2019 ANNUAL REPORT

Growing Sustainably

CARBERY

Contents

Carbery at a glance

743 employees globally

€434 million revenue

10 facilites worldwide

1,220 farmer suppliers

supplying **50+** countries

Growing sustainably for over 50 years

Trieste, Italy

Bangkok, Thailand

Ballineen, IRL

Rochester, US

Shanghai, China

High Wycombe, UK

Wauconda, US

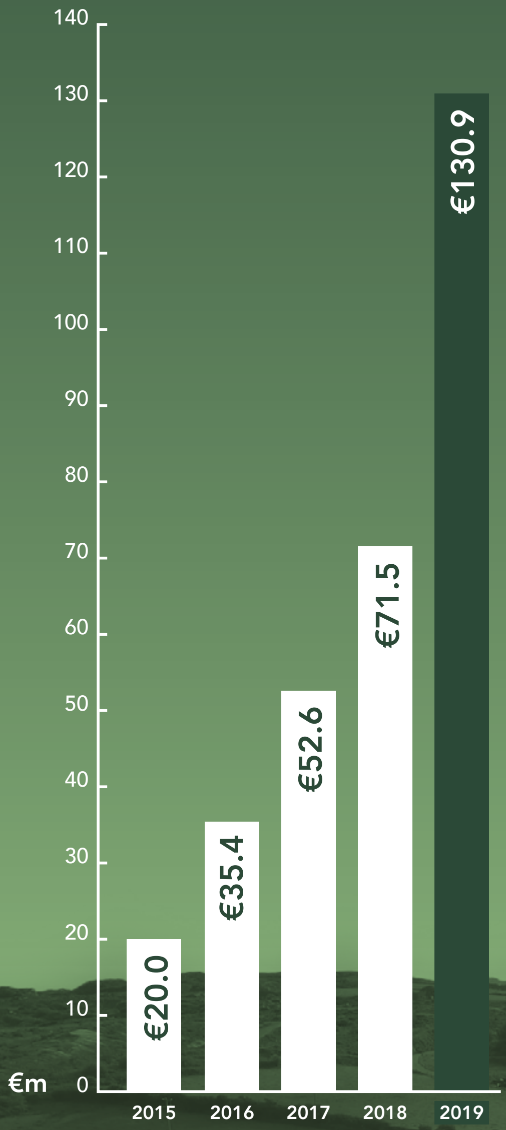
Jakarta, Indonesia

São Paulo, Brazil

Cincinnati, US

Operational highlights

Cumulative capital expenditure



567m
litres of milk processed in Ballineen

Milk volume
+6%

REVENUE

2019	€434.1m
2018	€423.5m

EBITDA

2019	€44.3m
2018	€43.9m

EBITA

2019	€30.2m
2018	€32.4m

Our Mission

To create sustainable value for our farmer shareholders. Our focus and investment is aligned to our three strategic platforms of Dairy, Nutrition and Taste to ensure we are well positioned for long term growth.

OUR DAIRY platform will continue to create value for our milk pool, focus on delivering efficiencies in our cheese business and growing our cheese portfolio internationally.

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

OUR TASTE platform, represented by our taste division, Synergy Flavours, will deliver growth through the creation of innovative customer solutions with flavours, extracts & essences.

Our Values

These are the qualities that we seek to achieve in our performance. They give us direction, reflect our highest principles and release tremendous potential for success and accomplishment.

Dedication to sustainability

As a co-operative owned Group, we pursue economic viability and social responsibility in everything we do. Carbery supplies grass-fed, hormone & antibiotic free, sustainable premium dairy ingredients to consumers across the globe every day.

Dedication to service & integrity

Our entire business is customer focused. We align with our customers to ensure we understand their businesses and help them achieve product success through an agile, responsive and reliable customer service.

Collaborate to innovate

We continually invest in consumer insights, technology, R&D and key partnerships with our customers and suppliers to help define the next generation of food and drink.

Quality excellence

We deliver the highest quality products and services for our customers. We excel in quality and food safety through efficient processing, operational excellence and strong product stewardship.

Nurturing talent

We develop individual talent and empower high-calibre teams across all geographies. We actively recruit the best talent, promote diversity, provide training and mentoring through specialised development programmes.

Chairman's Statement

2019 at a glance

We will remember 2019 as a very significant milestone in the continuing development of our cheese business with works commencing on the €78m cheese investment project at Ballineen. This expansion is due for commissioning in 2020 and excitingly opens the route for product and market diversification opportunities in the years ahead.

Similarly, 2019 saw our Taste division Synergy continuing to build for future growth with both an investment in our main manufacturing facility in Chicago as well as an investment in a new commercial / technical centre in Indonesia.

Overall while 2019 was a less challenging year weather wise compared to 2018 for our shareholder suppliers, it was a little more challenging with regard to the returns from some of our main dairy markets. However, I am pleased to say that in order to help offset the impact of weaker markets on milk pricing, the Board of Carbery took the decision again to support milk prices for suppliers over the course of 2019.

Milk supply

Overall the weather in 2019, including a very early Spring, was favourable for milk production during the year which was a blessing compared to the challenging weather events of 2018.

Although global and EU milk output expanded at modest rates of 0.1% and 0.5% respectively, Ireland's output grew at a greater rate of circa 7%. Milk supply to Carbery from our shareholder suppliers grew by 6% in 2019, with record milk volumes being processed at Ballineen during the peak season.

Brexit looms

The challenges of Brexit continued to rumble on over the course of the year with continually changing perspectives and predictions adding to uncertainty especially around the UK market, which is our main market for cheddar.

Although greater political certainty exists in some regards, it is almost certain that uncertainty relating to the implications of Brexit will remain for a while yet. However, current concerns around the impact of Covid-19 have, for now, overshadowed the potential implications of Brexit in 2020.

Dairy markets

In global market terms overall supply/demand fundamentals remained reasonably in balance for 2019. However against this overall backdrop some dairy commodity markets, notably butter and cheese, were on a negative trajectory from early spring onwards due to a variety of factors.

Butter which has been the shining star of more recent years saw prices decline by as much as 20% over the course of 2019. Global supply (and as a result global stocks) of butter increased, causing reduced demand from buyers. For now it seems that butter pricing might remain in a lower and tighter range than seen over the past few years.

Now that EU stocks have been unwound, skim milk powder (SMP) looks to be better positioned from a market return point of view. Prices of SMP improved during 2019 from a very low and weak 2018 base. Cheddar, which is a significant product for Carbery, experienced market price falls of 6% on average in 2019. Brexit fears drove aggressive selling by some producers and this together with signs of increased stocks in the UK resulted in weaker sentiment amongst buyers.

Other factors, including the global economy, trade negotiations, and the associated risk of tariffs, like those seen between the US and EU, had an impact in 2019 and remain issues with the ability to affect returns for our products from international markets.

Synergy expansion in Wauconda

Milk pricing

As noted earlier poorer market returns resulted in reduced milk pricing over the course of 2019. The Board of Carbery took the decision to support milk prices over the course of 2019 with a view to lessening the impact of lower milk prices for our shareholder suppliers. We provided this support through a combination of Carbery bearing extra costs during the year plus support paid from the stability fund.

Investment in product and market diversification

To help the Carbery Ireland Dairy & Nutrition business become more flexible and better able to withstand market shocks, the investment in product and market diversification kicked off in earnest during 2019 with major construction work taking place in Ballineen. When fully operational, this expansion will allow Carbery to tap into exciting new diverse markets, adding value to our ever increasing milk supply from the finest farmers in the world, on the lush, green pastures of West Cork. This will help create a more sustainable future for suppliers but also have an eye on the next generation of milk producers who will be the backbone of our communities in West Cork.

On-going work in our Balineen plant as part of the Cheese Diversification Project

Opening of Synergy facility in Jakarta, Indonesia

Synergy

Our Taste business Synergy continues to broaden its global footprint with the opening of a commercial / technical facility in Jakarta, Indonesia. 2019 also saw the completion of a major expansion of the Synergy USA headquarters based in Wauconda, Illinois. Synergy now operates from nine locations globally covering the UK, mainland Europe, Asia and the Americas.

Safety & wellbeing

As a farmer I am acutely aware of the pressures involved in modern farming. Farmer wellbeing is the most important element of a successful dairy industry, because the primary producer is key to the success of Carbery and the wider community. We all have difficult days especially during busy Springtime periods when the weather is poor or perhaps for no obvious reason at all. Covid-19 is an additional factor adding stress to farming life this year. It's at these times we need to look out for ourselves and each other as a healthy body and mind are what makes us resilient. Take care of yourself and try to farm safely as second chances may not come when dealing with animals or machinery.

Quality & sustainability

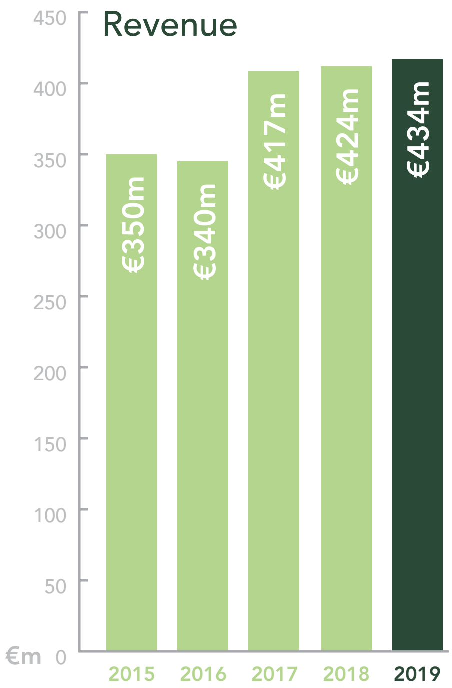
Sustainable dairy production is a top priority for Carbery. Being a co-operative with a collaborative mindset, Carbery has already come a long way and this is further demonstrated by the integration of our sustainability report this year within our annual report. I believe our sustainability report shows how we are well positioned to continue our contribution in making West Cork dairy production even more sustainable. As a global food company, food safety is critical to Carbery. It is identified as a key element of our business by internal as well as external stakeholders. We are dedicated to ensuring that our products are safe to consume and we work across our entire value chain to ensure that the highest standards are upheld.

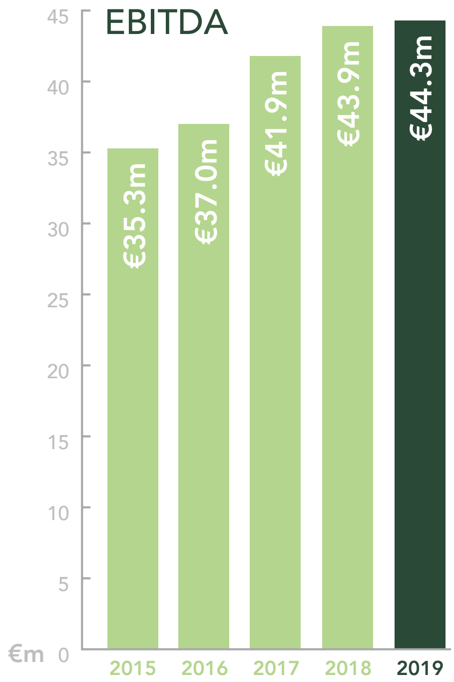
Board and global team

I would like to thank my fellow board members for their dedication and time during the year as we continue to build on the strategic decisions which have made Carbery Group a diverse international food company. Thanks also to the management, staff, shareholders, milk producers and everyone involved in another successful year.

T J SULLIVAN
Chairman
Carbery Group

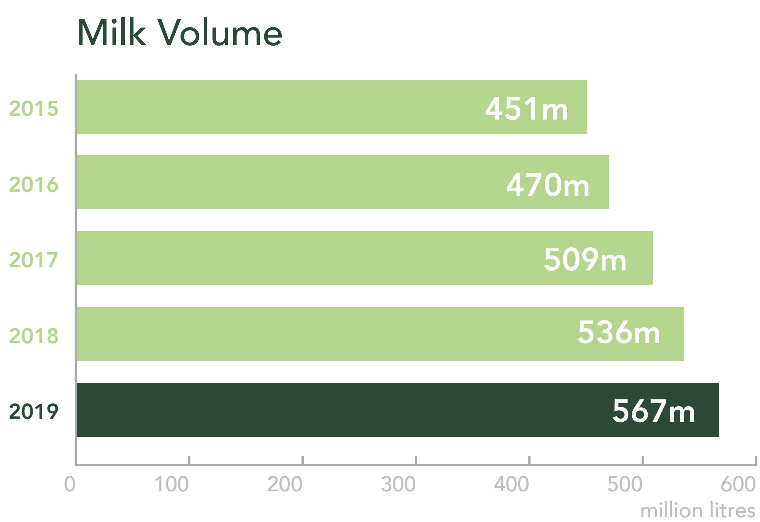
Financial Report: Five Year Review





	2015 €m	2016 €m	2017 €m	2018 €m	2019 €m
Revenue	349.5	340.0	417.3	423.5	**434.1**
EBITDA*	35.3	37.0	41.9	43.9	**44.3**
EBITA*	25.5	27.1	31.1	32.4	**30.2**
Operating profit (EBIT)*	16.3	22.1	25.5	26.6	**24.3**
Net Debt	27.8	26.2	12.7	30.1	**47.2**

*Before exceptional items



Chief Executive's Review

GROWING SUSTAINABLY

Delivering growth while balancing the needs of the business, our shareholders and the environment.

2019 was another year of solid business performance, meeting our internal business targets and strategic goals. As we move forward it is critical that we continue to meet our long term business plans, but equally important that we address the needs of our farmer shareholders while also delivering against our Corporate Responsibility goals.

2019 brought some much improved weather conditions for our farmer shareholders, compared to a very difficult first half in 2018. This was a contributing factor to milk volume growth of 6% during 2019. However, global dairy prices softened in 2019, primarily driven by geopolitical uncertainty, including Brexit, impacting demand and pricing. Global supplies continued the recent years' trend of being relatively tight, which supported dairy market pricing.

Given the difficult markets, Carbery once again made the decision to support our milk price from business profits as well from our stability fund towards the latter part of the year. Supporting our farmer shareholders during periods of weaker dairy markets is a fundamental principle by which Carbery operates.

2019 was a pivotal year in terms of investing in the future of our business right around the world. We continue to invest in innovation, our assets and our people to ensure that we can deliver upon our ambitious business growth plans into the future.
In particular, our cheese diversification investment of €78 million demanded a significant amount of energy and focus from our team in Ballineen. We are very pleased with the progress to date and look forward to fully operationalising the new mozzarella line in 2020. The commercial activities supporting this investment have also been significant, and we have achieved great positive progress.

In terms of the evolution of our Corporate Responsibility and Sustainability focus, 2019 was a year of further significant progress. As you can see in our sustainability report we are focused on a number of different areas, which balance the diverse needs of our business, our shareholder suppliers, our people, the community and the environment.

2019 financial results

Group turnover increased by 3% to €434.1m, while on a constant currency basis turnover increased by 1.0% year-on-year.

Group EBITDA (earnings before interest, tax, depreciation (net of grants), amortisation of goodwill, other intangibles and exceptional items) increased by 1% to €44.3m (2018: €43.9m)

Group EBITA (operating profit before interest, tax, amortisation of goodwill, other intangibles and exceptional items) decreased to €30.2m (2018: 32.4m) reflecting a year-on-year decrease of 7%. On a constant currency basis EBITA decreased by 11%.
The group's net debt position at 31st December was €47.2m (2018: €30.1m).

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

> To ensure focus and singularity of purpose and in order to deliver value for our farmer shareholders, our proposition is focused on three key platforms; Dairy, Nutrition and Taste.

Strategic approach and business update

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

To achieve this, the products we deliver must meet the needs of our customers and their consumers, thereby enabling us to drive the business forward and significantly increase shareholder value.

Staying close to the changing needs of the consumer is key, with our teams across the business focused on consumer insights, to inform our product development initiatives, ensuring our business and our customers are, at all times, ahead of what the market and consumers want.

This is the formula that will deliver success for our shareholders, and ultimately our customers. If our customers are successful, Carbery will be successful.

To ensure focus and singularity of purpose and deliver this success, our proposition is focused on three key platforms; Dairy, Nutrition and Taste.

DAIRY:

The primary focus of our Dairy business in 2019 was to continue to secure the best returns for the products produced in the year while beginning the execution of our cheese diversification strategy and investment.

The €78 million expansion of our facility in Ballineen began in earnest in 2019 and we made great progress throughout the year in meeting the project timelines and objectives. We were successful in securing support from Enterprise Ireland, while also working with the European Investment Bank, and our partner banks of AIB, BOI and Rabobank, to secure competitive funding for the project.

On the market facing front our commercial, marketing and R&D teams made significant progress in evolving our product portfolio to meet the needs of new markets we have targeted for growth. We have had very positive feedback from our customers, and the broader marketplace, and we are confident that we can continue to grow our business in these new segments. We continue to work with the team at Ornua, with whom we have had a long and close relationship, to supply quality products to support the Kerrygold brand around the world.

NUTRITION:

Our Nutrition business continues to grow and performed strongly in 2019. Selling to over 30 countries worldwide, our strategy is based on understanding the complex needs of the markets in which we operate, delivering new ingredients and always meeting the demanding specifications of our customers. In 2019, to support our market expansion into Asia we opened a commercial base in Shanghai and recruited additional staff to support our sales and marketing efforts in the region.

In 2019 we completed a clinical study on Optipep® hydrolysed whey protein in conjunction with the University of Limerick. The study focused on the role of whey protein pre exercise in improving metabolic adaptation and performance in athletes.

Our on-going research in this space enables us to support athletes to achieve their peak performance through exercise and targeted nutrition.

Collaborating on long-term strategic research

2019 saw the official launch of Food for Health Ireland's third phase of research. This latest round of funding comes on the back of the centre's 10-year collaboration with research and industry partners to produce peer-reviewed market-led research that supports innovation in the functional food space. Food for Health Ireland's human-intervention trials have already produced results that can be translated into innovations in food for use in tackling the key health issues that underpin diabetes, obesity and heart health, as well as supporting healthier ageing.

TASTE:

2019 was a pivotal year as we began to execute upon our recently updated Synergy global strategy. The global teams have worked very closely together to ensure that we are leveraging our technologies and assets to deliver innovative, market driven, taste solutions to our partner customers.

In Europe we continued to respond to the changing taste and dietary needs of our customer base, strengthened by the integration of the Synergy Italy (Janoušek acquisition in 2018) business and their broad range of natural extracts.

Our growth ambition in Asia was underpinned by the opening in 2019 of our first customer centre in Indonesia, driven by local customer partnerships and demands. We were honoured to be awarded "The most successful market entry into Asia" by the 'Asia Matters' organisation in Ireland in 2019.

Our Americas business continues to deliver strong results as we continue to expand our taste portfolio and customer base. In particular, we launched our Dairy Taste portfolio during 2019 in the Americas market, building upon our dairy heritage and know-how in Ireland, while also leveraging our capabilities across our flavour creation and applications teams globally.

Over the course of 2019 we further invested in, and expanded upon, our naturals portfolio in the US with significant progress across various beverage categories.

As a global business we continue to focus on our business processes, utilising lean techniques, as well as our supply chain and information systems to ensure that we can remain competitive in the global marketplace. Most importantly we are wholly committed to the safety & wellbeing of our employees across the globe to ensure that the work environment, culture and support measures are in place to create a workplace which is safe for everyone.

> "Most importantly we are wholly committed to the safety & wellbeing of our employees across the globe to ensure that the work environment, culture and support measures are in place to create a workplace which is safe for everyone."

Our farmer suppliers

The continued success of our farmer suppliers and shareholders is central to the Carbery organisation and co-op ethos. Working alongside the four West Cork co-ops of Bandon, Barryroe, Drinagh and Lisavaird we continuously strive to match the needs of our suppliers with the ever changing demands of the marketplace.
Post the elimination of quotas in 2015 our milk volumes have grown by 42% to 567 million litres which we have processed entirely at our site in Ballineen in 2019. As we look forward to future supply growth we believe that our current capital investment will allow us to continue to support our farmer shareholders' growth through 2030, without significant additional capacity investment.

The co-operative model remains at the epicentre of the Carbery business which is why we continuously strive to support our farmers' milk price through a focus on value added, innovative, dairy and nutritional products. Furthermore the board of Carbery has consistently looked to support the milk price paid to our shareholders during periods of difficult dairy markets, through the use of our stability fund and by leveraging the profits from the overall business.

Carbery Group's farmer suppliers have always demonstrated a dedication to the highest standards right across their operations. The commitment to milk quality, as demonstrated by the fact that 100% of our suppliers are SDAS approved, is matched by the progressive work being undertaken at farm level from an environmental perspective. Our Carbery Greener Dairy Farmers initiative continues to explore new and innovative ways in which we can balance the needs of economic farming with that of our environment.

Carbery is very committed to our farmer suppliers and we deeply appreciate their ongoing commitment to supply us with the highest quality grass-fed milk that is produced with the greatest care for their animals and the environment.

Corporate responsibility and sustainability

Our Dairy business is naturally sustainable: we have the advantage of using milk from grass-fed cows, reared according to West Cork's traditional dairying methods. Our 1,220 farmer shareholders share our vision to reduce emissions and to add value to every drop of milk. After all, no-one understands better than a farmer how important it is to leave the land in better shape than you found it.

As the world grapples with the challenges of climate change and resource constraints, it is more important than ever that we continue to do business in a way that we are proud of. We have always embraced strong sustainability principles and have worked hard to minimise our environmental impacts, manage our energy requirements, and bring nutrition improvements and innovation to our products. As we look ahead, our ambition is to have a fully sustainable chain, from pasture to plate, and to drive a carbon neutral and zero-waste philosophy right across our business.

Our successes to date have been built on continually evaluating our influence across the entire value chain, with each of our divisions implementing sustainability plans, with specific initiatives to deliver and targets to achieve. Read pages 16 to 59 to find out more about our Corporate Responsibility initiatives in 2019.

2020 and Beyond

Despite some of the challenges that we face in the farming sector, as a business and as a sector I am confident that we are in a strong position to continue to grow our business in a sustainable manner into the future. Our continued investment in research and development will help us maintain our competitive edge in the marketplace and ensure long term strategic growth.

Building on our investment in our Ballineen facility we look forward to producing and selling mozzarella in 2020, and further diversifying our customer base.

Dairy markets had been looking to have firmed in recent months, however the spread of Covid-19 across the globe in 2020 is now causing significant uncertainty and volatility in global dairy markets. We have worked with our farmer suppliers and partners to put contingency plans in place to see our business, employees and farmer suppliers through this crisis and we are currently well positioned to do so.

I would like to thank all of our dedicated suppliers and their families for their ongoing support. Thanks to the four co-ops in Bandon, Barryroe, Drinagh and Lisavaird and all their staff for the continuing support of our business. A special thank you to our team of people around the world who continue to be committed to the business and who make everything come together in order to deliver our performance. Thanks to our customers and business partners who continue to work with us to grow our respective businesses together.

Finally a sincere thank you to the Board of Carbery, led by our Chairman TJ Sullivan, who continue to advise and support the management team.

JASON HAWKINS
Chief Executive Officer

Planning for the future as Carbery prepares for Brexit with the cheese diversification project by building a mozzarella plant

MILK QUALITY & SUSTAINABILITY AWARDS

The awards have been running since 2004 and recognise our commitment to milk quality and sustainability. The Carbery Milk Quality Awards recognise our farmers' commitment to supplying quality milk of the highest standard. The Sustainability Awards highlight the growing ambition of our farmers to produce sustainable dairy products while maintaining and nurturing the land around them.

Milk Quality Award individual co-op winners

Barryroe Co-operative Limited

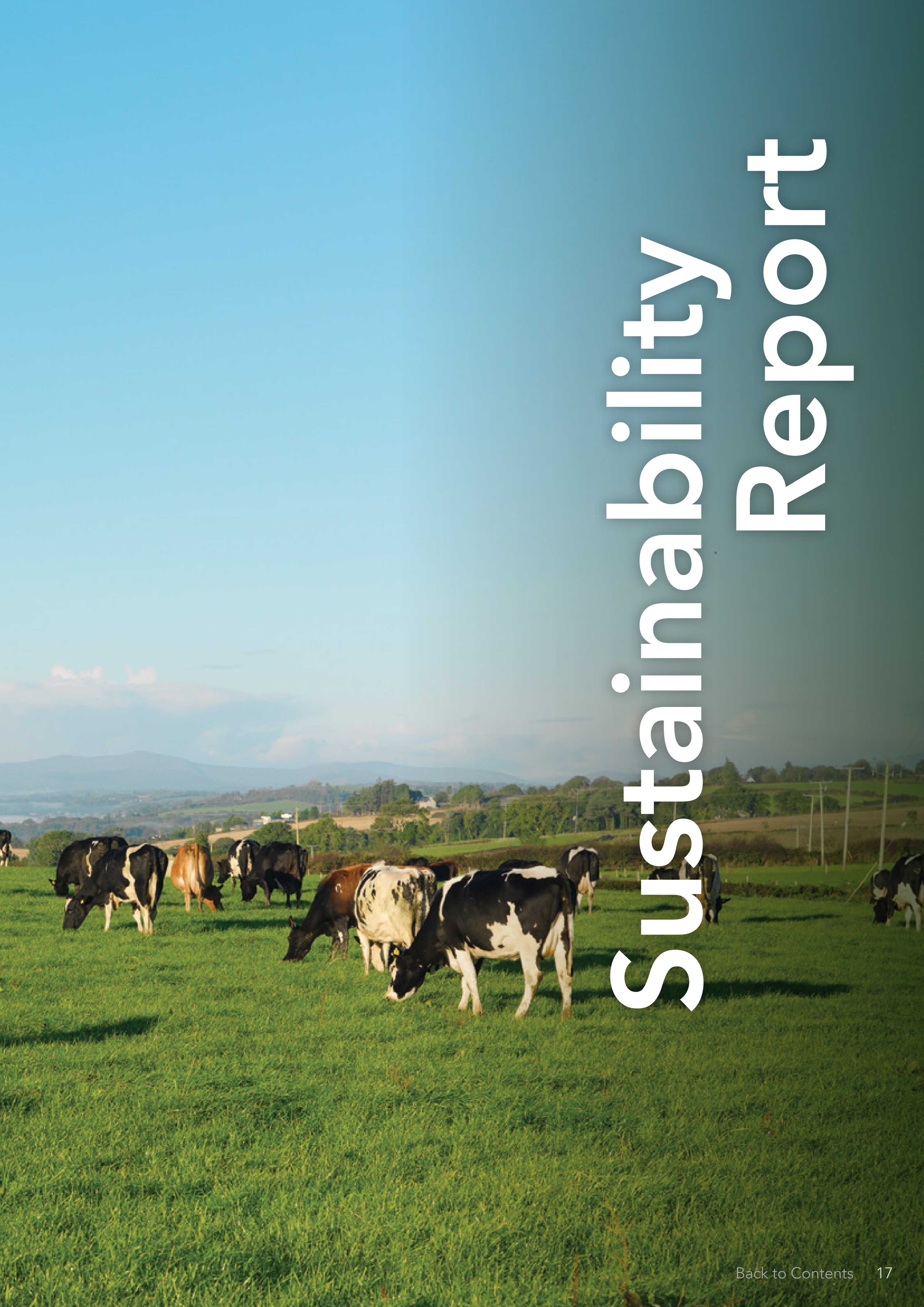
Jerry Keohane.

Drinagh

William O'Donovan, with his daughter, Alice & wife, Patricia.

Lisavaird Co-op

Christopher and Hannah McCarthy.



Sustainability Report

Corporate Responsibility: Our Approach

The world around us is in a constant state of flux, meaning we must pay close attention to the risks and issues that might become material to our business. At Carbery Group, we listen to our stakeholders and regularly review our approach to keep pace with change and maintain our status as an ethical business. The Paris Agreement and the UN Sustainable Development Goals have set clear expectations that businesses must engage with and address the difficult issues that we all face. And we are committed to rising to that challenge.

For Carbery Group, being sustainable means ensuring our business is futureproofed and resilient. The following pages outline the programmes and initiatives that we have developed to mitigate against challenges such as environmental degradation, climate change and resourcing challenges.

As a company with a heritage rooted in farming communities, operating sustainably is instinctive for Carbery. We have always done it, and we always will. But we wanted to bring a more formal shape to our approach and, in 2018, took the step of putting additional structures around the principles of sustainability. We built a stand-alone strategy which will act as a road map for us over the decade ahead. Having set the course, we created a Sustainability Team to lead the change. We are now working in partnership with our farming partners, our customers and the wider community to deliver our strategy.

We are committed to operating our business in a transparent and responsible way, and this report has been written to provide an update on the major environmental, social and governance (ESG) initiatives that we have developed to meet our targets. Our strategic approach to sustainability is focused on five main areas: environment, people, community, supply chain and marketplace. This report highlights initiatives and achievements in these areas during 2019 and looks ahead at how we will progress this programme into the future.

ENDA BUCKLEY
Sustainability Director, Carbery Group

> “For Carbery Group, being sustainable means ensuring our business is future-proofed and resilient.”

Barryroe CO-OPERATIVE LIMITED

Tim Keohane
– Barryroe Sustainability Award Winner

Bandon co-op

Mark Kelleher

– Bandon Sustainability Award Winner

Our five strategic sustainability priorities

In line with our ethos and commitment to constantly striving to improve the environmental footprint we create and the contribution we make to the world as a business, we focus our energies on five key Corporate Responsibility (CR) pillars:

OUR ENVIRONMENT

OUR COMMUNITY

OUR PEOPLE

SUPPLY CHAIN

MARKETPLACE

The business of sustainability

Carbery Group is a global leader in nutrition ingredients, flavours and cheese. Sustainability sits at the very heart of our business, ensuring our approach to our business and the communities in which we operate, are mutually beneficial for each other from a social, economic, and environmental perspective.

We believe that integrating sustainability into our core business strategy is the best way to drive it across the Group, as it is simply part of how we do business. For Carbery, sustainability is about doing the right thing for all our stakeholders, all of the time.

It is our vision to create a better future for our farmer shareholders and those who are affected directly and indirectly by our business including our colleagues, suppliers, customers, communities and consumers.

A future where as a business, we continue to minimise the impact we have on the environment by constantly challenging, innovating and taking a leadership role in new initiatives that have the potential to benefit and improve the environmental footprint of the dairy industry; where our contribution to the food industry ensures that everyone enjoys the benefits of living well through responsible consumption and easy access to good nutrition and where our people, customers, farmers and all of the communities we interact with thrive and prosper.

We believe by taking this responsible approach and operating in a transparent manner, we will deliver on these core commitments and be a force for good; creating value for Carbery, our people, our partners, our farmer suppliers and our communities.

Green Awards 2019 Winner of The Sustainable Water Achievement Award

Sustainable Energy Award – 2018

100% renewable electricity

Chambers Ireland CSR Awards (shortlisted)

LEED Gold Certification

Excellence in Sustainability Award – 2017

Ireland's food and drink sustainability programme

Carbery is a member of Origin Green, Ireland's food and drink sustainability programme. Launched in 2012, the voluntary programme brings together Ireland's food industry through the Irish Food Board — Bord Bia. Our shared vision is to help Ireland produce more food from fewer resources.

As a condition of membership, we have adopted a sustainability charter for our Ballineen site covering our manufacturing, raw material sourcing and social sustainability activities. The charter is aligned with our Group-wide sustainability objectives and sets out targets and goals in the areas of environment, health and nutrition, and community support. We report our progress to Bord Bia annually.

Supporting the Sustainable Development Goals

The United Nations Sustainable Development Goals were devised in 2015 as a blueprint to achieve a better and more sustainable future for everyone. By operating responsibly, our business makes a contribution to 8 of the 17 goals.

Goals	Our Contribution
Good Health and Well-Being	Carbery and Synergy are committed supporters of tackling hunger and in 2019, we took part in events to prevent undernutrition and provide hunger relief. Our product portfolio delivers high quality nutritional ingredients and great tasting, nutritionally balanced food and beverages to consumers of all ages.
Clean Water and Sanitation	Carbery Ireland improves water quality and reduces pollution through our reverse osmosis process which results in reduced water abstraction from rivers (SDG 6.3). In addition to reducing pollution, Carbery works to mitigate risks to waterways. 36 farmers have enrolled in the ASSAP pilot programme which enhances water quality (SDG 6.3, 6.B).
Affordable and Clean Energy	Carbery is committed to increasing the share of renewable energy and since 2018, we have purchased 100% renewable electricity through a green tariff. 4.6% of the gas we use is produced in our own anaerobic facility, making it a renewable fuel.
Decent Work and Economic Growth	We are committed to pushing our business forward and we cannot do that without attracting the brightest, most innovative, diverse and creative minds to our business. In recent years, Carbery Group has invested significant resources in the development of Graduate and Leadership Programmes and we also work with local schools to provide career support.
Responsible Consumption and Production	Carbery is committed to the efficient use of natural resources and are trialing a small-scale grass biorefinery which converts grass into a range of products, such as protein for monogastrics and prebiotics for animals and humans (SDG 12.2). In Ireland, Carbery has joined the Savour Food Programme to reduce food waste (SDG12.3). Across our supply chains, Carbery has committed to source 100% of raw materials from suppliers with recognised sustainability certifications. To date, 95% of the paper and carboard bought in Ballineen is certified sustainable (SDG 12.2).
Climate Action	Carbery is working across our sites to mitigate our environmental impact and have reduced carbon emission across the group by 11.7%. Investment in heat recovery projects and purchasing 100% renewable electricity helps us to reduce emissions. The Carbery Greener Dairy Farms™ (CGDF) programme provides support to help farmers reduce energy use and carbon emissions.
Life on Land	Through the Carbery tree initiative over 45,000 native trees have been planted on West Cork dairy farms. In the US, 20 tonnes of coffee waste produced daily on site in Ohio is reused as organic fertiliser (SDG 12.5).
Partnerships for the Goals	Carbery believes in the power of partnerships to accelerate change and works closely with organisations such as Food for Health Ireland and Madagascar Development Fund to collaboratively tackle current issues and promote sustainable business practice.


15 LIFE ON LAND

OUR ENVIRONMENT

Our businesses are highly dependent on a range of environmental assets and ecosystems, from stable supplies of water, to vibrant biodiversity. Conserving and, where possible, enhancing the environment in which we operate is a moral as well as a commercial imperative.

Our philosophy has always been to gain maximum value while causing minimal impact, an approach that is evident in all our processes. Through our Environmental Management System (EMS) and membership of Origin Green, we annually review our environmental impacts, to assess our risks and ensure we are carefully managing the areas where we make the biggest impacts. Our key impacts continue to be: the use of energy and resultant greenhouse gas (GHG) emissions; the abstraction of water and discharge of effluent; and the generation and management of waste.

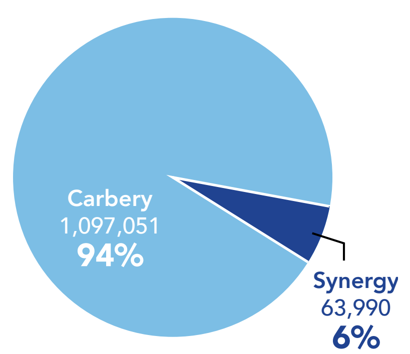
Carbon reduction

Climate change is a material issue for Carbery, and we are active supporters of both the UN Sustainable Development Goals and the Paris Agreement, which aims to limit global warming to less than 2°C on pre-industrial levels. We believe it will take collective action to make this possible, and through our sustainability strategy, we are actively contributing.

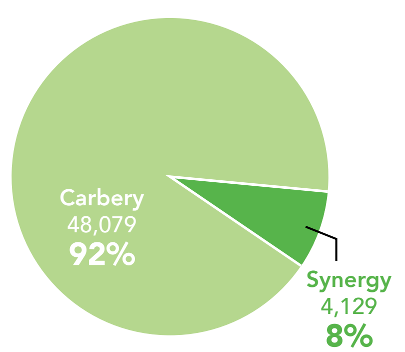
We have eight manufacturing sites around the world: our dairy and nutrition lines are produced in our Ballineen factory, and our flavours, extracts and essences are produced at our Synergy sites. Despite production increasing by around 20% since 2017, we are pleased to have managed to reduce carbon emissions across the group by 11.7%.

Our Ballineen facility is our most significant emitter, generating 92% of all our carbon emissions. It is therefore appropriate that this is the main focus of our efforts. The site has been at the forefront of sustainability innovation and performance within our industry and, between 2017 and 2019, we reduced the carbon footprint of Ballineen by one fifth through a series of energy saving projects and procuring more green electricity.

Carbery Group Total Energy
(GJs)



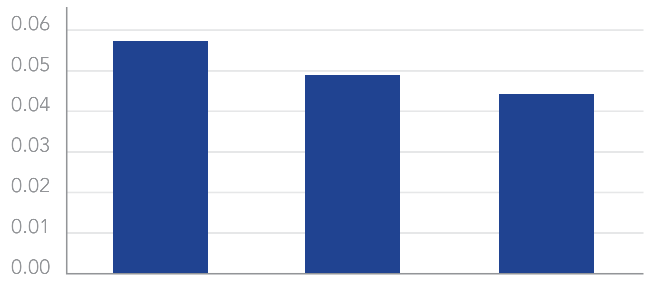
Carbery Group Carbon Footprint
(MT CO_2)



Despite production increasing by around 20% since 2017, we are pleased to have reduced carbon emissions across the group by 11.7%.

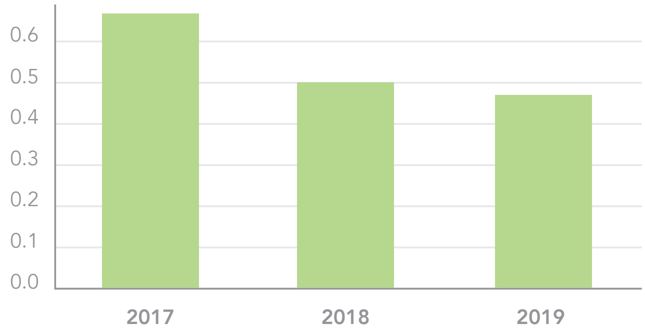
Carbery Ireland emissions

GHG Emissions Intensity



When we look at the emissions intensity at the Ballineen facility we can see that the intensity has dropped by **23%** in the last 3 years. This is largely due to the fact that since June 2018, we have purchased 100% renewable electricity through a green tariff.

Carbon Emissions per Tonne of Production



Further analysis of the Ballineen site emissions through a production lens portrays an even better story. Since 2017 the carbon emissions intensity/tonne of product made has reduced by **28.5%** at the Carbery Ballineen site.

Circular economy at Carbery Ireland

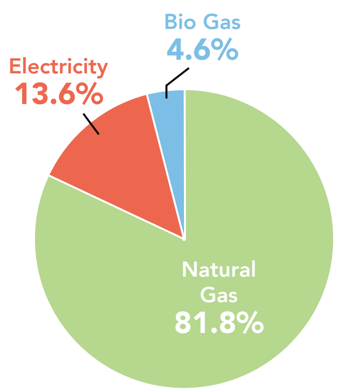
The efficient use of energy has been an inherent operational activity and strategic aim at our Ballineen facility for the past decade or more. It presents for us, a material risk and a significant business opportunity.

We have invested in several heat recovery projects, which have had a dramatic impact on the energy profile of the site. We use combined heat and power technology (CHP) to provide both the steam and electricity needed to operate the plant. In a conventional power station, the heat generated when electricity is created is usually wasted, whereas we utilise it for various hot processes. CHP is therefore highly efficient – around 85% of the energy in the fuel is extracted and put to use, compared with standard power stations which tend to extract around 40% of the energy.

The CHP plant is fuelled with natural gas which has half the emissions factor of grid electricity in Ireland. In addition, around 4.6% of the gas we consume is produced in our own anaerobic facility making it a renewable fuel.

In addition to the gas that powers our CHP boilers, we also buy electricity. Since June 2018, we have purchased 100% renewable electricity through a green tariff.

Energy Usage (%)



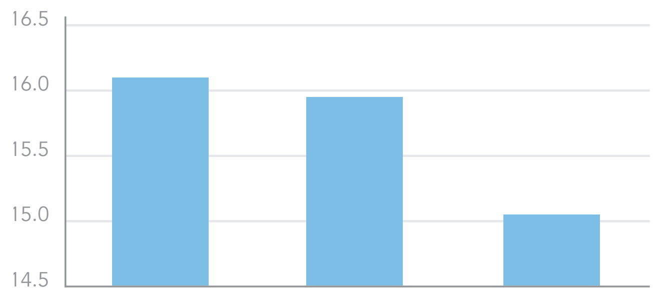
LOOKING AHEAD

We aim to be carbon neutral by 2035 across all of our sites through decarbonising our existing energy sources.

Conserving water

Our businesses use water for various activities and all our sites measure water use to help ensure that it is being used efficiently and appropriately, being re-used where possible, and returned back safely to the natural environment.
We are committed to water conservation, at Carbery Ireland in 2019 we completed a series of mapping exercises to determine where the most water could be saved. This led us to invest in reverse osmosis, a water purification process that removes unwanted molecules and particles, allowing us to reuse our wastewater.
We use reverse osmosis to recover and recycle the water in the whey permeate and various condensate streams on site.

Water Use (M^3/Tonne of Production)

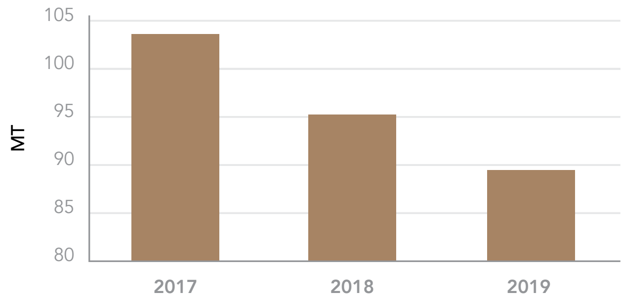


We use reverse osmosis to recover and recycle the water in the whey permeate and various condensate streams on site. Since 2016, this has allowed us to reduce water abstraction by over 25% - approximately 1.4 million litres every day. The above graph shows that water use per unit of production has reduced by 7% over the past 3 years. This ensures compliance with our IPC Licence, as well as assisting with compliance to the wastewater treatment plant discharge volumes.

Waste and co-products

Recovering waste materials from our operations is an intrinsic element of the business model. At our Ballineen site, we aim to make the best possible use of every drop of milk and, over many years, have developed a series of processes that extract as much value from our principle raw ingredient as possible. Across Carbery Group, the majority of our wastes are recycled or reused as organic fertiliser or compost rather than sent to landfill.

Waste to Landfill (Metric Tonnes)



Landfill like the other environmental metrics is dominated by the Carbery Ireland site. We acknowledge that we currently have an incomplete picture for a number of sites, we are actively working on collecting data and this will improve for subsequent reports. The above graph shows the evolution of landfill tonnages at Carbery Ireland for the past 3 years illustrating a **14%** reduction in that period.

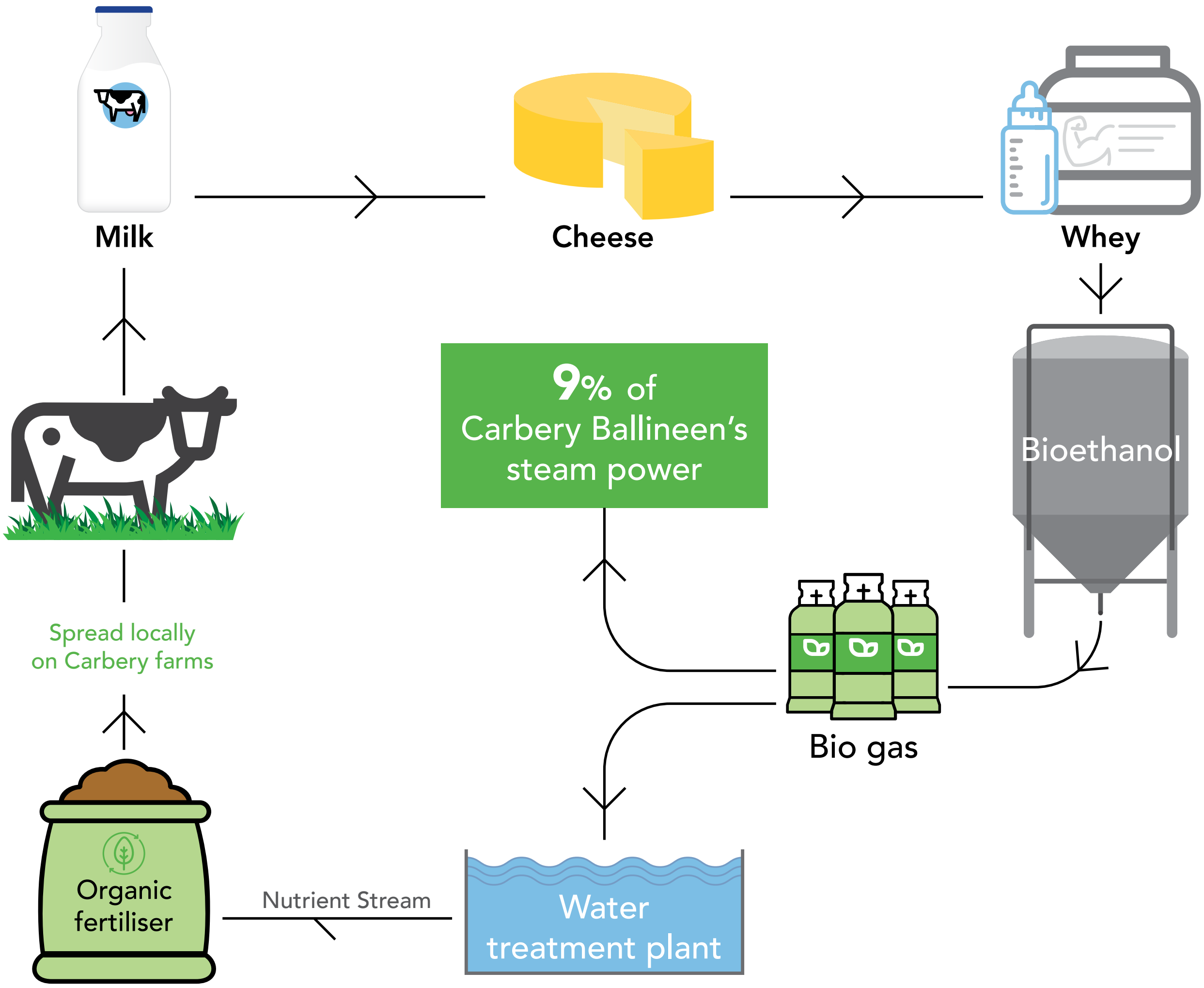
LOOKING AHEAD

We aspire to be a zero waste organisation, right across the company. Activities to help achieve this include improving segregation of waste streams and the use of recycling, composting and anaerobic digestion.

Compost

One of the key ingredients we work with in our Synergy Flavors site in Hamilton, Ohio, is coffee. We extract the raw materials with a water-based process and the resulting slurry is passed through a decanter to remove the non-soluble solids. We generate around 20 tonnes of this solid waste daily which is taken to a compost farm to biodegrade. After six months, the nitrogen rich material can be added to soil as a completely natural organic fertiliser.

Circular Economy at Carbery Ireland



Bioethanol
Whey permeate is a biodegradable waste that is generated from the process of abstracting proteins from whey. For over 40 years, we have used it to generate bioethanol and today produce around 12 million litres every year.

Most of our bioethanol is used as a biofuel. In 2017, we acquired an International Sustainability & Carbon Certification (ISCC) licence following a very comprehensive greenhouse gas assessment. This established that the bioethanol we produce is 86% less carbon intensive than standard petrol. Using Irish data, this equates to a reduction of over 16,000 tonnes of carbon dioxide a year — a meaningful contribution towards helping Ireland meet its 2020 transport targets.

Bio gas
A co-product of creating bioethanol is stillage waste. In 1982, we installed the first commercial Anaerobic Digestion (AD) system to generate biomethane from this waste stream. We use this carbon neutral fuel in our CHP boilers to generate steam. Biomethane delivers 9% of the Ballineen site steam requirements.

Organic fertiliser
In keeping with the circular approach towards resources and waste at Carbery, the final co-product that results from processing is a nutrient rich fertiliser which is certified as organic by the Irish Organic Association. Following treatment at our Anaerobic Digestion plant and aerobic treatment at our waste water treatment plant we generate over 15,000 tonnes of organic fertiliser which is an ideal bio stimulant for grass and crops and is utilised by farmers throughout West Cork for that purpose.

Building better

In 2019, we added 38,000 square feet of new office space at our Synergy US headquarters in Wauconda, Illinois. We wanted to make it as green as possible and designed it with the hope of achieving a LEED Gold certification.

LEED (Leadership in Energy and Environmental Design) is a green building certification programme used worldwide to certify sustainable buildings and neighbourhoods. It includes a set of rating systems for the design, construction, operation, and maintenance of green buildings that aims to help operators be environmentally responsible and use resources efficiently.

The new building was constructed using recycled, renewable, and low emitting materials and has solar panels and high efficiency boilers to reduce the carbon footprint of its energy use. Other initiatives include bike racks and dedicated parking spaces for more fuel-efficient vehicles. Inside, the building benefits from demand control ventilation and a highly efficient Variable Air Volume cooling system, as well as auto-control metering tap and flush valves.

Synergy Flavors won 'Development of the Year' at the 2019 Lake County district Stormwater Awards. The judges were very impressed with the implementation of bioswales into the design as well as the sustainable landscaping which was designed with native prairie style species, requiring less irrigation, yet still creating a lush natural setting.

Synergy staff enjoying lunch at the new sustainably-built Wauconda facility

Alexandre Massumoto
– Marketing Associate, Wauconda.

Reducing the impact of our supply chain

We recognise the importance of keeping pace with all new sustainability developments in farming and actively share these with our supplier farmers. By upskilling our farmer shareholders to engage with the issue of sustainability, we help strengthen their businesses and improve the resilience of our supply chain.

Improving water quality

Carbery is a founding member of Ireland's national Dairy Sustainability Initiative (DSI), which developed the Agricultural Sustainability Support and Advisory Programme (ASSAP). The collaborative initiative aims to improve Ireland's water quality and support the goals of the River Basin Management Plan (RBMP - 2018) and Food Wise 2025.
ASSAP offer a free advisory service to farmers in Ireland's dairy co-op's in tandem with Teagasc.

In 2018, we recruited a dairy sustainability advisor to support our farmer suppliers to manage issues related to water quality, management and conservation. So far, thirty-six farmers have enrolled in the ASSAP pilot programme and have learned about the benefits of enhanced water quality, mitigation measures, and potential risks to waterways. As part of this, we have organised a series of events to raise awareness around water conservation, which have included farm walks, community meetings, stream side talks and presentations at the co-op board meetings.

Carbery Greener Dairy Farms

In 2012, we launched Carbery Greener Dairy Farms™ (CGDF) an innovative, dairy efficiency programme designed to measure, monitor and optimise resource allocation and best practice on farm. Our primary objective was to introduce efficiencies and improve environmental sustainability on all Carbery milk supplier farms.
Initially, twelve dairy farms took part in the programme. Over the years, this has risen to 30.

Through the programme – Ireland's first model for delivering best practice in sustainable dairy farming – we have been able to measure carbon, water and energy footprints at an individual farm level, as well as support on soil and nutrient management. By educating farmers on the importance of sustainable dairy production, we have supported them to reduce their energy use and carbon emissions as well as increasing awareness of the importance of managing water use.


Our 2019 Greener Dairy farmers after graduating in the Diploma in Environmental Science & Social Policy in UCC.

During 2019, we focused on improving soil structure, biodiversity, animal health and overall efficiencies. This included holding a workshop on soil structure to explain how soil health is imperative for increased grass growth as well as mitigating against risks to waterways. We also took farmers to visit Donal Sheehan at the Biodiversity Regeneration in a Dairying Environment (BRIDE) project in Castlelyons, Co. Cork, to demonstrate how to maintain and enhance biodiversity while farming intensively.

The education we provide to farmers has helped to advance their knowledge and competencies around sustainable farming and the importance of farming in a viable manner. Through the Retrospective Prior Learning mechanism at University College Cork, the CGDF programme now makes up 60% of an existing Diploma in Environmental Science and Social Policy. To date, 23 of the 30 farmers on the CGDF programme have been conferred.

Bioeconomy: creating co-products from grass

In summer 2019, we tested a small-scale grass bio-refinery on five Carbery farms in West Cork – the first of its kind to be trialled in Ireland.

The biorefinery converts freshly harvested grass into a range of products, including: an optimised cattle feed fibre, a protein concentrate feed for monogastrics, a high-value sugar stream of fructo-oligosaccharides, and a grass whey for fertiliser or bioenergy applications. The technology will allow farmers to diversify their business and generate a new income stream while contributing to a circular bio-economy.
The bio-refinery targets a 40% increase in usable protein per hectare. The environmental benefits are clear: the high-protein grass-based monogastric feed is a suitable alternative to imported soybean feed, cutting emissions associated with soy production and transportation. The feed also leads to an estimated 25% reduction in nitrogen emissions in cattle excrement.

We are one of five participants in the project, known as 'Biorefinery Glas', alongside IT Tralee, Grassa, Barryroe Co-op and University College Dublin. Biorefinery Glas is a European Innovation Partnership (EIP) Operational Group funded by the Department of Agriculture, Food and the Marine (DAFM).
More information can be obtained at https://biorefineryglas.eu/. The project is now in the feed trial phase and one of the main outcomes will be a feasibility of grass biorefining in an Irish context.

LOOKING AHEAD

We are currently working with a number of partners to develop a net zero emissions farm at Shinagh Estates farm which is owned by the West Cork co-ops.

A demonstration of the bio-refinery, attended by some of the staff members & shareholders of Carbery.

Greening our workplaces

Although the most significant carbon impacts are generated through our production plants, we also encourage our people to make changes for the benefit of the planet. Thought the gestures might feel small, we believe that our sustainability strategy will be more successful if our people are passionate advocates for leading a greener life.

Cutting down on plastic

Single-use plastics have become symbols of a wasteful approach to nature's resources. We are therefore exploring ways to reduce our use of them. In our Ballineen site, the laboratories where we test milk for microbial growth generates plastic waste such as petri dishes. We invested in a machine called an Envitec 2000 which has the ability to decontaminate plastic laboratory waste safely whilst at the same time recovering a very useful plastic stream. We estimate that over 30 tonnes of lab waste will now be recovered and recycled each year.

Synergy Brazil and Carbery have both provided staff with a reusable cup to discourage the habit of using single-use cups. In the Ballineen site, we also installed a cup rinser to make it easier for people to clean their reusable cups and water bottles.

Staff at Synergy São Paulo show off their new reusable cups.

Sustainability awareness

Carbery Ireland celebrated Sustainability Day in November 2019, with a focus on energy, water, food waste and the environment. 'Stop Food Waste' talks were held along with 'Bitesize Learnings' on the site's sustainability, water, energy and environmental projects. An 'Energy Awareness Stand' provided guidance to staff on energy reduction and savings.

Cutting food waste

In 2019, Carbery joined the Savour Food Programme which is designed to support businesses to reduce food waste. A member of the Savour team visited our Ballineen site and evaluated the processes in both our canteen and production line. They noted that waste arisings from production were extremely low, and offered some suggestions on how to further reduce waste from the canteen which we are now putting into action.

Re-usable cups were provided to staff in Ballineen during Carbery Sustainability Day to cut down on single-use cups.

Sustainability Day in Ballineen last November included a series of talks & events to make staff more aware of how they can make a difference in work and at home.

Rachel Dannemeyer
– Senior Nutrition Applications Technologist, Wauconda.

OUR COMMUNITY

We want to play a proactive role in our local communities through creating employment, purchasing goods and services from local suppliers, and supporting educational and community groups such as charities, schools and sporting organisations.

We also understand the need to be a good neighbour, which means minimising any negative impacts on the people around us, but also maximising our positive impacts.

Supporting agricultural communities

Through our co-op roots, Carbery is, and has always been very closely connected to our local communities. We support our farmer shareholders with specific farm development programmes, sustainability initiatives and quality improvement schemes.

We are passionate supporters of local agricultural shows. We know that they play an important part in the cultural life of Irish villages and towns and celebrate the contribution that agriculture makes to the community. These hugely popular local events recognise and reward good animal husbandry and promote associated activities such as gardening, cooking and arts and crafts.

In West Cork, Carbery supports shows in Bandon, Bantry, Barryroe, Belgooly, Clonakilty, Dunmanway and Skibbereen by providing financial support to ensure the shows can grow and develop, to reflect the changing interests and issues of the farming community.

Raising money for local charities

Across our business, our people choose to support and fundraise for a wealth of worthy causes in their communities.

Fundraising and donations

Synergy UK staff raised £636 in 2019 with a variety of on-site fundraisers including McMillan Coffee Morning and Breast Cancer Day. They also donated food and goods to Wycombe Homeless Connection, a local homeless charity.

Our team in Hamilton, Ohio, provided 50 children with Christmas presents by supporting the Salvation Army Angel Tree gift drive.
Our team in Wauconda, near Chicago, raised $2,736 through donations during their annual Holiday Spirit month-long drive. The cash donations were donated to Lake County Haven, a local shelter dedicated to empowering women and children.

In addition to the above, Synergy's 'Support for Fundraising' programme supports employees who raise funds for a recognised charity in their own time by matching whatever they raise. In 2019, we gave over £1,000 in matched funds.

Tackling hunger and malnutrition

In 2019, our Synergy US team joined more than 1.3 million volunteers who helped to hand-pack nutritious meals at an event coordinated by the non-profit organisation Feed My Starving Children. These meals are specifically designed to assist in reversing and preventing undernutrition.

We are also committed supporters of Rise Against Hunger, an international hunger relief non-profit organisation that coordinates the packaging and distribution of food and other life-changing aid to people in developing nations. We filled boxes of nutritious food packs for them at our spring commercial meeting and sponsored a food packing event where our employees and their familes helped to pack over 20,000 meals.

In June 2019, a team from Synergy Flavors raced with the Northern Illinois Food Bank to support healthy eating programmes in over 13 counties in Illinois. The race generated $137,000 dollars for local food banks, helping them to offer feeding programmes and nutritious food for half a million people a year.

Synergy US team joined more than 1.3 million volunteers to hand-pack nutritious meals at an event coordinated by the non-profit organisation Feed My Starving Children.

Skibbereen Charity Adventure Race

Since its inception, the Skibbereen Charity Adventure Race (SCAR) has raised over €160,000 for various local charity groups. Carbery Group is proud to have sponsored it for the past three years and a number of employees have participated in it over that timeframe.

Charity recipients, including both national and local beneficiaries, have included Bóthar, the Mercy Foundation, Dunmanway Playground, the Capuchin Day Centre for Homeless People, Pieta House and Cork South West Autism.

SCAR is the largest Charity Adventure Race in Ireland and is managed by a special race team on behalf of Skibbereen & District Lions Club. It offers something for every level of fitness with a beginner, intermediate and expert race option. Participants can look forward to a serious challenge that will test and push them to compete, around a truly memorable course, unique to South West Ireland.

Brother Kevin accepting a donation for the Capuchin Day Centre for the Homeless, a beneficiary of the money raised by SCAR

Carbery employees who participated in SCAR 2019

LOOKING AHEAD

In 2019, the Carbery team in Ballineen initiated a charities working group with a view to selecting a charity partner. From 2020 onwards, we will raise money for Foodcloud, a charity which reduces food waste by redistributing surplus food to charities that can make use of it.

Adopt-a-Roadway

Our Synergy facility in Wauconda has experienced a period of rapid growth. The local community has been very supportive of us as we developed and increased the size of our facility, and we wanted to give something back. In 2018, we began working with the local community on the upkeep of nearby Garland Road as part of Wauconda's 'Adopt-a-Roadway' initiative. Our commitment included organising clean-up events at least three times a year.

Investing in local air quality

Synergy UK meets local residents on a regular basis to discuss how we can improve the environment for residents in the surrounding areas. Based on their feedback, we invested £2.2 million in 2019 in installing a new air handling plant in our facility in High Wycombe to reduce stray odours.

Supporting education

At our Ballineen site, we support local post-primary schools through our work with 'Business in the Community'. We partner with the nearby Mary Immaculate Community College in Dunmanway to support its transition year programme. This includes participating in 'Day in the Life' careers briefings.

Carbery employees from different backgrounds (including engineering, science, finance, marketing and production) meet the students to describe their typical working day at Carbery.

They discuss their backgrounds, educational achievements and how they have progressed and managed their careers, with a view to providing insights into the different career options students might pursue.
Students are also given the opportunity to prepare for their first real job interviews, with a series of mock interviews. They prepare their CVs and visit the Carbery site, to be put through an authentic interview experience, following which, the Carbery team provide tailored feedback.

Work placement

Another initiative which supports young people and education at the Ballineen site is the Work Placement Programme which aims to place 12 university / college students, annually, in such diverse areas as production, quality, research & development, finance, and services. Aside from gaining practical on-the-job experience, these students attend workshops covering effective presentations, project management and problem-solving skills.

OUR PEOPLE

With a growing global workforce of more than 700 people, we are committed to being a best-in-class employer, constantly improving our work standards and making Carbery Group a great place to work for everybody. We have a diverse, multi-cultural, multi-generational workforce, based in facilities all over the world. Wherever they are based, we strive to help our people progress and take control of their careers. Our approach is based on respect, continuous improvement and an absolute focus on safety, while encouraging our people to contribute to the betterment of both our business and the broader community.

Our policies and programmes

Across our business, no matter what the geographic location or job function, we are committed to a culture that supports diversity, inclusion, respect and ethical behaviour at all times. We are committed to providing a safe workplace for all of our employees, as well as supporting their general health and wellbeing. Our human resources (HR) teams across the organisation work to ensure that we have the right people, programmes, and processes in place, to create the environment we need to achieve results.

Our HR policies include:

- Anti-bribery policy
- Anti-fraud policy
- Charitable contributions and political donations policy
- Conflict of interest policy
- Whistleblowing policy
- Dignity at work policy
- Tuition reimbursement policy
- Ethical Trading policy

Our HR programmes include:

- Employee Assistance Programme (EAP)
- Business Excellence Programme
- Employee Engagement Programme
- Leadership Development Programme
- Graduate Development Programme
- Work Placement Programme
- 'Great Place to Work' employee survey
- Campus Recruiting Programme

In addition to these, we also work particularly hard to engender and encourage our distinct and unique Carbery Group culture. To do this, we hold events such as our Family Open Days, Work Wellbeing Programmes and sports and social events. We aim to help our employees achieve a healthy work/life balance.

Developing our people

We are committed to delivering a range of learning and development programmes to support all our colleagues at all stages of their careers. It is important that we support our employees' development, to help them achieve their personal development goals and career aspirations: as they grow and develop, so will our organisation, the customer experience and, ultimately, the benefit we bring to our shareholders.

Leadership Development Programme (LDP)

Growing future leaders

As Carbery Group continues to grow and expand, we need a pipeline of talent rising within our business, ready to take on leadership roles. Our Leadership Development Programme (LDP) is designed to develop high potential managers, providing them with an in-depth understanding of our business and priming them for leadership.

The goals of the programme are to provide the participants with an in-depth understanding of the Carbery business while helping them to strengthen their leadership skills and capabilities to help drive business growth, develop good strategies, and manage financial information. The programme comprises of four modules, each of which is taught in a different company location. Participants receive input from senior leaders and experienced tutors.

The latest cohort of eighteen participants came from Brazil, China, Ireland, Thailand, UK and USA. In addition to completing the four modules, they also completed a six-month project which encapsulated all the learnings from the LDP program.

As a demonstration of how seriously Carbery takes sustainability, the leadership team requested that the LDP team supported the sustainability team with the development of a group sustainability strategy. This approach helped to further engrain and embed a sustainability culture across the group.

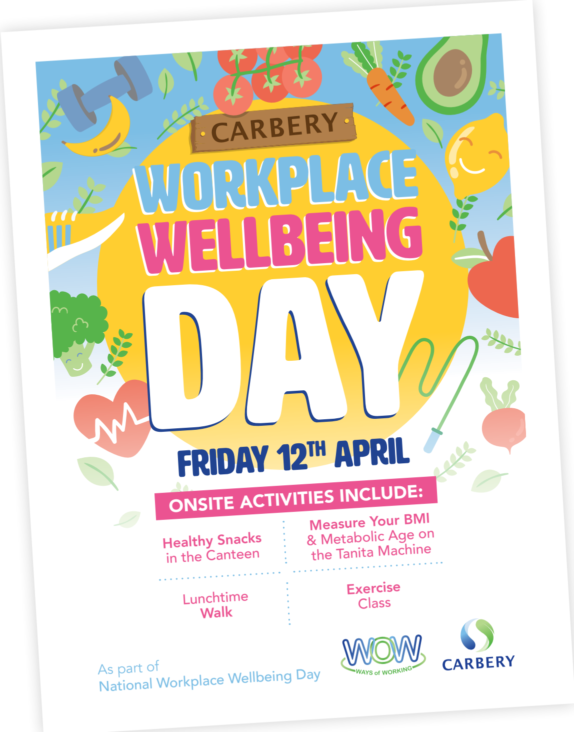
Recruiting the best young talent

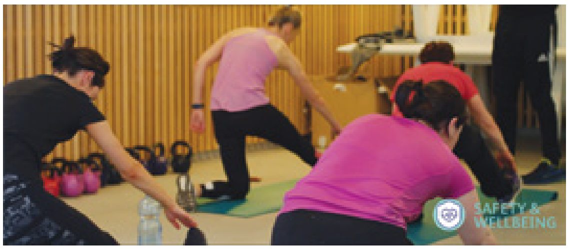
We are committed to pushing our business forward and we cannot do that without attracting the brightest, most innovative and creative young minds to our business. In recent years, we have invested significant resources in the development of our Graduate Programme. The programme is a stimulating blend of training, development and experience for the participants, helping to build competences, develop thinking and enhance future leadership potential – all while growing an international network of friends and colleagues.

As an organisation, we place great value on our graduates' energy and vision and involve them in all aspects of our business. The roles they take up are real, meaning that they begin contributing to the organisation immediately.

Our measure of success is the number of graduates that move from the Graduate Programme into a permanent role within the organisation.

2019 Ireland and UK graduates who attend a 3-day induction programme on the Ballineen site





Building the right culture

We believe that the best organisations are passionate about creating the right culture and then articulating it, supporting it, and maintaining it. The benefits of a positive work environment are well-documented: creativity, productivity and happiness go up while stress levels reduce.

Change is a constant part of all our working lives: we must manoeuvre to adapt and respond to our customers and our markets. We therefore rely on our strong culture of trust and authenticity to support our colleagues as they navigate these changes.

We aim to be a place that inspires and nurtures the individual while also facilitating teams within the group to flourish. We promote employee wellbeing through wellness days, employee health checks, flu vaccinations, employee assistance programmes and rewards and recognition programmes.

Great Place to Work

In 2019, we rolled-out the 'Great Place to Work' survey across the entire global business for the first time, with very good results.

Over 80% of our employees participated in the survey, with the majority confirming that they are proud to work here, and view Carbery as a 'Great Place to Work'. These numbers exceed many peer companies, and we were pleased to see evidence of how engaged and committed our people are. This year, we are proud that our US and Brazil offices achieved Great Place to Work Certification.

Our employees identified our core strengths as being: customer focus; corporate social responsibility; strategy and direction; job security; empowerment and accountability; and engagement. A strength of the Great Place to Work survey is that it also helped us to identify some areas where we need to invest more energy and attention, namely: communication and development.

We are now working hard to make improvements in these areas across our business.

Showing our gratitude

We aim to create a culture where people want to work for us and are proud to call themselves Carbery and Synergy employees. We show our appreciation for the invaluable contribution made by our employees with Long Service Awards. These awards encourage and reward loyalty, enthusiasm and experience by celebrating long service at intervals of 10, 15, 20, 25, 30 and even 40 years.

Lindsey Oostema receiving the President's Award

Reviewing our ways of working

The global nature of our business means that we understand that not everyone on our team works in the same way, or needs to deliver the same things. We constantly review and update our ways of working and recognise how important it is for us to be flexible.

In 2018, a team at our Ballineen site conducted a comprehensive review of how we articulate our people values, or ways of working. The intention was to evolve our management style, to reflect our growing and diverse workforce. The team – comprised of 25 people from different functions in our business – looked at our current activities, re-grouping them into six distinct areas of focus and developing clearer definitions. Respect is the foundational basis from which these six ways of working have been developed. These values were then discussed with all staff through interactive workshops at an offsite event in January 2019. The resulting six statements provide clear direction on what needs to be delivered for the business, yet are flexible enough that each team can deliver them in a way that suits their style of working.

The new Ways of Working – shown below – are now being piloted in Ballineen, to ensure our areas of focus and definitions are fit for purpose, before we begin to roll them out across the rest of the organisation. To complement this, 40 managers from the Ballineen site are currently participating in a Coaching Programme to further develop their management styles and support the ways of working.

SAFETY & WELLBEING

Health, safety and wellbeing are our top priorities. We keep everyone safe and create a workplace centred on dignity and respect.

TEAMWORK

We trust and support each other as a team, through leadership and taking responsibility to efficiently achieve our goals. We recognise and respect our teams' challenges and overcome these through open communication, guidance and co-operation.

CUSTOMER FOCUS

Our focus is to develop a collaborative relationship with our customers through listening and understanding their needs and values.

We deliver best in class products and service through industry benchmarking, while anticipating the future requirements of our customers.

AMBITION

We pride ourselves on being an ambitious and innovative business. Through continuous improvement we continue to evolve and grow. We invest in our people, processes and systems, to enhance efficiencies and achieve our company goals.

SUSTAINABILITY

Our future depends on sustainable development. We support our stakeholders while respecting and protecting the environment.

We will sustainably secure the future for our employees, our farming families and the communities from which Carbery has grown.

COMMUNICATION

We actively communicate, encourage involvement and act accordingly. We give and receive feedback openly, with humility and respect and recognise our success and achievements.

Bo Zhang
– International Business Sales Executive, Ballineen.

Keeping our people safe

We have always made safety a top priority by focusing on reducing risk in the workplace environment, implementing new and improved programmes to prevent injuries, recognising and rewarding top safety performers and focusing on leading indicators such as observations and near miss reporting.

While these efforts have resulted in substantial reductions in injuries over the course of time, this remains a priority and we continue to give it focus.

SafeStart

In the USA, Synergy introduced an exciting new safety training initiative in January 2019. SafeStart was created by Larry Wilson, a leading expert on human error prevention, and is based on input from over 100,000 workers. More than two million people around the world have now been trained in SafeStart principles. It's a personal safety skills workshop aimed at reducing errors that cause injury not only at work, but also at home and on the road.

Called SafeStart, this programme has been proven across sites around the world to reduce on-the-job injuries by 30-70% in the first one to two years.

SafeStart was selected by the Synergy Senior Leadership team, because they felt it would fit the Synergy culture and provide the biggest short-term and long-term gains in reducing injuries.

We began training in February and finished our core units in August. We expect further improvement over the next 18 months, as evidenced by the current streak;

- Synergy US: Lost time cases down approximately 19% from 2018
- Synergy US: Near miss/safety observations up approximately 123% from 2018

Synergy US staff after participating in the Safe Start Programme

LOOKING AHEAD

Our longer term plan is to leverage the key learnings and ways of working from the SafeStart Programme and roll-out across the Group.

SUPPLY CHAIN

Food security and safety is at the core of everything we do, with traceability and ethical sourcing of all raw material the cornerstones of our approach.

We are focused on building vibrant, diverse supply chains that increases the prosperity of the communities from which we buy. For our Dairy, Nutrition and Taste businesses, this means operating an integrated, mutually beneficial and sustainable supply chain from the farms of our supplier shareholders, all the way to our customers and consumers.

Responsible sourcing

Conducting our business in an honest and ethical manner is key to maintaining our license to operate and maintaining the strong reputation we have established. We want to work in partnership with likeminded suppliers to jointly improve our performance on quality, efficiency and environmental impact.

Our new Ethical Procurement policy

In 2019, we developed an Ethical Procurement policy which outlines our expectations on environmental, social and human rights aspects related to procurement. We are now building this into our contracts process and insisting that all new suppliers adhere to this policy.

Over time, we hope that all Carbery Group suppliers will sign up to it.

Increased transparency

Carbery Group is a member of Sedex, an ethical data platform where buyers, suppliers and auditors store, share and report on supply chain information. By making this information easy to access, Sedex aids transparency and helps to improve working conditions in global supply chains. The tools, services and community network that this platform gives us is helping us to improve our responsible and sustainable business practices, and source responsibly.

As a Sedex member, we are obliged to carry out a Sedex Members Ethical Trade Audit (SMETA) every three years. The SMETA methodology is a compilation of best practice ethical audit techniques that encompasses four aspects of responsible business practice: Labour, Health and Safety, Environment and Business Ethics.

Empowering responsible supply chains

Sedex

In 2019, we developed an Ethical Procurement policy which outlines our expectations on environmental, social and human rights aspects related to procurement.

LISAVAIRD CO OP

Eddie O'Flynn

– Lisavaird Sustainability Award Winner

Partnerships for sustainable development

We believe in the power of partnerships to accelerate change. Through pooling knowledge, expertise, technology and financial resources with relevant partners, we are better able to support the achievement of the Sustainable Development Goals and to strengthen our long term presence in our growth markets.

During 2019, we strengthened our involvement in partnerships with civil society organisations to promote sustainable dairy products. We have also enhanced our dialogue with NGOs to ensure that our local engagement actively supports national plans to implement the Sustainable Development Goals.

Rethinking our approach to packaging

Wherever possible, we want to shift to using renewable raw materials which are ideally recyclable. From 2021 onwards, we have committed to source 100% of our raw materials from suppliers with recognised sustainability certifications. To date, over 95% of the paper and carboard we buy is certified sustainable.

From 2020 onwards, we will begin light-weighting our plastic packaging and sourcing alternatives with a view to reducing the amount of plastic we use by as much as 10 tonnes a year. For the plastic that we continue to buy, we want to help to stimulate a circular economy by contributing to a market for high quality recycled plastics, while safeguarding food safety.

To date, over 95% of the paper and cardboard we buy is certified sustainable.

Our milk supply chain

Carbery Group is 100% owned by four Irish milk co-operatives based in West Cork. These co-ops are, in turn, owned by the farmer shareholders, many of whom supply milk to them.

The milk used in our cheese and nutritional ingredients businesses is supplied by these co-ops. This makes our supply chain unique: the co-ops are deeply invested in the success of Carbery and we therefore work closely together to grow our business sustainably.

Most of our milk comes from within 50km of our factory in Ballineen in County Cork

Animal Health Ireland

Our farmers work closely with Animal Health Ireland (AHI) to ensure the effective control of potential disease on farm. AHI provides the knowledge, education and coordination required to establish effective control programmes for non-regulated diseases of livestock. In 2019 a CellCheck on farm event was held looking at the risk of antibiotic resistance in herds and what farmers can do to reduce this risk.

As active supporters of the CellCheck programme, it is important to us that events like this help farmers to understand the risks and implement appropriate measures to ensure top quality milk whilst also ensuring good animal health and less requirements for antibiotics. In December 2019 we held a Calf Care event in Shinagh Estates Farm to prepare farmers for the busy calving season ahead. We continue to support and fund testing for the Irish Johne's Disease Control Programme and encourage suppliers to sign up to the programme through the AHI website on a continual basis.

Farmer shareholders at the CellCheck event. Events like this help farmers to understand the risks and implement appropriate measures to ensure top quality milk whilst also ensuring good animal health

Drinagh

John Young
– Drinagh Sustainability Award Winner

Sustainable, traceable milk from grass-fed cows

Our co-operative model means that our principle raw material is sourced very locally: most of the milk comes from within a 50km radius of the facility.

West Cork's temperate climate means that Carbery cows can spend their full lactation (up to 300 days) out at pasture during the year. This means that, on average, the cows that supply our milk are 95% grass-fed and meet the Bord Bia Grass-fed standard.

Every one of our farmer suppliers is accredited by the Sustainable Dairy Assurance Scheme (SDAS), a comprehensive quality and sustainability programme that independently audits performance at farm level every 18 months.

There are over 170 auditable requirements in the SDAS standard including traceability, animal health, hygiene and carbon assessments. Every farmer is provided with a carbon navigator which enables them to calculate their individual carbon footprint. The SDAS has been designed to demonstrate the sustainability of Irish dairying in a systematic way, providing the necessary proof to our customers that our milk has been produced under both sustainability and quality assurance criteria. The scheme is fully accredited under ISO 17065.

Bord Bia
Irish Food Board

Our co-operative model means that our principle raw material is sourced very locally: most of the milk comes from within a 50km radius of the facility

Project Non-GMO

Globally, many consumers choose to avoid consuming products containing genetically modified organisms (GMOs). We are strong supporters of transparency in labelling and believe that people have the right to know what's in the food and beverages they eat and drink.

All Carbery cheeses and whey protein ingredients sold in the US, are approved by the Non-GMO Project's Product Verification Programme. This is the first and only system in the United States designed to test if a product has met defined standards for the presence of GMOs. These vigorous standards provide strict and comprehensive traceability, segregation and testing requirements.

NON GMO Project
VERIFIED
nongmoproject.org

Our flavours supply chain

While our Dairy business requires very few raw materials, our Taste business (Synergy Flavours) requires small amounts of a huge array of different ingredients to make our many different products.

During 2019, we conducted a materiality assessment to determine which of our ingredients are the most critical to the business in terms of volume or value, and which carried the highest risk of being associated with ethical or environmental issues. This has enabled us to focus our initial efforts on a key group of ingredients.

Responsibly sourced vanilla

Synergy procures vanilla beans through sustainable sources that prioritize the well-being and livelihood of vanilla farmers and their families. We work only with suppliers that use traditional curing methods which promote environmental and economic benefits in the community. By focusing on traditional curing methods, we are helping to extend seasonal employment for farmers and preparers while improving the quality of the vanilla we source.

These actions, coupled with our continued commitment to providing educational opportunities for local children, increase the likelihood that vanilla will remain a key source of income for Malagasy farmers.

We work only with suppliers that use traditional curing methods which promote environmental and economic benefits in the community.

Opening of a school in Madagscar, the schools are fully cyclone-proof buildings that can be used for shelter during storms.

Supporting vanilla growing communities in Madagascar

We source vanilla from Madagascar which, according to the United Nations Development Program, has the third lowest school attendance in the world, ahead of only Haiti and Afghanistan. Synergy Flavours has been working with the Madagascar Development Fund (MDF) over many years to help address this issue and drive transformational change.

In 2016, we completed the construction of two primary schools near Sambava, Madagascar and, the following year, completed two further schools in Antohomaro and Farahalana. These latter replaced two other schools that were destroyed by Cyclone Enowa.

In 2019, through the coordination of MDF, we supported the construction of a further two new schools in Antsirabe Nord and Menagisa.

Madagascar is one of the poorest and most under-developed countries on earth and helping to fund these six schools is a way for Synergy to give back to the underserved community of vanilla growers and processors who have been at the heart of our success for decades.

In 2019, through the coordination of Madagscar Development Fund, we supported the construction of a further two new schools in Antsirabe Nord and Menagisa.

MARKET PLACE

We have a key role to play within today's dynamic and fast-moving marketplace, in staying ahead of consumer preferences. In addition to ensuring that our products are safe, we are constantly innovating to find ways to respond to the growing demand for healthier and more ethical and sustainable products, and are focused on helping our thousands of customers worldwide to do the same.

The Carbery Way

At our site in Ballineen, we processed over 567 million litres of milk in 2019, used to produce our range of award-winning cheeses and whey protein. Our whey protein portfolio uses the latest dairy protein science and technology to develop innovative nutritional ingredients for the sports, clinical and infant nutrition sectors.

Our flavours division, Synergy, develops and formulates exceptional tasting flavours, extracts and essences for the global food and beverage industry, for a multitude of market applications, from bakery and dairy, to nutrition and beverages.

Whether cheese, whey or flavours, we draw on the knowledge and diversity of skills within our research and development teams to support our customers as they create innovative new products and ingredients that enable heathier eating.

Dairy: A delicious and nutritious whole food

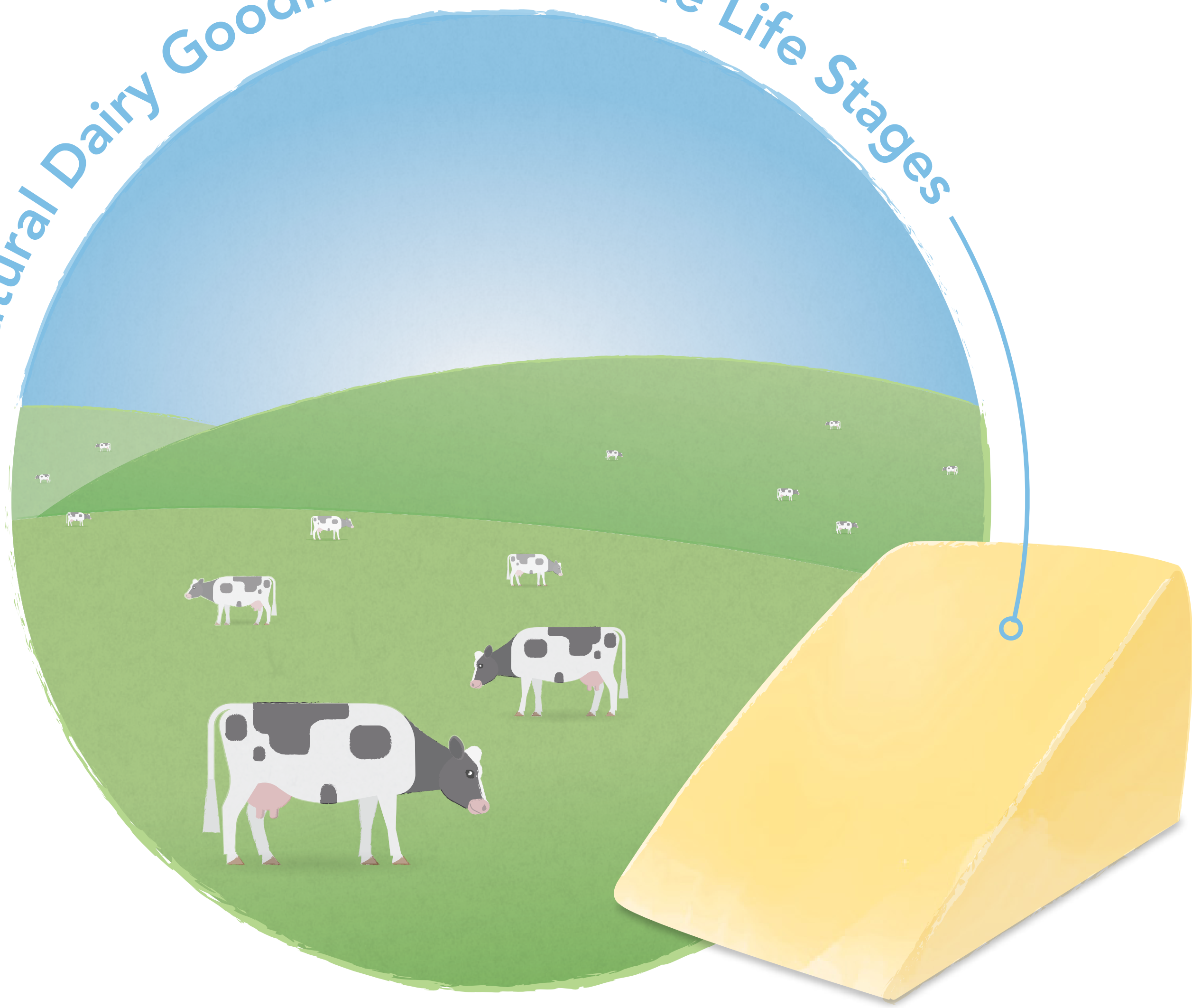
Ireland's temperate climate, abundant rainfall and tradition of family farming delivers one of the best grass-fed dairy systems in the world, with cows grazing outdoors for the majority of the year. Studies show that grazing on such rich pastureland produces milk of the highest quality containing higher levels of conjugated linoleic acid (CLA). Whilst the science is still relatively new, there is emerging evidence that CLA confers a number of health benefits related to weight loss and reduced cardiovascular and metabolic disease risks. Grass based feeding also beneficially alters the omega-6 and omega-3 fatty acid ratio in cow's milk, as well as increasing levels of the vitamin B2, B7 and E.

Our milk pool in Ballineen is used for cheese production which, when eaten as part of a healthy diet, offers many nutritional benefits. It is a great source of calcium, fat, and protein and contains high amounts of vitamins A and B12, along with zinc, phosphorus, and riboflavin which, we believe, makes it is one of the most natural and wholesome foods available.

As well as being a key ingredient in many dishes, cheese makes a healthy snack on its own, and our innovation programme is now looking at new pack and product formats that meet consumers' demand for healthy on-the-go options.

Cheese makes a healthy snack on its own, and our innovation programme is now looking at new pack and product formats that meet consumers' demand for healthy on-the-go options.

Cheese Natural Dairy Goodness Across the Life Stages



In Children

- **PROTEIN** is essential for normal growth and development
- **CALCIUM** for bone health
- **ZINC** and vitamin **B12** to support the immune system
- **IODINE** supports normal growth
- **FAT** for normal cell development

In Adults

- **PROTEIN** is required for muscle and bone health
- **ZINC** to support cognitive function and the immune system
- **FOLATE** to support the immune system as well as normal cell functioning
- **VITAMIN A** for healthy skin
- **CALCIUM** and **PHOSPHORUS** for bone health

In Seniors

- Source of **CALORIES** and **FAT** to support body weight maintenance
- **PROTEIN** to support maintenance of muscle mass
- **CALCIUM** and **PHOSPHORUS** for bone health
- **VITAMIN A**, **B12** and **ZINC** for immune support

Introducing Dubliner Snack Bites

Childhood obesity is a major global public health crisis, and has increased dramatically since 1990. In Ireland alone 1 in 4 children is overweight or obese. What we do in our homes, schools and communities to help build healthy habits for all children and families is vital to our efforts to prevent childhood obesity. Key healthy habits include reducing portion sizes and managing treat foods, along with increased activity levels and sleep.

Dubliner Cheese recently launched the brand-new Dubliner Snack Bites range. Delicious and nutritious, these bitesize packs are great for lunchboxes and are an ideal-on-the-go snack for children and all the family.

Dubliner Snack Bites are a nutrient dense snack, containing calcium, phosphorus, zinc and iodine (for cognitive function), vitamin A, B2 and B12 (for immune function) and protein.

They can replace other less nutritious snacks, and help build healthy eating habits from a young age.

With the same great multi award-winning Dubliner Cheese taste, only smaller (20g servings, 6 to a net), its mini size is ideal for on the go nutritious snacking.

Whey: a complete, high-quality protein

Whey protein is a complete high-quality protein, containing all of the essential amino acids. It is highly digestible, making it one of the best dietary sources of protein available. It is also a well-documented source of other nutrients which strengthen and support human health.

In 2019 we completed a clinical study on Optipep® hydrolysed whey protein in conjunction with the University of Limerick. The study focused on the role of whey protein pre exercise in improving metabolic adaptation and performance in athletes.

Our on-going research in this space enables us to support athletes to reach their maximal performance via targeted nutrition.

LOOKING AHEAD

We are focusing on developing health benefit platforms for life-stages where we believe better nutrition has the power to transform health and quality of life such as muscle performance, lean body mass, metabolism, inflammation, immunity and tolerance. We are also looking to maximise the nutritional and health benefits of whey across a wide range of applications including powdered supplements, clear beverages, gels, bars and tablets.

Delivering great tasting balanced nutrition

Health for the Nation

Public Health England have set out their plans to tackle the obesity crisis by challenging the UK food industry to cut calories and sugar in a number of food categories.

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

20%
reduction in sugar of foods that contribute to children's sugar intake by the year 2020

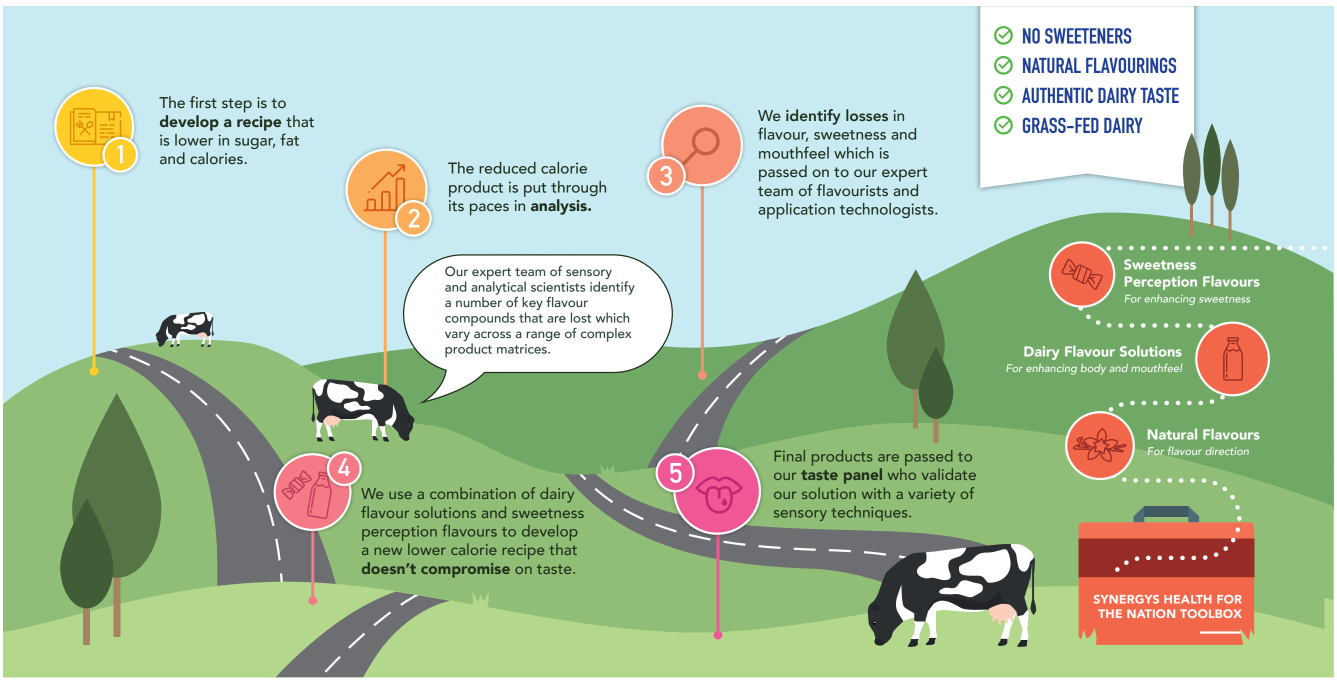
20%
reduction in calories of a diverse range of foods by the year 2024

The journey to better health

Our ongoing investment and innovative approach has allowed us to develop a deep understanding of the role of sugar and fat in complex base recipes. We go through a detailed process involving sensory and analytical science to ensure we hit the mark on taste every time.

Our cross category approach ensures that we can offer solutions for a diverse range of products from biscuits, cookies and cakes, dairy desserts to ready meals and sauces.

As manufacturers are now being challenged to provide reduced calorie alternatives, we have created solutions to mimic the taste and mouthfeel of these dairy ingredients with a significant reduction in fat. Some cuisines that are hugely popular in the UK such as Indian and Italian are traditionally associated with high saturated fat content due to the amount of cream, butter and cheese added.



Collaborating on research

2019 saw the official launch of Food for Health Ireland's third phase of research. This latest round of funding comes on the back of the centre's 10-year collaboration with research and industry partners to produce peer-reviewed market-led research that supports innovation in the functional food space. Food for Health Ireland's human-intervention trials have already produced results that can be translated into innovations in food for use in tackling the key health issues that underpin diabetes, obesity and heart health, as well as supporting healthier ageing.

Outside of advancing nutrition, we are also focused on the functional aspects of our ingredients. The Dairy Processing Technology Centre (DPTC) was established as an industry/academic collaborative research centre of excellence for dairy processing research and innovation in Ireland. Established in 2018, the Centre will help to fuel growth in the Irish dairy sector by performing research focused on cost-efficient processing, facilitating a step-change in environmental sustainability and creating, validating and commercialising a pipeline of science and technology-based manufacturing platforms for dairy ingredients.

At Synergy, our Internal Research Programme is designed to provide industry-leading solutions to the nutrition sector. We assign our best technical experts from across our sites to collaborate on projects that are designed to create value for our customers in an efficient and effective way.

With cutting edge capabilities – including extraction techniques, analytical research and sensory methodologies – we are well placed to deliver on flavour breakthroughs. Our latest advances in understanding flavour-protein interactions provide us with an unrivalled ability to help our customers develop protein-enriched products that offer exceptional taste and outstanding performance.

We are also involved in several industry-academic research partnerships focused on the development of innovative solutions around flavour delivery, taste and aroma to support the development of nutritious and healthy foods. The Flavor Research and Education Center (FREC) based at The Ohio State University is one of the collaborations in place to accelerate and enhance innovation at Synergy.

Outside of advancing nutrition, we are also focused on the functional aspects of our ingredients.

LOOKING AHEAD

Health and Wellness continues to be a key focus and growth driver for our business. Consumers are paying more attention than ever before to their physical and cognitive health, wanting to make long-term, manageable changes to their diets and lifestyle.

From a food and drink perspective, consumers also want products that they deem to be healthy indulgences, and are guilt-free, both from a nutritional and ethical standpoint.

Our portfolio will continually evolve into the future delivering on key consumer trends including; good for me, good for the earth, expanding sensory expectations, and the evolution of nutrition.

Manon Galizzi

– Applications Technologist, Synergy, High Wycombe.

Report of the Committee

FOR THE YEAR ENDED 31st DECEMBER 2019

Principal activities

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

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

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

Review of the business

RESULTS AND DIVIDENDS:

Group turnover increased by 2.5% in 2019 to €434.1m (2018: €423.5m). On a constant currency basis turnover increased by 1.0%. Group EBITA (operating profit before interest, exceptional costs, amortisation of goodwill and other intangibles, share of profit/losses in joint ventures and tax) decreased by 6.8% to €30.2m (2018: €32.4m). On a constant currency basis EBITA decreased by 11.4%. Profit before taxation on ordinary activities (excluding exceptional and once off items) in the financial year amounted to €23m compared with a profit of €25.1m in the year ended 31 December 2018.

After debiting taxation of €5.6m (2018: debiting €5.5m) and paying dividends to minority interests of €0.5m (2018: €0.6m) a profit of €16.9m has been transferred to reserves (2018: €19m).

Group net debt increased to €47.2m at 31 December 2019 (2018: €30.1m). Group debt is presently funded by bank term debt and revolving credit facility borrowings with repayments of between one and twelve year duration.

Dividends

The committee does not propose to pay a dividend. Free cash flow for the Group decreased in 2019 by €2.3m to (€10.8m) (2018: €8.5m) (non-GAAP).

RESULTS FOR THE YEAR:

Details of the results for the year are set out in the consolidated income statement on page 68 and in the related notes forming part of the financial statements.

CAPITAL STRUCTURE:

The Group finances its operations principally through cash generation, working capital facilities and bank debt. During 2012 and 2013 the Group broadened its capital structure with the issuance of equity in one of its subsidiary companies to its existing 'A' shareholders.

This resulted in a cumulative amount of €9m of equity being subscribed for by the existing 'A' shareholders. During 2019 €7m of this equity was redeemed and the balance of €2m is reflected under minority interest on the Group statement of financial position.

SHARE CAPITAL:

Details of the share capital are shown in note 19 of the financial statements. The share capital is divided into 'A' and 'B' ordinary shares, the respective rights of which are detailed in note 19. During the year ended 31 December 2019, 260,517 'B' ordinary shares were issued and 145,449 'B' ordinary shares were repurchased by the society under the terms of "The Milk Supply Share Scheme".

MILK SUPPLY SHARE SCHEME:

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

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

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

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

Other committees

The board has established committees to help it discharge its responsibilities in compliance with appropriate corporate governance standards. Two such committees established by the board are the Audit Committee and the Remuneration Committee. These committees have specified terms of reference outlining their respective roles and the delegated authority of the board

AUDIT COMMITTEE:
The Audit Committee is chaired by Mr. Paddy Ryan and its other members include, Mr. Peadar Murphy Mr Joe O Sullivan and Mr. Dermot O Leary. All members of the Committee are determined by the board to be independent non-executive directors. The Audit Committee met six times during the 2019 financial year. Under its terms of reference, the Audit Committee monitors the integrity of the Group's financial statements, the independence of the external auditor, internal audit and risk management functions. The Committee is also responsible for monitoring the effectiveness of the external audit process and making recommendations to the board in relation to the appointment, reappointment and remuneration of the external auditor. As appropriate, the Audit Committee is supported by expert independent professional advice on industry best practice.

APPOINTMENT OF AUDITORS:
During 2018, the group's external audit service was put out to tender. Following a selection process overseen by the Audit Committee the Board recommended the appointment of KPMG as external auditor to its Annual General Meeting on June 10th 2019. KPMG's appointment was approved by the AGM with such appointment taking effect as of that date.

Ernst and Young, Chartered Accountants resigned as external auditors with effect from June 10th 2019. The financial statements on pages 68 to 95 have been audited by KPMG.

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

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

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

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

The Remuneration Committee met three times during the 2019 financial year.

Attendance at scheduled Board and Committee meetings during the financial year under review was as follows:

Board Member	Board	Audit Committee	Remuneration Committee
TJ Sullivan1	14/14	2/2	3/3
Paddy Ryan1	13/14	6/6	3/3
Gerard Brickley1	13/14	2/2	
Peter Fleming	14/14		3/3
Pat Moriarty	14/14		
Peadar Murphy	14/14	5/6	
Dermot O'Leary1	14/14	4/4	3/3
Jerome O'Mahony	14/14		3/3
Joe O'Sullivan1	14/14	3/4	

1. TJ Sullivan and Gerard Brickley completed their terms as Chairperson and member of the Audit Committee respectively on 16 July 2019. Joe O'Sullivan and Dermot O'Leary were appointed as members in their stead. Paddy Ryan was appointed as Chair of the Audit Committee on 16 July 2019.

Important events since the year end

The global outbreak of COVID-19 is addressed under Principal Risks and Uncertainties later in this report. There have been no other significant events affecting the Group since year end.

Future developments in the business

The Group's strategy is to develop its international dairy, nutrition and taste business in developed and developing markets in the years ahead.
Further to the removal of quotas in April 2015 the Group's Irish based dairy and nutrition business has managed the transition to increased capacity and growth output well.

Brexit and the uncertainty it creates may yet present certain challenges for the Dairy division in the period ahead such as potential currency fluctuations and / or the possibility of the imposition of trade barriers in any transition and/or post Brexit period. As outlined in the Chairman's and CEO's reports the Group's dairy and nutritional business is well advanced in the construction phase of a significant investment project which will be completed in 2020 and which will see the business broaden its cheese product portfolio as well as diversify into new markets. As well as providing the business with necessary further capacity the investment will help insulate the business from any negative effects consequential to the decision of the UK to leave the European Union.

In the interim the Board continues to actively assess and evaluate any potential impact of Brexit on the business and will be endeavouring to take all necessary measures to minimise the impact on our suppliers and shareholders. The Group is confident that its Taste business, Synergy, will continue to build on its increasing international presence and benefit from continuing strong growth rates in the years ahead. In addition to driving further organic growth within the existing business Synergy will also continue its acquisitive growth strategy seeking further suitable acquisitions in its pursuit of growing market share internationally.

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

Committee and secretary's interests

The committee members are as listed on page 64.

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

RESEARCH AND DEVELOPMENT:

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

Corporate responsibility

EMPLOYEES:

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

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

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

ENVIRONMENT:

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

This is borne out by the Group's continued programme of investment in facilities, processes and systems that monitor and manage waste emission, energy consumption, materials and packaging conservation. Our CSR report provides further details and information on this.

MARKETPLACE:

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

COMMUNITIES:

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

Principal risks and uncertainties

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

As outlined earlier, Brexit and the uncertainty it creates may present certain challenges for the Dairy division in the period ahead such as continuing currency fluctuations and the possibility of the imposition of trade barriers in any transition and/or post Brexit period. The Board will continue to actively evaluate the potential impact on the business and will be endeavouring to take all necessary measures to minimise the impact on our suppliers and shareholders.

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

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

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

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

At this juncture it's not possible to determine the eventual impact of the COVID-19 outbreak on global markets and supply chains. It has the potential to be significant if the associated disruption to market activities and supply chains prevails for an extended period of time. Like all international businesses Carbery will endeavour to manage supply chain constraints and customer needs with minimised disruption and to the best of our ability as we navigate the months ahead. Above all we will take all necessary steps and precautions to protect the health and wellbeing of our global workforce.

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

Financial instruments

The Group has an active approach to treasury and financial risk management operating a centralised treasury function to manage the financial risks of the Group.

Key executives monitor the Group's foreign exchange rate and interest rate risks and ensure that the Group has sufficient credit facilities available. Financial exposures are managed by using appropriate and approved financial instruments. Principal foreign currency exposures arise on Sterling and US Dollar purchases and receivables. Transaction exposure is managed by netting receivables and payables and then by hedging net flows. Translation exposure is not hedged. The Group minimises statement of financial position translation exposure by matching foreign currency investments with foreign currency borrowings.

The Group's exposure to interest rate risk is typically managed by optimising the mix of fixed and floating rate borrowings.

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

Political contributions

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

Accounting records

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

Relevant audit information

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

On behalf of the Committee:

T J SULLIVAN (*Chairman*)
18th March 2020

PADDY RYAN (*Vice Chairman*)
18th March 2020

Society Information

L-R: Jerome O'Mahony, TJ Sullivan (Chairman), Joe O'Sullivan, Dermot O'Leary, Peadar Murphy, Jason Hawkins (CEO), Gerard Brickley, Colm Leen (CFO), Peter Fleming, Paddy Ryan (Vice Chairman), Pat Moriarty.

COMMITTEE
TJ Sullivan[2] (Chairman)
Paddy Ryan[1&2] (Vice Chairman)
Gerard Brickley
Peter Fleming[2]
Pat Moriarty
Peadar Murphy[1]
Dermot O'Leary[1&2]
Jerome O'Mahony[2]
Joe O'Sullivan[1]

SECRETARY
Colm Leen

REGISTERED OFFICE
Dromidiclough
Ballineen, Co. Cork

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

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

AUDITOR
KPMG,
85 South Mall,
Cork.

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

Committee Responsibilities Statement

FOR THE YEAR ENDED 31ST DECEMBER 2019

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

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

The Society's financial statements are required by law to give a true and fair view of the state of affairs of the Society and of its surplus/deficit for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

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

On behalf of the Committee:

T J Sullivan

T J SULLIVAN (*Chairman*)
18th March 2020

Paddy Ryan

PADDY RYAN (*Vice Chairman*)
18th March 2020

Independent Auditor's Report

TO THE MEMBERS OF CARBERY CREAMERIES LIMITED

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Carbery Creameries Limited ("the Society") for the year ended 31 December 2019 set out on pages 68 to 95, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of affairs of the Society as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

BASIS FOR OPINION

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

OTHER INFORMATION

The committee are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the report of the committee. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

OUR CONCLUSIONS ON THE OTHER MATTER ON WHICH WE ARE REQUIRED TO REPORT BY THE INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1893 TO 2018 IS SET OUT BELOW

As required by section 13(2) of the Industrial and Provident Societies Act 1893 to 2018, we examined the balance sheets showing the receipts and expenditure, fund and effects of the Society, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

Respective responsibilities and restrictions on use

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the committee responsibilities statement set out on page 65, the committee are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

TO THE MEMBERS OF CARBERY CREAMERIES LIMITED *(continued)*

Report on the audit of the financial statements *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Barrie O'Connell
KPMG
85 South Mall
Cork
19th March 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2019

	Note	2019 (€'000)	2018 (€'000)
Turnover	2	434,115	423,471
Cost of sales		(301,504)	(294,319)
Gross profit		132,611	129,152
Administrative expenses:		(108,283)	(102,596)
Operating profit	3	24,328	26,556
Share of profit in joint ventures	9	106	146
Other interest receivable and similar income	5	205	108
Interest payable and similar charges	5	(1,672)	(1,683)
Other finance costs - retirement benefit and other	5	20	6
Profit before taxation		22,987	25,133
Taxation on profit	6	(5,572)	(5,499)
Profit for the financial year:		17,415	19,634
Profit for the financial year attributable to:			
Non-controlling interests		531	585
Owners of the parent company		16,884	19,049
Profit for the financial year		17,415	19,634

On behalf of the Committee:

T J SULLIVAN (*Chairman*)
18th March 2020

PADDY RYAN (*Vice Chairman*)
18th March 2020

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2019

	Note	2019 (€'000)	2018 (€'000)
Profit for the financial year		17,415	19,634
Other comprehensive income			
Remeasurement loss recognised on defined benefit retirement benefit schemes	17	(364)	(344)
Currency translation difference on net assets of subsidiary undertakings	20	2,949	4,617
Cash flow hedges:			
- Change in value of hedge instrument	20	635	(139)
- Reclassifications to income statement	20	139	64
Total other comprehensive income		3,359	4,198
Total comprehensive income for the year		20,774	23,832
Total comprehensive income for the year attributable to:			
Non-controlling interests		531	585
Owners of the Parent Company		20,243	23,247
		20,774	23,832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2019

Fixed assets	Note	2019 (€'000)	2018 (€'000)
Intangible assets	7	34,486	40,389
Tangible assets	8	164,236	116,639
Financial assets	9	1,625	1,467
		200,347	158,495
Current assets			
Stocks	10	67,547	67,618
Debtors	11	137,406	134,146
Cash at bank and in hand		13,167	11,133
		218,120	212,897
Creditors: falling due within one year	12	(86,434)	(76,042)
Net current assets		131,686	136,855
Total assets less current liabilities		332,033	295,350
Creditors: falling due after more than one year	13	(58,043)	(31,499)
Provisions for liabilities			
Deferred taxation	15	(6,691)	(6,401)
Other provisions	15	(8,961)	(11,731)
		258,338	245,719
Government grants	18	(1,573)	(1,839)
Net assets		256,765	243,880
Capital and reserves			
Called up share capital	19	86,325	86,210
Share reserve fund		2,078	1,817
Retained earnings		141,308	124,348
Other reserves	20	7,223	3,940
Shareholders' and milk suppliers' loans	23	17,831	18,565
Equity attributable to owners of the parent company		254,765	234,880
Non-controlling interests	24	2,000	9,000
		256,765	243,880

On behalf of the Committee:

T J SULLIVAN (*Chairman*)
18th March 2020

PADDY RYAN (*Vice Chairman*)
18th March 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2019

	Called up share capital (€'000)	Share reserve fund (€'000)	Retained earnings (€'000)	Other reserves (Note 20) (€'000)	Shareholders' and milk suppliers' loans (Note 23) (€'000)	Equity attributable to owners of the Parent Company (€'000)	Non-controlling interests (€'000)	Total Equity (€'000)
At 1 January 2018	86,094	1,556	105,203	(162)	17,831	210,522	9,000	219,522
Profit for year	–	–	19,049	–	–	19,049	585	19,634
Other comprehensive income/(expense)	–	–	(344)	4,542	–	4,198	–	4,198
Total comprehensive income for the year	–	–	18,705	4,542	–	23,247	585	23,832
Transfer from revaluation reserves	–	–	440	(440)	–	–	–	–
Shares issued during the year	268	673	–	–	–	941	–	941
Shares repurchased during the year	(152)	(412)	–	–	–	(564)	–	(564)
Processing notes reclassified	–	–	–	–	257	257	–	257
Processing notes issued during the year	–	–	–	–	477	477	–	477
Equity dividends paid to non-controlling interest	–	–	–	–	–	–	(585)	(585)
At 31 December 2018	86,210	1,817	124,348	3,940	18,565	234,880	9,000	243,880
Profit for year	–	–	16,884	–	–	16,884	531	17,415
Other comprehensive income/(expense)	–	–	(364)	3,723	–	3,359	–	3,359
Total comprehensive income for the year	–	–	16,520	3,723	–	20,243	531	20,774
Transfer from revaluation reserves	–	–	440	(440)	–	–	–	–
Shares issued during the year	260	709	–	–	–	969	–	969
Shares repurchased during the year	(145)	(448)	–	–	–	(593)	–	(593)
Processing notes reclassified	–	–	–	–	(734)	(734)	–	(734)
Redemption of non-controlling interest shares	–	–	–	–	–	–	(7,000)	(7,000)
Equity dividends paid to non-controlling interest	–	–	–	–	–	–	(531)	(531)
At 31 December 2019	86,325	2,078	141,308	7,223	17,831	254,765	2,000	256,765

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st December 2019

	2019 (€'000)	2018 (€'000)
Operating activities		
Profit before tax	22,987	25,133
Working capital adjustments		
Decrease/(increase) in stock	893	(6,469)
(Increase) in debtors	(6,438)	(14,292)
Increase/(decrease) in creditors	13,959	(2,215)
Adjustments for non-cash items:		
(Decrease) in other provisions	(2,770)	(2,849)
Depreciation (net of grant amortisation)	12,811	10,606
Amortisation of intangibles	7,114	6,778
Loss/(profit) on sale of fixed assets	80	(9)
Share of (profit) in joint ventures	(106)	(146)
Net finance cost	1,467	1,575
Retirement benefit adjustments	(364)	(344)
Interest received	205	108
Finance costs paid	(1,635)	(1,741)
Dividends paid to non-controlling interests	(531)	(585)
Defined benefit employer contributions paid	(344)	(338)
Corporation tax paid	(1,611)	(4,635)
Net cash inflow from operating activities	45,717	10,577
Investing activities		
Purchase of tangible fixed assets	(56,066)	(18,348)
Purchase of intangible fixed assets (ERP project)	(467)	(802)
Receipts from sale of tangible fixed assets	57	52
Receipts from government capital grants	–	39
Investment in subsidiary undertaking	–	(5,440)
Net cash outflow from investing activities	(56,476)	(24,499)
Financing activities		
Issue of 'B' ordinary shares	969	941
Repurchase of 'B' ordinary shares	(593)	(564)
Issue of processing notes	513	477
Minority interests share redemption	(7,000)	–
Increase in term debt	24,852	5,917
Bank debt and overdrafts through acquisitions	–	(3,285)
Capital element of finance leases and hire purchases repaid	(4)	(6)
Net cash inflow from financing activities	18,737	3,480
Net increase/(decrease) in cash and cash equivalents	7,978	(10,442)
Net foreign exchange difference	254	186
Cash and cash equivalents at 1 January	4,935	15,191
Cash and cash equivalents at 31 December	13,167	4,935

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

for the year ended 31st December 2019

	At 31 December 2019 (€'000)	At 31 December 2018 (€'000)
Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	13,167	11,133
Bank overdrafts	–	(6,198)
Cash and cash equivalents	13,167	4,935

Analysis of Net Debt

(i) **Reconciliation of net cash flow to movement in net debt**	**(€'000)**
Increase in cash	7,978
Increase in term debt	(24,848)
Change in net debt resulting from cash flows	(16,870)
Translation adjustment	(254)
Movement in net debt in year	(17,124)
Net debt at 1 January 2019	(30,059)
Net debt at 31 December 2019	(47,183)

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

	At 1/1/2019 (€'000)	Cash flow (€'000)	Exchange Movement (€'000)	At 31/12/2019 (€'000)
Cash at bank and in hand	11,133	1,780	254	13,167
Bank overdrafts	(6,198)	6,198	–	–
Total cash and demand debt	4,935	7,978	254	13,167
Loans repayable	(34,965)	(24,852)	(508)	(60,325)
Finance leases and hire purchases	(29)	4	-	(25)
	(34,994)	(24,848)	(508)	(60,350)
Net debt	(30,059)	(16,870)	(254)	(47,183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st December 2019

1. ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

The Group's financial statements have been prepared in compliance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Ireland as it applies to the financial statements of the Group for the year ended 31 December 2019.

(B) BASIS OF PREPARATION

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

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

(C) BASIS OF CONSOLIDATION

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

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

An associate is an entity in which the Group has significant input but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.
A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial polices of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

(D)

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

(E) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Revenue and stocks

The sales of some products to Ornua are based on "on account prices" which are subject to adjustment when the prices are finally agreed. In some cases the time period between the date when the product is invoiced at the on account price and when the prices are finally agreed could be as much as up to a year or more.

Preparation of the consolidated financial statements requires the board to make certain estimates and assumptions around the expected realisation of their stock and debtor balance which affect the reported profits and assets of the Group. As with any estimate the actual outturn may differ to the estimate. At the year end the board, having estimated the expected realisation, review the stock and debtor values, and if required as a consequence reduce stock to the net realisable value and make the required adjustment to the "on account" pricing for their debtor balance.

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

Retirement benefit

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

Goodwill and intangible assets

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

Impairment of non-financial assets

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

An impairment loss recognised for all non-financial assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

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

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

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

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

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

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

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

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

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

(f) Goodwill
Positive goodwill acquired on each business combination is capitalised, classified as an asset on the consolidated statement of financial position and amortised on a straight line basis over its useful life of 20 years. The fair value of the assets and liabilities are based on valuations using assumptions deemed by the board to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

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

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

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

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

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

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

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

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

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

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

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

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

(j) Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.
- Raw materials and consumable stores comprise of purchase cost on a first-in, first out basis.
- In the case of finished goods, cost comprises purchase price of materials and an appropriate portion of labour and production overheads.

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

(k) Debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

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

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

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

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

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

Average rates (Turnover)

	2019	2018
US$	1.1201	1.1827
GBP£	0.8775	0.8840

Period End Rates (31 December)

	2019	2018
US$	1.1229	1.1450
GBP£	0.8467	0.8945

(n) Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

Corporation tax is provided on taxable profits at the current rates.

Provisions

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

(o) Hedges of a net investment

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

(p) Derivative financial instruments and hedging

The Group uses forward foreign currency contracts to reduce exposure on foreign exchange rates.
Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

(q) Leases

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

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

(r) Government and other grants

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

(s) Interest-bearing loans and borrowings

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

(t) accounting for long term incentive plan

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

(u) Retirement benefit costs

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

Defined benefit pension scheme assets are measured using fair values; retirement benefit scheme liabilities are measured using the projected unit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.
The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance income or cost.
Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur.
Re-measurements are not reclassified to the income statement in subsequent periods.
The net defined benefit retirement asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly.
Fair value is based on market price information and in the case of quoted securities is the published bid price.
The value of a net retirement benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.
Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

(v) Research and development
Expenditure on research and development is charged to the income statement in the year in which the expenditure is incurred.
Development expenditure is capitalised in accordance with the following accounting policy.
Initial capitalisation of costs is based on the board's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised the board makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefit.

(w) Shareholders' and milk suppliers' loans
An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:
(i) There is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable.
(ii) The instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

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

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

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

2. TURNOVER

The amount of each category of revenue recognised in the year is as follows:	2019 (€'000)	2018 (€'000)
Sale of goods	434,115	423,471

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2019 (€'000)	2018 (€'000)
Research and development expenditure	6,665	6,596
Foreign exchange differences	(609)	79
Depreciation charge: Depreciation of owned assets (Note 8)	13,066	11,211
Depreciation of assets held under finance leases and hire purchase contracts (Note 8)	11	11
Amortisation of intangibles (Note 7)	7,114	6,778
Amortisation of government grants (Note 18)	(266)	(616)
Operating lease rentals: Land and buildings	85	81
Plant and machinery	116	143
Motor vehicles	133	129
Loss/(profit) on disposal of fixed assets	80	(9)

4. EMPLOYEES

The average number of employees during the year, analysed by category, was as follows:	2019 Number	2018 Number
Production/operations/technical	555	525
Sales	75	83
Administration	113	96
	743	704

The aggregate payroll costs of these employees were as follows:	2019 (€'000)	2018 (€'000)
Wages and salaries	46,823	40,926
Social welfare costs	4,067	3,530
Retirement benefit and related costs	2,684	1,965
Other costs	2,231	2,227
Total employee costs	55,805	48,648
Long term incentive plan paid during the year	460	4,830
Total payroll related costs	56,265	53,478

Total wages and salary costs included above that were capitalised during the year were €0.34m (2018: €0.46m).

5. INTEREST

	2019 (€'000)	2018 (€'000)
Other Interest receivable and similar income:		
Interest receivable on bank deposits	(205)	(108)
	(205)	(108)
Interest payable and similar charges:		
Finance and hire purchase lease interest	1	3
Interest payable on bank loans and overdrafts wholly repayable within five years	1,671	1,680
	1,672	1,683
Other finance costs - retirement benefit and other:		
Retirement benefit finance (credit)	(20)	(6)

6. TAXATION

	2019 (€'000)	2018 (€'000)
(a) Tax on profit	5,572	5,499
Current tax:		
Corporation tax on profit for the year	5,515	2,494
Adjustments in respect of prior years'	(274)	603
Group current tax	5,241	3,097
Share of joint ventures' current tax	23	39
Total current tax	5,264	3,136
Deferred tax:		
Origination and reversal of timing differences	207	2,081
Adjustments in respect of prior years	(2)	53
Utilisation of tax assets	103	229
Total deferred tax	308	2,363
Tax on profit	5,572	5,499
(b) Tax included in Statement of Other Comprehensive Income		
Actuarial loss on retirement benefit scheme	–	–
Total tax charge OCI	–	–
(c) Factors affecting the total tax charge The tax assessed for the year is different from the standard rates of corporation tax. The differences are explained below:		
Profit before tax	22,987	25,133
Profit multiplied by the Irish standard rate of tax 12.5%	2,873	3,142
Effects of:		
Tax depreciation in year in (excess)/deficit of depreciation	(56)	1,044
Intangibles amortisation in (deficit)/excess of tax deduction	(439)	555
Tax exempt earnings and credits	(1,150)	(1,523)
Differences in effective tax rates on overseas earnings	2,876	1,079
Expenses not deductible for tax purposes	1,149	387
Adjustments in respect of prior years	(276)	656
Others	595	159
Total Group tax	5,572	5,499

6. TAXATION *(continued)*

(d) Factors that may affect future tax charges

The Group has tax losses and credits arising in Ireland of €2.65m that are available indefinitely for offset against future taxable profits of those companies in which losses and credits arose and are recognised as part of current assets either falling due within one year or after more than one year based on management's estimation on timing of recoverability.

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

The Group's overseas tax rates are higher than those in the Republic of Ireland primarily because the profits earned by the Synergy division are taxed at headline rates of 26.4% in the US and 19% in the UK. For 2020 these headline rates are projected to be 26.4% and 18.25% respectively.

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

	2019 (€'000)	2018 (€'000)
(e) Deferred tax		
The deferred tax included in the statement of financial position is as follows:		
Included in debtors (note 11)	341	332
Included in provision for liabilities (note 15)	(6,691)	(6,401)
	(6,350)	(6,069)
Accelerated capital allowances and tax depreciation	(8,240)	(8,458)
Tax amortisation of goodwill and intangibles less than book amortisation	646	58
Arising on acquisitions	(295)	(295)
Other timing differences/expenses	1,539	2,626
	(6,350)	(6,069)
The movement in the deferred tax included in the statement of financial position is as follows:		
At 1 January	(6,069)	(3,270)
Deferred tax (debited) to income statement for the year	(207)	(2,081)
Origination/(utilisation) of tax losses in the year	6	(229)
Adjustments in respect of prior years'	2	(53)
Arising on acquisitions	–	(295)
Exchange adjustment	(82)	(141)
Provision at 31 December	(6,350)	(6,069)

7. INTANGIBLE ASSETS

	Goodwill (€'000)	Other intangibles (€'000)	ERP Project (€'000)	Total (€'000)
Cost:				
At 1 January 2019	79,419	29,519	10,073	119,011
Additions	–	–	467	467
Exchange movements	1,836	532	215	2,583
At 31 December 2019	81,255	30,051	10,755	122,061
Amortisation and impairment:				
At 1 January 2019	50,709	25,927	1,986	78,622
Amortised during the year	3,494	2,405	1,215	7,114
Exchange movements	1,293	498	48	1,839
At 31 December 2019	55,496	28,830	3,249	87,575
Net book value:				
At 31 December 2019	25,759	1,221	7,506	34,486
At 31 December 2018	28,710	3,592	8,087	40,389

Goodwill and other intangibles primarily result from prior acquisitions within the Synergy division. Other intangibles include formulas, process technology and customer relationships separately identifiable at the respective acquisition dates. Goodwill and other intangibles are amortised over their expected useful lives and are also subject to annual impairment testing or more frequently if there are indicators of impairment. The amortisation of Goodwill and Other Intangibles charged to the Consolidated Income Statement in 2019 is €7.1m.

Under FRS 102, investments in ERP systems software are classified as intangible assets.
The recoverable amount of goodwill and intangibles allocated to a cash generating unit (CGU) is determined based on a value in use computation. Goodwill and intangibles acquired in a business combination are allocated to CGU's that are expected to benefit from the business acquisition. Where practically measurable and identifiable, intangible assets are sub-allocated within CGU's at specific location or site level or otherwise they are grouped at a geographical or divisional level.

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

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

8. TANGIBLE FIXED ASSETS

	Land & buildings (€'000)	Leasehold improve-ments (€'000)	Plant & machinery owned (€'000)	Plant & machinery leased (€'000)	Motor vehicles (€'000)	Plant advances (€'000)	Total (€'000)
Cost:							
At 1 January 2019	74,217	797	181,706	2,008	256	7,915	266,899
Additions	7,964	–	13,632	–	69	37,237	58,902
Disposals	(251)	(7)	(856)	–	(26)	–	(1,140)
Transfers	1,809	–	4,003	–	–	(5,812)	–
Exchange adjustments	1,312	9	1,695	2	4	81	3,103
At 31 December 2019	85,051	799	200,180	2,010	303	39,421	327,764
Depreciation:							
At 1 January 2019	19,695	417	127,973	1,981	194	–	150,260
Charged during year	2,317	36	10,692	11	21	–	13,077
Disposals	(242)	–	(764)	–	–	–	(1,006)
Exchange adjustments	229	9	954	2	3	–	1,197
At 31 December 2019	21,999	462	138,855	1,994	218	–	163,528
Net book value: At 31 December 2019	63,052	337	61,325	16	85	39,421	164,236
At 31 December 2018	54,522	380	53,733	27	62	7,915	116,639

9. FINANCIAL ASSETS

Joint ventures	2019 (€'000)	2018 (€'000)
At 1 January	1,285	1,188
Share of profit retained by joint ventures	106	146
Share of tax charge in joint ventures	(23)	(39)
Exchange movements	75	(10)
At 31 December	1,443	1,285
Unlisted investments – at cost less impairment		
At 1 January	182	182
At 31 December	182	182
Listed investments – at fair value		
At 1 January	–	1
Disposals	–	(1)
At 31 December	–	–
Total financial assets and investments	1,625	1,467

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

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

10. STOCKS

	2019 (€'000)	2018 (€'000)
Raw materials	23,042	25,933
Consumable stores	2,826	2,846
Finished goods	41,679	38,839
	67,547	67,618

A material portion of the Group's product portfolio is commodity in nature. There is a requirement at period end to review the carrying value or cost of certain stocks and compare this to their estimated selling price less costs to complete and sell (net realisable value or NRV) to ensure that stocks are valued at the lower of cost or NRV. Where the carrying value is greater than the estimated NRV, the Group makes a provision resulting in a charge to the income statement in the period. Should the final selling price less costs to complete and sell exceed the previously estimated NRV then the Group will reverse or credit this to the income statement in the subsequent period. The net charge to the income statement in the period resulting from period end reviews of cost versus NRV together with prior period reversals was €2.12m (2018: €0.61m).

In addition, stocks written off as an expense in the period were €1.16m (2018: €0.78m) for the Group.

11. DEBTORS

	2019 (€'000)	2018 (€'000)
Amounts falling due within one year:		
Trade debtors	119,799	118,344
Other debtors, prepayments and accrued income	9,889	7,981
Convertible loan notes	297	302
Amount owed by related companies	–	267
Derivative financial instruments (note 26)	665	7
VAT	3,359	1,226
Corporation tax		
- Irish	880	446
- Overseas	1,077	3,892
	135,966	132,465
Amounts due after more than one year:		
Convertible loan notes	580	571
Corporation tax		
- Irish	519	778
Deferred tax		
- Irish	341	332
	1,440	1,681
	137,406	134,146

12. CREDITORS: *falling due within one year*

	2019 (€'000)	2018 (€'000)
Trade creditors	62,318	45,993
Other creditors including tax and social welfare (see below)	20,160	19,166
Bank loans and overdrafts (note 14)	3,535	9,675
Amounts owed to related companies	372	1,043
Derivative financial instruments (note 26)	30	146
Leasing and hire purchase liabilities (note 13)	19	19
	86,434	76,042
Tax and social welfare included in other creditors:		
Corporation tax	100	285
PAYE	550	465
VAT	36	287
	686	1,037
Social welfare	394	349
	1,080	1,386

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

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

	2019 (€'000)	2018 (€'000)
Leasing and hire purchase liabilities	6	11
Processing notes (note 23)	1,247	–
Bank loans (note 14)	56,790	31,488
	58,043	31,499
Finance lease and hire purchase payments are due as follows:		
In one year or less	19	19
Between one and two years	6	11
Between two and five years	–	–
	25	30

Processing notes were reclassified from equity to Creditors: falling due after more than one year in the current year.

With effect from 1 January 2017 the board agreed to the introduction of Processing Notes as an alternative to purchasing B shares for suppliers of New Milk i.e. in respect of all New Milk supplied from 1 January 2016. Each processing note costs €1.00 per unit and the Milk Supply Share Scheme requires each milk supplier to hold either 25 B shares or 25 Processing Notes per 1,000 litres of New Milk. The purchase of Processing Notes will rank equally with the purchase of B shares for the purpose of meeting the minimum standard under the Milk Supply Share Scheme.
The Processing Notes may be redeemed, on cessation of milk supply, by milk supplier shareholders at an unspecified future date for cash at the price paid or may be settled by the delivery of a variable number of B shares in the Society based on the prevailing share price as determined from the most recent valuation. The Processing Notes will be redeemed if milk supply falls below a minimum level.

14. BANK BORROWINGS

	2019 (€'000)	2018 (€'000)
Bank overdrafts	–	6,198
Bank loans - amounts payable by equal instalments:		
Within one year	3,535	3,477
Between one and two years	3,535	3,477
Greater than two years	53,255	28,011
	60,325	41,163

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

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

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

15. PROVISIONS FOR LIABILITIES

	Note	2019 (€'000)	2018 (€'000)
Deferred tax:			
Provision at 1 January		6,401	3,906
Charge to the income statement for the year		207	2,060
Arising on acquisitions		–	295
Exchange adjustments		83	140
Provision at 31 December		6,691	6,401
Other provisions:	Note		
Long Term Incentive Plans (LTIP)	(i)	1,745	1,731
Stability fund	(ii)	7,216	10,000
		8,961	11,731

	2019 (€'000)	2018 (€'000)
(i) LTIP:		
Provision at 1 January	1,731	4,580
Paid during the year	(458)	(4,830)
Current service cost	472	1,981
Provision at 31 December	1,745	1,731
Due within one year	1,237	1,444
Due greater than one year	508	287

Synergy, the international flavours division of Carbery Group, has a Long Term Incentive Plan (LTIP) in place. This plan was implemented with an objective to attract, retain and incentivise senior executives to grow shareholder value of the Synergy business for the long term benefit of Carbery's shareholders. Phase 1 of the Synergy LTIP is in place since 2008 and allocations to participants under this phase ceased in 2014. Phase 2 commenced in 2015 with allocations to participants commencing the same year. As allocations to participants vest after three years, all allocations in Phase 1 of the scheme had vested in 2017. Phase 1 of the LTIP scheme concluded in 2018, when in accordance with the scheme rules, all vested allocations remaining unsold were fully divested. Phase 2 of the scheme will conclude in 2024 when the final year allocations for the second phase will vest. The LTIP is commensurate with similar schemes in various private and public companies and has been put in place under governance oversight by the Remuneration Committee of Carbery Group under independent advice. Benefits associated with the scheme are entirely performance based and are referenced to the additional shareholder value generated over the term of the plan. Whilst the actual cost of the LTIP cannot be determined until the Scheme completion, which is 2024 for Phase 2, a provision is being made over the lifetime of the plan for the estimated total cost. A charge of €0.47m is included in the 2019 accounts. This is relating to the estimated cost of the scheme attributable to 2019. If certain trading performance projections for Synergy materialise in future years (2020 to 2023) then, commensurate with the resulting increase in shareholder value, the total cost of the LTIP will be greater than the cost provided at 31 December 2019. Any increased cost will be reflected in the financial statements of the business over the remaining lifetime of the scheme between now and 2024. Total disbursements made to participants exercising their option to sell vested allocations under LTIP 2 amounted to €0.46m during 2019.

	2019 (€'000)	2018 (€'000)
(ii) Stability Fund:		
Provision at 1 January	10,000	10,000
Increase in the period	–	4,258
Support payments to milk suppliers	(2,784)	(4,258)
Provision at 31 December	7,216	10,000
Due within one year	2,958	–
Due greater than one year	4,258	10,000

Total milk support payments to shareholder suppliers from the stability fund during the year amounted to €2.8m. There was no increase in the stability fund provision during the year and the 2018 provision increase of €4.3m reflects a milk bonus payment of €4.3m declared in December 2018 in respect of 2018 milk supplies to the group's Irish operations Carbery Food Ingredients. It was agreed by the Board of Carbery that this 2018 payment would be deferred and allocated to the Stability Fund from which it would be paid at a future date to Carbery's milk suppliers when it is required to lessen the impact of adverse milk price movements.

The Board believes that, on the basis of recurring market volatility, payments from the stability fund are likely to arise within a three year period. The parameters governing the payment of the stability fund are such that, in any regard, payment will have to be effected no later than 3 years from the date of provision. This is on the basis that the supplier co-ops to whom the stability fund will be paid may, at their discretion, request Carbery to effect payment of any balance remaining in the stability fund three years from the date of provision. Based on these governing parameters it is anticipated that the remaining €2.96m provision from the €10m provided for in 2017 will be paid on or before 31 December 2020 with the remaining €4.26m anticipated to be paid no later than 31 December 2021.

16. OBLIGATIONS UNDER LEASES

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

	31 December 2019		31 December 2018	
	Land & buildings (€'000)	Other (€'000)	Land & buildings (€'000)	Other (€'000)
Not later than one year	85	221	83	198
Later than one year and not later than five years	326	356	–	352
Later than five years	–	–	–	–
	411	577	83	550

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

17. RETIREMENT BENEFIT COMMITMENTS

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

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

The contributions for funding purposes to the defined benefit scheme are determined, using the projected unit method, by Mercer who are Actuaries to the schemes but are neither officers nor employees of the Group. The most recent actuarial valuation was carried out at 1 January 2017. The contribution made by the Group in respect of the current year was €344,000 (2018: €338,000). The actuaries' reports are not available for public inspection but the results are advised to members of the various schemes.

The valuation used for the defined benefit scheme has been based on the most recent actuarial valuation at 1 January 2017 and was updated by Mercer to take account of the requirements of FRS 102 in order to assess the liabilities of the schemes at 31 December 2019 and 31 December 2018. Scheme assets are stated at their market values at the respective statement of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

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

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

The most recent full actuarial valuation of the Irish Co-operative Societies' Retirement Benefit Scheme was carried out on 1 July 2017. 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 July 2017 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 July 2017 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 current contribution rate is 15.3% of pensionable pay (10.3% employer and 5% employee) for contributory members.

The total contributions to the defined benefit scheme in 2019 are expected to be €351,000 (2018: €344,000).

The net retirement benefit liability is analysed as follows:	2019 (€'000)	2018 (€'000)
Scheme assets at fair value:		
Equity instruments	3,615	4,586
Debt instruments	21,918	18,601
Cash	1	1,340
Fair value of scheme assets	25,534	24,527
Present value of scheme liabilities	(25,534)	(24,527)
	-	-

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

17. RETIREMENT BENEFIT COMMITMENTS *(continued)*

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

Recognised in the income statement	2019 (€'000)	2018 (€'000)
Current service cost	–	–
Recognised in arriving at operating profit	–	–
Net interest on net defined benefit liability (Note 5)	20	6
Total recognised in the income statement	20	6

Recognised in other comprehensive income	2019 (€'000)	2018 (€'000)
Actual return on scheme assets	1,927	(195)
Less: amounts included in net interest on the net defined benefit liability	(144)	123
	1,783	(72)
Other actuarial losses	(2,147)	(272)
Remeasurement losses recognised in other comprehensive income	(364)	(344)

Financial assumptions

The major assumptions used by the actuaries are:	2019 (%)	2018 (%)
Inflation rate increase	1.50	1.50
Salary rate increase	n/a	n/a
Retirement benefit payment increase	0.00	0.00
Discount rate	1.20	1.90

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2042 at age 65 will live on average a further 25 years after retirement if they are male and a further 26 years after retirement if they are female.

Changes in the present value of the defined benefit obligations are analysed as follows:	2019 (€'000)	2018 (€'000)
As at 1 January	23,812	24,969
Interest cost	436	439
Benefits paid	(1,720)	(1,168)
Remeasurement adjustments	2,237	(428)
At 31 December	24,765	23,812

The defined benefit deficit comprises €Nil (2018: €Nil) from plans that are wholly or partly funded. Management are not recognising the surplus of €769,000 on the retirement benefit as there are no future service contributions and it is not clear that any surplus would be recoverable in the event of the plan closing. This is the default approach in accordance with FRS 102 28.22 – Employee Benefits.

Changes in the fair value of scheme assets:	2019 (€'000)	2018 (€'000)
As at 1 January	24,527	25,106
Actual gain/(loss) on plan assets	1,927	(196)
Interest income	456	447
Employer contributions	344	338
Benefits paid	(1,720)	(1,168)
At 31 December	25,534	24,527

The contributions payable by Carbery Group to defined contribution schemes are charged to the income statement in the year in which they relate and amounted to €1,658,825 (2018: €1,422,624) for the year. The amount outstanding at year end was €327,802 (2018: €156,581).

18. GOVERNMENT GRANTS

	2019 (€'000)	2018 (€'000)
Cost:		
At 1 January	10,738	10,699
Received during the year	–	39
At 31 December	10,738	10,738
Amortisation:		
At 1 January	8,899	8,283
Amortised during the year	266	616
At 31 December	9,165	8,899
Net book value:		
At 31 December	1,573	1,839
Between one and two years	218	265
Between two and five years	383	546
In more than five years	972	1,028
	1,573	1,839

The Group received a number of grants in prior years which are being amortised over the useful economic lives of the tangible assets which they relate to.

19. SHARE CAPITAL

Allotted, called up and fully paid:	2019 (€'000)	2018 (€'000)
'A' ordinary shares of €1 each	75,805	75,805
'B' ordinary shares of €1 each:		
At 1 January	10,405	10,289
Issued during the period	260	268
Repurchased during the period	(145)	(152)
At 31 December	10,520	10,405
	86,325	86,210

The Milk Supply Share Scheme was launched for the milk suppliers of the Group's parent society 'A' shareholders during 2012. The purpose of the milk supply share scheme is to ensure that Carbery is well positioned to efficiently manage the expected growth in milk supply volumes subsequent to the removal of milk quota limits in 2015. In addition the scheme is designed to enable milk suppliers share in the future growth of Carbery by the provision of an exit mechanism for suppliers retiring from milk supply in the future. During the year ended 31 December 2019, 260,517 'B' ordinary shares were issued and 145,449 'B' ordinary shares were repurchased by the society under the terms of the scheme.

SHARE RIGHTS

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

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

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

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

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

During the year, €531,397 (2018: €585,000) was paid to those holders of the 'B' ordinary shares in subsidiary companies qualifying for payment of the annual coupon of 6.5%.

20. OTHER RESERVES

	Non-distributable capital reserve (€'000)	Deferred translation reserve (€'000)	Cash flow hedge reserve (€'000)	Total (€'000)
At 1 January 2019	3,348	731	(139)	3,940
Translation gain	–	2,949	–	2,949
Change in value of hedge instrument	–	–	774	774
Reclassifications to retained earnings	(440)	–	–	(440)
At 31 December 2019	2,908	3,680	635	7,223

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

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

Cash flow hedge reserve
The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. €773,640 is made up of the net movements in cash flow hedges and the effective portion of the forward exchange contracts, net of tax.

21. COMMITMENTS

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

	2019 (€'000)	2018 (€'000)
Contracted for	28,236	10,002
Authorised but not contracted for	28,866	86,285
	57,102	96,287

The Group has outstanding trade related gas forward purchase contracts for GBP£43,850 (€51,789) at the year end. The fair value of these contracts was (£16,786) ((€19,825)) at year end.

Fixed Milk Price Schemes (FMPS)
The Group operates voluntary Fixed Milk Price Schemes (FMPS) to offer all shareholder milk suppliers' price certainty, in the context of fluctuating and volatile market pricing, on a portion of their milk supply. FMPS 4 commenced on 1 January 2018 and ends on 31 December 2020 and the total volume allocated and subscribed for approximates 7% of the 2017 milk supplied to the Group. FMPS 5 commenced on 1 January 2019 and ends on 31 December 2021 and the total volume allocated and subscribed for approximates 1.1% of the 2018 milk supplied to the Group. FMPS 6 commences on 1 January 2020 and ends on 31 December 2022 and the total volume allocated and subscribed for approximates 0.6% of the 2019 milk supplied to the Group.

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

22. CONTINGENCIES

(a) The Group's subsidiary bank borrowings and overdrafts are secured by a Group Composite Guarantee and Indemnity. The Group has guaranteed bank borrowings and overdrafts at year end of €60.3m (2018: €41.2m). The Group has an ongoing funding requirement that is satisfied by bank facilities and trade related working capital facilities. Arising from the provision of these finance facilities the Group has to comply with certain loan covenants and during the year ended 31 December 2019, the Group has been in compliance with these loan covenants. The Group's primary bank facilities comprising term debt, revolving credit facilities (RCF's) and ancillary lines of credit now mature in July 2022 after exercising an extension option during a prior period.

(b) The Group has received government grants amounting to €Nil (2018: €0.04m) which may be revoked, rebated or cancelled in certain circumstances set out in the agreements.

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

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

23. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES

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

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

Carbery Food Ingredients Limited purchases whey protein concentrate from its joint venture company, Barbery Limited. Total purchases during the prior year amounted to €10.9m. Amounts due to and from Barbery Limited at 31 December 2019 amounted to €0.37m (Note 12) and €Nil (Note 11) respectively.

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within normal market credit terms. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2018: nil).

Key management personnel

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

Total remuneration in respect of these individuals in 2019 (14 Executives) is made up of the following components:

- Basic salary cost of €2.89m (2018: €2.74m) paid to individuals and which is normally set at market rates for equivalent roles
- Employer social insurance costs (ancillary to salary costs) which amounted to €0.34m (2018: €0.31m)
- Retirement benefits paid by the employer to provide retirement benefits amounted to €0.44m (2018: €0.41m) for the year
- Other benefits which amounted to €0.24m (2018: €0.23m) for the year
- Performance related bonus / provision for future LTIP cost €1.73m (2018: €3.22m).

Synergy, the international flavours division of Carbery Group, has a Long Term Incentive Plan (LTIP) in place. This plan was implemented with an objective to attract, retain and incentivise senior executives to grow shareholder value of the Synergy business for the long term benefit of Carbery's shareholders. Phase 1 of the Synergy LTIP is in place since 2008 and allocations to participants under this phase ceased in 2014. Phase 2 commenced in 2015 with allocations to participants commencing the same year. As allocations to participants vest after three years all remaining unvested allocations in Phase 1 vested during 2017 and Phase 1 of the scheme concluded in 2018 when all remaining allocations for this phase were divested by participants. Phase 2 of the scheme will conclude in 2024 when the final year allocations for the second phase will vest. The LTIP is commensurate with similar schemes in various private and public companies and has been put in place under governance oversight by the Remuneration Board of Carbery Group under independent advice. Benefits associated with the scheme are entirely performance based and are referenced to the additional shareholder value generated over the term of the plan. Whilst the actual cost of the LTIP cannot be determined until 2024 for Phase 2, provision is being made over the lifetime of the plan for the estimated total cost. Further details of the LTIP including total provisions as at 31 December 2019 are outlined in Note 16 to the accounts.

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

The total cost of the above components of remuneration in 2019 is €5.64m (2018: €6.92m).

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

Non-Executive Directors

Total remuneration paid to nine non-executive directors in 2019 was €225,937 (2018: €232,719) and together with employer social insurance contributions of €23,164 (2018: €24,136), the total remuneration cost was €249,101 (2018: €256,855).

Shareholders' and milk suppliers' loans	2019 (€'000)	2018 (€'000)
'A' shareholder loans	17,831	17,831
Processing notes (note 13)	–	734
	17,831	18,565

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

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

Processing notes were reclassified from equity to Creditors: falling due after more than one year in the current year.

24. NON-CONTROLLING INTERESTS

	2019 (€'000)	2018 (€'000)
At 1 January	9,000	9,000
Redemptions	(7,000)	–
At 31 December	2,000	9,000

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

These shares are redeemable, at par, at the option of the preference shareholders at any time on or after 30 November 2019 for the 2012 share issuances and after 24 October 2020 for the 2013 issuances by notice in writing to the company. The company has the right to redeem the 2012 share issuance, at par, at any time on or after 30 November 2017 and the 2013 share issuance, at par, at any time on or after 24 October 2018 by notice in writing to the Preference Shareholders.

Carbery Food Ingredients exercised its right to redeem the preference shares during the year and the 5,600,000 preference shares of €1.25 each issued in 2012 and held by Bandon Co-Operative Agricultural & Dairy Society Limited, Barryroe Co-Operative Limited and Lisavaird Co-Operative Creamery Limited were redeemed at par in October 2019 and the remaining 1,600,000 preference shares of €1.25 each issued in 2013 held by Drinagh Co-Operative Limited will be redeemed at par during 2020.

25. SUBSIDIARIES AND JOINT VENTURES

At 31st December 2019 the Society had the following principal subsidiaries:

Principal subsidiaries

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

Joint venture company

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

All shareholdings consist of ordinary shares.

26. FINANCIAL INSTRUMENTS

	2019 (€'000)	2018 (€'000)
Financial assets measured at cost less impairment		
Unlisted investments	182	182
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	119,799	117,527
Other debtors	13,248	9,121
Loan notes	877	874
Financial liabilities measured at amortised cost		
Trade creditors	(62,690)	(46,565)
Other creditors	(20,060)	(18,347)
Bank overdraft	–	(168)
Loans	(60,325)	(37,352)
Finance leases and hire purchase contracts	(25)	(29)

Cash flow hedges - foreign currency risk

The Group purchases forward foreign currency contracts to hedge currency exposure on highly probable forecast transactions denominated in a foreign currency. The expected future sales and purchases which are hedged are expected to occur throughout 2020 (2018: throughout 2019). As at 31 December 2019, a net unrealised gain of €773,640 (2018: net unrealised loss of €138,588) was included in other comprehensive income in respect of the contracts. This amount which was retained in other comprehensive income at 31 December 2019 and 2018 is expected to mature and affect the income statement in 2020 and 2019 respectively. The amount that was reclassified from equity to the income statement for the periods is disclosed in note 20.

27. SUBSEQUENT EVENTS

The Directors note the Covid-19 outbreak has the potential to impact markets and consequently the operations of the group. At this juncture it's not possible to determine the eventual impact of the Covid-19 outbreak on global markets and supply chains. It has the potential to be significant if the associated disruption to market activities and supply chains prevails for an extended period of time. Like all international businesses Carbery will endeavour to manage supply chain constaints and customer needs with minimised disruption and to the best of our ability as we navigate the months ahead. Above all we will take all necessary steps and precautions to protect the health and wellbeing of our global workforce.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The committee approved the financial statements on 18th March 2020.

NOTES

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Carbery Group
Ballineen, Co Cork,
P47 YW77,
Ireland

Tel: +353 (0)23 8822200
Email: info@carbery.com
Web: carbery.com