



**Kerry Co-op.**

KERRY CO-OPERATIVE  
CREAMERIES LIMITED

**ANNUAL REPORT 2020**





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## Chairman's Statement

As Chairman of Kerry Co-Operative Creameries Ltd I am pleased to report on the activities of the Society for 2020 and on behalf of the Board of Kerry Co-Operative Creameries Ltd I am presenting the Annual Report and Financial Statements of the Society for the year ended the 31 December 2020.

### KERRY GROUP PLC RESULTS 2020

Kerry Co-Operative Creameries Ltd is the largest shareholder in Kerry Group plc. Kerry Group revenue of €7 billion for 2020 reflected a reported decrease of 4%, with an overall volume reduction of 2.9% in the year. The Group reported trading profit of €797.2m (2019: €902.7m). Group trading margin decreased to 11.5% as a result of significant operating deleverage and COVID - related costs partially offset by cost mitigation actions, with significant recovery in business margins across the second half of the year. The total dividend for the year of 86.5 cent for 2020, is an increase of 10.1% on 2019. The Society received dividend income amounting to €18m in the current year from our shareholding in Kerry Group plc. Share interest of €3.80 per share was paid in July 2020 up from €3.55 per share in 2019.

### GOVERNANCE

#### Board of Directors

The Board is responsible for ensuring the prosperity of the Co-Op through directing the organisations' affairs taking account of the key interests of its shareholders and significant stakeholders. At the end of 2020 there were a total of 21 Directors representing nine Advisory Areas. The Board has 4 sub-committees with specific tasks.

#### Leading Milk Price Committee

The leading milk price committee was established to monitor the operation of the milk price contract and to ensure that the price paid by Kerry Creameries Ltd for raw milk up to the guaranteed volume in any year is the leading milk price on a like-for-like basis. This price is reviewed on an ongoing basis by the committee who report to the Board of the Society. In the milk contract Kerry Creameries Ltd acknowledges the legitimate interest of the Society in matters pertaining to its members' raw milk and the pricing thereof. Without prejudice to the Milk Supplier's right to self-representation Kerry agrees that it will duly consult with the Society in relation to the implementation of the Contract in respect of the Society's members.

#### The Audit Committee

The primary purpose of the audit committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The committee reviews the results of an audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards. Controls over financial reporting, information technology security and operational matters fall under the purview of the committee.

#### Strategy Committee

The formulation of strategy is a matter for the board and the strategy committee assists the board with strategy formulation through examining and bringing focus to defined tasks at the request of the board.

## Remuneration Committee

The Remuneration Committee makes recommendations to the Board on Remuneration levels for Members and oversees the remuneration elements in the CEO's contract.

## BOARD CHANGES

I would like to thank James Devane, Patrick Gerard O'Sullivan, Tim O'Connell and Martin Crowe who retired from the Board in 2020 for their individual contributions and service they provided to the Board during their terms of office. I would like to welcome James Tangney and Denis Donovan to the board following their election in December.

## MEETINGS 2020

Board Meetings	2020	Attended
Sean Brosnan	12	12
Denis Carroll	12	12
John Casey	12	12
Seamus Crawford	12	12
Conor Creedon	12	12
Martin Crowe***	11	11
Tom Cummins	12	12
James Devane*	11	11
John Fitzmaurice	12	12
Victor Gardiner	12	12
Martin Griffin	12	12
Patrick Hanafin	12	12
Mundy Hayes	12	12
Billy Horgan	12	12
Jim McInerney	12	12
Conleth McMahon	12	12
Tom Murphy	12	12
Tim O'Connell**	11	11
Joseph O'Connor	12	11
Patrick O'Donoghue	12	12
James O'Keeffe	12	12
Patrick Gerard O'Sullivan*	11	10
Patrick Rohan	12	12
Denis Donovan**	1	1
James Tangney***	1	1

\*James Devane and Patrick Gerard O'Sullivan Retired from the Board in December 2020 and were not replaced.

\*\*Tim O'Connell retired from the Board in December 2020 and was replaced by Denis Donovan

\*\*\*Martin Crowe was replaced on the Board in December 2020 by James Tangney

### Strategy Committee

Members	2020	Attended
John Casey	2	2
Tom Murphy	2	2
Sean Brosnan	2	2
Mundy Hayes	2	2
Seamus Crawford	2	2
Tim O'Connell	2	2
James O'Keeffe	2	2
Patrick Gerard O'Sullivan	2	2

### Leading Milk Price Committee

Members	Meetings 2020	Attended
Conor Creedon	8	8
Denis Carroll	8	8
Victor Gardiner	8	8
Pat O'Donoghue	8	7
Mundy Hayes	8	8
Martin Crowe	8	8
Paddy Casey*	8	6
Tom Galvin*	8	6
William Slattery*	8	6

\*Retained as Consultants

### Audit Committee

Members	Meetings 2020	Attended
Conleth McMahon	1	1
Billy Horgan	1	1
Martin Griffin	1	1

### Remuneration Committee

Members	Meetings 2020	Attended
James Devane	1	1
Patrick Gerard O'Sullivan	1	1
Mundy Hayes	1	1

### SHARE INTEREST

The Board recommends the payment of share interest of €3.80 per share on all shares held at 28<sup>th</sup> May 2021. Subject to the approval at the Annual General Meeting, this share interest will be paid to shareholders on 2nd July 2021.

I would like to thank our CEO and his staff for their contribution during the course of the year.



Mundy Hayes, Chairman

21<sup>st</sup> May 2021



## CEO Report

### Milk Price Dispute and Arbitration

In the course of 2020, we examined options aimed at resolving the milk price dispute between Kerry Creameries Ltd and our milk supplier members on foot of the Arbitration Report finalised in 2019. An extensive amount of work was carried out in this regard and information of a confidential nature was exchanged between the parties. The engagement was continuing at year end and is expected to conclude in 2021. Both parties reserved their positions and if the talks are unsuccessful the matter will be subject to further arbitration.

### ELECTIONS 2020

#### Advisory Elections

Clare elections (non-contested) took place in Sub-Electoral Area 92 returning John Gerard Healy, Patrick O'Donoghue, and Declan O'Dwyer. In Sub-Electoral Area 93 John Hehir, Francis Kennedy, Niall McCarthy, Patrick O'Brien and Richard Pilkington were elected (un-contested). In Sub-Electoral Area 94 Patrick Blake and Patrick Talty retired by rotation. Patrick Talty was returned unopposed and a vacancy created when Patrick Blake withdrew his nomination was filled by Andrew Killeen.

In West Limerick full elections took place without the seats being contested in Sub-Electoral Area 82 Michael A Doody, Denis Mulcahy, Michael O'Callaghan, Niall O'Callaghan, and Michael O'Flynn were elected. In Sub-Electoral Area 83 Eamon Burke, Joe Collins, David Hayes and Patrick O'Kelly were elected. In Sub-Electoral Area 84 David Horan and Denis Lane retired by rotation and were returned unopposed. In Sub-Electoral Area 85 Patrick McAuliffe retired by rotation and was returned unopposed.

In East Limerick full elections without a contest took place in Sub-Electoral Area 72 John Bateman, Richard Hynes, Ian Kelleher, Fiachra Liston, Brendan O'Regan were elected and in Sub-Electoral Area 73 John Hawe, Clement McAuliffe, Michael McNamara, Robert Troy and Con Walsh were elected. In Sub-Electoral Area 74 Joseph Tierney retired by rotation was returned unopposed and a vacancy created by the retirement of Gerald Quain was filled by Pdraig Kenneally.

In Iveragh full elections took place in Sub-Electoral Area 42 with 8 candidates contesting 4 seats. Voting took place physically on the eve of a COVID lockdown. There was a huge turnout estimated at over 90% of the electorate. James Doyle, Donal Hayes, Noel Murphy and Thomas O'Connell were elected.

In Feale full elections took place in Sub-Electoral Area 22 (not-contested) and Patrick Keane, Thomas Mulvihill, James Gerard O'Carroll and Noel O'Connor were elected. In Sub-Electoral Area 24 Patrick Buckley and John Joe Dillon retired by rotation and were returned unopposed.

In Ardkreem full elections took place in Sub-Electoral Area 13 for 4 seats. Only two successful applications were received from Pdraig Mc Carthy and Michael Kissane. Two vacancies remain to be filled. In Sub-Electoral Area 14 Billy Dee and Henry McEnery retired by rotation and were returned unopposed.

In West Kerry Sub-Electoral Area 60 Oliver Brosnan retired by rotation and was returned unopposed.

In East Kerry Sub-Electoral Area 53 Conor Creedon and Tim Dennehy retired by rotation and were returned unopposed.

In Dicksgrrove Sub-Electoral Area 33 Niall Broderick and John J Kerins retired by rotation and were returned unopposed.

### **Board Elections**

Jim McNerney retired by rotation from the Board of the Co-Op and sought re-election from the Clare Advisory Committee. The seat was contested by Willie Hanrahan. A full ballot took place by postal vote and Jim McNerney was returned.

In West Limerick Tim O'Connell retired from the Board and did not seek re-election. The seat was contested by Denis Donovan and Mike Doody with Denis Donovan securing the seat in a postal ballot.

In East Limerick Martin Crowe retired by rotation from the Board of the Co-Op and sought re-election. The seat was contested by James Tangney and in a ballot by postal vote James Tangney was returned.

The number of Board members has reduced in size from 28 members to 21 currently with the retirement of James Devane and Gerard O'Sullivan in 2020. A further reduction of 2 seats will bring the numbers down to 19 with the suppression of one position in East Kerry in 2021 and the final seat in West Kerry suppressed in 2022.

### **Election of Chairman and Vice-Chairman of the Board**

The position of Chairman was contested by Mundy Hayes (outgoing) and Patrick Rohan. In a postal ballot Mundy Hayes was returned as Chairman.

The position of Vice-Chairman vacated by Martin Crowe was filled un-contested by Sean Brosnan.

### **PATRONAGE TAX APPEAL**

The patronage tax appeal was heard by the Appeals Commissioners in November 2017. The Appeals Commissioner issued his determination in July 2020 and found in our favour. The Tax Appeals Commissioner's findings can be summarised as follows: -

- (a) The patronage shares were issued due to the activities of Kerry Co-op or its nominee, and were a direct result of those trading activities.
- (b) The only benefit received by the Appellant pursuant to Rule 9.C(vii) was the personal, non-assignable right to subscribe for Patronage Shares at par value.
- (c) The allocation of Patronage Shares to the Appellant by Kerry Co-op was the result of a separate and distinct transaction and did not flow directly or inevitably from Rule 9.C(vii).
- (d) The right to subscribe for Patronage Shares received by the Appellant under Rule 9.C(vii) was a personal and non-assignable right and, as such, did not have any value which constituted a trading receipt to be taken into account when calculating the full amount of his profits or gains in the year of assessment.

This appeal was a fully contested hearing and Revenue had previously indicated that if they lost, they would drop hands and the assessments would wither. However, Revenue have lodged an appeal on a point of law and the matter is expected to come before the High Court in December 2021.

## SHARE REDEMPTION SCHEME

We have now completed four tranches under the Share Redemption Scheme. The price achieved in the June 2020 redemption was €637.20 per Co-Op share while the price achieved in October 2020 was €690.30. There has also been a movement in the grey market where the price averaged €545 for the year with the highest price achieved at €600 per share.

Share Redemption Scheme 2020	June	October	Total
Total number of Applications	1572	744	2316
			<b>2316</b>
Partial A	368	181	549
Full A	28	16	<b>44</b>
Partial B	372	166	538
Full B	88	24	<b>112</b>
Partial C	453	227	680
Full C	263	130	<b>393</b>
Total Partial			1767
Total Full			549
			<b>2316</b>

## MEETINGS

The impact of the restrictions put in place to deal with the coronavirus has prevented our ability to meet in person both at Board and Advisory level. Online meetings using ZOOM have been successfully deployed to conduct Board meetings and ballots have been successfully conducted by postal vote. Our Annual General Meeting will be held online and details of how to attend will be included in the notice of the meeting. Organised indoor gatherings are not allowed at Level 3 restrictions and above. Under Level 2 up to 50 people can meet provided social distancing is observed, there is no intermingling of groups, and there is one-way controls for entry and exit. At level 1 a maximum of 100 applies for most venues but can be increased to 200 members where full control measures can be implemented.

## SPECIAL GENERAL MEETING

It is proposed to hold a Special General Meeting in August 2021 to consider a number of changes to the Rule Book. If current conditions prevail this meeting will also be held online and electronic voting will be arranged.



Thomas Hunter McGowan

CEO & Company Secretary

21<sup>st</sup> May 2021

## BOARD OF DIRECTORS



M. Hayes, Chairman  
Ardkream



S. Brosnan  
Dicks Grove



D. Carroll  
Iveragh



J. Casey  
Clare



S. Crawford  
East Limerick



C. Creedon  
East Kerry



T. Cummins  
East Limerick



D. Donovan  
West Limerick



J. Fitzmaurice  
Feale



V. Gardiner  
West Limerick



M. Griffin  
Dicks Grove



P. Hanafin  
West Kerry



B. Horgan  
East Kerry



J. McInerney  
Clare



C. McMahon  
Feale



T. Murphy  
Iveragh



J.J. O'Connor  
Ardkream



P. O'Donoghue  
Clare



J. O'Keeffe  
West Limerick



P. Rohan  
West Kerry



J. Tangney  
East Limerick

**KERRY CO-OPERATIVE CREAMERIES LIMITED**  
**DIRECTORS AND OTHER INFORMATION**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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**DIRECTORS**

M. Hayes, Chairman  
S Brosnan, Vice Chairman  
D Carroll  
J Casey  
S Crawford  
C. Creedon  
T Cummins  
D Donovan  
J Fitzmaurice  
V Gardiner  
M. Griffin  
P Hanafin  
B Horgan  
J McNerney  
C McMahon  
T Murphy  
J O'Connor  
P O'Donoghue  
J O'Keeffe  
P Rohan  
J Tangney

**REGISTERED HEAD OFFICE**

Prince's Street  
Tralee  
Co. Kerry

**AUDITORS**

Deloitte Ireland LLP  
Deloitte & Touche House  
Chartered Accountants and Statutory Audit Firm  
Charlotte Quay  
Limerick

**BANKERS**

Allied Irish Banks plc  
52 Upper Baggot St  
Dublin 4

**KERRY CO-OPERATIVE CREAMERIES LIMITED**

**STATEMENT OF BOARD RESPONSIBILITIES**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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The board are responsible for preparing the financial statements in accordance with applicable Irish law including the Industrial and Provident and Societies Acts, 1893.

Irish law requires the board to prepare financial statements for each financial year. Under the law, the board have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“relevant financial reporting framework”). Under the law, the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the society as at the financial year end date and of the profit or loss of the society for the financial year.

In preparing those financial statements, the board are required to:

- select suitable accounting policies for the Society Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The board are responsible for ensuring that the society keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the society, enable at any time the assets, liabilities, financial position and profit or loss of the society to be determined with reasonable accuracy, enable them to ensure that the financial statements and chairman’s statement comply with Irish law and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The board confirm that they have complied with the above requirements in preparing the financial statements.

Signed for and on behalf of the Board.

Mundy Hayes,      Sean Brosnan,

Chairman              Vice-Chairman

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERRY CO-OPERATIVE CREAMERIES LIMITED**

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### **Report on the audit of the financial statements**

#### **Opinion on the financial statements of Kerry Co-Operative Creameries (the 'society')**

In our opinion the society financial statements:

- give a true and fair view of the assets, liabilities and financial position of the society as at 31 December 2020 and of the profit for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 16, including a summary of significant accounting policies as set out in note 2.

The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the applicable financial reporting framework").

#### **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 described below 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 the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

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

### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Board**

As explained more fully in the Statement of Board Responsibilities, the Board are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for 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 the Board either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the society (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

### Report on other legal and regulatory requirements

#### Matters on which we are Required to Report by the Industrial and Provident Societies Acts 1893-2018

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

### Use of our report

This report is made solely to the society's members, as a body, in accordance with Section 13 of the Industrial and Provident Societies Act 1893. 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.



Cathal Treacy

*For and on behalf of Deloitte Ireland LLP*  
*Chartered Accountants and Statutory Audit Firm*  
*Deloitte & Touche House*  
*Charlotte Quay, Limerick*

Date: 4<sup>th</sup> June 2021

**KERRY CO-OPERATIVE CREAMERIES LIMITED**  
**INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 €m	2019 €m
Turnover		18.0	17.3
Gain on Realised Investment		0.2	34.8
		18.2	52.1
Operating expenses	4	(2.3)	(1.4)
Profit before taxation		15.9	50.7
Taxation	5	-	-
Profit after taxation		15.9	50.7

Profit for both the current and preceding financial year arises solely from continuing operations.

The financial statements were approved by the Board on 18 May 2021 and signed on its behalf by:

*Mundy Hayes*

Mundy Hayes,  
Chairman

*Sean Brosnan.*

Sean Brosnan,  
Vice-Chairman

**KERRY CO-OPERATIVE CREAMERIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>2020</b> <b>€m</b>	<b>2019</b> <b>€m</b>
Profit after taxation	<b>15.9</b>	50.7
Unrealised gain on investments	<b>39.3</b>	368.8
Total comprehensive income	<b>55.2</b>	419.5

**KERRY CO-OPERATIVE CREAMERIES LIMITED  
BALANCE SHEET**

AS AT 31 DECEMBER 2020

	Notes	2020 €m	2019 €m
<b>FIXED ASSETS</b>			
Investments	7	2,530.4	2,499.2
		2,530.4	2,499.2
<b>CURRENT ASSETS</b>			
Receivables	8	9.3	-
Bank		38.3	49.9
		47.6	49.9
<b>CURRENT LIABILITIES</b>			
Payables: Amounts falling due within one financial year	9	(9.4)	(25.5)
		(9.4)	(25.5)
<b>NET CURRENT ASSETS</b>		38.2	24.4
<b>TOTAL NET ASSETS</b>		2,568.6	2,523.6
<b>CAPITAL EMPLOYED</b>			
Called up share capital	10	4.4	4.6
Reserve fund		0.1	0.1
Revaluation reserve		2,483.7	2,452.3
Profit and loss account		80.4	66.6
<b>SHAREHOLDERS' FUNDS</b>		2,568.6	2,523.6

The financial statements were approved by the Board on 18 May 2020 and signed on its behalf by:



Mundy Hayes,  
Chairman



Sean Brosnan,  
Vice-Chairman

**KERRY CO-OPERATIVE CREAMERIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>Called up Share Capital</b>	<b>Reserve Fund</b>	<b>Revaluation Reserve</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
At 1 January 2019	4.9	0.1	2,083.5	27.8	2,116.3
Profit after taxation	-	-	-	50.7	50.7
Market Uplift on Investment value and transfer on realisation	-	-	368.8	177.8	546.6
Share redemption	(0.3)	-	-	(175.8)	(176.1)
Share Interest paid	-	-	-	(13.9)	(13.9)
At 31 December 2019	4.6	0.1	2,452.3	66.6	2,523.6
Profit after taxation	-	-	-	15.9	15.9
Disposal of IPL Plastics	-	-	(7.9)	7.9	-
Market Uplift on Investment value and transfer on realisation	-	-	39.3	118.7	158.0
*Share redemption	(0.2)	-	-	(114.8)	(115.0)
Share Interest paid	-	-	-	(13.9)	(13.9)
At 31 December 2020	4.4	0.1	2,483.7	80.4	2,568.6

\*The number of Shares sold in Kerry Group exceeded the requirement to fund the shares redeemed which in turn increased reserves.



**KERRY CO-OPERATIVE CREAMERIES LIMITED**  
**STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>2020 €m</b>	<b>2019 €m</b>
Operating Activities		
Profit after taxation	<b>15.9</b>	50.7
Less Gain on Sale of Investments	<b>(0.2)</b>	(34.8)
(Decrease)/Increase in payables	<b>(16.1)</b>	23.5
Net cash inflow from operating activities	<b>(0.4)</b>	39.4
Investing Activities		
Proceeds from sale of shares net of transaction costs	<b>117.7</b>	176.3
Net cash inflow from investing activities	<b>117.7</b>	176.3
Financing Activities		
Share interest payment	<b>(13.9)</b>	(13.9)
Share Redemption Costs	<b>(115.0)</b>	(176.0)
Net cash outflow from financing activities	<b>(128.9)</b>	(189.9)
Net (Decrease)/increase in cash and cash equivalents	<b>(11.6)</b>	25.8
Cash and cash equivalents at beginning of financial year	<b>49.9</b>	24.1
Cash and cash equivalents at end of financial year	<b>38.3</b>	49.9

## **KERRY CO-OPERATIVE CREAMERIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### **1. PRINCIPAL ACTIVITIES**

Kerry Co-Operative Creameries is an Agricultural Society registered under the Industrial and Provident Societies Acts. It engages in Agricultural trading and holds investments in a number of corporate entities.

#### **2. STATEMENT OF ACCOUNTING POLICIES**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of quoted shares and in accordance with Irish statute comprising the Industrial and Provident Societies Acts, 1893 to 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

##### **Investments**

Quoted investments comprise equity investments that are actively traded in organised financial markets. These shares are held at market value which is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. Unrealised revaluation gains and losses are taken directly to the revaluation reserve and are recorded in the Statement of Comprehensive Income. On disposal of the investments, accumulated unrealised gains and losses are transferred from the revaluation reserve to the income statement. Information on the Society's investments are given in Note 7.

Unquoted investments are stated at cost. Income from investments are recognised as Turnover in the Income Statement in the period in which it is receivable.

##### **Share interest**

Share interest is accounted for on an accruals basis through the retained earnings reserve. Share interest proposed does not meet the definition of a liability until it has been approved.

##### **Taxation**

Current tax, including Irish corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets and liabilities are not discounted.

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**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

There are no critical accounting judgements or key sources of estimation uncertainty except for those set out in the accounting policies in Note 2 and those areas of principal risk and uncertainty set out in Note 13.

**4. OPERATING EXPENSES**

These are expenses incurred by the Co-Operative in the course of its business. The major items included Director Fees €399,600 (2019: €481,250), Bank Charges €111,103 (2019: €12,202), Subscriptions €122,090 (2019: €121,000), Salaries €228,400 (2019: €212,324) Consultancy Fees €623,898 (2019: €61,593).

**5 TAXATION**

	2020 €m	2019 €m
Corporation tax	-	-
The tax assessed for the year is lower than the standard rate of corporation tax in Ireland (12.5%).		
The difference is explained below:		
	2020 €m	2019 €m
Factors affecting change for the financial year:		
Profit on ordinary activities before taxation	16.0	50.7
Profit on ordinary activities multiplied by the		
standard rate of taxation (12.5%) (2019: 12.5%)	2.0	6.3
Effects of:		
Franked investment income not subject to tax	(2.2)	(2.1)
Other income not subject to tax	-	(4.4)
Excess allowable expenses carried forward	0.2	0.2
Corporation tax	-	-

A deferred tax asset of €0.5m (2019: €0.5m) has not been recognised as there is uncertainty as to the timing of future taxable profits.

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<b>6 SHARE INTEREST</b>	<b>2020 €m</b>	<b>2019 €m</b>
Share interest paid:		
3,652,539 shares @ €3.80 (2019: 3,931,211 @ €3.55)	<b>13.9</b>	13.9
	<b>13.9</b>	13.9

<b>7. INVESTMENTS</b>	<b>2020 €m</b>	<b>2019 €m</b>
Quoted shares at market value:		
Balance at start of financial year	<b>2,498.2</b>	2,093.2
Disposal of Kerry Group shares	<b>(0.2)</b>	36.2
Disposal of Investment in IPL Plastics	<b>(7.9)</b>	-
Revaluation surplus	<b>39.3</b>	368.8
	<b>2,529.4</b>	2,498.2
Unquoted investments at cost:		
Balance at start of financial year	<b>1.0</b>	1.0
	<b>1.0</b>	1.0
Total investments at end of financial year	<b>2,530.4</b>	2,499.2

Included in quoted shares at market value is the Society's holding in Kerry Group plc. At the year-end, the Society holds 12.1% (2019: 12.7%) of the ordinary share capital of Kerry Group plc. This investment is carried at fair value of €2,529m (2019: €2,490m). Fair value was determined with reference to the quoted market price at the reporting date and is a level 1 measurement on the fair value hierarchy. The market value of each of Kerry Group Shares ordinary shares at year end was €118.50 per share (2019: €110.10).

IPL Plastics plc was sold to Chicago-based private equity group Madison Dearborn for 10 Canadian dollars (€6.35) a share in 2020. The Society's holding was carried at fair value of €7.96m and was sold in full in 2020 for €9.35m. Other Investments include:

Kerry Airport  
 Listowel Races Development Company Ltd  
 Kenmare Livestock Mart Co-Operative Society Ltd  
 Cilcoone Ltd (Cork Racecourse), FBD Holdings, Kingdom Co-Op Mart,  
 Golden Vale Marts, and Western Forestry Co-Op Ltd  
 Unquoted investments are stated at cost.

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<b>8. RECEIVABLES:</b>	<b>2020</b>	<b>2019</b>
	<b>€m</b>	<b>€m</b>
Receivables	<b>9.3</b>	-
	<b>9.3</b>	-

This balance is in relation to the sale of IPL Plastics in December 2020.  
 This money was received in January 2021.

<b>9. PAYABLES:</b>	<b>2020</b>	<b>2019</b>
(amounts falling due within one financial year)		
	<b>€m</b>	<b>€m</b>
Other creditors	<b>9.4</b>	25.5
	<b>9.4</b>	25.5

This balance is comprised of accruals, payroll liabilities and outstanding cheques. Outstanding cheques in respect of Share Interest and Share Redemption account for the majority of this balance.

<b>10. CALLED UP SHARE CAPITAL</b>	<b>2020</b>	<b>2019</b>
	<b>€m</b>	<b>€m</b>
<b>Called up Share capital fully paid:</b>		
"A" Ordinary shares of €1.25 each	<b>1.7</b>	1.8
"B" Ordinary shares of €1.25 each	<b>1.2</b>	1.2
"C" Ordinary shares of €1.25 each	<b>1.5</b>	1.6
	<b>4.4</b>	4.6

Transfers of shares by members can lead to shares being categorised differently to that of the original holder, as the share categories are dependent on the eligibility of the shareholders under the rules of the Co-operative Society to hold such shares.

Analysis of movement in Share Capital during the financial year:

	<b>"A" Ordinary Shares €m</b>	<b>"B" Ordinary Shares €m</b>	<b>"C" Ordinary Shares €m</b>	<b>Total €m</b>
At beginning of year	1.8	1.2	1.6	4.6
Transfers between classes & redemptions	(0.1)	-	(0.1)	(0.2)
<b>At end of year</b>	<b>1.7</b>	<b>1.2</b>	<b>1.5</b>	<b>4.4</b>

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**11. RELATED PARTY TRANSACTIONS**

In the ordinary course of their business as farmers, Directors and companies owned by Directors have traded on standard commercial terms with the Agribusiness Division of Kerry Group plc. Aggregate purchases from, and sales to, these Directors amounted to €3,164,273 (2019: €3,931,034) and €769,755 (2019: €938,367), respectively. The trading balance outstanding at financial year end was €40,598 (2019: €85,093). No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by directors.

In the ordinary course of business, the directors of Kerry Co-operative Creameries Limited received returns of €110,063 (2019: €182,847) on their investments in Kerry Co-operative Creameries Limited and in Kerry Group plc. Kerry Co-operative Creameries Limited purchased milk from Kerry Creameries Ltd (a related party). The value of milk purchased in 2020 was €67,498 (2019: €59,709).

Kerry Co-operative Creameries Limited utilises administrative services of Kerry Group plc for which no fee is charged.

The total compensation for Directors for the financial year amounted to €399,600 (2019: €481,250). The compensation for Key Management Personnel is set out below:

	2020 €	2019 €
Compensation to Executive Management	185,027	182,291
	185,027	182,291

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**11. RELATED PARTY TRANSACTIONS (continued)**

**Compensation to Non - Executive Directors:**

	Appointed	Fees 2020 €	Fees 2019 €
Sean Brosnan	2016	15,600	15,900
Denis Carroll	2018	17,400	17,100
John Casey	2012	15,600	15,600
Paddy Casey	2010	1,800	17,050
Seamus Crawford	2018	15,600	15,000
Conor Creedon	2018	17,400	17,400
Martin Crowe <sup>2</sup>	2015	22,150	17,100
Thomas Cummins <sup>1</sup>	2012	21,000	21,600
James Devane	2010	14,050	15,600
Denis Donovan	2020	1,250	0
Michael A Doody	2013	0	2,400
John Fitzmaurice	2017	15,000	15,000
Thomas Galvin <sup>1</sup>	2014	4,800	22,550
Victor Gardiner <sup>2</sup>	2017	17,400	17,400
Martin Griffin	2018	15,300	15,000
Patrick Hanafin	2018	15,000	15,000
Mundy Hayes	2003	28,300	28,900
Timothy Horan	2014	0	13,750
Billy Horgan	2016	15,300	15,000
Jim McInerney <sup>1</sup>	2017	18,000	15,000
Conleth McMahon	2016	15,300	15,000
Tom Murphy	2016	15,600	15,000
Tim O'Connell	2015	14,350	15,000
Joseph O'Connor	2011	15,000	15,000
Michael O'Connor	2006	0	19,250
Pat O'Donoghue <sup>3</sup>	2014	20,100	19,800
James O'Keeffe	2018	15,600	15,600
John O'Leary	2013	0	600
Patrick O'Sullivan	2013	0	6,300
Patrick Gerard O'Sullivan	2010	14,650	15,600
Patrick Rohan	2017	15,000	15,000
William Slattery	2014	1,800	16,750
James Tangney	2020	1,250	0
		<b>399,600</b>	<b>481,250</b>

The Annual fees for Board Members are set at €15,000 and at €25,000 for the Chairman. Additional payments are made for attendance at Committee meetings. A number of Directors sit on other Boards as representatives of Kerry Co-Operative Creameries Ltd and are paid additional fees in respect of those appointments.

<sup>1</sup> Director Munster Cattle Breeding Group Ltd Jim McInerney replaced Tom Galvin on 1<sup>st</sup> July 2020

<sup>2</sup> Director ICOS Victor Gardiner replaced Martin Crowe on 1<sup>st</sup> December 2020

<sup>3</sup> Director Member of National Dairy Council

Paddy Casey, Tom Galvin, William Slattery retired from the Board in 2019 but were paid outstanding Committee Fees in 2020 and remain as consultative members of the Milk Price Committee.

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**12. AUDIT FEES**

	2020 €	2019 €
Audit of financial statements	18,000	18,000

**13. PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the Society are; the risk of a loss of income due to a reduction in the value of its investments and a reduction in its dividend income; and taxation risk.

The most significant investment held by the Society is its investment in Kerry Group plc. The value of the shares of Kerry Group plc may be impacted by a number of risks and uncertainties impacting the Group including portfolio management, business acquisition and divestiture, developing markets, quality and food safety, raw material and input cost fluctuations, talent management, IT systems and information security, taxation and treasury risk. Changes in tax laws, changing legal interpretations and tax audits may impact on the Society's future tax liabilities.

Details of financial risk management are set out in Note 14.

**14. FINANCIAL RISK MANAGEMENT**

The Society's financial instruments comprise investments, cash balances and trade and other payables. The main financial risk to which the Society is exposed is market risk. Market risk is the risk of a potential fall in income or net asset position of the Society due to changes or fluctuations in the quoted market price of its shares in Kerry Group plc. This risk is not considered significant, as the market price of the shares has remained strong in recent years. Further information in relation to this risk is set out in Note 13.

The Society is also exposed to credit risk in relation to its cash balances. The Board believes there is limited exposure to credit risk as the Society's cash balances are held with major financial institutions.

FRS 102 requires disclosure of how hypothetical changes in risk variables affect the price of financial instruments. If share prices had been 10% higher/ (lower) at 31 December 2020, net assets would have been €253m higher/ (lower).

**Capital Management**

The primary objective of the Society's capital management is to maximize shareholder value. The capital structure of the Society comprises equity.

The Society is not subject to any externally imposed capital requirements

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**15. FINANCIAL INSTRUMENTS**

Analysis of financial instruments by category:

	<b>Loan and receivables and other financial assets/ (liabilities) (at amortised cost)</b>	<b>Assets at fair value through other comprehensive income</b>	<b>Total</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Financial asset investments	1.0	2,529.4	2,530.4
Cash at bank	38.3	-	38.3
Receivables	9.3	-	9.3
Trade and other payables	(9.4)	-	(9.4)
Total net assets	39.2	2,529.4	2,568.6
	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Financial asset investments	1.0	2,498.2	2,499.2
Cash at bank	49.9	-	49.9
Trade and other payables	(25.5)	-	(25.5)
Total net assets	25.4	2,498.2	2,523.6

**16. SUBSEQUENT EVENTS**

COVID-19 has continued to have an impact on businesses and economic activity which has been reflected in the market. The directors consider the continued impact of COVID-19 to be a non-adjusting post balance sheet event. The directors do not consider COVID-19 to have a material effect on the operations.

Electoral Area	Advisory Committee Members	
<b>Ardkreem</b>	Billy Dee	Maurice Harty
	Michael Kissane	John Rohan Jr
	Henry McEnery	John A O'Connor
	Liam O'Sullivan	John O'Sullivan
	Adrian Keane	John Kearney
	John Lawlor	Kenneth Lawlor
	Maurice O'Driscoll	John O'Hanlon
	Padraig Mc Carthy	William Slattery
<b>Clare</b>	Sean Bugler	Sinead Cahill
	John Casey	Noel Clancy
	John Gerard Healy	John Hehir
	Francis Kennedy	Andrew Killeen
	Patrick Minogue	Patrick J Murray
	Declan O'Dwyer	Patrick O'Neill
	Patrick Talty	Sean Carrigg
	Michael Cahir	Kevin Hassett
	William Hanrahan	Anthony Horan
	Sean Hogan	Jim McInerney
	Niall McCarthy	Patrick O'Donoghue
	Patrick O'Brien	Michael Shaloo
	Richard Pilkington	
<b>Dicksgrove</b>	Niall Broderick	John Brosnan
	John J Kerins	Florence M Kerrisk
	John C O'Connor	Donie O'Sullivan
	Michael M Griffin	John Kearney
	TJ Murphy	Cornelius O'Mahony
	Michael Teahan	
<b>East Kerry</b>	Andrew Buckley	Conor Creedon
	Patrick Herlihy	Richard Leader
	Diarmuid McCarthy	Martin Randles
	Tim Dennehy	Dermot Dineen
	Billy Linehan	Michael J Murphy
<b>East Limerick</b>	Michael Ahern	John Bateman
	Martin Crowe	Seamus Crawford
	John Hawe	Paul Hannon
	Ian Kelleher	Padraig Kenneally
	Clement J McAuliffe	Fergus McCarthy
	Martin Moloney	Thomas O'Brien
	Thomas O'Donnell	Brendan O'Regan
	Robert Troy	Con Walsh
	John Cagney	Gerard Cronin

Electoral Area	Advisory Committee Members	
<b>East Limerick (continued)</b>	Thomas Cummins	Desmond Frawley
	Michael Hickey	Richard Hynes
	Fiachra Liston	Tom Lynch
	Liam McGrath	Michael McNamara
	Timothy O'Brien	Michael O'Connor
	James Tangney	Joseph Tierney
<b>Feale</b>	Patrick F Buckley	Patrick Carmody
	John Joe Flavin	John G Fitzmaurice
	Patrick Keane	Patrick Keane
	James G O'Carroll	John O'Connor
	Shane Wall	James Egan
	John Joe Dillon	Thomas Galvin
	Damian Galvin	Michael McMahon
	Thomas Mulvihill	Con O'Sullivan
<b>Iveragh</b>	Patrick Browne	Denis Carroll
	John Foley	Maurice Foley
	Thomas Kelliher	Thomas Murphy
	Thomas O'Connell	James P Doyle
	James Casey	Kevin Heffernan
	Donal Hayes	Eoghan McCarthy
	William N Murphy	
<b>West Kerry</b>	Oliver Brosnan	Michael Dowd
	Michael Kelleher	Seamus Leahy
	Denis M Galvin	Patrick Hanafin
	Patrick Rohan	
<b>West Limerick</b>	Dermot Browne	Thomas Brouder
	Joe Collins	Donal Cronin
	Cornelius James Forrest	Victor Gardiner
	James Ambrose Kelly	Denis Lane
	Gerard Noonan	Aidan O'Callaghan
	Tim O'Connell	Michael Gerard O'Connor
	James Vincent O'Keeffe	Patrick O'Kelly
	Thomas Prenderville	Tadhg F Shanahan
	Eamon Burke	Batt Casey
	Denis Donovan	Michael A Doody
	David Hayes Jr	David Horan Jnr
	Denis Mulcahy	Patrick McAuliffe
	Michael O'Callaghan	Niall O'Callaghan
	Michael G O'Flynn	Michael O'Grady
	John O'Shaughnessy	Richard O'Sullivan







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