from revaluation reserves	–	–	367	(367)	–	–	–	–
Shares issued during the year	176	525	–	–	–	**701**	–	701
Shares repurchased during the year	(80)	(239)	–	–	–	**(319)**	–	(319)
Share conversions	11	34	–	–	–	**45**	–	45
At 31 December 2021	86,398	2,293	177,664	5,006	17,831	**289,192**	–	289,192

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2021

	2021 (€'000)	2020 (€'000)
Cashflows from operating activities		
Profit before tax	23,724	22,860
Working capital adjustments		
(Increase) in stock	(11,736)	(202)
(Increase) in debtors	(5,679)	(16,479)
Increase in creditors	12,545	17,495
Adjustments for non-cash items:		
Increase in other provisions	1,619	2,096
Depreciation (net of grant amortisation)	17,691	15,247
Amortisation of intangibles	7,361	5,487
Loss on sale of fixed assets	1	12
Increase in unlisted investments	-	(8)
Share of profit in joint ventures	(133)	(154)
Net finance cost	1,698	1,548
Retirement benefit adjustments	1,593	(364)
Interest received	8	23
Finance costs paid	(1,705)	(1,537)
Dividends paid to non-controlling interests	-	(139)
Defined benefit employer contributions paid	(358)	(351)
Corporation tax paid	(3,667)	(6,453)
Net cash inflow from operating activities	42,962	39,081
Cashflows from investing activities		
Purchase of tangible fixed assets	(26,510)	(48,126)
Purchase of intangible fixed assets	(614)	(330)
Receipts from sale of tangible fixed assets	38	69
Investment in subsidiary undertaking - Innova	(37,747)	-
Net cash outflow from investing activities	(64,833)	(48,387)
Cashflows from financing activities		
Issue of 'B' ordinary shares	746	687
Repurchase of 'B' ordinary shares	(319)	(826)
Issue of processing notes	568	551
Minority interests share redemption	-	(2,000)
Loans drawdown	29,218	27,723
Loan repayments	(10,507)	(13,502)
Capital element of finance leases and hire purchases repaid	(14)	(11)
Net cash inflow from financing activities	19,692	12,622
Net (decrease)/increase in cash and cash equivalents	(2,179)	3,316
Effect of exchange rate fluctuations on cash held	1,028	(604)
Cash and cash equivalents at 1 January	15,879	13,167
Cash and cash equivalents at 31 December	14,728	15,879

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

for the year ended 31st December 2021

	2021 (€'000)	2020 (€'000)
Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	14,743	15,937
Bank overdrafts	(15)	(58)
Cash and cash equivalents	14,728	15,879

Analysis of Net Debt

(i)	**Reconciliation of net cash flow to movement in net debt**	**(€'000)**
	Decrease in cash	(2,179)
	Loan repayments	10,521
	Loans issued	(29,218)
	Change in net debt resulting from cash flows	(20,876)
	Translation adjustment	(906)
	Movement in net debt in year	(21,782)
	Net debt at 1 January 2021	(57,780)
	Net debt at 31 December 2021	(79,562)

(ii) Analysis of changes in net funds

	At 1/1/2021 (€'000)	Net cash flow (€'000)	Acquisitions (€'000)	Exchange movement (€'000)	At 31/12/2021 (€'000)
Cash at bank and in hand	15,937	(2,222)	–	1,028	14,743
Bank overdrafts	(58)	43	–	–	(15)
Total cash and demand debt	15,879	(2,179)	–	1,028	14,728
Loans repayable	(73,645)	10,507	(29,218)	(1,934)	(94,290)
Finance leases and hire purchases	(14)	14	-	-	-
	(73,659)	10,521	(29,218)	(1,934)	(94,290)
Net debt	(57,780)	8,342	(29,218)	(906)	(79,562)

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 2021.

(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 policies 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.

These financial statements are prepared for the Group on a consolidated basis. The parent entity society accounts are prepared separately.

(d) Measurement convention

The financial statements are prepared on the historical cost basis except for certain assets and liabilities that are stated at their fair value including 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.

(f) Judgements and key sources of estimation uncertainty *(continued)*

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 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

Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses.

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

(j) Tangible fixed assets (continued)

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 depreciated.

(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. Maintenance stocks are held in order to provide sufficient spare parts to ensure efficient operation of essential plant and equipment used for manufacturing and ancillary supporting services. The stock are allocated to repairs on consumption and have been recorded at cost.

(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.

Asset for carbon credits

Carbon credits purchased are accounted for at cost. Cost is determined on a first in first out basis. The cost of the asset is subject to impairment review.

Liability for carbon emissions

A liability is recorded as emissions are created. The liability is recognised at the cost of carbon credits on hand to the extent that there are sufficient credits on hand to meet the liability at any one time. Where there are insufficient carbon credits, then any excess liability is measured at the fair value of purchasing the additional carbon credits.

When the carbon credits are surrendered in settlement of a liability then both the asset and liability are derecognised.

(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)

	2021	2020
US$	1.1826	1.1382
GBP£	0.8597	0.8884

Closing Rates (31 December)

	2021	2020
US$	1.1370	1.2225
GBP£	0.8413	0.8956

(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 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 Group 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 the income statement over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to the income statement 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 charges 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, Europe 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 Synergy.

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 Synergy. 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.

(z) 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.

(ac) Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company. At the acquisition date, the company recognises goodwill as:

- the fair value of the consideration transferred plus
- estimated amount of contingent consideration if any plus
- the fair value of the equity instrument plus
- directly attributable transaction costs plus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Please refer to note 21 for further details.

(ad) Reclassifications

In preparing the financial statements for the current year, the comparative figures for the year ended 31 December 2020 have been reclassified. Certain expenses have been reclassified from administrative expenses to cost of sales. The change in presentation is to align with the Group's internal financial information and KPI's for tracking expense classifications.

2. TURNOVER

The amount of each category of revenue recognised in the year is as follows:	2021 (€'000)	2020 (€'000)
Sale of goods	535,650	459,507

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2021 (€'000)	2020 (€'000)
Research and development expenditure	6,372	6,702
Foreign exchange differences	147	180
Depreciation charge: Depreciation of owned assets (Note 8)	18,210	15,553
Depreciation of assets held under finance leases and hire purchase contracts (Note 8)	-	11
Amortisation of intangibles (Note 7)	7,362	5,487
Amortisation of government grants (Note 18)	(518)	(317)
Operating lease rentals: Land and buildings	455	75
Plant and machinery	97	95
Motor vehicles	130	138
Loss on disposal of fixed assets	1	12

4. EMPLOYEES

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:	2021 Number	2020 Number
Production/operations/technical	649	592
Sales	109	92
Administration	124	109
	882	793

The aggregate payroll costs of these employees were as follows:	2021 (€'000)	2020 (€'000)
Wages and salaries	56,103	50,250
Social welfare costs	5,190	4,568
Retirement benefit and related costs	2,511	2,698
Other costs	3,006	2,840
Total employee costs	66,810	60,356
Long term incentive plan paid during the year	-	939
Total payroll related costs	66,810	61,295

Other costs include health insurance and other benefits paid. Total wages and salary costs included above that were capitalised during the year were €0.06m (2020: €0.01m).

5. INTEREST

	2021 (€'000)	2020 (€'000)
Other Interest receivable and similar income:		
Interest receivable on bank deposits	(8)	(23)
	(8)	(23)
Interest payable and similar charges:		
Finance and hire purchase lease interest	-	1
Interest payable on bank loans and overdrafts wholly repayable within five years	1,707	1,570
	1,707	1,571
Other finance income - retirement benefit and other:		
Retirement benefit finance (credit)	(12)	(13)

6. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity	2021 (€'000)	2020 (€'000)
(a) Tax on profit	6,283	5,842
Current tax:		
Corporation tax on profit for the year	2,891	5,136
Adjustments in respect of prior years'	668	(718)
Group current tax	3,559	4,418
Share of joint ventures' current tax	–	13
Total current tax	3,559	4,431
Deferred tax:		
Origination and reversal of timing differences	2,745	2,130
Adjustments in respect of prior years	(21)	(22)
Utilisation of tax (losses)	–	(697)
Total deferred tax	2,724	1,411
Tax on profit	6,283	5,842
(b) Tax included in Statement of Other Comprehensive Income		
Actuarial loss on retirement benefit scheme	280	–
Total tax charge OCI	280	–
(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	23,724	22,860
Profit multiplied by the Irish standard rate of tax 12.5%	2,966	2,858
Effects of:		
Tax depreciation in year in deficit of depreciation	340	1,294
Intangibles amortisation in excess of tax deduction	1,730	347
Tax exempt earnings and credits	(387)	(1,883)
Effect of tax rates in foreign jurisdictions	1,359	2,685
Expenses not deductible for tax purposes	178	383
Adjustments in respect of prior years	647	(740)
Others	(550)	898
Total Group tax	6,283	5,842

6. TAXATION (continued)

(d) Factors that may affect future tax charges

The Group has tax losses and credits arising in Ireland of €8.8m 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 26.78% in the US and 19% in the UK. For 2022 these headline rates are projected to be 26.78% 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.

	2021 (€'000)	2020 (€'000)
(e) Deferred tax		
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 11)	1,081	1,060
Included in provision for liabilities (note 15)	(10,824)	(8,445)
	(9,743)	(7,385)
Deferred tax is recognised on the following:		
Accelerated capital allowances and tax depreciation	(12,135)	(8,882)
Arising on pension liability	(280)	–
Tax amortisation of goodwill and intangibles less than book amortisation	(289)	190
Other timing differences/expenses	2,961	1,307
	(9,743)	(7,385)
The movement in the deferred tax included in the statement of financial position is as follows:		
At 1 January - net	(7,385)	(6,350)
Deferred tax (debited) to income statement for the year	(3,025)	(2,130)
Origination of tax losses in the year	–	697
Adjustments in respect of prior years'	21	22
Arising on acquisitions (note 21)	1,049	–
Exchange adjustment	(403)	376
Provision at 31 December - net	(9,743)	(7,385)

7. INTANGIBLE ASSETS

	Goodwill (€'000)	Acquisition related intangible assets (€'000)	Computer software & other intangibles (€'000)	Total (€'000)
Cost:				
At 1 January 2021	75,097	27,784	10,442	113,323
Additions	–	–	614	614
Acquisitions (note 21)	12,813	11,185	–	23,998
Effect of movements in foreign exchange	6,189	2,627	590	9,406
At 31 December 2021	94,099	41,596	11,646	147,341
Amortisation:				
At 1 January 2021	55,060	26,618	4,384	86,062
Amortised during the year	3,860	2,089	1,413	7,362
Effect of movements in foreign exchange	4,105	1,975	287	6,367
At 31 December 2021	63,025	30,682	6,084	99,791
Net book value:				
At 31 December 2021	31,074	10,914	5,562	47,550
At 31 December 2020	20,037	1,166	6,058	27,261

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 2021 is €7.4m.

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 CGUs that are expected to benefit from the business acquisition. Where practically measurable and identifiable, intangible assets are sub-allocated within CGUs 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.

8. TANGIBLE FIXED ASSETS

	Land & buildings (€'000)	Leasehold improvements (€'000)	Plant & machinery owned (€'000)	Plant & machinery leased (€'000)	Motor vehicles (€'000)	Plant advances (€'000)	Total (€'000)
Cost:							
At 1 January 2021	98,212	768	258,092	173	198	7,702	365,145
Acquisitions	5,418	2,407	835	–	–	2,003	10,663
Additions	6,792	–	17,511	–	13	1,458	25,774
Disposals	(21)	–	(838)	–	(14)	–	(873)
Transfers	3,360	–	1,696	–	–	(5,056)	–
Exchange adjustments	3,116	174	4,067	8	2	49	7,416
At 31 December 2021	116,877	3,349	281,363	181	199	6,156	408,125
Depreciation:							
At 1 January 2021	23,903	273	151,208	162	136	–	175,682
Charged during year	2,736	108	15,344	–	22	–	18,210
Disposals	(21)	–	(804)	–	(9)	–	(834)
Transfers	–	–	–	–	–	–	–
Exchange adjustments	529	22	2,346	7	2	–	2,906
At 31 December 2021	27,147	403	168,094	169	151	–	195,964
Net book value: At 31 December 2021	89,730	2,946	113,269	12	48	6,156	212,161
At 31 December 2020	74,309	495	106,884	11	62	7,702	189,463

9. FINANCIAL ASSETS

Joint ventures	2021 (€'000)	2020 (€'000)
At 1 January	1,499	1,443
Share of profit retained by joint ventures	133	154
Share of tax charge in joint ventures	–	(13)
Exchange movements	102	(85)
At 31 December	1,734	1,499
Unlisted investments – at cost less impairment		
At 1 January	190	182
Bonus shares issued	–	8
At 31 December	190	190
Total financial assets and investments	1,924	1,689

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 26 to the financial statements.

10. STOCKS

	2021 (€'000)	2020 (€'000)
Raw materials	25,503	15,578
Consumable and maintenance stores	5,545	3,999
Finished goods	49,904	46,090
	80,952	65,667

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 €1.1m (2020: €1.9m).

In addition, stocks written off as an expense in the year were €1.5m (2020: €2.4m) for the Group.

11. DEBTORS

	2021 (€'000)	2020 (€'000)
Amounts falling due within one year:		
Trade debtors	141,078	136,200
Other debtors, prepayments and accrued income (i)	13,952	12,263
Convertible loan notes	316	284
Derivative financial instruments (note 27)	731	314
VAT receivable - Irish	2,301	2,196
Corporation tax:		
- Irish	529	518
- Overseas	4,981	3,627
	163,888	155,402
Amounts due after more than one year:		
Convertible loan notes	616	631
Corporation tax		
- Irish	824	612
Deferred tax		
- Irish	1,081	1,060
- Overseas	389	–
	2,910	2,303
	166,798	157,705

(i) included within prepayments is €3.2m relating to carbon credit assets.

12. CREDITORS: falling due within one year

	2021 (€'000)	2020 (€'000)
Trade creditors	87,404	77,667
Other creditors including tax and social welfare (see below) (i)	22,256	18,927
Bank loans and overdrafts (note 14)	8,258	5,791
Amounts owed to related companies	802	655
Derivative financial instruments (note 27)	58	19
Leasing and hire purchase liabilities (note 13)	–	14
	118,778	103,073
Tax and social welfare included in other creditors:		
Corporation tax	813	15
PAYE	636	719
VAT payable - Overseas	212	–
	1,661	734
Social welfare	495	460
	2,156	1,194

(i) included within other creditors is €1.0m relating to a liability for carbon emissions.

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.

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13. CREDITORS: falling due after more than one year

	2021 (€'000)	2020 (€'000)
Processing notes	2,366	1,798
Bank loans (note 14)	86,046	67,912
	88,412	69,710
Finance lease and hire purchase payments are due as follows:		
In one year or less	–	14
Between one and two years	–	–
	–	–

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

	2021 (€'000)	2020 (€'000)
Bank overdrafts	15	58
Bank loans - amounts payable by equal instalments:		
Within one year	8,243	5,733
Between one and two years	8,243	36,412
Greater than two years	77,803	31,500
	94,304	73,703

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, SOFR or SONIA 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. Following the completion, in February 2022, of the refinancing of the Group's multi-currency term and revolving credit facilities, these facilities are available for draw down by the Society and certain subsidiaries and mature in February 2027 with options to extend to February 2028 and February 2029 subject to certain conditions being met.

An amortising term loan facility with EIB was put in place and drawn down in 2019 to part fund the Group's cheese diversification capital project. This loan is repayable in equal instalments over a 10-year period commencing in February 2022 with the final repayment scheduled for November 2031. Interest rates are fixed for the duration of the term of this facility.

15. PROVISIONS FOR LIABILITIES

	Note	2021 (€'000)	2020 (€'000)
Deferred tax:			
Provision at 1 January		8,445	6,691
Charge to the income statement for the year		1,979	2,130
Exchange adjustments		400	(376)
Provision at 31 December		10,824	8,445
Other provisions:	Note		
Long Term Incentive Plans (LTIP)	(i)	2,817	1,057
Stability fund	(ii)	9,860	10,000
		12,677	11,057

	2021 (€'000)	2020 (€'000)
(i) LTIP:		
Provision at 1 January	1,057	1,745
Paid during the year	–	(939)
Current service cost	1,734	287
Exchange movements	26	(36)
Provision at 31 December	2,817	1,057
Due within one year	344	171
Due greater than one year	2,473	886

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 €1.7m is included in the 2021 financial statements. This is relating to the estimated cost of the scheme attributable to 2021. If certain trading performance projections for Synergy materialise in future years (2022 to 2024) 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 2021. 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 €Nil during 2021 (2020: €0.94m).

(ii) Stability Fund:	2021 (€'000)	2020 (€'000)
Provision at 1 January	10,000	7,216
Increase in the period	–	10,014
Support payments to milk suppliers	(140)	(7,230)
Provision at 31 December	9,860	10,000
Due within one year	–	–
Due greater than one year	9,860	10,000

Total milk support payments to shareholder suppliers from the stability fund during the year amounted to €0.1m. It was agreed by the Board of Carbery to maintain the Stability Fund at €9.86m from which it would make payments 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 remaining €9.86m 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 2021		31 December 2020	
	Land & buildings (€'000)	Other (€'000)	Land & buildings (€'000)	Other (€'000)
Not later than one year	694	182	82	190
Later than one year and not later than five years	2,647	211	232	274
Greater than five years	7,346	-	-	-
	10,687	393	314	464

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 €358,000 (2020: €351,000). 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 2021 and 31 December 2020. 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 2022 are expected to be €366,000 (2021: €358,000).

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:	2021 (€'000)	2020 (€'000)
Scheme assets at fair value:		
Equity instruments	3,706	4,852
Debt instruments	19,934	19,945
Cash	238	1
Fair value of scheme assets	23,878	24,798
Present value of scheme liabilities	(21,635)	(24,798)
	2,243	-

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**	2021 (€'000)	2020 (€'000)
Current service cost	–	–
Recognised in arriving at operating profit	–	–
Net interest on net defined benefit liability	12	13
Total recognised in the income statement	12	13

Recognised in other comprehensive income	2021 (€'000)	2020 (€'000)
Actual return on scheme assets	304	642
Less: amounts included in net interest on the net defined benefit liability (Note 5)	(332)	120
	(28)	762
Other actuarial gains/(losses)	1,621	(1,126)
Remeasurement gains/(losses) recognised in other comprehensive income	1,593	(364)

Financial assumptions

The major assumptions used by the actuaries are:	2021 (%)	2020 (%)
Inflation rate increase	2.00	1.50
Salary rate increase	n/a	n/a
Retirement benefit payment increase	0.00	0.00
Discount rate	1.10	0.90

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2046 at age 65 will live on average a further 24 years after retirement if they are male and a further 26 years after retirement if they are female.

Changes in the present value of the defined benefit obligations are analysed as follows:	2021 (€'000)	2020 (€'000)
As at 1 January	23,789	24,765
Interest cost	206	285
Benefits paid	(1,800)	(2,027)
Remeasurement adjustments	(560)	766
At 31 December	21,635	23,789

The defined benefit asset comprises €2,243,000 (2020: €Nil) from plans that are wholly or partly funded
.

Changes in the fair value of scheme assets:	2021 (€'000)	2020 (€'000)
As at 1 January	24,798	25,534
Actual loss on plan assets	305	642
Interest income	217	298
Employer contributions	358	351
Benefits paid	(1,800)	(2,027)
At 31 December	23,878	24,798

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 €2,095,907 (2020: €2,126,703) for the year. The amount outstanding at year end was €97,213 (2020: €425,081).

17. RETIREMENT BENEFIT COMMITMENTS (continued)

	2021 (€'000)	2020 (€'000)
Non-current assets		
Pension surplus	2,243	-
Provisions for liabilities		
Deferred tax	(280)	-
The Income Statement and Statement of Other Comprehensive Income pension bookings are recorded as follows:		
Pension surplus	2,243	-
Deferred tax	(280)	-
Pension costs and interest	(370)	-
	1,593	-

18. GOVERNMENT GRANTS

Cost:	2021 (€'000)	2020 (€'000)
At 1 January	14,514	10,738
Recognised during the year	1,974	3,776
At 31 December	16,488	14,514
Amortisation:		
At 1 January	9,482	9,165
Amortised during the year	518	317
At 31 December	10,000	9,482
Net book value:		
At 31 December	6,488	5,032
Between one and two years	404	391
Between two and five years	1,527	995
In more than five years	4,557	3,646
	6,488	5,032

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 2021 a grant of €2m was recognised which relates to a final claim on an approved €5.8m Enterprise Ireland capital grant for the cheese diversification investment in the Ballineen facility. An interim claim of €3.8m was received during the year and the final claim of €2m is expected to be received during 2022.

19. SHARE CAPITAL

Allotted, called up and fully paid:	2021 (€'000)	2020 (€'000)
'A' ordinary shares of €1 each	75,805	75,805
'B' ordinary shares of €1 each:		
At 1 January	10,486	10,520
Issued during the period	176	162
Repurchased during the period	(80)	(201)
Share conversions	11	6
Processing note conversions	–	(1)
At 31 December	10,593	10,486
	86,398	86,291

19. SHARE CAPITAL (continued)

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 2021, 175,658 'B' ordinary shares were issued, 11,384 'B' ordinary shares were converted from processing notes and 79,938 '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, €Nil (2020: €139,260) was paid to those holders of the 'B' ordinary shares in subsidiary companies qualifying for payment of the annual coupon of 6.5%.

20. OTHER RESERVES

	Non-distributable capital reserve (€'000)	Deferred translation reserve (€'000)	Cash flow hedge reserve (€'000)	Total (€'000)
At 1 January 2021	2,468	(6,716)	295	(3,953)
Translation gain	–	8,949	–	8,949
Change in value of hedge instrument	–	–	377	377
Reclassifications to retained earnings	(367)	–	–	(367)
At 31 December 2021	2,101	2,233	672	5,006

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. €376,824 is made up of the net movements in cash flow hedges and the effective portion of the forward exchange contracts, net of tax.

21. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

The Group acquired 100% of the Innova Flavors assets from Griffith Foods Group Inc in May 2021.	Book value (€'000)	Fair value adjustment (€'000)	Adjusted value (€'000)
Tangible assets	13,624	(2,961)	10,663
Inventory	3,485	(1,448)	2,037
Formulas	–	4,597	4,597
Trade names	–	2,047	2,047
Customer contracts and relationships	–	4,541	4,541
Deferred taxation arising on acquisition	–	1,049	1,049
Net identifiable assets	17,109	7,825	24,934
Goodwill arising on acquisition			12,813
Total cost of acquisition			37,747
Discharged by:			
Purchase consideration			
- cash paid			37,166
- acquisition costs			581
			37,747

21. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS (continued)

The acquisition method has been used to account for businesses acquired in the Group's financial statements. The valuation of the fair value of assets acquired in the Innova acquisition was undertaken during the period with the resulting fair value adjustments to acquired book values disclosed above with any material adjustments to be made within the measurement period. A deferred tax asset of €1m is recognized in relation to these fair value adjustments. The fair values of the acquired intangibles of formulas, trade names, customer contracts and relationships are amortised over their expected useful economic lives of 5 years.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired business and the synergies expected to arise with the Group after the acquisition. Goodwill is amortised over its expected useful life of 20 years.

Acquisition-related costs of €0.6m were incurred primarily on professional fees and are included within the overall goodwill value.

22. COMMITMENTS

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

	2021 (€'000)	2020 (€'000)
Contracted for	4,235	7,344
Authorised but not contracted for	17,616	25,171
	21,851	32,515

The Group has outstanding trade related gas forward purchase contracts for GBP£4,537,302 (€5,393,203) at the year end. The fair value of these contracts was £8,146 (€9,683) at the year end. The Group has outstanding trade related ethanol forward sale contracts for €833,000 at the year end. The fair value of these contracts was (€25,500) at the 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 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. FMPS 8 commences on 1 January 2022 and ends on 31 December 2024 and the total volume allocated and subscribed for approximates 0.001% of the 2021 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.

23. 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 €94.3m (2020: €72.8m) and has in addition guaranteed performance bonds and letters of credit at the end of the year totalling €5.1m (2020: €5.0m). 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 2021, 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 February 2027.

(b) The Group has recognised government grants amounting to €5.8m (2020: €3.8m) 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 prior year with the remainder of €2.0m expected to be fully claimed before the end of 2022.

(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.

24. 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 2021, total raw material purchases from the 'A' shareholders were €244m (2020: €226m). At 31 December 2021, the Group was owed €0.3m (2020: €0.2m) by and owed €80.2m (2020: €77m) 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 €11.5m (2020: €11.3m). Amounts due to Barbery Limited at 31 December 2021 amounted to €0.8m (2020: €0.66m) (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 2021, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2020: €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, Europe and USA.

Total remuneration in respect of these individuals in 2021 (16 Executives) (2020: 15) is made up of the following components:

- Basic salary cost of €3.52m (2020: €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 €0.43m (2020: €0.37m)
- Retirement benefits paid by the employer to provide retirement benefits amounted to €0.43m (2020: €0.41m) for the year
- Other benefits which amounted to €0.25m (2020: €0.23m) for the year
- Performance related bonus / provision for future LTIP amounted to €3.33m (2020: €1.96m) 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 total provisions as at 31 December 2021 are outlined in Note 15 to the financial statements.

The total cost of the above components of remuneration in 2021 is €7.96m (2020: €5.86m).

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 in 2021 to 11 (2020: 11) non-executive directors was €250,770 (2020: €207,187) and together with employer social insurance contributions of €23,017 (2020: €20,621), the total remuneration cost was €273,787 (2020: €227,808).

Shareholders' loans	2021 (€'000)	2020 (€'000)
'A' shareholder loans	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.

25. NON-CONTROLLING INTERESTS

	2021 (€'000)	2020 (€'000)
At 1 January	-	2,000
Redemptions	-	(2,000)
At 31 December	-	-

The non-controlling interests related 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.

26. SUBSIDIARIES AND JOINT VENTURES

At 31 December 2021 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 Innova 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.

27. FINANCIAL INSTRUMENTS

	2021 (€'000)	2020 (€'000)
Financial assets measured at cost less impairment		
Unlisted investments	190	190
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	141,078	136,200
Other debtors	19,920	14,458
Loan notes	932	915
Financial liabilities measured at amortised cost		
Trade creditors	(88,241)	(78,322)
Other creditors	(24,559)	(18,911)
Bank overdraft	(15)	(58)
Loans	(94,290)	(73,645)
Finance leases and hire purchase contracts	-	(14)

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 2022 (2020: throughout 2021). As at 31 December 2021, a net unrealised gain of €376,824 (2020: net unrealised loss of €339,632) was included in other comprehensive income in respect of the contracts. This amount which was retained in other comprehensive income at 31 December 2021 and 2020 is expected to mature and affect the income statement in 2022 and 2021 respectively. The amount that was reclassified from equity to the income statement for the periods is disclosed in note 21. At 31 December 2021, the Group had derivative assets of €0.7m and derivative liabilities of €0.1m.

Carrying amounts and fair values of financial instruments held at fair value

The fair value of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Financial asset 2021	Carrying amount 2021 (€'000)	Fair Value 2021 (€'000)	Level 1 2021 (€'000)	Level 2 2021 (€'000)	Level 3 2021 (€'000)
Derivative asset	731	731	-	731	-
Total financial assets at fair value	731	731	-	731	-
Financial liability 2021					
Derivative liability	58	58	-	58	-
Total financial liabilities at fair value	58	58	-	58	-

Financial asset 2020	Carrying amount 2020 (€'000)	Fair Value 2020 (€'000)	Level 1 2020 (€'000)	Level 2 2020 (€'000)	Level 3 2020 (€'000)
Derivative asset	315	315	-	315	-
Total financial assets at fair value	315	315	-	315	-
Financial liability 2020					
Derivative liability	19	19	-	19	-
Total financial liabilities at fair value	19	19	-	19	-

Level 2 valuation techniques

The derivative assets and liabilities are valued by reference to current forward exchange rates for contracts with similar maturity profiles.

28. SUBSEQUENT EVENTS

The escalation of global geo-political tensions subsequent to the Russian invasion of Ukraine has brought uncertainty to European energy markets resulting in a significant and unprecedented increase in gas prices, an energy source which Carbery relies upon for its Ireland operations. The Group is monitoring the situation closely and taking any appropriate measures available to minimise the financial impact to the Group's operations in 2022. 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.

The Group completed the refinancing of its muti-currency term and revolving credit facilities in February 2022 with its lenders Allied Irish Banks, Bank of Ireland and Rabobank and these facilities mature in February 2027.

In March 2022, shareholder loans of €17.8m were repaid in full to the existing 'A' shareholders following receipt of consent from the Group's banking partners.

The Group broadened its capital structure in March 2022 with the issuance of 5% cumulative redeemable preference shares in one of its subsidiary companies to its existing 'A' shareholders. This resulted in a cumulative amount of €17.8m of equity being subscribed for by the existing 'A' shareholders.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The committee approved the financial statements on 15 March 2022.

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