Aurivo

Co-operative Society Ltd.

ANNUAL REPORT 2020

CONTENTS

You can find more information about Aurivo online at:

www.Aurivo.ie

OUR BRANDS

Organic For US – 100% Natural Goodness

For Goodness Shakes

Since 1897 Connacht Gold

Nutrias – The science of animal nutrition

Homeland

Donegal Creameries


CONNACHT GOLD
LACTOSE FREE MILK
LIGHT MILK
FRESH MILK



Aurivo



FOR GOODNESS SHAKES
RECOVERY
CHOCOLATE FLAVOUR



Donegal
fresh milk

Aurivo 2020

€38.6m

Investment programme (2018 – 2020)

€488.7m

Turnover

€2.2m

Net debt

€8.5m

Total operating profit

477m

Litres – Aurivo Milk Pool

Timeline of key events in 2020

JANUARY

- 6th FMPS launched
- Aurivo spray dryer development listed one of top 50 leading projects in Ireland for 2019

FEBRUARY

- Aurivo presents €40,000 to Croí – Charity of the Year 2019

MARCH

- Covid-19 hits Ireland – drastically transforming the workplace as we knew it
- Marts close due to Covid-19 restrictions
- Surge in demand for milk and butter as panic bulk buying sweeps the country
- Homeland and Connacht Gold launch first on-pack promotion together

APRIL

- Aurivo launches FundEquip (innovation scheme in association with Finance Ireland)
- Aurivo Milk Quality Awards – winners announced without celebratory event due to Covid-19 lockdown restrictions

MAY

- Aurivo highlights approach to sustainable future
- Aurivo introduces Helping Days initiative
- Mart trading moves online

JUNE

- Aurivo celebrates 'Dairy Heroes' for World Milk Day

JULY

- Aurivo announces Irish Wheelchair Association as charity partner for 2020

AUGUST

- New Homeland store location opens in Letterkenny
- Aurivo is shortlisted for 3 Green Food and Beverage Awards 2020

SEPTEMBER

- Connacht Gold and Homeland sponsor GAA Club championships

OCTOBER

- Connacht Gold butter – new packaging hits the shelves in retailers nationwide
- Great Taste and Blas na hÉireann awards for Connacht Gold and Organic For Us brands
- Virtual AGM takes place – the first time in the history of the co-op
- 10k In A Day fundraiser raises €18,414 in fundraiser week

NOVEMBER

- Aurivo milk supplier Richard Starrett is crowned Dairy Farmer of the Year
- 'Make It Real' butter marketing campaign goes live
- Gaffney and Mulleady Scholarship awards

DECEMBER

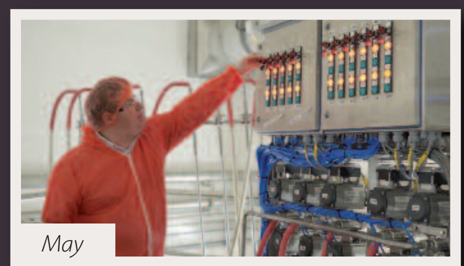
- Aurivo supplier Dara Killeen is crowned Macra Young Farmer of the Year

March

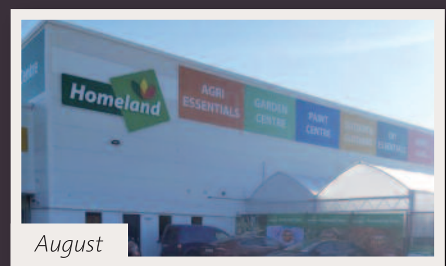
Mayo footballer Lee Keegan launching the first joint Homeland and Connacht Gold on-pack promotion

February

April



May



August

October

November

December

IN an extraordinary year of volatility and global disruption, Aurivo stayed on track to record an impressive group business performance that enabled us to deliver for our shareholders, and to sustain and improve milk price in 2020.

Due to the hard work and commitment of our employees, suppliers and contract partners, our co-op, in the midst of the global pandemic, was in a position to maintain essential supplies, services and food products and to do so to the highest standards. In a time when many industries across the country had to shut down, everyone involved in the society pulled together in true co-operative spirit to ensure we could continue to operate. As recently appointed Chairperson of Aurivo, I am extremely proud of our performance and the way in which we have delivered for all our stakeholders.

BUSINESS PERFORMANCE

In 2020, Aurivo achieved a record turnover of €489m, an increase of 9% on 2019 and an operating profit of €8.5m, some 170% ahead of the previous year (before exceptionals). Group business performance enabled the co-op to both maintain and improve the milk price paid to our suppliers in 2020. As part of that objective, at 2020 year-end, the Board of Directors established a milk stability fund of €3m based on milk supplied in 2020, that will be paid out in future years to help milk suppliers manage market volatility. As one of the few co-ops that did not drop below a base milk price of 30cpl over peak supply, we continue to remain committed to delivering the highest milk price possible for our suppliers in 2021, while monitoring market returns.

The investment made at the Aurivo Dairy Ingredients plant in Ballaghaderreen began to pay dividends in 2020 with the new dryer producing 25,000 tonnes of various grades of enriched milk powder (EMP) ingredients. The investment has been a central success in processing 35% extra milk per week at the site, enabling us to expand our global export business. Additionally, our liquid milk plant in Killygordon, Co. Donegal processed 110 million litres of milk, an increase of 1% on 2019.

Agribusiness continues to grow at record rates, adapting its service for the changes in customer requirements. Covid-19 restrictions saw an increase in footfall figures to our Homeland stores, with loyal and new customers frequenting the store for farm and home essentials. We also saw increased customer spending online which resulted in strong growth of our e-commerce platform, which has become an important channel for many of our customers throughout the restrictions. Our staff across the store network worked most conscientiously, to abide by public health guidelines and to ensure a safe shopping experience for customers visiting our stores. At the Mill, feed tonnage exceeded 2019 output figures with an increase of 8% reflecting the success of the Nutrias brand as a brand of quality and value.

Covid-19 hit some industries harder than others. Aurivo Marts and For Goodness Shakes were the most impacted parts of our business. Nevertheless, our versatile teams adapted very well to the changing business needs. Our marts were shut down for certain periods throughout the year but they successfully moved to online auctions in May and June, offering customers an opportunity to buy and sell stock online. For Goodness Shakes suffered from reduced footfall in the UK which diminished demand for the No. 1 ready-to-drink product in its category. A reduction in promotions and administration costs helped to offset the decline in sales.

For the first time in the history of the co-op, the Annual General Meeting (AGM) was held virtually across the Zoom platform, where more than 100 shareholders joined us online to review the 2019 financial year. Broadcast from the board room in Aurivo House, this facility allowed us to deliver this essential meeting during what was a very restricted period. While virtual meetings did allow us to communicate with our farmer owners, not meeting face-to-face is far from ideal. Physical meetings will be resumed as soon as public health restrictions allow and we appreciate our members' patience and understanding on this.

CHALLENGES

Thankfully, after four years of anticipation, negotiations, and planning, Brexit is having a relatively minor impact to date on our business. However, there are additional costs for businesses exporting or importing goods to Britain and there are also some unresolved issues relating to milk of mixed origin.

Farmers are facing the increasing challenges posed by sustainability and climate action imperatives as EU and national government policies are asking more of farmers in this area. Sustainability is a key focus of the farming food sector at processing and farm levels. At processing level, Irish co-operatives in recent years have made significant investments in green technologies and lean manufacturing to drive energy efficiencies, and Aurivo has led the way on this agenda. In terms of on farm challenges, the requirement to improve sustainability will require a reduction in nutrient loss to water, a reduction in both greenhouse gases (GHG) and ammonia emissions, and improvements in habitats for biodiversity. New changes have since come into effect, so farmers must be conscious they are compliant – this is something our farm services advisory team will be on hand to support all our farmers with throughout 2021.

2020 saw the launch of the Aurivo Teagasc Joint Programme 2021–2023; a programme aimed at improving farm profitability and environmental practices while ensuring that dairy farming is socially sustainable. The programme builds on the two previous programmes which have supported milk suppliers to make significant gains in constituents, grassland management and work/life balance.

AWARDS

Due to Covid-19, it was the first time since its commencement regionally or nationally that there was no Milk Quality Awards ceremony held, and so the national winner was revealed live during a special extended ad break during The Late Late Show. Our very own milk supplier, Richard Starrett, was declared the overall winner of the prestigious award. I am honoured and delighted to congratulate Richard and his family on this achievement as it is the first time in the history of the awards that an Aurivo supplier has taken home the NDC and Kerrygold award for Best Milk Supplier. Awarded for his passion, quality, commitment to sustainable on-farm practices, technical expertise and animal welfare, Richard and his family are well-deserved winners of this year's award. Irish dairy is recognised as a vital part of people's diet and so to win this award helps further position Aurivo as a dairy processor of the highest standard – something we can all be very proud of. In addition, Aurivo supplier Dara Killeen, a new entrant to dairy from Co. Galway, was awarded Young Farmer of the Year in the Macra na Feirme and FBD competition; an award that celebrates the achievements of young farmers and their contribution to farming in Ireland. As a new entrant, this was an exceptional achievement.

Raymond Barlow
Chairman

THANK YOU

I would like to thank my Board colleagues for their help and continued support to myself and Aurivo in 2020. Vice-Chairman Cathal Garvey and I were appointed to our positions in November 2020, and I thank the Board of Directors for the faith they have bestowed upon us in these positions. Special thanks must go to my predecessor and former Chairman, Pat Duffy, for his stewardship of the society, and his commitment to the role over the last four years.

2020 was a year that tested business and employees across the nation. Led by Donal Tierney, we are very fortunate to have such an experienced and strong leadership team at Aurivo Co-op. In addition, the commitment, dedication, and loyalty shown by our entire team in 2020 was paramount to the success of our business, and the continuation of our essential services throughout the year. At every touchpoint of the business, people adapted to changing work environments, regulations, and shift patterns to ensure we could continue operating and processing throughout the Covid-19 pandemic. For that I commend and thank you, for all you do and continue to do.

I fully recognise that farmers are facing increasing production costs and additional requirements. Notwithstanding all these challenges that lie ahead, I am confident that we have a robust, efficient, and sustainable business model to effectively deliver for all our shareholders, suppliers and customers for the year to come. I would like to thank you for your continued support and commitment to Aurivo, which is crucial to the continued growth, success, and sustainability of our co-op.

Raymond Barlow.

Raymond Barlow
Chairman

Aurivo's Engage 2022 strategy aims to create value and deliver growth for our members over the next number of years.

How do we achieve our objectives?

By increased engagement with:

- **Customer Focus**
- **Operational Excellence**
- **Insights**
- **Innovation**
- **People**
- **Sustainability**
- **Brands**

WHAT WE AIM TO DELIVER BY 2022

Achieve

2%
EARNINGS
before interest and tax

Deliver

45%
UPLIFT
in shareholder funds

Launch

10
NEW PRODUCTS P.A.
delivering 2.5% of sales turnover from NPD in prior 2 years

Process

500
MILLION
litres of milk

Have

0
NOTIFIABLE
accidents

I am very pleased to present a strong and resilient set of results by Aurivo Co-op for 2020, in what was a uniquely challenging year.

Against the backdrop of a global crisis, the extraordinary hard work and agility of our employees, suppliers and members enabled our co-op to maintain essential supplies, services and food products across domestic and global markets. As CEO, I am particularly proud of the high service levels that have been provided across all business units.

We succeeded in growing our retail store transaction count, our feed mill tonnage, our branded sales volumes in liquid milk and retail butter, and despite significant challenges in the food service sector, output in our Dairy Ingredients business was at record level. We also added to our workforce by employing an additional 25 full-time employees within our local communities, bringing our full-time equivalent numbers to 632 people. Our UK-based sports nutrition business, For Goodness Shakes, and our Marts were the businesses most impacted by Covid-19 however, the combined positive group performance enabled us to sustain and improve the milk price that we paid in 2020 and to deliver strong returns for our farmer shareholders.

FINANCIAL RESULTS 2020

We achieved a record sales turnover of €489m, an increase of 9% on 2019, and delivered an operating profit of €8.5m, an increase of 170% on the €3.2m recorded in 2019 (before exceptionals). Group EBITDA was €15.1m, an increase of 70% on 2019 EBITDA of €8.9m.

In addition, at 2020 year-end we have established a milk stability fund of €3m, based on milk supplied in 2020, which will be paid out in future years to help our milk supply base manage market volatility.

The closing net debt position at 31 December 2020 was much improved at just €2.2m compared to €18.8m at 31 December 2019, a reduction of 88% and a very manageable debt level considering EBITDA of €15.1m was recorded in 2020.

The closing equity improved from €59.8m at 31 December 2019 to €66.8m at 31 December 2020, an increase of 12%.

DAIRY MARKETS

Global milk supply grew 1.7% during 2020. Output expanded across most regions with the US market growing strongly at +1.9% and the EU 27 at +1.4%. Dairy farmers in the Republic of Ireland expanded to a record volume of 8.3 billion litres, or a volume growth of 3.7%. Aurivo's milk pool expanded by 5.5%. Despite initial concerns about the impact of Covid-19 and a noticeable collapse in activity in the food service sector, overall demand for dairy held up reasonably well in 2020 with the decline in food service being countered by surging demand in the retail sector. The Aurivo average milk price for 2020 was 35.61cpl compared to 34.35cpl in 2019 (including VAT). The outlook for milk pricing for 2021 looks positive with milk supply growth being a little more muted than last year, with evidence of a recovery in export demand.

DAIRY BUSINESS

As we continue to strive to offset the impact of milk volatility, Aurivo introduced its seventh Fixed Milk Price Scheme (FMPS) offering suppliers the opportunity to manage milk price fluctuations on a fixed volume of their supply. The scheme, which launched in December, was positively received with an oversubscribed uptake. As noted above, the group also recognised a provision for the milk stability fund of €3m based on 2020 supply as part of the group's aim to help suppliers manage market volatility.

Donal Tierney
Chief Executive

2020 brought about many highlight moments for the co-op, which we continue to celebrate. For the first time in our history the NDC and Kerrygold Milk Quality Award was awarded to Aurivo supplier Richard Starrett and made its way to Co. Donegal. Dubbed the 'Oscars of the dairy world', this was a tremendous achievement for both

'Make It Real' – Connacht Gold Half Fat Butter was rebranded in 2020

Richard and Aurivo. Richard Starrett and his family are role models of the passion and progression that is the foundation of our family farming co-op. I would like to congratulate Richard for all his hard work and dedication to sustainable and progressive farming, his high standard of quality milk production and his passion for animal welfare. Additionally, a new entrant to dairying, Dara Killeen from Co Galway, was awarded Young Farmer of the Year in the Macra na Feirme and FBD competition, where he was praised and awarded for having all the best qualities of a young farmer – progressive, environmentally conscious, and quality focused. I would like to congratulate Dara on this excellent achievement on his entry to the dairy industry.

As the dairy industry continues to expand, Aurivo welcomed 23 new entrants to dairying in 2020; our highest annual figure ever recorded. Our farm services teams work diligently with each of our new entrants to facilitate their transition.

The first surge of Covid-19 cases and spring 2020 lockdown measures coincided with peak milk season at Aurivo Dairy Ingredients (ADI). During this period, approximately 15 million litres of milk were processed per week. To that end, the risk of Covid-19 to the plant's operations during this time placed immense pressures on the team who worked diligently night and day, adapting their shift schedules to reduce the risk to our team members and the operations of the plant.

In 2019, we celebrated the official opening and investment of the new spray dryer in ADI, but it was in 2020 when we reaped the benefits of this investment, with the new dryer producing 25,000 tonnes of various grades of enriched milk powder (EMP) ingredients. This investment has been a central enabler allowing us to process 35% extra milk per week on the ADI site, with 2020 seeing the largest powder production volumes ever recorded at the plant.

CONSUMER FOODS

Our liquid milk plant in Killygordon, Co. Donegal processed 110 million litres in 2020, an increase of one million litres on 2019. Our Consumer Foods milk brands are performing well in a very competitive marketplace dominated by ever-increasing private label brands – we are pleased to report that our branded milk range reported an 8% increase in the retail channel.

The onset of Covid-19 and implementation of the stay-at-home policy introduced last spring, brought about a change in consumer behaviours that resulted in an increase in bulk buying – a 15% increase in retail milk and butter volumes were consumed during this period. Despite this increase in demand, our Consumer Foods team, along with the milk delivery team and agents,

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> *Designated as an essential retail and manufacturing business throughout the pandemic, Agribusiness delivered an exceptional performance.*

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worked tirelessly to keep supply on shelves in supermarkets throughout the country.

In 2021, we will celebrate 30 years of our Connacht Gold hero butter product – Half Fat Butter. Considering this, 2020 provided the optimum year to revise our brand packaging and bring the brand through an evolution process. The Consumer Foods team undertook a lengthy process of primary and secondary research, marketing insights and design concepts to bring the brand to where it is today. The new design represents our co-op heritage in a modern world and has been positively received by both our loyal and newly targeted consumers, with an 8% increase in sales in 2020.

Once again, the business received many trade rewards and accolades in 2020, in recognition of our operational excellence. Our Consumer Foods brands, Connacht Gold and Organic For Us, were recognised in both the Great Taste and Blas na hÉireann awards, bringing home four Great Taste awards for both our milk and butter products, and a prestigious silver award from Blas na hÉireann for Organic For Us. These food awards are the biggest competition for quality Irish produce on the island of Ireland, and so it is a marvellous achievement for our brands to be awarded year-on-year.

As a 'food-to-go' business, My Goodness Limited (trading as For Goodness Shakes) was most impacted by Covid-19. Due to the implementation of remote working and the notable reduction in footfall across London and the regional cities across the UK and Ireland, sales volumes fell significantly in 2020. However, indications of sales recovery post-lockdown have proven positive, with volumes increasing parallel to the lifting of restrictions across our primary markets.

AGRIBUSINESS

Designated as an essential retail and manufacturing business throughout the pandemic, Agribusiness delivered an exceptional performance. The Homeland store network traded throughout 2020, contributing strongly to the overall performance for the business unit. Feed tonnage also delivered a strong performance with an increase in volume of 8%. Despite the challenges

Masking up in Homeland

of the pandemic, Agribusiness continues to grow at record rates, with a strong performance recorded across all categories in terms of both volume and revenue. This was achieved through the huge efforts of our Agri team implementing a wide range of protocols to maintain a safe environment for our colleagues and customers.

Changes in consumer trends brought about by Covid-19 saw an increase in customer engagement both in-store and online, resulting in 1.65 million transactions in 2020. With increased consumer spending moving online, this resulted in strong growth of Homeland.ie, which delivered an essential service for many customers throughout lockdown. A further online development included the launch of our animal nutrition site, Nutrias.ie, to further build on our online presence.

Our store redevelopment plan continues to be rolled out covering a wide range of projects across the 34 Homeland store locations. In August, we further developed the Homeland brand in Letterkenny, moving from our existing site to a new location close by. The move brought about an enhanced experience for customers through the expansion of the store with a wider range of product choice, modern garden centre and a paint department. In addition, a new pet care centre opened at Westport Homeland Plus, proving a big attraction with customers of all ages.

Raising a glass to our Blas na hÉireann awards

Agribusiness continues to position to serve the changing needs of our customer base, and to meet our growth ambitions throughout 2021 and beyond.

LIVESTOCK MARTS

Difficulties already faced by the Livestock Marts business were compounded in 2020 by Covid-19, with enforced closures experienced by the industry. Reporting a turnover of €65.9m, the business adapted to the environment, in an effort to protect our customers and employees, by moving to online auctions for its first time in history, in May and June of 2020. The online auctions offered an opportunity to buyers to purchase stock online, while providing real-time bidding information to farmers.

INNOVATION & SUSTAINABILITY

Integrating sustainability into our business operations and processes is critical to achieving our strategic priorities. Measures taken over the past number of years, underpinned by significant capital investment of more than €38.6m in the last three years, has put the business of Aurivo on a stronger sustainable footing. 2020 brought further development of our sustainability strategy as we continued to embed our sustainability targets across each of our business units.

Aurivo is on a journey to achieve a target of processing 500 million litres by 2022. By way of achieving positive and ambitious targets, we aim to do so in a sustainable way, ensuring operational excellence and long-term growth for the co-op into the future.

As a key stakeholder within the dairy sector, we are integrating more sustainable processes within the co-op. Aurivo is the only dairy processing co-op in Ireland using woodchip and bulk liquid natural gas as an energy source to process milk.

Over the last five years, we have reduced our use of heavy fuel oil and cut carbon emissions by 25,000 tonnes per year, while the heat pump technology introduced at the liquid milk plant in Killygordon has reduced fossil fuel consumption by 80%. 2020 also saw an extension of our use of gas as an energy source, into our Homeland store network.

Further developments in 2020 saw the implementation of the first phase of our new ERP system, Dynamics 365, in our Head Office finance function. This will be rolled out to the rest of the business in the coming years.

As a member of Origin Green, Aurivo and its farmers work together to reach sustainable targets and boost the environmental profile of its products. Ireland is one of the most carbon efficient milk production countries and Aurivo believes the opportunity for Irish dairy in global markets is far reaching.

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PEOPLE

Our people remain our greatest asset; their skills and expertise ensure our continued success and progression. We continue to develop our team and are intent on providing opportunities that enable our employees to maximise their potential in developing a rewarding career aligned to their own development plans.

As part of our Corporate Social Responsibility (CSR) initiatives, Aurivo was delighted to award the Gaffney and Mulleady Agriculture, Food and Nutrition Scholarships to Jack Sweeney from Ballina, Co. Mayo and Lorraine Moffit from Blacklion, Co. Cavan. This was the fourth year of the programme in which two scholarships, each worth €2,500, were awarded as part of Aurivo's programme to recognise and reward academic excellence and support young achievers who wish to develop careers in an agri-related profession.

As part of Business In The Community Ireland's (BITCI) Skills @ Work programme, Aurivo partners with a local school to enable them to experience the workplace first-hand. This programme, which was held online this year, helps students develop their team-building and leadership skills while providing an insight into the career opportunities that exist in the food and agri industry.

Aurivo has a strong corporate responsibility ethos. Our Charity of the Year programme enables our employees, members and customers to work alongside one another in the local community to raise vital funds for our charity partners. Our charity partner for 2020/2021 is the Irish Wheelchair Association (IWA) for whom we hope to purchase a new community services bus. The continuation of this service will ensure that all IWA members in our region will have access to transport and IWA services, so they can stay connected to their family, friends, and communities.

Due to the restrictions imposed by Covid-19, many annual fundraising events were cancelled across the region, making it difficult to raise funds for our chosen charity. Arising from this evolved the most successful staff fundraising initiative to date, '10k In A Day for the IWA', which engaged hundreds of employees and

Virtual AGM

raised a remarkable €18,414 in one week. I would like to express my gratitude to all those who organised, took part in and/or donated to this event, which ensured we could keep our promise to our chosen charity, and present to them these much-needed funds. Through funds raised and matched by the co-op, we plan to present a cheque for the generous amount of €40,000 to the IWA in summer of 2021.

Aligning to our mission of enhancing the lives of our members, customers, colleagues, and the communities in which we live, 2020 saw the introduction of the Aurivo Helping Days initiative, encouraging all eligible employees to take a paid Aurivo Helping Day each year, to help in their community or to assist those less fortunate in some way.

HEALTH & SAFETY

Health and safety remains of paramount importance within the co-op. In 2020, the focus was on both Aurivo staff and on-site contractors, with the additional focus on the management of the Covid-19 pandemic, to protect all our staff and customers with a comprehensive review of our business continuity plans. The number of notifiable accidents reduced by 7% to 13 accidents. Of particular note is that we had zero notifiable incidents in our Marts, and our Mill marked five years without a notifiable accident.

Mandatory training remained at a high level of compliance despite the new challenges of remote learning, as we conducted over 600 health and safety-related training sessions, as well as having more than 700 plant and equipment inspections.

**More than €430,000 to date has been donated by Aurivo to many deserving causes through the Charity of the Year Programme.*

BREXIT

The EU/UK trade deal and the NI protocol were welcomed and mean we have avoided the harsh impact of trade tariffs on the movement of goods between the UK and Ireland. However, there are additional 'non-tariff' costs for businesses exporting or importing goods to/from Britain and there are also unresolved issues relating to milk of mixed origin (NI & ROI). We await to see the implications that mixed milk product may have on future EU supports, such as Private Storage Aid and the decisions to be made around this.

CLIMATE CHANGE POLICY

Aurivo Co-op is keen to work with all stakeholders to advance dairy sustainability in relation to all its aspects – climate, water, ammonia, biodiversity, soil fertility and economic and social sustainability for Ireland, especially in rural communities. It is important to note that the Dairy sector has a very good reputation in Ireland for achieving targets and overcoming challenges, and we are confident on what can be achieved, however, it is also critical that the needs of the family farm be protected when evaluating the necessary changes.

OUTLOOK

Notwithstanding the unique year that was 2020, our strategic priorities for the business continue to resonate throughout Aurivo and underpin our approach to sustainable growth.

While we expect pandemic restrictions to ease during 2021, its ongoing impact however, will ensure another year of uncertainty and global disruption. We need to remain vigilant and adaptable to ensure the health and safety of our employees, customers, and farmer suppliers, while securing business continuity and future growth.

CONCLUSION

The success of Aurivo is determined by the outstanding commitment and hard work of a large team of people. I would like to thank the members of the Board and the Regional Advisory committees for their input and support during 2020. I want to particularly thank our former Chairman, Pat Duffy, who served as chair for four years before retiring last November. Pat's commitment to the role oversaw exceptional growth for the business

Martin Walsh, former General Manager, Marts, retired in March 2021 after 46 years of service

and his legacy sees a stronger, more sustainable Aurivo, delivering for all our stakeholders. On behalf of the co-op business, I wish Pat the very best for the future.

I congratulate and welcome Raymond Barlow, who has taken up the position of Chairman, and Cathal Garvey, who has been appointed Vice-Chairman to the board. Raymond Barlow has been a member of the Aurivo board since 2014, and took up the role of Vice-Chairman in July 2016, while Cathal Garvey has been a member of the Aurivo board since 2013.

I would like to thank all our customers for their loyalty to Aurivo, and our shareholders and suppliers for their contribution to the success of the society. I would like to especially thank all employees in every part of our business for their exceptional commitment throughout 2020. I want to pay a special tribute to Martin Walsh (General Manager, Marts) who retired in March 2021 after 46 years of dedicated service. Martin has led the Marts team for 30 of these 46 years and has overseen the appointment of his successor, Stephen Hannon. I welcome Stephen to the Executive team as General Manager, Marts and wish Martin a long and happy retirement.

Processing milk since 1897, we continue to remain committed to improving the sustainability of our local farming communities and generating employment supporting hundreds of homes throughout the region. As custodians of the co-op's future, sustainability and efficiency are embedded into everything we do, ensuring a thriving business and industry for future generations to come.

Donal Tierney

Donal Tierney
Chief Executive

Aurivo has a portfolio of award-winning dairy brands, including Connacht Gold – the perfect natural, nutritious choice for family meal times from breakfast through to supper!

Whilst Connacht Gold is rich in calcium, vitamins and minerals, it's also full of flavour and taste. With our award-winning, deliciously creamy butters, baking products and array of milks to satisfy all needs, Connacht Gold really does have something to suit the whole family.

Aurivo SUSTAINABILITY

future farms / processes / communities

FUTURE FARMS + PROCESSES + COMMUNITIES = SUSTAINABILITY

Aurivo is on target to achieve its objective of processing 500m litres by 2022, as set out in our Engage 2022 strategy.

In the process of achieving positive and ambitious targets, we aim to do so in a sustainable way, to ensure long-term growth beyond these targets and into the future.

Future farms...

100% participation in the Sustainable Dairy Assurance Scheme (SDAS)

Origin Green IRELAND

- ➜ *Carbon navigator for every farm*
- ➜ *Animal welfare standards*
- ➜ *Grass-fed = 95% grass*

Farm profitability programme | Teagasc Agriculture and Food Development Authority

➜ *Farmers learning from farmers* ➜ *Soil* ➜ *Profitability*

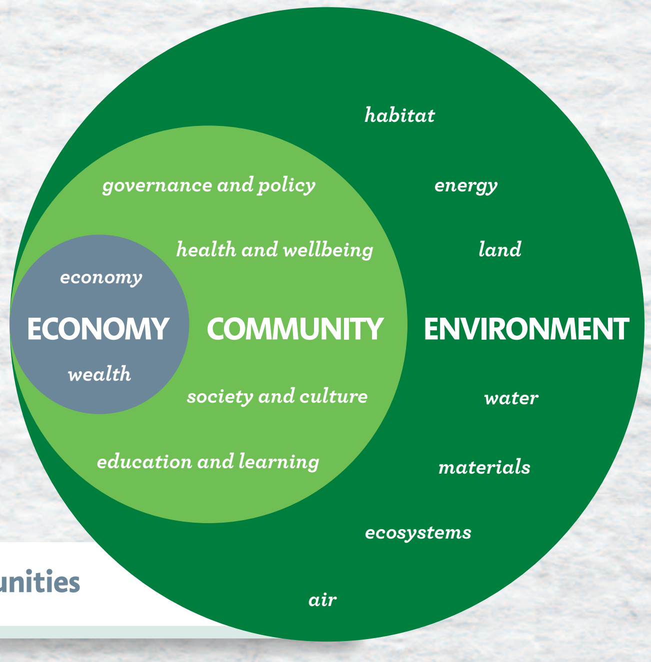
Future processes...

OUR SITES' PERFORMANCE

- ENERGY: ➜ *Lean projects improving energy efficiency*
- CO_2: ➜ *40% reduction in CO_2 emissions since 2013*
- WATER: ➜ *Planning phase for water efficiency projects*
- WASTE: ➜ *Recognition received at national awards for recycling*
- PACKAGING: ➜ *First packaging policy created in 2018*

Future communities...

- ➜ *Circle of life*
- ➜ *As custodians of our lands' future, sustainability is embedded into everything we do, ensuring our co-op, environment and rural communities thrive for future generations*

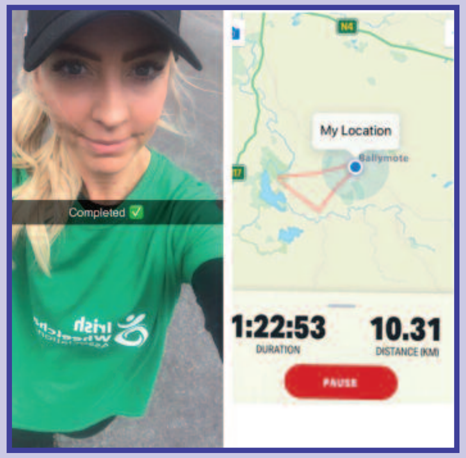


SUSTAINABILITY = Future Farms + Processes + Communities

Long-term contribution to several United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND



Charity of the Year: Employees taking part in '10k In A Day for IWA' raise €18,414 in one week!

Aurivo Charity of the Year

Irish Wheelchair Association™

Corporate Social Responsibility (CSR) recognises the role that a business plays in contributing to a better society, by actively participating and consulting with all stakeholders, in a manner that goes beyond its financial and legal commitments.

CHARITY OF THE YEAR

Aurivo has a strong corporate responsibility culture. Our Charity of the Year programme enables our employees, members, suppliers and customers to work alongside one another in the local community to raise vital funds for our charity partners.

Since we started our Charity of the Year initiative, Aurivo has donated more than €430,000 to charity. Every year, Aurivo chooses a deserving charity and our employees, members, customers and the community all work together to raise vital funds for the chosen charity. Other charitable causes which have been beneficiaries of the Charity of the Year programme to date include: Croí Ireland, Down Syndrome Ireland, Pieta House, ISPCC Childline, local hospices, Special Olympics, Alzheimer Society of Ireland, Cancer Care West, Autism Ireland, Acquired Brain Injury Ireland and Cystic Fibrosis Ireland.

In 2020, we were proud to support the Irish Wheelchair Association (IWA) whose services support people with physical disabilities to live independently. The IWA advocates for equal rights and opportunities for people with physical abilities. Founded on the belief that everyone should be able to live a life of choice and equality, the IWA provides a range of services for people with physical disabilities including assisted living, community centre groups, motoring, sports and many more opportunities for social inclusion.

As a result of Covid-19 and the unprecedented year that transpired, events and fundraising opportunities were cancelled across the country, making it difficult for Aurivo employees to host the annual fundraisers that support the Charity of the Year programme. Thus, evolved the most successful employee fundraising initiative to date, 10k In A Day for the IWA, which raised a phenomenal €18,414 in one week, bringing the total figure raised to €20,000. Matched by the co-op, the €40,000 raised by Aurivo will be used to purchase a new bus for the Irish Wheelchair Association to ensure the essential community service they provide can continue as a core part of the charity's offering in the West of Ireland.

EDUCATION

Now in its fourth year, Aurivo established and sponsors a scholarship programme in memory of Paddy Gaffney and Sean Mulleady, who died tragically in 2013. Two scholarships, each worth €2,500, are awarded as part of Aurivo's programme to recognise and reward academic excellence, and support young achievers who wish to develop careers in an agri-related profession. In 2020, Lorraine Moffit from Blacklion, Co. Cavan and Jack Sweeney from Ballina, Co. Mayo were awarded places on our Gaffney and Mulleady Agriculture, Food and Nutrition Scholarship programme.

***Scholarships:** Lorraine Moffit from Blacklion, Co. Cavan (above) and Jack Sweeney from Ballina, Co. Mayo (left) were awarded places on our Gaffney and Mulleady Agriculture, Food & Nutrition Scholarship programme.*

BUSINESS IN THE COMMUNITY

BUSINESS IN THE COMMUNITY IRELAND

Aurivo's participation in the Business in the Community programme is an excellent way of giving students a glimpse into the world of work and providing them with an insight into the many careers that exist in the agri-food sector.

Aurivo continues to partner with Coláiste Iascaigh in Easkey as part of the Schools' Business Partnership (SBP) Skills @ Work Programme. The programme helps students develop communication, team building and leadership skills, and the employees at Aurivo also learn a great deal from the students.

Aurivo's four core values are: trust, team, value, and will to win. Our core values represent the fundamental beliefs that drive our day-to-day work. As a team, we work both together and with our stakeholders to build trust and create value, with a strong 'will to win' ethos.

***Sponsorship:** Sligo GAA Club Championship Sponsorship (left) and Mayo Senior Football Club Championship sponsorship (below)*

AURIVO VALUES

TRUST
We are dedicated to achieving the highest standards of business and ethical behaviour both inside and outside of the communities we operate in.

TEAM
Our people are our greatest asset and investing in our people is key to developing our talent. We simultaneously work together with a common purpose in mind and maintain open and honest communications across the business.

WILL TO WIN
Our passion and energy are what drive us in every aspect of our business, as we aim to challenge the competition.

VALUE
We aspire to deliver the best outcome for all our stakeholders. By understanding our consumers and customers changing needs, we will continue to provide products to meet their needs and deliver a customer service to match.

AURIVO HELPING DAYS

As a result of the lessons learned during the Covid-19 pandemic in 2020, and given our own ethos as a co-operative, Aurivo wants all its employees to be 'helpers' in their communities in good times and in bad. The Aurivo Helping Days initiative encourages all eligible employees to take a paid Aurivo Helping Day every year, on a pro-rata basis.

"Volunteers do not necessarily have the time; they just have the heart."

– *Elizabeth Andrew*

'Enhancing the communities in which we live', Aurivo is now giving its employees the time to give back to their communities.

Aurivo Helping Days

Board of Directors & Executive Team

BOARD OF DIRECTORS

1. **Raymond Barlow**, Chairman (BKR)
2. **Cathal Garvey**, Vice-Chairman (South Mayo/North Galway)
3. **Kevin Callanan** (Suck Valley)
4. **Tom Cunniffe*** (Castlebar)
5. **Jim Egan*** (Claremorris)
6. **Martin Gallagher** (Rathscanlon)
7. **Padraig Gibbons** (West Mayo)
8. **Robert Hosey** (Employees)

The current 16 members of the Board of Directors are listed above and opposite, with the Advisory Committees they represent shown in brackets.

9. **Michael Kenny** (Mid-West)
10. **Seamus Killoran** (KMC)
11. **James McCarrick** (Achonry)
12. **Laurence McNamee** (Donegal)
13. **Gerry Mullaney** (Ballymote/Gurteen/Kilmactranny)
14. **Sean O'Donnell** (Killala/Moyvalley)
15. **John Payne*** (Midlands)
16. **Tommy Joe Tuffy*** (Tireragh)

The members whose names are followed by an asterisk (*) retire in accordance with Rule 48(D) and are subject to re-election subject to Rules 47(B), 48(E), 48(G) and 49.

The Board has an established committee structure in order to assist it in the discharge of its responsibilities on a number of specific matters, as it is committed to maintaining high standards of corporate governance. The committees are detailed below.

Audit Committee

The Audit Committee comprises Cathal Garvey (Chairman), Raymond Barlow, Kevin Callanan, Tom Cunniffe, Jim Egan and Seamus Killoran. The Chief Executive, the Chief Financial Officer, Senior Management and representatives of the external auditors may be invited to attend all, or part, of any meeting.

The role and responsibilities of the Audit Committee include:

✔ Reviewing the annual financial statements before submission to the Board, with a recommendation whether or not to approve. This review focuses on but is not limited to, monitoring the integrity of the financial statements of the Society and reviewing significant financial reporting judgements contained therein.

✔ Considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors, and the terms of engagement of the external auditors.

✔ Reviewing the external audit plan and the findings from the audit of the financial statements.

✔ Assessing annually the independence of the external auditors, which includes monitoring the nature and extent of services provided by the external auditors to the Society.

✔ Monitoring and reviewing the operation and effectiveness of the internal audit function and progress on resolving any weaknesses identified in accounting systems or controls.

✔ Reporting to the Board on the operation of the society's system of internal control and risk management, making any recommendations to the Board thereon.

✔ Reviewing the arrangements in place to ensure that appropriate investigation and follow up action is taken on any concerns raised about possible improprieties in financial reporting or other matters.

✔ Reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

External Audit

External audit services are provided to the Society by PricewaterhouseCoopers. PricewaterhouseCoopers provides the Audit Committee with external audit reports on the Society's financial records. The Audit Committee reviews and monitors the external auditors' independence and performance, and effectiveness of audit process.

Internal Audit

Internal audit is an important function of the Society. The Internal Audit plan is presented to and approved by the audit committee. The results, recommendations and significant findings of Internal Audit are reported to the Audit Committee. The Audit Committee reviewed the performance of the internal audit function in terms of adequacy of internal control systems and frequency of audits. The Audit Committee approved the internal audit plan and reviewed the findings from the 2020 Internal Audit programme. Internal Audit reports directly to the Audit Committee and CEO, thereby ensuring its independence and objectivity.

Confidential Hotline and Fraud

The Society introduced a confidential hotline in late 2015. This is operated by an independent third party. It allows employees to report any concerns they may have regarding dishonest, unsafe or unethical behaviour. All concerns raised through this hotline and the results of any investigation that may take place are reported to the Audit Committee.

Risk Management and Control

The Society has established a risk management process to ensure effective and timely identification, reporting and management of key risks. This process takes the form of risk registers for each business unit. These are used as a means of assessing, planning and tracking the mitigation of key risks that the Society could be exposed to.

Other Committees

The Society operates a number of other sub-committees in order to assist the review and operations of divisional activities and particular functions.

These include:

- Agri Business
- Dairy
- Marts
- Remuneration
- Rules/Membership

All Board members sit on at least one sub-committee of the Board. The Chairman and Vice-Chairman of the Society sit on all the sub-committees of the Board. The Secretary of the Society acts as Secretary to each of these committees.

Other Information

REGISTERED OFFICE:

Aurivo House,
Finisklin Business Park,
Sligo

BANKERS:

Bank of Ireland
AIB Bank
Ulster Bank

SOLICITORS:

Rochford Gallagher & Co,
Tubbercurry,
Co Sligo

AUDITOR:

PricewaterhouseCoopers,
Chartered Accountants and
Registered Auditors,
Cork

EXECUTIVE TEAM

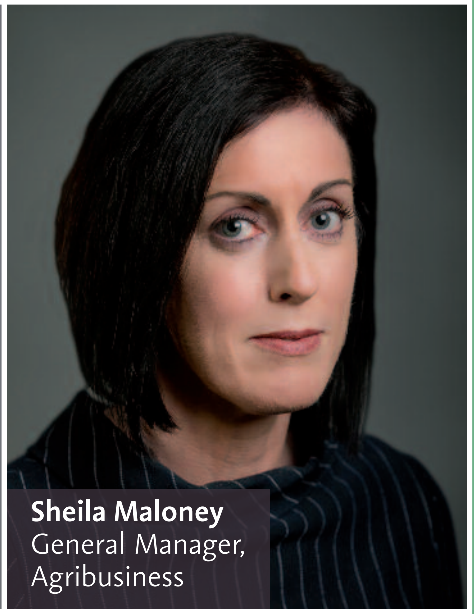
Donal Tierney
Chief Executive

Eithne Niland
Chief Financial Officer

Tomas McHale
Legal Counsel and
Company Secretary

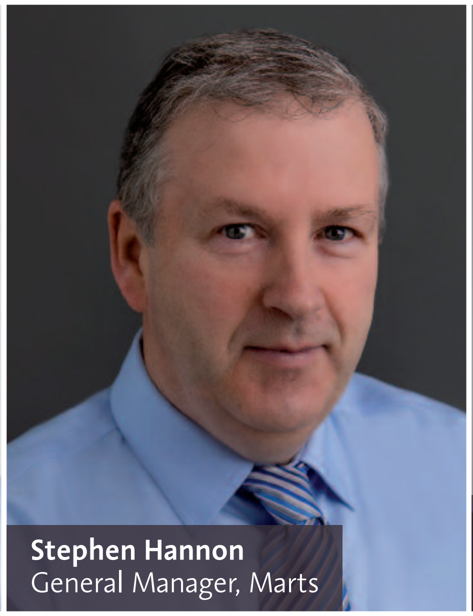
Marilyn Phillips
Group Head of
Human Resources

Stephen Blewitt
General Manager, Dairy

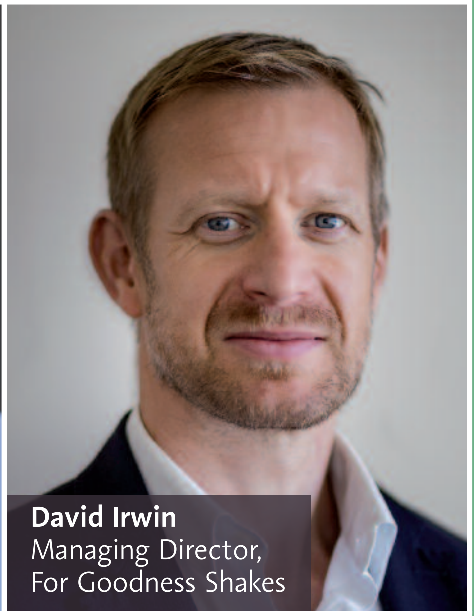


Sheila Maloney
General Manager,
Agribusiness

Etienne Gerard
Group Head of
Operations



Stephen Hannon
General Manager, Marts



David Irwin
Managing Director,
For Goodness Shakes

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Directors are responsible for preparing the financial statements which give a true and fair view in accordance with Irish law, including the Industrial and Provident Societies Acts, 1893 to 2018, and in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland).

The Society's financial statements are required by law to give a true and fair view of the estate of affairs of the Society and of its profit or loss for the periods presented. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society continue in business.

The Directors are responsible for keeping adequate accounting records that enable them to ensure that the financial statements of the Society are prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1893 to 2018. They are also responsible 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 Directors are also responsible for preparing the annual report and ensuring that it complies with the requirements of the Industrial and Provident Societies Acts 1893 to 2018.

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

Raymond Barlow	**Donal Tierney**
Chairman	*Chief Executive*

Report on the audit of the financial statements

Opinion

In our opinion, Aurivo Co-operative Society Limited's group financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 31 December 2020 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law).

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

- the consolidated balance sheet as at 31 December 2020;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the group's members as a body in accordance with section 14 of the Industrial and Provident Societies Act 1893 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Industrial and Provident Societies Act, 1893 reporting

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the parent society balance sheet showing the receipts and expenditure, funds and effects of the society, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Cork
19 March 2021

Financial Statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2020

	Notes	2020 €(000)	2019 €(000)
Turnover	2	488,703	446,764
Cost of sales		(393,453)	(359,663)
Gross profit		95,250	87,101
Operating expenses	3	(87,003)	(84,159)
Other operating income	5	263	209
Group operating profit before exceptional items		8,510	3,151
Exceptional items	6	(152)	(6,394)
Group operating profit/(loss) after exceptional items		8,358	(3,243)
Group's share of profit/(loss) in:			
– Associated undertaking	13(i)	250	228
– Joint venture	13(ii)	21	(1)
Total operating profit/(loss)		8,629	(3,016)
Net fair value movement on:			
– Quoted investments	13(iii)	(228)	(465)
Income from other financial assets	7	7	54
Net interest payable and similar charges	8	(1,390)	(1,761)
Profit/(loss) before taxation		7,018	(5,188)
Taxation on profit/(loss)	9	(645)	(306)
Profit/(loss) for the financial year		6,373	(5,494)
Attributable to:			
Shareholders of the Parent Society	24	6,379	(5,523)
Minority interests	25	(6)	29
Total profit/(loss) for the financial year		6,373	(5,494)

On behalf of the Board

Raymond Barlow
Chairman

Donal Tierney
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Notes	2020 €(000)	2019 €(000)
Profit/(loss) for the financial year		6,373	(5,494)
Other comprehensive income/(expense)			
Foreign exchange differences on translation of foreign operations		(843)	1,025
Re-measurement of the net defined benefit liability		32	606
Deferred taxation on the net defined benefit liability	9	(4)	(76)
Effective portion of changes in fair value of cash flow hedges	31	(60)	156
Other comprehensive (expense)/income for the financial year, net of income tax		(875)	1,711
Total comprehensive income/(expense) for the financial year		5,498	(3,783)
Attributable to:			
Shareholders of the Parent Society		5,504	(3,812)
Minority interests		(6)	29
Total comprehensive income/(expense) for the financial year		5,498	(3,783)

On behalf of the Board

Raymond Barlow
Chairman

Donal Tierney
Chief Executive

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	2020 €(000)	2019 €(000)
Fixed assets			
Goodwill	10	16,004	17,983
Other intangibles	10	11,546	12,956
		27,550	30,939
Tangible assets	11	49,041	48,958
Investment properties	12	2,847	2,847
Financial assets			
Investment in associate	13(i)	721	621
Investment in joint venture	13(ii)	253	232
Other investments	13(iii)	2,719	3,053
		83,131	86,650
Current assets			
Stocks	14	21,978	18,466
Debtors	15	39,567	35,838
Cash at bank and in hand	16	24,224	12,668
Total current assets		85,769	66,972
Creditors: amounts falling due within one year	17	(68,823)	(58,843)
Net current assets		16,946	8,129
Total assets less current liabilities		100,077	94,779
Creditors: amounts falling due after more than one year	18	(22,466)	(27,351)
Provision for liabilities			
Retirement benefit obligations	30	(2,246)	(3,103)
Other provisions for liabilities	20	(6,518)	(3,649)
Capital grants	21	(1,818)	(702)
Net assets		67,029	59,974
Capital and reserves			
Called-up share capital presented as equity	22	18,102	16,112
Equity reserve	23	367	304
Capital reserve	23	1,859	1,859
Bonus reserve	23	328	302
Cash flow hedging reserve	31	106	166
Profit and loss account	24	46,082	41,040
Equity attributable to the Parent Society's shareholders		66,844	59,783
Minority interests	25	185	191
Total equity		67,029	59,974

On behalf of the Board

Raymond Barlow
Chairman

Donal Tierney
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Called-up Share Capital presented as Equity €(000)	Equity Reserve €(000)	Capital Reserve €(000)	Bonus Reserve €(000)	Cash flow Hedging Reserve €(000)	Profit and Loss Account €(000)	Total Share-holder Equity €(000)	Minority Interests €(000)	Total Equity €(000)
Balance at 1 January 2020	16,112	304	1,859	302	166	41,040	59,783	191	59,974
Total comprehensive income for the period:									
Profit for the financial year	-	-	-	-	-	6,379	6,379	(6)	6,373
Other comprehensive expense for the financial year	-	-	-	-	(60)	(815)	(875)	-	(875)
Total comprehensive income for the financial year	-	-	-	-	(60)	5,564	5,504	(6)	5,498
Transactions with owners, recognised directly in equity:									
Share applications	10	-	-	-	-	-	10	-	10
Redemption of shares	(145)	-	-	-	-	-	(145)	-	(145)
Shares issued out of equity reserve	1,860	(1,860)	-	-	-	-	-	-	-
Funds received to equity reserve	-	1,923	-	-	-	-	1,923	-	1,923
Issue of bonus shares	174	-	-	(174)	-	-	-	-	-
Transfer from revenue reserves to bonus reserve	-	-	-	200	-	(200)	-	-	-
Shares issued in lieu of dividends	91	-	-	-	-	-	91	-	91
Dividends	-	-	-	-	-	(322)	(322)	-	(322)
Total transactions recognised directly in equity	1,990	63	-	26	-	(522)	1,557	-	1,557
Balance at 31 December 2020	18,102	367	1,859	328	106	46,082	66,844	185	67,029

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Called-up Share Capital presented as Equity €(000)	Equity Reserve €(000)	Capital Reserve €(000)	Bonus Reserve €(000)	Cash flow Hedging Reserve €(000)	Profit and Loss Account €(000)	Total Share-holder Equity €(000)	Minority Interests €(000)	Total Equity €(000)
Balance at 1 January 2019	13,999	471	1,859	353	10	45,405	62,097	162	62,259
Total comprehensive income for the period:									
Loss for the financial year	-	-	-	-	-	(5,523)	(5,523)	29	(5,494)
Other comprehensive income for the financial year	-	-	-	-	156	1,555	1,711	-	1,711
Total comprehensive loss for the financial year	-	-	-	-	156	(3,968)	(3,812)	29	(3,783)
Transactions with owners, recognised directly in equity:									
Share applications	24	-	-	-	-	-	24	-	24
Redemption of shares	(182)	-	-	-	-	-	(182)	-	(182)
Shares issued out of equity reserve	1,992	(1,992)	-	-	-	-	-	-	-
Funds received to equity reserve	-	1,825	-	-	-	-	1,825	-	1,825
Issue of bonus shares	201	-	-	(201)	-	-	-	-	-
Transfer from revenue reserves to bonus reserve	-	-	-	150	-	(150)	-	-	-
Shares issued in lieu of dividends	78	-	-	-	-	-	78	-	78
Dividends	-	-	-	-	-	(247)	(247)	-	(247)
Total transactions recognised directly in equity	2,113	(167)	-	(51)	-	(397)	1,498	-	1,498
Balance at 31 December 2019	16,112	304	1,859	302	166	41,040	59,783	191	59,974

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2020

	Notes	2020 €(000)	2019 €(000)
Net cash flow generated from operating activities	26	17,233	11,736
Cash flows from investing activities:			
Dividends received		157	204
Purchase of tangible fixed assets		(4,376)	(18,571)
Proceeds from disposal of tangible fixed assets		84	152
Proceeds from disposal of financial assets	13(iii)	311	–
Proceeds from disposal of investment properties		–	726
Net proceeds on loan stock redeemed/granted	13(iii)	108	130
Additions to investments	13(iii)	(313)	(137)
Net cash used in investing activities		(4,029)	(17,496)
Cash flows from financing activities:			
Net proceeds from the issue/(redemption) of share capital		1,789	1,667
Proceeds from new loan		–	20,000
Repayment of borrowings		(4,500)	(11,131)
Grant received	21	1,295	523
Dividends paid		(232)	(169)
Net cash (used in)/generated from financing activities		(1,648)	10,890
Net increase in cash and cash equivalents		11,556	5,130
Cash and cash equivalents at 1 January		12,668	7,538
Cash and cash equivalents at 31 December	27	24,224	12,668

1. ACCOUNTING POLICIES

Aurivo Co-operative Society Limited (the "Society") is a co-operative society limited by shares and incorporated and domiciled in Ireland. The address of its registered office is Aurivo House, Finisklin Business Park, Sligo, Co. Sligo. The Society is registered in Ireland under the Industrial and Provident Societies Act 1893 to 2014.

These Group financial statements were prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('*FRS 102*') and the Industrial and Provident Societies Act 1893 to 2014.

The Group's functional and presentation currency is Euro. The financial statements have been presented in Euro denominated by the symbol € and rounded to thousands (€'000).

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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 32.

Certain corresponding amounts have been revised so they are directly comparable with the amounts shown in respect of the current financial year.

(a) *Measurement convention*

The financial statements are prepared on the historical cost basis with the exception of derivative financial instruments, quoted investments and investment properties, which are stated at their fair value.

(b) *Going concern*

After making enquiries and considering the outlook referred to in the Chairman's Statement, the Chief Executive's Review, and available financing (see note 19), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated Financial Statements.

In reaching this conclusion the Directors have had due regard to, the potential impact of the ongoing Covid-19 pandemic, the available cash resources, cash generation from operations, borrowing facilities and related covenant requirements which taken together provide confidence that the Group will be able to meet its obligations as they fall due.

(c) *Basis of consolidation*

The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings made up to the reporting date. A subsidiary is an entity that is controlled by the holding undertaking. The results of subsidiary undertakings are included in the consolidated profit and loss account for control ceases. Control is established when the Society included in the consolidated profit and loss account for the date that control commences until the date that control ceases. Control is established when the Society has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

A joint venture is a contractual arrangement undertaking in which the Group exercise 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 and losses of associates and of jointly controlled entities are included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

(d) *Foreign currency*

Transactions in foreign currencies are translated to each entity's functional currency at the foreign exchange rate ruling at the date of the transaction.

- Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.
- Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Euro, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

The closing rate used for Euro/GBP at 31 December 2020 was 0.89903 (2019: 0.8508).

The average rate used for Euro/GBP transactions for the financial year ended 31 December 2020 was 0.88970 (2019: 0.87777).

(e) *Classification of financial instruments issued by the Group*

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(i) 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

(ii) Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group 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.

(f) *Basic financial instruments*

◆ *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade 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.

◆ *Interest bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

◆ *Investments in shares*

Investments in ordinary shares are measured initially at transaction price less attributable transactions costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss. Refer further to Note 13(iii).

◆ *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Restricted cash comprises cash held on behalf of members awaiting investment.

(g) *Other financial instruments*

Other financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except that hedging instruments in a designated hedging relationship shall be recognised as set out below.

◆ *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The Group routinely enters into sale and purchase transactions for physical delivery of commodities and energy. Where the contract was entered into and continues to be held for the purposes of receipt or delivery in accordance with the company's expected sale, purchase or usage requirements, the contracts are designated as 'own use' contracts and are treated as executory contracts. These contracts are not re-measured to fair value.

◆ *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the Society discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(h) *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Society assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item or tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and tangible fixed assets in the course of construction are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	20–30
Plant, Machinery & Equipment	3–15
Motor Vehicles	4–5
Computers	3

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

◆ *Assets in the course of construction*

Assets in the course of construction are carried at cost. Depreciation of these assets commences when they are commissioned and available for use.

(i) *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 (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed)

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

1. ACCOUNTING POLICIES (continued)

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

(j) *Intangible assets*

◆ *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

◆ *Research and development*

Research and development expenditure is written off in the year in which it is incurred.

◆ *Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the entity are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

◆ *Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

	Years
Goodwill	20/25
Brands	25
Customer relationships	12
Computer software	3

The basis for the useful lives of intangible assets is the period of expected benefit attributable to the business combination from which they arose. Goodwill has no residual value.

(k) *Government grants*

The Group has adopted the accrual method of accounting for government grants and included them within accruals and deferred income in the balance sheet and credit them to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

(l) *Investment property*

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost and are subsequently stated at fair value.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from a change in fair value is recognised in the profit and loss account.

(m) *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(n) *Impairment*

◆ *Financial assets (including trade and other debtors)*

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. This assessment is made at each reporting date.

An impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

- *Non-financial assets*

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

- *Reversals of impairment*

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed on intangible assets excluding goodwill only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) *Employee benefits*

- *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

- *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of the entity, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes , curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

- *Multi-employer plans*

Where there is insufficient information available to the Society to adopt defined benefit accounting, in respect of multi-employer plans in which it participates, the plan is accounted for as a defined contribution plan.

(p) *Provisions*

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it 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 obligations at the reporting date.

(q) *Turnover*

Turnover is shown net of value added tax and represents the fair value of goods and services supplied to third parties exclusive of trade discounts and value added tax. Some sales to Ornua Co-operative Limited are based on "on Account" prices and can be subject to adjustment when the prices are finally agreed. In preparing the financial statements the directors make estimates based on the best information available in the product categories, which are subject to adjustment. The financial statements reflect known or expected material adjustments to "on Account" prices arising during the period from year end through to the date of approval of the financial statements. Goods are deemed to have been delivered and related revenue recognised when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in these benefits.

(r) *Leases*

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

- *Finance Lease*

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lease.

At the commencement of the finance lease term the Society recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental and directly attributable costs incurred in negotiating and arranging a finance lease are included in the cost of the asset.

Minimum finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the period in which they are incurred. Assets under finance leases are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

(s) *Interest payable and receivable*

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

(t) *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, in which case it is 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

1. ACCOUNTING POLICIES (continued)

Deferred tax is provided on timing differences which 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. Deferred tax is not recognised on permanent difference arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enact at the balance sheet date.

For investment property, deferred tax is provided at the rate and allowance applicable to the sale of the property.

Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future profits.

(u) *Exceptional items*

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

(v) *Dividend income*

Dividend income is recognised when the right to receive the payment is established. Dividend income is presented as "income from shares in group undertakings" or "income from participating interests" as appropriate in the profit and loss account.

(w) *Rental income*

Rental income is recognised on a straight line basis over the lease term. Revenue from property-related services rendered to tenants is recognised in the income statement as the services are provided.

(x) *Share capital*

Equity shares issued are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) *Distributions to equity shareholders*

Dividends and other distributions to the Society's equity shareholders are recognised as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the society's shareholders.

2. SALES BY MARKET

Analysis of turnover by geographical market:

	2020 €(000)	2019 €(000)
Ireland	442,074	409,260
United Kingdom	10,683	13,348
Other	35,946	24,156
	488,703	446,764

(i) Sales in Ireland include sales to Ornua Co-operative Limited for export both inside and outside the E.U.

The amount of turnover by business unit is as follows:

	2020 €(000)	2019 €(000)
Consumer Foods	96,922	95,079
Dairy Ingredients	197,982	169,198
Agribusiness	127,894	114,984
Marts	65,905	67,503
	488,703	446,764

3. OPERATING EXPENSES

Included in operating expenses are the following:

	Notes	2020 €(000)	2019 €(000)
Employment costs	4	31,847	29,874
Depreciation	11	4,651	3,663
Amortisation of goodwill	10	1,366	1,378
Amortisation of intangible assets	10	722	732
Operating lease expense	29	956	922

4. EMPLOYEES AND REMUNERATION

	2020 €(000)	2019 €(000)
Wages and salaries	27,123	25,351
Social welfare costs	2,788	2,718
Pension costs	1,936	1,805
	31,847	29,874

The average number of persons employed by the Society during the year was 632 (2019: 607).

5. OTHER OPERATING INCOME

	Notes	2020 €(000)	2019 €(000)
Amortisation of government grants	21	179	64
Profit on disposal of tangible assets	11	84	145
		263	209

6. EXCEPTIONAL ITEMS

	2020 €(000)	2019 €(000)
Profit on disposal of investment properties (i)	–	26
Impairment of goodwill (ii)	–	(5,961)
Settlement gain on pension (iii)	–	868
Restructuring costs (iv)	(152)	(1,327)
	(152)	(6,394)

(i) During 2019, the Society disposed of an investment property with a book value of €700,000 for €726,000 (net of costs), giving rise to a profit on disposal of €26,000.

(ii) In 2019, the goodwill in relation to the My Goodness Limited acquisition was written down by €5,961,000 (Note 10).

(iii) The settlement gain of €868,000 arose on transfers out of the Defined Benefit pension scheme in 2019.

(iv) The restructuring costs of €152,000 in 2020 and €1,327,000 in 2019 relate to a range of redundancy and rationalisation costs.

7. INCOME FROM OTHER FINANCIAL ASSETS

	2020 €(000)	2019 €(000)
Investment income (i)	7	54
	7	54

(i) Investment income relates to dividends from financial investments.

8. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Notes	2020 €(000)	2019 €(000)
Interest payable on amounts owed to credit institutions		1,359	1,666
Finance lease interest		3	4
Net interest expense on defined benefit liabilities	30	28	91
Total interest payable and similar expenses		1,390	1,761

9. TAXATION

	2020 €(000)	2019 €(000)
(i) *Tax expense included in Profit and Loss Account:*		
Current taxation:		
Corporation tax on income for the financial year	348	338
Adjustments in respect of prior year provisions	(190)	(528)
Current tax charge/(credit) for the financial year	158	(190)
Deferred taxation:		
Origination and reversal of timing differences	487	496
Total taxation charge	645	306
Analysis of current tax recognised in Profit and Loss Account:		
Irish corporation tax	645	(402)
Foreign corporation tax	–	212
Total current tax charge/(credit) recognised in Profit and Loss Account	645	(190)
(ii) *Tax income relating to items included in Statement of Other Comprehensive Income:*		
Current taxation:	–	–
Deferred taxation:		
Deferred tax on re-measurement of net defined benefit liability	4	76
Total tax charge relating to items recognised in other comprehensive income	4	76

(iii) *Reconciliation of tax expense*

The tax charge assessed for the financial year is lower (2019: lower) than that calculated by reference to the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2020 of 12.5% (2019: 12.5%). The differences are explained below:

	2020 €(000)	2019 €(000)
Tax charge for year		
Profit/(loss) before taxation	7,018	(5,188)
Tax using the Irish corporation tax rate of 12.5%	877	(649)
Effect of tax rates in foreign jurisdictions	(100)	(437)
Additional tax on profit liable at other than standard rate	(21)	(111)
Excess of depreciation over capital allowances	10	518
Tax losses (utilised)/carried forward	(139)	123
Expenses and asset impairments not deductible for tax purposes	309	1,506
Permanent differences and other timing differences	(166)	–
Deferred tax not recognised/over provided	65	(116)
Adjustments in respect of prior year	(190)	(528)
Total tax charge included in Profit and Loss Account	645	306

9. TAXATION (continued)

The provision for deferred tax liability consists of the following deferred tax assets/(liabilities):

	ASSETS		LIABILITIES		NET	
	2020 €(000)	2019 €(000)	2020 €(000)	2019 €(000)	2020 €(000)	2019 €(000)
Accelerated capital allowances	–	–	(1,330)	(1,355)	(1,330)	(1,355)
Intangible assets	–	–	(2,170)	(2,411)	(2,170)	(2,411)
Employee benefits (Note 30)	281	388	–	–	281	388
Financial investments	–	–	(198)	(273)	(198)	(273)
Tax losses	62	622	–	–	62	622
Other	463	499	–	–	463	499
Deferred tax assets/(liabilities)	806	1,509	(3,698)	(4,039)	(2,892)	(2,530)

A summary of the movement in deferred tax is set out at Note 20. In addition to the deferred tax asset above, the Group has additional unrecognised deferred tax assets of €65,000 (2019: €119,000). Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	GOODWILL	OTHER INTANGIBLE ASSETS			
	Goodwill €(000)	Brands €(000)	Customer Relationships €(000)	Software €(000)	Total €(000)
Cost					
At 1 January 2020	26,385	14,558	2,107	1,918	18,583
Translation adjustment	(613)	(622)	(66)	–	(688)
At 31 December 2020	25,772	13,936	2,041	1,918	17,895
Accumulated amortisation					
At 1 January 2020	8,402	2,852	857	1,918	5,627
Amortisation for year	1,366	555	167	–	722
At 31 December 2020	9,768	3,407	1,024	1,918	6,349
Net Book Value					
At 31 December 2020	16,004	10,529	1,017	–	11,546
At 31 December 2019	17,983	11,706	1,250	–	12,956

Goodwill and other intangibles are being amortised in line with the accounting policy at Note 1(j). The estimated useful lives of goodwill, brands and customer relationships are derived by benchmarking the amortisation period to peers engaged in similar activities and the required payback period for the investment.

The carrying value of the goodwill and other intangible assets related to the My Goodness Limited acquisition was assessed for impairment at 31 December 2020, as the Directors identified impairment indicators arising from changes in certain macroeconomic factors, particularly the impact of Covid-19. As a result of this impairment test, the Directors concluded the goodwill and other intangible assets were fully recoverable as at 31 December 2020.

The Directors also considered the carrying value of the goodwill and other intangible assets related to the My Goodness Limited acquisition at 31 December 2019. As a result of this test, the goodwill and intangible assets were written down by €5,961,000 (Note 6(ii)) to €24,508,000.

11. TANGIBLE ASSETS

	Land & Buildings €(000)	Plant Machinery & Equipment €(000)	Motor Vehicles €(000)	Construction Work In Progress €(000)	Total €(000)
Cost					
At 1 January 2020	55,622	103,713	3,350	440	163,125
Additions	1,034	2,591	154	970	4,749
Disposals	–	(20)	(96)	–	(116)
Translation adjustment	(13)	–	(2)	–	(15)
At 31 December 2020	56,643	106,284	3,406	1,410	167,743
Accumulated depreciation					
At 1 January 2020	31,483	79,566	3,118	–	114,167
Charge for year	1,751	2,792	108	–	4,651
Disposals	–	(20)	(96)	–	(116)
At 31 December 2020	33,234	82,338	3,130	–	118,702
Net Book Value					
At 31 December 2020	23,409	23,946	276	1,410	49,041
At December 2019	24,139	24,147	232	440	48,958

(i) Fixed assets are being depreciated in line with accounting policy at Note 1(h).

(ii) The net carrying amount of assets held under finance lease included in plant, machinery and equipment above is €341,000 (2019: €401,000).

(iii) During 2020, tangible assets with a carrying value of nil were disposed of, giving rise to a profit on disposal of €84,000 (Note 5). The assets had a cost of €116,000 and accumulated depreciation of €116,000.

12. INVESTMENT PROPERTIES

	2020 €(000)	2019 €(000)
At 1 January	2,847	3,547
Sale of investment properties (i)	–	(700)
At 31 December	2,847	2,847

(i) During 2019, the Society disposed of an investment property with a book value of €700,000 for €726,000 (net of costs), giving rise to a profit on disposal of €26,000 (Note 6(i)).

(ii) Included in investment properties is land held as investment property by a subsidiary company, North Western Livestock Holdings Limited, in which the Society has a 70.91% shareholding. This land was last valued by an external independent valuer on an open market basis at September 2019. The Directors, having completed a review of property valuation movements in the interim period, consider that the valuation remains appropriate in determining the fair value of the properties at the balance sheet date.

(iii) The portfolio of other investment properties were valued as at the financial year end by the Directors. The valuations were valued on the basis of market value. No adjustment to the fair values arose as a result of this exercise (2019: nil).

13. FINANCIAL ASSETS

(i) *Investment in Associate*

	2020 €(000)	2019 €(000)
At 1 January	621	543
Share of profit of associate after taxation	250	228
Dividend from associate	(150)	(150)
At 31 December	721	621

The Society owns 27.27% of the equity share capital of County Mayo Radio Ltd, a company incorporated in the Republic of Ireland, whose principal activity is that of a radio station. The shares are not publicly traded. During 2020, the Society received a dividend of €150,000 (2019: €150,000).

(ii) *Investment in Joint Venture*

	2020 €(000)	2019 €(000)
At 1 January	232	233
Share of profit/(loss) of joint venture after taxation	21	(1)
At 31 December	253	232

The carrying value of €253,000 represents the Society's 50% interest in the equity shares of Glanoir Energy Limited, a joint venture with HDS Energy Limited ("HDS"), to construct and operate a biomass energy system. The shares in Glanoir Energy Limited are not publicly traded.

The Society's interest in the gross assets and liabilities of its joint venture are as follows:

	2020 €(000)	2019 €(000)
Share of gross assets	1,195	1,411
Share of gross liabilities	(942)	(1,179)
At 31 December	253	232

There are no capital commitments relating to the joint venture at 31 December 2020.

13. FINANCIAL ASSETS (continued)

(iii) *Other Investments*

	Quoted Investments 2020 €(000)	Unquoted Investments 2020 €(000)	Convertible Loan Stock 2020 €(000)	Total 2020 €(000)	Total 2019 €(000)
At 1 January	1,209	166	1,678	3,053	3,511
Loan stock redeemed (i)	–	–	(410)	(410)	(364)
Loan stock received (i)	–	–	302	302	234
Additions (ii)	313	–	–	313	137
Disposals (ii)	(311)	–	–	(311)	–
Fair value movement (iii)	(228)	–	–	(228)	(465)
At 31 December	983	166	1,570	2,719	3,053

Quoted investments are held at fair value. The unquoted investments and convertible loan stocks are held at cost. In the opinion of the Directors, the value of the investments is not less than their carrying value as shown above.

(i) Convertible loan stock has been issued by Ornua Co-operative Limited (Ornua) to the Society. During the year, €410,000 of loan notes were redeemed (2019: €364,000). Loan notes of €302,000 were granted in 2020 (2019: €234,000). The allocation of convertible loan stock is based on the level of trading with Ornua. The loan stock is convertible into cash over a six-year period, which starts five years from the date of issue.

(ii) During 2020, the Group disposed of quoted shares and reinvested the proceeds into a diversified fund.

(iii) On 31 December 2020, the fair value of the quoted investments had decreased by €228,000 (2019: €465,000) to €983,000.

14. STOCKS

	2020 €(000)	2019 €(000)
Raw materials	1,297	1,316
Finished goods and goods for resale	18,339	15,023
Expense stock	2,342	2,127
	21,978	18,466

(i) Stock is valued at the lower of cost and net realisable value.

(ii) The replacement cost of stocks is not materially different from the carrying value as stated above.

(iii) Raw materials, consumables and movements in finished goods and work in progress recognised in cost of sales in the year amounted to €384,000,000 (2019: €350,000,000).

15. DEBTORS

	Notes	2020 €(000)	2019 €(000)
Trade debtors (i)		28,374	23,932
Other debtors and prepayments (ii)		6,242	8,002
Amount owed from related party (iii)		1,722	815
Derivative asset	31	106	166
V.A.T.		3,123	2,481
Corporation tax		–	442
		39,567	35,838

(i) The group avails of an invoice discounting facility; all debtors subject to invoice discounting are shown in the consolidated balance sheet at their gross value. The Society, through the use of a separate debtor factoring arrangement, has transferred substantially all of the credit risk and derecognised €3,332,000 (2019: €6,581,000) of trade debtors at 31 December 2020.

(ii) Other debtors and prepayments include an amount of €2,674,000 (2019: €2,674,000) in respect of a loan note from Kerrygold Butter Packing Ireland Limited, which is repayable on demand.

(iii) There is a balance of €1,722,000 owing from Glanoir Energy Limited at 31 December 2020 (2019: €815,000), a company in which the Society has a 50% interest (Note 13(ii)). The amounts owed are unsecured, interest free and repayable on demand.

16. CASH AT BANK AND IN HAND

The bank and cash balance of €24,224,000 at 31 December 2020 (2019: €12,668,000) contains no restricted cash (2019: Nil).

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Notes	2020 €(000)	2019 €(000)
Trade creditors and accruals (i)		63,161	53,416
Bank loans (ii)	19	4,402	4,539
Finance leases	19	74	97
PAYE/social insurance		1,028	791
Corporation tax		158	–
		68,823	58,843

(i) Trade creditors include amounts due to certain suppliers who have reserved title to goods supplied. Since the extent to which these creditors are effectively secured at any time depends on a number of conditions – the validity of some of which is not readily determinable – it is not possible to indicate how much of the creditors were effectively secured by reservation of title.

(ii) The maturity of bank loans is analysed in Note 19.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Notes	2020 €(000)	2019 €(000)
Bank loans (i)	19	21,945	26,756
Finance leases	19	–	74
Minority shareholders loans (ii)		521	521
		22,466	27,351

(i) The maturity of bank loans is analysed in Note 19.

(ii) Minority shareholders loans are unsecured, interest-bearing and do not have formal specified repayment terms attaching to them.

19. INTEREST BEARING LOANS AND BORROWINGS

	2020 €(000)	2019 €(000)
Creditors: amounts falling due within one year		
Secured bank loans	4,402	4,539
Finance leases	74	97
	4,476	4,636
Creditors: amounts falling due after more than one year		
Secured bank loans	21,945	26,756
Finance leases	–	74
	21,945	26,830
Total	26,421	31,466

(i) Bank borrowings are secured by a fixed charge over certain of the fixed assets of the Society and its subsidiaries, and a floating charge over all the assets of the Society and its subsidiaries.

Maturity Analysis

	Within 1 year €(000)	Between 1 to 2 years €(000)	Between 2 to 5 years €(000)	Greater than 5 years €(000)	Total €(000)
Repayable by instalment:					
Secured bank loans	4,402	4,403	17,542	–	26,347
Finance leases	74	–	–	–	74
	4,476	4,403	17,542	–	26,421

(i) Borrowings carry a variable rate of interest which is based on Euribor plus a margin.

19. INTEREST BEARING LOANS AND BORROWINGS (continued)

Finance Leases
The future minimum lease payments are as follows:

	2020 €(000)	2019 €(000)
Not later than one year	74	99
Later than one year and not later than five years	–	75
Total future minimum lease payments	74	174
Less: finance charges	–	(3)
Carrying amount of liability	74	171

The company has one finance lease. It is subject to an interest rate of 1.7% (2019: 1.7%). The repayment of the finance lease will take place in quarterly instalments over the next year.

20. OTHER PROVISIONS FOR LIABILITIES

	Restructuring €(000)	Deferred Taxation €(000)	Milk Stability Fund €(000)	Total €(000)
At 1 January 2020	1,119	2,530	–	3,649
Profit and loss account charge	152	487	3,000	3,639
Other comprehensive income	–	4	–	4
Paid during year	(645)	–	–	(645)
Translation adjustment	–	(129)	–	(129)
At 31 December 2020	626	2,892	3,000	6,518

The restructuring provision relates to a range of redundancy and rationalisation costs announced during 2020 and previous years.

The charge of €3,000,000 for the year in relation to the milk stability fund relates to a bonus provided in December 2020 in respect of 2020 milk supplies. It was agreed by the Board of Directors that this payment would be deferred and allocated to a milk stability fund for payment at a future date to lessen adverse milk price movements. Payment will be made no later than 3 years from the date of the provision and the Board believes that, on the basis of recurring market volatility, payments from the stability fund are likely to arise within the 3-year period.

21. CAPITAL GRANTS

	2020 €(000)	2019 €(000)
At 1 January	702	243
Received during the year	1,295	523
Amortised during the year	(179)	(64)
At 31 December	1,818	702

Grants received by the Society from Enterprise Ireland, Sustainable Energy Ireland and the Department of Agriculture, Fisheries and Food may be repayable in certain circumstances, as outlined in the Grant Agreements. Grants awarded were capital in nature and there are no outstanding unfulfilled conditions.

22. SHARE CAPITAL

	2020 €(000)	2019 €(000)
At 1 January	16,112	13,999
Share applications	10	24
Shares redeemed	(145)	(182)
Issue of bonus shares	174	201
Shares issued out of equity reserve	1,860	1,992
Shares issued in lieu of dividend	91	78
At 31 December	18,102	16,112

The Society has 18,102,000 ordinary shares of €1 each in issue (2019: 16,112,000). All ordinary shares are fully paid up.

23. OTHER RESERVES

Other reserves shown on the Society's consolidated statement of changes in equity are as follows:

- *Equity reserve*
  The equity reserve relates to funds received from milk suppliers that are held awaiting conversion into ordinary share capital. At 31 December 2020, amounts totalling €367,000 were received from certain suppliers and will be used to fund the issue of shares to these suppliers in future years. These funds will be recorded in the equity reserve until the shares are issued.
- *Bonus reserve*
  The transfer from Revenue Reserves to the Bonus Reserve is in accordance with Rules 73 and 74 of the Society which allows for the establishment of a Reserve from which allocations of fully paid-up bonus shares in the Society may be made.
- *Cash flow hedging reserve*
  The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
- *Capital reserve*
  The capital reserve of €1,859,000 (2019: €1,859,000) is non-distributable.

24. PROFIT AND LOSS ACCOUNT

	2020 €(000)	2019 €(000)
At 1 January	41,040	45,405
Profit/(loss) for the financial year	6,379	(5,523)
Dividends paid	(322)	(247)
Bonus reserve	(200)	(150)
Other comprehensive (expense)/income	(815)	1,555
At 31 December	46,082	41,040

Dividends proposed at 31 December 2020 amounted to €362,000 (2019: €322,000) and in accordance with Financial Reporting Standards are not recognised in the financial statements until approved.

25. MINORITY INTERESTS

The minority interest represents the holding of equity in North Western Livestock Holdings Limited by the minority shareholders.

	2020 €(000)	2019 €(000)
At 1 January	191	162
(Loss)/profit for the financial year	(6)	29
At 31 December	185	191

26. NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES

Reconciliation of profit/(loss) for the year to net cash from operating activities:

	Notes	2020 €(000)	2019 €(000)
Cash flows from operating activities:			
Profit/(loss) for the financial year		6,373	(5,494)
Adjustments for:			
Depreciation and amortisation		6,739	5,773
Foreign exchange loss		(145)	–
Contribution to pension scheme in excess of current service cost		(853)	(920)
Profit on sale of fixed assets	5	(84)	(145)
Profit on sale of financial assets and investment properties	12	–	(26)
Amortisation of deferred government grant	5	(179)	(64)
Change in value of financial assets	13(iii)	228	465
Impairment of goodwill	10	–	5,961
Settlement gain on pension	30	–	(868)
Net finance costs	8	1,390	1,761
Income from financial assets	7	(7)	(54)
Share of profits of associate and joint venture		(271)	(227)
Taxation	9	645	306
		13,836	6,468
(Increase)/decrease in trade and other debtors		(4,297)	7,692
(Increase)/decrease in stocks		(3,590)	4,532
Increase/(decrease) in trade and other creditors		9,698	(6,049)
Increase in provisions and employee benefits		2,507	1,075
		18,154	13,718
Interest paid		(1,362)	(1,670)
Tax received/(paid)		441	(312)
Net cash flow generated from operating activities		17,233	11,736

27. CASH AND CASH EQUIVALENTS AND NET DEBT

	Notes	2020 €(000)	2019 €(000)
Cash and cash equivalents consist of:			
Cash and bank balances	16	24,224	12,668
		24,224	12,668
Borrowings:			
Secured bank loans	19	(26,347)	(31,295)
Finance leases	19	(74)	(171)
Net debt at 31 December		(2,197)	(18,798)

27. CASH AND CASH EQUIVALENTS AND NET DEBT (continued)

Analysis of net debt:

	At 1 January 2020 €(000)	Cash flow €(000)	Foreign Exchange Movement €(000)	At 31 December 2020 €(000)
Cash and cash equivalents:				
Cash	12,668	11,701	(145)	24,224
Borrowings:				
Debt due within one year	(4,539)	–	137	(4,402)
Debt due greater than one year	(26,756)	4,403	408	(21,945)
Finance leases	(171)	97	–	(74)
Total	(18,798)	16,201	400	(2,197)

28. RELATED PARTY TRANSACTIONS

In the ordinary course of their business, as farmers, the Directors trade with the Society on standard commercial terms. The level of purchases from and sales to the Directors during 2020 amounted to €2,986,000 (2019: €2,653,000) and €1,098,000 (2019: €1,028,000) respectively. The net trading balances outstanding from the Society at 31 December 2020 were €45,000 (owed to the Society at 31 December 2019: €75,000).

A Director of the Society has leased land owned by the Society's 70.91% subsidiary, North Western Livestock Holdings Limited, on a 15-year lease on standard commercial terms.

Total compensation of Directors and key management personnel in the year amounted to €1,923,000 (2019: €1,984,000). These exclude payments associated with restructuring given their confidential nature and to facilitate comparability year-on-year.

This is broken down as follows:

	2020 €(000)	2019 €(000)
Directors' remuneration	228	223
Senior management team:		
Basic salary	1,268	1,309
Performance related bonus	115	128
Other benefits	312	324
Total senior management team remuneration	1,695	1,761
Total Directors' and senior management team remuneration	1,923	1,984

29. COMMITMENTS

(a) At 31 December, the Society had the following capital commitments:

	2020 €(000)	2019 €(000)
Contracted commitments for the acquisition of tangible fixed assets	3,109	2,030
Total	3,109	2,030

(b) The total of future minimum lease payments under non-cancellable operating leases at 31 December are as follows:

	2020 €(000)	2019 €(000)
Amounts due:		
No later than one year	976	907
Later than one year and no more than five years	1,678	2,050
Later than five years	–	–
Total	2,654	2,957

The total amount charged to the Profit and Loss account for 2020 in respect of non-cancellable operating leases was €956,000 (2019: €922,000).

(c) At the financial year-end, purchase commitments on forward contract for certain raw materials not yet provided for in the financial statements amounted to €23,102,000 (2019: €9,186,000).

30. RETIREMENT BENEFIT OBLIGATIONS

(a) *Defined benefit pension schemes*

The Society operates a number of defined benefit pension schemes for employees, with assets held in separately administered funds. The schemes are administered by Invesco, independent consulting actuaries. Annual contributions to the pension schemes are based on the advice of qualified independent actuaries.

Net pension liability:

	2020 €(000)	2019 €(000)
Defined benefit obligation	(58,267)	(59,401)
Plan assets	56,021	56,298
Net pension liability before deferred tax	(2,246)	(3,103)
Deferred tax asset	281	388
Net pension deficit	(1,965)	(2,715)

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Movements in present value of defined benefit obligations:

	2020 €(000)	2019 €(000)
At 1 January	59,401	54,565
Net current service cost	839	745
Interest expense	651	1,018
Employee contributions	287	306
Change in assumptions	2,903	5,627
Experience loss	493	751
Benefits paid	(6,307)	(2,743)
Settlement gain	–	(868)
At 31 December	58,267	59,401

Movements in fair value of plan assets:

	2020 €(000)	2019 €(000)
At 1 January	56,298	49,159
Interest on plan assets	623	927
Return on plan assets less interest income	3,428	6,984
Contributions by employer and members	1,979	1,971
Benefits paid	(6,307)	(2,743)
At 31 December	56,021	56,298

The amounts recognised in the consolidated profit and loss account are as follows:

	2020 €(000)	2019 €(000)
Charged to operating profit:		
Current service cost	839	745
Total	839	745

	2020 €(000)	2019 €(000)
Other finance charge:		
Interest on pension assets	(623)	(927)
Interest on pension liabilities	651	1,018
Net interest cost included in finance costs	28	91

	2020 €(000)	2019 €(000)
The return on plan assets was:		
Interest income	623	927
Return on plan assets less interest income	3,428	6,984
Return on plan assets	4,051	7,911

The fair values of the plan assets were as follows:

	2020 €(000)	2019 €(000)
Equities	23,869	23,308
Bonds	27,312	27,186
Property	628	674
Diversified growth fund	4,155	5,093
Cash	57	37
	56,021	56,298

The last actuarial valuations in respect of these schemes were carried out at 1 January 2018 and subsequently updated to 31 December 2020 for FRS102 "Retirement Benefits" purposes. The actuarial reports are available for inspection by members of the scheme but not for public inspections. The valuations and related disclosures required under FRS102 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 1 January 2018, updated to 31 December 2020.

The comprehensive actuarial valuation carried out at 1 January 2018 was conducted by Invesco, independent consulting actuaries. The actuarial method used for the valuation is known as the Attained Age Method. This is consistent with the funding objective. The same method was used in the last valuation. Adjustments to the valuation at that date have been made based on the following assumptions in measuring the defined benefit obligation at the end of the financial year:

	2020 %	2019 %
Rate of inflation	1.15	1.25
Rate of increase in salaries	1.65	1.75
Discount rate	0.80	1.15
Expected rate of increase of pensions in payment	0.0	0.0

In valuing the liabilities of the pension scheme at 31 December 2020, mortality assumptions have been made as set out below.

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

- Current pensioner aged 65: 21.8 years (male), 24.2 years (female)
- Future retiree upon reaching 65: 24.1 years (male), 26.2 years (female)

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

(b) *Defined contribution schemes*

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was €679,000 (2019: €663,000) of which €46,000 was payable at the balance sheet date.

(c) *The Irish Co-operative Societies Pension Scheme*

The Society participates in the Irish Co-operative Societies (ICOS) pension scheme which is a multi-employer defined benefit pension scheme. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Society accounts for the pension scheme as if it were a defined contribution scheme in accordance with FRS102.

The most recent full actuarial valuation of the ICOS Pension 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 Scheme satisfied the statutory Funding Standard and Funding Standard Reserve requirements at the valuation date. 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 total expense relating to this plan in the current year was €418,000 (2019: €397,000) of which €202,000 was payable at the balance sheet date.

31. FINANCIAL INSTRUMENTS

The carrying amounts of the derivative assets and liabilities include:

	Notes	2020 €(000)	2019 €(000)
Forward exchange contracts			
Fair value of financial assets	15	106	166
Fair value of financial liabilities		–	–
		106	166

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The Group uses cash flow hedges in respect of foreign exchange risks in highly probable forecast transactions. It achieves this by designating its forward exchange contracts as hedging instruments to reduce its exposure to the variability of the Euro equivalent of future cash inflows and outflows denominated in Sterling.

At 31 December 2020, the outstanding contracts all mature within 13 months (2019: 13 months) of the end of the financial year. The Group is committed to buy £14,350,000 for a fixed Euro amount. The Group has no interest rate derivative financial instruments (2019: nil).

31. FINANCIAL INSTRUMENTS (continued)

The following movements occurred during the year in respect of the Group's cash flow hedges:

	2020 €(000)	2019 €(000)
Change in fair value of the hedging instrument recognised in other comprehensive income for the period	(60)	156
	(60)	156

The cash flows associated with cash flow hedging instruments are all expected to occur within one year.

The company has the following financial instruments:

	Notes	2020 €(000)	2019 €(000)
Financial assets at fair value through profit or loss			
Quoted investments	13	983	1,209
Financial assets at fair value through comprehensive income			
Derivative financial instruments	15	106	166

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Society's main accounting policies affecting its results and financial condition are set out in Note 1 to the financial statements. Judgements and assumptions have been made by management by applying the Society's accounting policies in certain areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Goodwill and other intangible assets

The Group has capitalised goodwill of €16,004,000 (2019: €17,983,000) and other intangible assets of €11,546,000 (2019: €12,956,000) at 31 December 2020 as detailed in Note 10. Goodwill and other intangible assets are required to be reviewed for impairment indicators at least annually or more frequently if there are indicators of a potential impairment. If any such indication exists, then the assets recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing impairment there is a degree of estimation and uncertainty around future performance and cash flows.

The Group considered whether there have been any indicators of impairment in respect of its goodwill and other intangible assets related to the My Goodness Limited acquisition, in line with the accounting policies stated. As noted further in Note 10, having determined that indicators of impairment existed at the balance sheet date, the company used a discount cashflow model to test for impairment. The recoverable amount is sensitive to the discount rate used for the discounted cashflow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The discount rate applied to cash flows was determined with regard to the risks associated with the cash flows being considered. The modelled cash flows take into account the company's established history of earnings, cash flow generation and the nature of the markets in which we operate. The key assumptions employed in modelling estimates of future cash flows are subjective and include the selection of appropriate discount rates, growth rates and operating profit assumptions. The terminal value included in the model assumed long-term growth based on a combination of factors including long-term inflation in addition to industry and market specific factors.

Retirement Benefit Obligations

The Group operates a number of defined benefit retirement plans which are set out in Note 30. The Group's net pension deficit in respect of defined benefit plans is calculated by independent, qualified actuaries and updated at least annually and totals €2,246,000 at 31 December 2020 (2019: €3,103,000).

The size of the net pension obligation is sensitive to actuarial assumptions. The key assumptions are the discount rate, the rate of inflation, life expectancy, pension benefits and rate of salary increases. Plan assets are also sensitive to asset returns and the level of contributions made by the Group.

Investment Properties

The Group holds investment properties with a fair value of €2,847,000 (2019: €2,847,000), as shown in Note 12. These properties are valued at fair value by the Directors. Fair value is defined as the price that would be received if the asset was sold in an orderly transaction between market participants based on the asset's highest and best use. Valuations are reviewed each year by the Directors with movements in fair value recognised in the profit and loss account.

Impairment of Debtors

The Directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the Directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. The debtors balance stated net of provisions, is set out in Note 15.

Impairment of Stocks

The Society sells dairy, agribusiness and consumer foods products and is subject to changing demands due to changes in trends. As a result, it is necessary to consider the recoverability of the carrying amount of stock at the end of each financial year. When calculating any stock impairment, the Directors consider the nature and condition of the stock, current estimated selling prices, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The stock balance stated net of provisions, is set out in Note 14.

Useful economic lives of tangible fixed assets

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the tangible fixed assets, and Note 1(h) for the useful economic lives for each class of tangible fixed assets.

Useful economic lives of intangible assets

The annual amortisation charge for intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on future investments, and economic utilisation of the assets. See Note 10 for carrying value of intangible assets and Note 1(j) for the useful economic lives for each class of assets.

"On Account" prices

Certain sales to Ornua are based on "on Account" prices and are subject to adjustment when the prices are finally agreed. In preparing the financial statements the directors make estimates based on the best information available in the product categories, which are subject to adjustment. The financial statements reflect known or expected material adjustments to "on Account" prices arising during the period from year-end through to the date of approval of the financial statements.

33. SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE

Subsidiaries – Republic of Ireland	% Holding	Activity
Aurivo Consumer Foods Ltd	100%	Manufacture of Dairy Products
Aurivo Dairy Ingredients Ltd	100%	Manufacture of Dairy Products
North Western Livestock Holdings Ltd	70.91%	Holding company
Ballina Milk Company Ltd	100%	Non Trading
Connacht Gold Ltd	100%	Non Trading
Connacht Gold Properties Ltd	100%	Non Trading
CG Training Limited	100%	Non Trading
Moy Valley Seed Potato Company Ltd	100%	Non Trading
Palmar Ltd	100%	Non Trading
Sligo Dairies Ltd	100%	Non Trading

Subsidiaries – United Kingdom	% Holding	Activity
Aurivo (NI) Ltd	100%	Milk Trading and Retail
Connacht Gold (Northern Ireland) Ltd	100%	Milk Trading
My Goodness Ltd	100%	Sports Nutrition

Associate – Republic of Ireland	% Holding	Activity
County Mayo Radio Ltd	27.27%	Radio Station

Joint Venture – Republic of Ireland	% Holding	Activity
Glanóir Energy Ltd	50%	Biomass Energy

All subsidiaries, associate and joint venture operate in the Republic of Ireland and the United Kingdom. The addresses of the registered offices of the subsidiaries, associate and joint venture are available at Aurivo Co-operative Society Limited, Finisklin Business Park, Sligo, Co. Sligo.

All of the subsidiaries incorporated under the Companies Acts 2014 in the Republic of Ireland with the exception of North Western Livestock Holdings Ltd, have availed of the exemption available under Section 357 of the Companies Act 2014 and will file these Group financial statements with their annual returns instead of their own Financial Statements. The Society has guaranteed the liabilities of the subsidiaries availing of this exemption.

34. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There are no significant events subsequent to the Balance Sheet date which require disclosure within the financial statements.

35. APPROVAL OF BOARD OF DIRECTORS

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2021 and were signed on its behalf on that date.

Aurivo
Co-operative Society Ltd.

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