

Tirlán Co-operative Society Limited

Consolidated and Parent Society Financial Statements
For the Financial Year Ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIRLÁN CO-OPERATIVE SOCIETY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements of Tirlán Co-operative Society Limited (the 'Society')

In our opinion the Group and Parent Society financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Parent Society as at 31 December 2022 and of the loss of the Group and profit of the Parent Society for the financial year then ended; and
- have been properly prepared in accordance with the applicable financial reporting frameworks.

The financial statements we have audited comprise:

The Group financial statements:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group statement of changes in equity;
- the Group statement of cash flows; and
- the related notes 1 to 42, including a summary of significant accounting policies as set out in note 5.

The Parent Society financial statements:

- the income statement;
- the statement of comprehensive income;
- the balance sheet; and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the applicable financial reporting framework").

The financial reporting framework that has been applied in the preparation of the Parent Society financial statements is Irish law and FRS 101 "Reduced Disclosure Framework" 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 Group and Parent 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, as applied to listed entities, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Revenue recognition;• Retirement benefit obligation; and• Acquisition accounting and valuation of intangible assets on acquisition.
Materiality	The materiality that we used in the current year was €16.5m which was determined on the basis of 0.665% of revenue. The materiality that we used for the Parent Society was €8.6m which was determined based 2% of net assets.
Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide internal financial controls, and assessing the risks of material misstatement at the Group level. We focused our Group audit scope primarily on the audit work in 4 components which were subject to a full audit. Analytical review procedures were performed by the Group audit team on all other components within the Group.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group and Parent Society's ability to continue to adopt the going concern basis of accounting included:

- We evaluated the design and determined the implementation of the relevant controls in place for the directors' review of the budgets and forecasts for at least a period of 12 months from the date of signing of the Annual Report and Financial Statements, including reviewing their challenge of these;
- We considered the appropriateness of the method used by the directors in performing the going concern assessment in the context of the applicable financial reporting framework. We evaluated the relevance and challenged the reliability of the underlying data the directors used to make the assessment.
- We completed a review and challenged the forward looking forecasts through evaluating both the "Budget 2023" and "Strategic Plan 2023 – 2027" prepared by the Group;
- We evaluated the Group and Parent Society's financing arrangements, including the agreements in respect of the undrawn committed bank facilities in place within the Group;
- We challenged the directors' assumptions and the basis for their evaluation and the inclusion of sensitivities incorporated in the budgets and forecasts related to macro-economic factors such as international conflicts, and any potential supply-chain disruption;
- We performed a look back analysis of the historical accuracy of forecasts prepared by management; and
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent 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 directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material

misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
<p>Key audit matter description</p> 	<p>The Group’s revenues of €2,478 million are principally derived from a range of added value dairy ingredients and consumer products. The Group is also a large-scale seller of animal nutrition and fertilizer as well as having a chain of agricultural retail outlets in Ireland.</p> <p>For Ingredients and Agribusiness, performance obligations are met at the point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are dispatched or delivered to the customer. However, for certain sales title does not transfer until the goods are received by the customer, which impacts the amount of revenue recognised in the period. We have therefore pinpointed the significant presumed risk of fraud, including management bias, for Ingredients and Agribusiness in revenue recognition to revenue cut off as revenue could be recognised prior to the risks and rewards transferring to the customer.</p> <p>For Consumer Foods, rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the most likely method. Rebates and discounts are recorded in the same period as the original revenue. We have therefore pinpointed the significant presumed risk of fraud, including management bias, in revenue recognition to period-end accrued rebates relating to selling arrangements, and the corresponding debit adjustment to revenue as a risk exists that revenue could be misstated either intentionally to achieve performance targets, or as a result of error.</p> <p>Due to the judgements made by management in respect of revenue recognition this required extensive audit effort, therefore we have considered this as a key audit matter.</p> <p>Please refer to the accounting policy set out in Note 5(a) and note 38 to the financial statements.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We obtained an understanding of the revenue recognition process and assessed the design and determined the implementation of the relevant controls therein. As a result of some deficiencies identified, primarily relating to management review controls, we determined that a wholly substantive approach was appropriate.</p> <p>For Ingredients & Agribusiness, we selected a sample of transactions pre and post year end and traced to amounts invoiced to customers including supporting goods dispatch and proof of delivery and assessed whether there was any evidence of management bias in revenue recognition.</p> <p>For Consumer Foods, we discussed key contractual arrangements with management and obtained relevant documentation, including documentation in respect of discounts, rebates and other promotional arrangements. On a sample basis, we recalculated period-end accruals based on underlying contracts with customers and assessed whether there was any evidence of management bias in key judgements made by management. Furthermore, we selected a sample of discounts/rebates and traced to supporting documentation in the form of invoices and discount, rebate and other promotional customer agreements; and recalculated the discounts/rebates in</p>

line with the agreement.

We discussed with management the movement on sales compared to prior year and budget and reviewed the level of credit notes issued after the year end to identify any transactions that do not represent valid sales at the financial year end.

We evaluated the completeness and accuracy of the disclosures made in the financial statements with reference to the requirements of IFRS 15.

Key observations

We have no observations that impact on our audit in respect of the amounts and disclosures related to revenue recognition.



Retirement benefit obligations

Key audit matter description

The Group operates a number of defined benefit schemes in Ireland. The net pension surplus relating to these schemes was €13.4 million at the balance sheet date.



There is a high degree of estimation and judgement by management in the calculation of the pension liabilities, particularly in the underlying assumptions, specifically the discount rate, which is subject to high volatility from small movements in assumptions. We determined this to be a key audit matter as there is a risk that pension plan liabilities are determined using inappropriate discount rates, leading to potential misstatement of the net pension surplus.

Please refer to the accounting policy set out in Note 5(k), critical accounting estimates and judgements in note 4 (a) and note 23 to the financial statements.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the retirement benefit process and assessed the design and determined the implementation of the relevant controls therein.



We utilised Deloitte actuaries as part of our team to assist us in evaluating the appropriateness of key actuarial assumptions with particular focus on discount rates. Our work included discussions with both management and the Group's external pension advisors to understand their processes and the assumptions used in calculating the retirement benefit asset. We benchmarked key assumptions used against market data where available.

We tested the valuation and existence of a sample of plan assets, including obtaining independent valuations of investments held at the financial year end.

We assessed whether managements' disclosures in the financial statements in respect of retirement benefit obligations were in accordance with IAS19.

Key observations

We have no observations that impact on our audit in respect of the amounts and disclosures related to retirement benefit obligations.



Acquisition accounting and valuation of intangible assets on acquisition

Key audit matter description



On 1 April 2022, the Parent Society acquired Glanbia Plc's 40% interest in Tirlán Limited ("formerly Glanbia Ireland DAC) for €307 million. Following the acquisition, the Parent Society owns 100% shareholding in Tirlán Limited.

Management have completed an exercise to identify the intangible assets and goodwill acquired. The acquisition required the Group to allocate the excess of purchase price over the fair value of the assets acquired, firstly to intangible assets and the residual to goodwill. Valuing these intangible assets is a subjective process requiring a high level of estimation and judgement by the Directors. As the identification and valuation of intangible assets is an inherently complex activity there exists a risk that either the intangible assets identification or valuation of the identified assets are inaccurate.

Due to the high degree of auditor judgement and increased audit effort, including the need to involve our valuation specialists, we have identified this as a key audit matter.

Please refer to the accounting policy set out in Note 5(t), critical accounting estimates and judgements in note 4 and note 39 to the financial statements.

How the scope of our audit responded to the key audit matter



We evaluated the design and determined the implementation of key controls in place in relation to the valuation process.

We, in conjunction with our valuation specialists, reviewed the purchase price allocation and challenged the key assumptions utilised in the acquisition model to value the split between goodwill and other assets.

We, using our valuation specialists, assessed whether all assets were appropriately identified and evaluated and if appropriate methodologies were used in the valuation of the assets. We assessed the accounting treatment of acquisitions for compliance with IFRS 3.

Based on our procedures, we assessed if the purchase price allocations performed by the Directors are reasonable.

We evaluated the completeness and accuracy of the disclosures in relation to acquisitions with reference to the requirements of IFRS 3.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to acquisition accounting and valuation of intangible assets on acquisition.

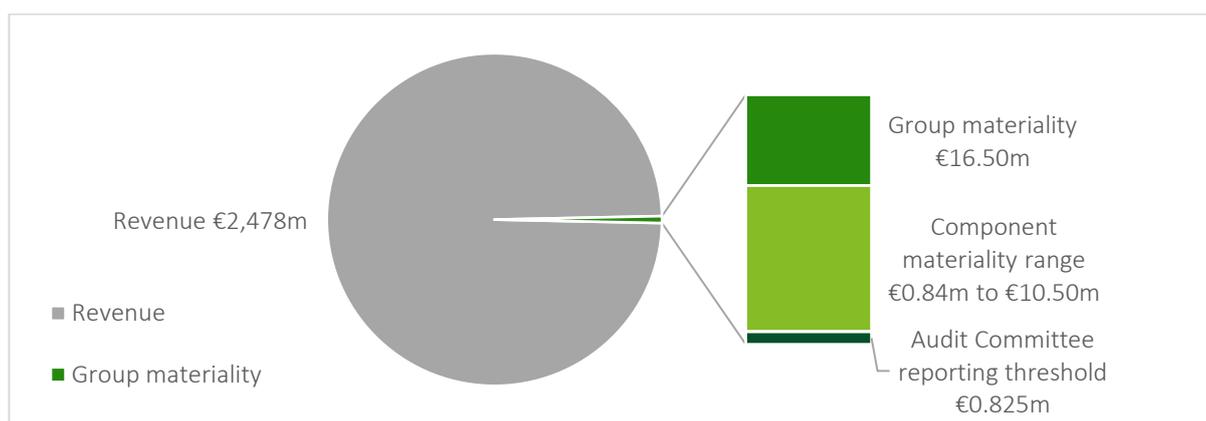
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Society financial statements
Materiality	€16.5m	€8.6m
Basis for determining materiality	0.665% of revenue	2% of net assets
Rationale for the benchmark applied	We have considered revenue to be the critical component for determining materiality because it is the most important measure for users of the Group's financial statements.	As a non-trading Society, the Parent Society does not generate revenues but instead incurs costs, thus net assets are of most relevance to the users of the Parent Society financial statements.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Society financial statements
Performance materiality	80% of Group materiality	80% of Parent Society materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ol style="list-style-type: none"> Our cumulative knowledge of the Group and Parent Society's control environment and the quality of the control environment and our ability to rely on controls; and the nature, volume and size of misstatements (corrected and/or uncorrected) in the previous audit. 	

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €825k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including acquisitions that occurred during the financial period, Group-wide internal financial controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 4 components, covering 90% of revenue, profit before tax and net assets, which were subject to a full audit. Analytical review procedures were performed by the Group audit team on all other components within the Group.

The above components were selected based on the level of coverage achieved on revenue and net assets, the qualitative and risk considerations of these components and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Our audit work for all components was executed at levels of materiality applicable to each individual component which were lower than Group materiality and ranged from €840k to €10.5m.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

Other information

The other information comprises the information included in the Consolidated and Parent Society Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Consolidated and Parent Society Financial Statements.

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 directors

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

In preparing the financial statements, the directors are responsible for assessing the Group and Parent 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 directors either intend to liquidate the Group and Parent Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, legal counsel, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's and Parent Society documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, retirement benefit obligation and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Revenue Recognition. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group and Parent Society operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Industrial and Provident Societies Act, 1893, pensions legislation, and tax legislation in Ireland.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's and Parent Society's ability to operate or to avoid a material penalty. These included the food safety and environmental regulations that the Group operates under.

Audit response to risks identified

As a result of performing the above, we identified 'Revenue recognition' as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Revenue Commissioners of Ireland; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Matters on which we are required to Report by the Industrial and Provident Societies Act, 1893-2021

As required by Section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the balance sheet showing the receipts and expenditure, funds and effects of the Parent 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.

Honor Moore
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

26 April 2023

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group income statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'m	2021 €'m
Revenue	38	2,478.0	-
Cost of sales		<u>(2,340.9)</u>	-
Gross profit		137.1	-
Distribution costs		(109.0)	-
Administration expenses		(62.0)	(4.1)
Net impairment losses on financial assets		(0.1)	-
Other income		<u>0.2</u>	0.2
Operating loss	6	(33.8)	(3.9)
Finance income	7	0.4	1.7
Finance costs	7	(21.3)	(0.9)
Share of profit of joint ventures	16	11.4	44.7
Share of profit of associates	17	72.2	66.6
Exceptional items	8	<u>(164.6)</u>	(15.8)
(Loss)/profit before taxation		(135.7)	92.4
Income taxes	9	<u>3.9</u>	-
(Loss)/profit for the financial year		<u>(131.8)</u>	<u>92.4</u>
Attributable to :			
Equity holders of the Society		(134.1)	92.4
Non-controlling interests	35	<u>2.3</u>	-
		<u>(131.8)</u>	<u>92.4</u>

All amounts relate to continuing operations.

On behalf of the Board

J G Murphy
26 April 2023

J Bergin

Group statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'m	2021 €'m
(Loss)/profit for the financial year		<u>(131.8)</u>	<u>92.4</u>
Other comprehensive income			
Items that are not reclassified subsequently to the income statement			
Remeasurements on defined benefit plans, net of deferred tax		37.1	0.1
Share of OCI of joint ventures	16	0.7	9.7
Share of OCI of associates	17	4.0	1.8
		<u>41.8</u>	<u>11.6</u>
Items that may be reclassified subsequently to the income statement			
Fair value movement on foreign currency contracts	37	(0.1)	-
Fair value movement on cash flow hedges	37	9.6	-
Commodity futures loss in the year	37	(2.0)	-
Deferred tax charge on cash flow hedges	37	(1.0)	-
Share of OCI of joint ventures	16	3.1	1.9
Share of OCI of associates	17	30.3	41.8
		<u>39.9</u>	<u>43.7</u>
Total other comprehensive income for the financial year, net of tax		<u>81.7</u>	<u>55.3</u>
Total comprehensive income for the financial year		<u>(50.1)</u>	<u>147.7</u>
Total comprehensive income attributable to:			
Equity holders of the Society		(52.4)	147.7
Non-controlling interest	35	2.3	-
		<u>(50.1)</u>	<u>147.7</u>

Group balance sheet

AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 €'m	1 Jan 2022 €'m
ASSETS			
Non-current assets			
Property, plant and equipment	11	753.2	0.7
Right-of-use assets	12a	36.6	-
Intangible assets	13	36.2	0.2
Financial assets	14	4.5	-
Investment in joint ventures	16	36.3	503.0
Investment in associates	17	809.3	956.1
Derivative financial instruments	33	11.3	-
Trade and other receivables	19	3.6	26.1
Deferred tax asset	22	1.2	-
Retirement benefit assets	23	13.4	-
Total non-current assets		<u>1,705.6</u>	<u>1,486.1</u>
Current assets			
Inventories	18	409.1	-
Trade and other receivables	19	298.7	19.7
Derivative financial instruments	33	1.8	-
Cash and cash equivalents	20	108.8	0.3
Total current assets		<u>818.4</u>	<u>20.0</u>
Total assets		<u><u>2,524.0</u></u>	<u><u>1,506.1</u></u>

	Notes	31 Dec 2022 €'m	1 Jan 2022 €'m
EQUITY			
Called up share capital	21	34.0	37.4
Share premium	21	9.0	9.0
Capital reserves	36	20.8	17.4
Other reserves	37	(47.8)	(28.3)
Retained earnings		1,222.0	1,451.4
		<u>1,238.0</u>	<u>1,486.9</u>
Non-controlling interest	35	15.9	-
Total equity		<u>1,253.9</u>	<u>1,486.9</u>
LIABILITIES			
Non-current liabilities			
Other payables	27	19.2	-
Lease liabilities	12b	29.4	-
Borrowings	26	478.9	-
Derivative financial instruments	33	19.2	-
Retirement benefit obligation	23	-	0.1
Deferred tax liabilities	22	52.7	-
Deferred consideration	34	5.5	-
Provisions	24	9.6	-
Capital grants	25	30.2	-
Total non-current liabilities		<u>644.7</u>	<u>0.1</u>
Current liabilities			
Trade and other payables	27	565.8	19.1
Lease liabilities	12b	6.7	-
Borrowings	26	45.6	-
Derivative financial instruments	33	0.7	-
Deferred consideration	34	0.2	-
Provisions	24	4.6	-
Capital grants	25	1.8	-
Total current liabilities		<u>625.4</u>	<u>19.1</u>
Total liabilities		<u>1,270.1</u>	<u>19.2</u>
Total equity and liabilities		<u>2,524.0</u>	<u>1,506.1</u>

On behalf of the Board

J G Murphy
26 April 2023

J Bergin

Group statement of changes in equity

AS AT 31 DECEMBER 2022

	Share capital and share premium (note 21)	Capital reserve (note 36)	Other reserves (note 37)	Retained earnings	Total	Non- Controlling Interest (note 35)	Total
	€'m	€'m	€'m	€'m	€'m	€'m	€'m
Balance at 1 January 2022	46.4	17.4	(28.3)	1,451.4	1,486.9	-	1,486.9
(Loss)/profit for the financial year	-	-	-	(134.1)	(134.1)	2.3	(131.8)
Remeasurements on defined benefit plans, net of deferred tax	-	-	-	37.1	37.1	-	37.1
Fair value movement on cash flow hedges							
- Interest rate swaps	-	-	9.6	-	9.6	-	9.6
Commodity futures loss in the year	-	-	(2.0)	-	(2.0)	-	(2.0)
Fair value movement on foreign currency contracts	-	-	(0.1)	-	(0.1)	-	(0.1)
Deferred tax charge on cash flow hedges	-	-	(1.0)	-	(1.0)	-	(1.0)
Share of OCI of joint ventures (note 16)	-	-	3.1	0.7	3.8	-	3.8
Share of OCI of associates (note 17)	-	-	30.3	4.0	34.3	-	34.3
Total other comprehensive income for the financial year, net of tax	-	-	39.9	41.8	81.7	-	81.7
Total comprehensive income for the financial year	-	-	39.9	(92.3)	(52.4)	2.3	(50.1)
Non controlling interest acquired	-	-	-	-	-	15.4	15.4
Ordinary share interest to society shareholders (note 10)	-	-	-	(6.5)	(6.5)	-	(6.5)
Distributions to society shareholders (note 10)	-	-	-	(130.6)	(130.6)	-	(130.6)
Dividends to non-controlling interest	-	-	-	-	-	(1.8)	(1.8)
Shares cancelled	(3.4)	3.4	-	-	-	-	-
Transfer to Group income statement*	-	-	(12.9)	-	(12.9)	-	(12.9)
Share of equity movements of associates (note 17)	-	-	(46.5)	-	(46.5)	-	(46.5)
Balance at 31 December 2022	43.0	20.8	(47.8)	1,222.0	1,238.0	15.9	1,253.9

*€6.8 million relates to the disposal of a portion of shareholdings in an associate and €6.1 million is associated with the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC)

	Share capital and share premium €'m	Capital reserve €'m	Other reserves €'m	Retained earnings €'m	Total €'m
Balance at 3 January 2021	46.2	17.4	(39.3)	1,375.8	1,400.1
Profit for the financial year	-	-	-	92.4	92.4
Remeasurements on defined benefit plans, net of deferred tax	-	-	-	0.1	0.1
Share of OCI of joint ventures (note 16)	-	-	1.9	9.7	11.6
Share of OCI of associates (note 17)	-	-	41.8	1.8	43.6
Total other comprehensive income for the financial year, net of tax	-	-	43.7	11.6	55.3
Total comprehensive income for the financial year	-	-	43.7	104.0	147.7
Shares issued	0.2	-	-	-	0.2
Ordinary share interest to Society shareholders (note 10)	-	-	-	(6.2)	(6.2)
Distributions to Society shareholders (note 10)	-	-	-	(22.2)	(22.2)
Share of equity movements of associates (note 17)	-	-	(32.7)	-	(32.7)
Balance at 1 January 2022	46.4	17.4	(28.3)	1,451.4	1,486.9

Group statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'m	2021 €'m
Cash flows from operating activities			
Cash generated from operating activities	31	82.0	(3.3)
Interest received		1.5	1.6
Interest paid		(14.0)	(0.8)
Tax refund		0.7	-
Net cash inflow/(outflow) from operating activities		70.2	(2.5)
Cash flows from investing activities			
Purchase consideration for step acquisition	39	(307.0)	-
Purchase of property, plant and equipment		(47.6)	-
Purchase of intangible assets		(2.7)	-
Disposal of property, plant and equipment		1.2	-
Disposal of right-of-use assets		0.5	-
Capital grants received	25	2.0	-
Disposal of investment in joint venture	8	70.4	-
Investment in joint venture	16	(20.6)	-
Deferred consideration payments	34	(0.1)	-
Payments for Glanbia MilkFlex Fund		0.4	0.4
Stamp duty paid on spin-out		(1.5)	-
Disposal of financial assets		1.2	-
Purchase of financial assets	14	(0.1)	-
Loans to joint venture novated to the Group		(28.8)	-
Loans repaid by joint venture		33.3	59.9
Dividends received from joint ventures and associates		26.2	44.2
Net cash (outflow)/inflow from investing activities		(273.2)	104.5
Cash flows from financing activities			
Proceeds from issue of ordinary shares		0.1	0.3
Drawdown of borrowings		266.7	-
Repayment of borrowings		(13.3)	(100.0)
Distribution paid to Society's shareholders – rebates	10	(8.6)	(22.0)
Ordinary share interest paid to Society's shareholders		(6.2)	(6.1)
Lease payments		(5.1)	-
Net cash inflow/(outflow) from financing activities		233.6	(127.8)
Net increase/(decrease) in cash and cash equivalents		30.6	(25.8)
Cash and cash equivalents at the start of the financial year		0.3	26.1
Cash acquired on step acquisition	39	77.9	-
Cash and cash equivalents at the end of the financial year	20	108.8	0.3

Notes to the financial statements

1. General information

Tirlán Co-Operative Society Limited, formerly known as Glanbia Co-operative Society Limited, (the “Society”) and its subsidiaries (together the “Group”) is a nutrition group. The Society is domiciled in Ireland and the number which it is registered is 4928R. The address of its registered office is Abbey Quarter, Kilkenny, Ireland, R95 DXR1. These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 April 2023.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Industrial and Provident Societies Act 1893-2021.

The financial statements are prepared for the nearest Saturday to 31 December. Accordingly, these financial statements are prepared for the financial year ended 31 December 2022 (52 week period); comparatives are for the financial year ended 1 January 2022 (52 week period). The financial statements are presented in euro millions (€'m) unless otherwise stated.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Group financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. In reaching this conclusion the Directors have had due regard to:

- cash generation from operations, available cash resources, and the maturity profile of its borrowings of which taken together provide confidence that the Group will be able to meet its obligations as they fall due;
- the Group’s financial risk management policies, the nature of its business activities and the factors likely to impact operating performance; and
- the operating performance and future growth of the Group’s subsidiaries, associates and joint ventures.

Having given due regard to the considerations above, the Directors, after making appropriate enquires, have reasonable expectation that the Group has adequate resources to continue in operational existence, therefore consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Adoption of amended standards

The following changes to IFRS became effective for the Group during the financial year but did not result in material changes to the Group’s financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

New and amended standards that are not yet effective

The Group has not applied new standards and amendments to existing standards that have been issued but are not yet effective, the most significant of which are as follows:

- Disclosure of Accounting Policies – Amendments to IAS 1 (EU effective date: on or after 1 January 2023)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The Group does not expect the adoption of the amendments to have a material impact on the financial statements.

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (IASB effective date: on or after 1 January 2024)

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The Group is currently evaluating the impact of the amendments on future periods. Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material impact on the Group or they are not currently relevant for the Group.

3. Financial risk management

The conduct of the Group's ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments. In the prior year, the Group was primarily exposed to liquidity and cash flow risk, and credit risk. However, as a result of the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC) on 1 April 2022 (note 39), the Group is now also exposed to currency risk, interest rate risk and price risk. However, there are no comparatives for these risks. The Group's approach is to manage these risks against comprehensive policy guidelines, which are summarised below. The Group does not enter into any financial instruments that give rise to speculative positions. The Group finances its operations by a mixture of retained profits, secured exchangeable bond, medium-term committed borrowings and short-term uncommitted bank borrowings. The Group borrows at floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis. Financial risk management, other than credit risk management, is carried out by the central treasury department of Glanbia plc ("Glanbia Treasury") under a Corporate Services Agreement operating under policies approved by the Board.

(a) Currency risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the Group's operating functional currency. Management has set up a policy which ensures that foreign exchange risk is managed against functional currency. The Group hedges foreign exchange risk exposures through Glanbia Treasury. Glanbia Treasury monitors and manages currency exposures on a continuous basis, using approved hedging strategies and appropriate currency derivative instruments.

The risk management practice is to hedge up to 100% of contracted and highly probable currency cash flows (mainly export sales and purchase of inventory) within a three to four month time frame.

In respect of foreign currency hedges in place at 31 December 2022, a weakening/strengthening of the euro against the US dollar by 5% as at 31 December 2022 would have resulted in a currency translation gain/loss of approximately €1.7 million which would be recognised directly in other comprehensive income (fair value movement on cash flow hedges).

(b) Interest rate risk

The Group's objective in relation to interest rate management is to minimise the impact of interest rate volatility on interest costs in order to protect reported profitability. This is achieved by determining a long term strategy against a number of policy guidelines which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and can use interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations.

The Group's main interest rate risk arises from long-term borrowings with floating rates, due to the borrowings being periodically contractually repriced within 12 months from the reporting date. These borrowings expose the Group to cash flow interest rate risk.

The Group operates a policy of fixing a certain amount of its interest exposure, with 73% of projected 2023 debt currently contracted at fixed rates. Floating rate loans are drawn for a period of up to 1 month, in accordance with the working capital requirements of the Group. Interest cost incurred is determined by the market rate as at the date of drawdown.

Occasionally, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed interest rate amounts and floating interest rate amounts calculated by reference to the agreed notional amounts.

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. The following table demonstrates the sensitivity of profit before tax and total equity if market interest rates had been 1% higher with all other variables being constant:

	2022
	€'m
1% increase in market interest rates*	
Impact on profit before tax	1.0
Impact on total equity	0.9

*Each incremental 1% increase in market interest rates as at 2022 year end would impact profit before tax and total equity by +€1m

(c) Price risk

Commodity price risk in the Group arises primarily from price fluctuations of commodities. The Group's objective is to minimise commodity price risk through entering into commodity options and future contracts for instance and the use of appropriate hedging strategies. The Group enters into forward purchase and forward sale agreements in the normal course of business. Certain of these contracts are deemed to be 'own use' as they were entered into in accordance with the Group's expected purchase, sale or usage requirements. The impact of a 5% increase or decrease in commodity prices (milk, cheese and gas) would not have any material impact on Group profit before tax or total equity.

(d) Liquidity and cash flow risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business during the succeeding 12 month period. This means that at any time the lenders providing facilities in respect of this finance requirement are required to give at least 12 months' notice of their intention to seek repayment of such facilities. At the financial year end, the Group had committed term facilities of €635.6 million (1 January 2022: nil), of which €136.0 million (1 January 2022: nil) was undrawn. As at 31 December 2022 the weighted average maturity of these facilities was 2.5 years (1 January 2022: nil).

The following tables analyse the Group's non derivative financial liabilities and derivative contracts into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year €'m	Between 1 and 2 years €'m	Between 2 and 5 years €'m	More than 5 years €'m	Total €'m
At 31 December 2022					
Non derivative financial liabilities					
Trade and other payables	228.8	19.2			248.0
Amounts due to related parties	13.0	-	-	-	13.0
Lease liabilities	6.7	5.7	8.9	14.8	36.1
Future finance costs	13.5	9.4	11.2	-	34.1
Interest-bearing borrowings	45.6	241.0	237.9	-	524.5
	307.6	275.3	258.0	14.8	855.7

	Less than 1 year €'m	Between 1 and 2 years €'m	Between 2 and 5 years €'m	More than 5 years €'m	Total €'m
At 1 Jan 2022					
Non derivative financial liabilities					
Trade and other payables	0.6	-	-	-	0.6

	Less than 1 year €'m	Between 1 and 2 years €'m	Between 2 and 5 years €'m	More than 5 years €'m	Total €'m
At 31 December 2022					
Foreign exchange contracts - cash flow hedges					
Inflow	1.7	-	-	-	1.7
Outflow	(0.3)	(0.3)	-	-	(0.6)
Interest rate swaps - cash flow hedges					
Inflow	-	11.3	-	-	11.3
Commodity futures					
Inflow	0.1	-	-	-	0.1
Outflow	(0.4)	(0.5)	-	-	(0.9)
Total derivatives	1.1	10.5	-	-	11.6

(e) Credit risk

The Group's objective is to minimise credit risk which is managed on a Group basis. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables and committed transactions.

With regard to cash and cash equivalents, in the international movement and placement of funds and execution of financial transactions, the Group's policies require exposure to independently rated parties with long term credit ratings of at least A3 (Moody) or A- (Standard & Poor's). In the movement and placement of funds and execution of financial transactions in Ireland, the Group is exposed to independently rated parties with long term credit ratings of at least A3 (Moody) or BBB- (Standard & Poor's) (2021: Baa1 (Moody) or BBB- (Standard & Poor's)).

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and where appropriate, credit risk is covered by credit insurance and by holding appropriate security or liens.

(f) Carrying amounts of financial instruments

	Notes	2022 €'m	2021 €'m
Financial assets measured at amortised cost			
Trade receivables and receivables from related parties	19	253.8	2.2
Loans to joint ventures and associates	19	1.9	43.3
		<u>255.7</u>	<u>45.5</u>
Financial liabilities measured at amortised cost			
Borrowings	26	524.5	-
Trade payables, amount due to related parties and non-current other payables	27	261.0	0.6
Lease liabilities	12	36.1	-
		<u>821.6</u>	<u>0.6</u>

(g) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair values for the remaining financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at each reporting date. The fair value of the secured exchangeable bond option is determined by reference to the quoted open market price on Global Exchange Market at the end of the reporting period.

The carrying amounts of trade receivables and payables is assumed to approximate their fair values due to their short term nature. The fair value of borrowings for disclosure purposes (note 26) is estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group for similar financial instruments.

In accordance with "IFRS 13 Fair Value Measurement", the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- inputs, other than quoted prices included in level 1, that are observable for the asset and liability either directly (that is, as prices) or indirectly (that is, derived from prices (level 2)); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities, which are measured at fair value, at 31 December 2022. There was no transfer in either direction between Level 1 and Level 2 in 2022.

	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
At 31 December 2022				
Assets				
Derivatives used for hedging	-	13.1	-	13.1
Total assets	-	13.1	-	13.1
Liabilities				
Secured exchangeable bond option	-	(18.4)	-	(18.4)
Derivatives used for hedging	-	(1.5)	-	(1.5)
Total liabilities	-	(19.9)	-	(19.9)

There were no financial assets or liabilities measured at fair value at 1 January 2022.

4. Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates

Post-employment benefits

The rates of contributions payable, the pension cost and the Group's total obligation in respect of defined benefit plans are calculated and determined by independent qualified actuaries and updated at least annually. As at 31 December 2022, the Group had plan assets totalling €355.4 million (1 January 2022: €3.1 million) and plan liabilities totalling €342.0 million (1 January 2022: €3.2 million), giving a net pension surplus of €13.4 million (1 January 2022: net pension deficit of €0.1 million). The size of the obligation and cost of the benefits are sensitive to actuarial assumptions. These include demographic assumptions covering mortality, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 5(c). The recoverable amount of the Cash Generating Unit (CGU) has been determined based on value in use calculations. These calculations require the use of estimates.

The value in use calculations use projected cash flows over a five year period. Discount rates are based on the Group weighted average cost of capital adjusted for company risk factors and specific country risks. A terminal value assuming 2% growth into perpetuity is also applied.

Business combinations

Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at

the date of acquisition. The Group engages a specialist valuation expert to assist with this process where appropriate.

For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates and revenue forecasts as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

(b) Judgements

Exceptional items

The Group considers that items of income or expense which are significant by virtue of their scale and/or nature should be disclosed separately if the Group financial statements are to fairly present the financial performance and financial position of the Group. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believes would give rise to exceptional items for separate disclosure are outlined in the accounting policy on exceptional items in note 5. Exceptional items are noted on a separate line of the income statement. In addition, for clarity, separate disclosure is made in note 8 of all exceptional items included on the face of the Group income statement.

5. Accounting policies

The principal accounting policies of the Group which are outlined below have been applied consistently throughout the current and prior period presented by the Group except for inventories which is explained in section (e) below.

(a) Revenue recognition

The Group manufactures and sells dairy ingredients and consumer products. Performance obligations are met at the point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are dispatched or delivered to the customer. Delivery occurs when the products have been delivered to the specific location. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the most likely method. Rebates and discounts are recorded in the same period as the original revenue. The Group is deemed to be a principal in an arrangement when it controls a promised good before transferring them to a customer, and accordingly recognises revenue on a gross basis. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

Thus, the Group does not adjust any of the transaction prices for the time value of money as a practical expedient as the Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year.

(b) Property, plant and equipment

Property, plant and equipment is stated at cost less subsequent depreciation less any impairment loss. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life at the following rates:

Buildings	2.5% - 5%
Plant and equipment	3.33% - 25%
Motor vehicles	20%

Substantial new assets are depreciated based on the utilisation of the notional capacity of the production plant. The assets' residual values and useful lives are reviewed (and adjusted if appropriate) at each reporting date.

Property, plant and equipment are tested for impairment when indicators arise. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit.

Land and assets under construction are not depreciated. Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

(c) Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill is reviewed at least annually for impairment. An impairment loss is recognised to the extent that the carrying value of the assets exceeds their recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Computer Software

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with computer software programmes, if they meet the recognition criteria of IAS 38 – Intangible Assets. Computer software costs recognised as assets are written off on a straight line basis over their estimated useful lives, which are normally between four and eight years.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs are amortised using the straight line method over their estimated useful lives, which is normally six years.

Utility Connection

Costs incurred in securing industrial service rights (e.g. the rights to use an asset such as a pipeline, rather than actual ownership of the asset) are initially capitalised if they meet the recognition criteria of IAS 38 – Intangible Assets, and are amortised on a straight line basis over the period expected to benefit from their use. The amortisation commences as soon as the related asset expected to use the industrial service is put into use. The amortisation period is reviewed on an annual basis which is normally thirty years.

Brands

Brands acquired as part of a business combination, are stated at their fair value at the date control is achieved. Brands are amortised using the straight line method over their useful life of between 5 and 20 years.

(d) Financial assets

The Group classifies and measures its equity instruments at fair value. Changes in their fair value are recognised in the income statement unless management has elected to present fair value gains and losses in other comprehensive income (OCI) on an investment by investment basis. When an election is made for an investment, there is no subsequent reclassification of fair value gains and losses related to the investment to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

(e) Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is determined by the first-in, first-out (FIFO) method or by weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity). Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and selling expenses. Allowance is made, where necessary, for aged, slow moving, obsolete and defective inventories.

(f) Trade receivables

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method less expected credit loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance of receivables is established based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment of countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administration costs in the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements, such receivables are recognised in the balance sheet to the extent of the Group's continued involvement and retained risk.

(g) Derivative financial instruments

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group uses foreign currency, interest rate swaps and commodity derivative financial instruments to hedge these exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the reporting date.

The fair value of foreign currency contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using the European Central Bank interest rate at the measurement date. The fair value of interest rate swaps is estimated by discounting future cash flows under the swap, using the market interest rates, at the measurement date, for time periods equal to the residual maturity of the contracted cash flows. The fair value of commodity contracts is estimated by discounting the difference between the contracted futures price and the current forward price for the residual maturity of the contracts using the European Central Bank interest rates.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and every six months, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

The recycled gain or loss relating to the effective portion of foreign exchange contracts is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative

gain or loss that was reported in equity is immediately transferred to the income statement.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under “IFRS 9 *Financial Instruments*”; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of “IFRS 15 *Revenue from Contracts with Customers*”.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(i) Dividends

Dividends to the Group’s shareholders are recognised as a liability of the Group when approved by the Group’s shareholders.

(j) Tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is calculated on the basis of tax laws enacted or substantially enacted at the balance sheet date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provision, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided, using the liability method on temporary differences arising on the reporting date between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Retirement benefit obligation

The Group operates various pension plans. The plans are funded through payments to trustee-administered funds. The Group has both defined contribution and defined benefit plans.

Defined contribution pension

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense in the income statement when they are due.

Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The asset/(liability) recognised in the Group balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The fair value of plan assets is based on market price information and in the case of quoted securities in active markets it is the published bid price. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Group statement of changes in equity and in the Group balance sheet. Remeasurements are not reclassified to the income statement in subsequent periods.

A curtailment arises when the Group significantly reduces the number of employees or employee entitlements covered by a plan. A past service cost may be either a loss (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or a gain (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

A settlement occurs when the Group enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions). The gain or loss on a settlement is the difference between:

- (a) the present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- (b) the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

The deferred tax impact of pension plan obligations is disclosed separately within deferred tax.

(l) Provisions

Provisions are recognised when the Group has a constructive or legal obligation as a result of past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in a provision due to the passage of time is recognised as an interest expense.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

(m) Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight line basis over the expected lives of the related assets. Research and development taxation credits are recognised at their fair value in operating profit where there is reasonable assurance that the credit will be received.

(n) Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are generally depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate ('IBR') at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

For leases of plant and equipment, and motor vehicles for which the Group is a lessee, it has elected not to separate lease and non-lease components, and instead account for these as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(o) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries, joint ventures and associates are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the Society's functional currency and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cashflow hedges or net investment hedges. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as qualifying cash flow hedges.

Subsidiaries, joint ventures and associates

The income statement and balance sheet of subsidiaries, joint ventures and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the balance sheet;
- income and expenses in the income statement and statement of comprehensive income are translated at average exchange rates for the year. Average exchange rates are only permissible if they approximate actual. The average exchange rates are a reasonable approximation of the cumulative effect of the rates on transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

Resulting exchange differences are taken to a separate currency reserve within equity. When a foreign entity is disposed outside the Group, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand or deposits held on call with banks. In the balance sheet, bank overdrafts, if applicable, are included as borrowings in current liabilities.

(q) Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which have a finite useful life are subject to amortisation and reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. Goodwill is reviewed at least annually for impairment. An impairment loss is recognised to the extent that the carrying value of the assets exceeds their recoverable amount. The recoverable amount is the higher of the assets fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, arising in the period prior to the asset being ready for operational use, are capitalised. Other borrowing costs are expensed.

(t) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

(ii) Entities under common control

Where the Group undertakes business combinations that are between entities under common control the appropriate accounting treatment is not dealt with under “IFRS 3 *Business Combinations*”. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided by “IAS 8 *Accounting Policies, changes in accounting estimates and errors*”, acquisitions between entities under common control have been accounted for in these financial statements using the book-value method. Applying book-value accounting in the acquirer’s consolidated financial statements means that all assets and liabilities acquired are taken into the consolidated financial statements at their existing carrying value, without any fair value adjustments. The difference between the book value of the net assets acquired and the consideration paid is not goodwill but is an adjustment to reserves. The results of the acquired entities are included in the financial statements only from the date on which the merger occurred and the comparative financial information will not be restated.

(u) Associates and Joint Ventures

The Group’s share of the results and net assets of associated companies and joint ventures is included based on the equity method of accounting. An associate is an entity over which the Group has significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

A joint venture is an entity subject to joint control by the Group and other parties. Under the equity method of accounting, the Group’s share of the post-acquisition profits and losses of associates and joint ventures is recognised in the income statement and its share of post-acquisition movements in reserves is recognised directly in other comprehensive income. The cumulative post acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the Group’s interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. While the Group’s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has incurred obligations or made payment on behalf of the associate or joint venture.

(v) Other long-term employee benefits

The Group operates a share-based payment plan which may be offered to Executive directors and certain senior managers. The plan is accounted for as an other long-term employee benefit under “IAS 19 *Employee Benefits*”.

Participants are granted cash that are not expected to be settled within 12 months after the end of the reporting period. The impact of discounting the deferred cash incentive is not expected to be material.

Historically, the long-term incentive plan would also have awarded shares in Glanbia plc to participants. The charge to the income statement in respect of these legacy shares is based on the fair value of the equity instruments expected to vest and is spread over the performance period. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest. The charge to the income statement is reversed where awards do not vest because performance conditions have not been met or where, subject to the rules of the plan, an employee in receipt of share awards leaves service before the end of the vesting period.

(w) Non-controlling interest

Non-controlling interest represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the Society and is presented separately in the Group income statement and within equity in the Group balance sheet, distinguished from Shareholders’ equity attributable to owners of the Society.

(x) Exceptional items

The Group highlights significant items within the Group results for the year as exceptional items. Such items may include impairment of assets, including significant adjustments arising from the re-assessment of asset lives, adjustments to contingent consideration, significant acquisition integration costs, gains/losses related to and/or associated with step acquisitions, restructuring costs including termination benefits, profit or loss on disposal or termination of operations, significant reorganisation programmes that may span over a reporting period or periods, significant acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension plan restructuring, external events including disasters relating to weather, pandemics, wars and other acts of God and natural disasters and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items which by virtue of their scale and/or nature should be disclosed in the income statement and notes as exceptional items.

(y) Segment reporting

The segments reported in note 38 reflect the Group's organisation structure and the nature of the information reported to the Chief Operating Decision Maker ("CODM") who is identified as the Board of Directors.

In identifying the Group's operating segments, management considered the following principal factors:

- the Group's organisational structure, namely the Society's investment in Tirlán Limited (formerly Glanbia Ireland DAC) group and Glanbia plc group.
- how the CODM assesses the performance of a component and allocates the resources of the Society
- how financial information is reported to the CODM
- existence of managers responsible for the components
- the nature of the component business activities; refer to note 38 for details
- the degree of similarity of products and services, and production processes.

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and tax position of the Group. Unallocated assets and liabilities primarily include tax, cash and cash equivalents, financial assets, borrowings and derivatives. Inter-segment revenue is determined on an arm's-length basis. Where a material dependency or concentration on an individual customer would warrant disclosure, this is disclosed in note 38.

(z) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The acquisition date is defined as the date the Group gained control of the entity. The cost of the acquisition is measured at the aggregate of the fair value of the consideration given.

Upon acquisition, the Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date except for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with "IAS 12 *Income Taxes*" and "IAS 19 *Employee Benefits*" respectively. The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill represents the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the net identifiable assets acquired. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in accordance with IFRS 9.

Acquisition-related costs are expensed as incurred in the income statement. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages i.e. step acquisition, the Group's previously held interests in the acquired entity are remeasured to its fair value on the date of acquisition and the resulting gain or loss, if any, is recognised in the income statement. The Group may also reclassify any movements previously recognised in other comprehensive income to the income statement.

(aa) Exchangeable bond

The exchangeable bond (note 26) includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible bond option is accounted for as a derivative liability (note 33). The convertible debt is a hybrid instrument containing a host debt contract and a convertible option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. The host bond is initially recognised at fair value and subsequently at amortised cost (note 26).

6. Operating loss

	Notes	2022 €'m	2021 €'m
Operating loss is stated after charging / (crediting):			
Depreciation of property, plant and equipment	11	32.9	0.1
Depreciation of right-of-use assets	12	5.6	-
Amortisation of intangible assets	13	2.3	0.3
Impairment of intangible assets	13	133.3	-
Amortisation of grants	25	(1.4)	-
Research and development costs		6.0	-
Write down of inventory recognised as an income		(31.4)	-
Cost of inventories recognised as an expense in cost of sales		2,059.3	-
Other income		(0.2)	(0.2)

7. Finance income and costs

	2022 €'m	2021 €'m
Finance income		
Interest income	0.4	1.7
	<u>0.4</u>	<u>1.7</u>
Finance costs		
Finance cost of bond	(5.0)	(0.8)
Remeasurement of convertible bond option	(7.0)	-
Bank loans and overdrafts	(8.2)	(0.1)
Other loans	(0.2)	-
Commitment and arrangement fees	(0.9)	-
	<u>(21.3)</u>	<u>(0.9)</u>
Net finance costs	<u>(20.9)</u>	<u>0.8</u>

Net finance costs excludes borrowing costs of €0.4 million (2021: nil) attributable to construction or production of qualifying assets, which have been capitalised, as disclosed in note 11. Interest is capitalised at a rate (which represents the Group's finance costs as a percentage of average debt for the period) of 1.7% (2021: nil%).

8. Exceptional items

	Notes	2022 €'m	2021 €'m
Milk Supply Voluntary Retirement scheme	(a)	(2.0)	-
Reduction in shareholding in Glanbia plc	(b)	(17.4)	-
Step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC)	(c)	54.1	1.1
Impairment of goodwill	(d)	133.3	-
		<u>168.0</u>	<u>1.1</u>
Share of exceptional items recorded by joint ventures (note 16)	(e)	4.1	1.6
Share of exceptional items recorded by associates (note 17)	(f)	(7.5)	13.1
Total exceptional charge		<u>164.6</u>	<u>15.8</u>

(a) The **Milk Supply Voluntary Retirement scheme** relates to a scheme supporting retiring milk suppliers exit milk supply as part of peak milk supply management. The income in 2022 relates to deduction from continuing suppliers.

(b) During 2022, the Group disposed of 5.75 million **Glanbia plc shares** by way of private placement and 12.0 million shares through a spin-out to members resulting in the reclassification of other comprehensive income of €6.8 million to the Group income statement. A gain of €10.6m arose on the private placement based on proceeds received of €70.4 million less the carrying amount of the investment of €59.4 million (note 17) and costs associated with the transaction of €0.4 million. The spin-out to members was accounted for as a distribution (note 10).

(c) On 1 April 2022, the Society acquired the remaining 40% of the shares in Tirlán Limited bringing its total shareholding to 100% and thereby gaining control over Tirlán (note 39). The **step acquisition** resulted in other comprehensive income reclassification to the Group income statement of €6.1 million, loss on remeasurement of the previously held equity accounted investment in joint venture of €55.6 million and costs incurred of €4.6 million (primarily consultancy).

(d) **Goodwill impairment** of €133.3 million relates to the impairment of the goodwill arising on the step acquisition of Tirlán Limited. Refer to note 13 for further details.

(e) **Share of exceptional items recorded by joint ventures** in 2022 primarily relates to costs associated with supporting retiring milk suppliers exit milk supply as part of peak milk supply management in 2022.

(f) **Share of exceptional items recorded by associates** in 2022 is primarily driven by fair value adjustments to reduce the carrying value of certain assets held for sale offset by the gain arising on the divestment of Glanbia plc's interest in Tirlán Limited (formerly Glanbia Ireland DAC). 2021 exceptional costs related to the fundamental reorganisation of the Glanbia Performance Nutrition segment which commenced in 2019 and also pension related costs due to the restructure of legacy defined benefit pension schemes associated with the Glanbia plc Group and its joint ventures.

9. Income taxes

	2022	2021
	€'m	€'m
Current tax	2.9	-
Current tax adjustments in respect of prior periods	(0.8)	-
Deferred tax	0.8	-
Deferred tax adjustments in respect of prior periods	1.0	-
Total income taxes	3.9	-

The tax credit on exceptional items included in the above amounts is as follows:

	2022	2021
	€'m	€'m
Current tax credit on exceptional items	0.1	-
Total tax credit on exceptional items	0.1	-

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise applying the corporation tax rate in Ireland, as follows:

	2022	2021
	€'m	€'m
(Loss)/profit before tax	(135.7)	92.4
Income tax calculated at Irish rate of 12.5% (2021: 12.5%)	17.0	(11.6)
Earnings at higher Irish rates	(4.0)	(0.3)
Difference in tax rates on overseas earnings	(0.4)	-
Adjustment to tax charge in respect of previous periods	0.2	-
Tax on post-tax profits of joint ventures and associates	10.9	12.1
Tax on goodwill impairment	(16.7)	-
Other timing differences	(3.1)	(0.2)
Total tax credit for the financial year	3.9	-

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 22.

Factors that may affect future tax charges and other disclosure requirements

The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation. The total tax charge of the Group may also be influenced by the effects of corporate development activity.

10. Ordinary share interest and appropriations

	Notes	2022 €'m	2021 €'m
Ordinary share interest to Society shareholders	(a)	6.5	6.2
Distribution to Society shareholders – rebates	(b)	0.4	22.2
Distribution to Society shareholders – spin-out of Glanbia plc shares	(c)	130.2	-
		<u>137.1</u>	<u>28.4</u>

(a) Ordinary share interest paid in 2022 was 17.325 cent per share on 37.4 million shares (2021: 16.5 cent per share on 37.4 million shares).

(b) Details of the patronage rebates are as follows:

During 2019, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature and the timing of payments at the discretion of the Board. As at 31 December 2022, €21.8 million remains unpaid (2021: €24.8 million).

During 2017, at a Special General Meeting of the Society, members of the Society approved the payment of patronage rebate funds from the future receipts of annual dividends from Tirlán Limited (formerly Glanbia Ireland DAC) with the nature on the timing of payments at the discretion of the Board. During 2018 the Board announced the Trading Bonus Scheme as payments from these funds. During 2020 the Board announced Share of Glanbia Ireland Profits scheme as payments from these funds and that, to the extent that the 2021 Trading Bonus Scheme exceeded the Tirlán Limited (formerly Glanbia Ireland DAC) dividend income received in 2021, the excess was to be appropriated from the patronage rebate fund. €3.0 million was apportioned from the patronage rebate fund in 2022. As at 1 January 2022 the estimated payments were €21.8 million with €8.2 million remaining unpaid at year end. €8.6 million was paid during 2022 resulting in additional distributions of €0.4m in 2022.

During 2022, as a result of the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC), the 2022 Trading Bonus Scheme rebates were paid directly to members of the Society by Tirlán Limited (formerly Glanbia Ireland DAC) and therefore are no longer treated as distributions from the Society. Accordingly, the cost of the 2022 rebates have been included in cost of sales in the Group income statement.

During 2021, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:

- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to one unit of € loan stock for every 250 litres of milk supplied during 2020.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to five units of € loan stock for every one tonne of grain supplied during 2020.

(c) During 2022, at a Special General Meeting of the Society, the members approved a spin-out of approximately 12.0 million Glanbia plc shares to all members. The total cost to the Group amounted to €130.2 million (note 17).

11. Property, plant and equipment

	Land and buildings €'m	Motor Vehicles €'m	Plant and equipment €'m	Total €'m
Cost				
Balance at 2 January 2021 and 1 January 2022	3.3	-	1.4	4.7
Step acquisition (note 39)	365.3	3.1	880.7	1,249.1
Additions	13.9	0.2	39.0	53.1
Disposals	(0.6)	(0.3)	(33.8)	(34.7)
Balance at 31 December 2022	381.9	3.0	887.3	1,272.2
Accumulated depreciation				
Balance at 2 January 2021	2.5	-	1.4	3.9
Charge for the financial year	0.1	-	-	0.1
Balance at 1 January 2022	2.6	-	1.4	4.0
Step acquisition (note 39)	86.9	2.1	426.5	515.5
Charge for the financial year	6.0	0.2	26.7	32.9
Disposals	(0.6)	(0.3)	(32.5)	(33.4)
Balance at 31 December 2022	94.9	2.0	422.1	519.0
Carrying amount at 2 January 2021	0.8	-	-	0.8
Carrying amount at 1 January 2022	0.7	-	-	0.7
Carrying amount at 31 December 2022	287.0	1.0	465.2	753.2

Included in the cost of property, plant and equipment is an amount of €52.0 million (2021: nil) incurred in respect of assets under construction.

Capitalised borrowings costs of €0.4 million (2021: nil) have been included in the additions for the period. See note 7 for further details. Capitalised employee costs of €1.3m (2021:nil) have been included in the additions for the period. See note 28 for further details.

12. Leases

(a) Right-of-use assets

	Land and buildings €'m	Motor Vehicles €'m	Plant and equipment €'m	Total €'m
Cost				
Balance at 2 January 2021 and 1 January 2022	-	-	-	-
Step acquisition (note 39)	20.1	4.4	19.4	43.9
Additions	11.3	0.9	1.1	13.3
Disposals	(1.0)	(0.5)	(0.3)	(1.8)
Balance at 31 December 2022	30.4	4.8	20.2	55.4
Accumulated depreciation				
Balance at 2 January 2021 and 1 January 2022	-	-	-	-
Step acquisition (note 39)	8.0	2.7	3.7	14.4
Depreciation	2.8	0.7	2.1	5.6
Disposals	(0.6)	(0.4)	(0.2)	(1.2)
Balance at 31 December 2022	10.2	3.0	5.6	18.8
Carrying amount at 2 January 2021	-	-	-	-
Carrying amount at 1 January 2022	-	-	-	-
Carrying amount at 31 December 2022	20.2	1.8	14.6	36.6

(b) Lease liabilities

The movement in the Group's lease liabilities during the period is as follows:

	2022 €'m	2021 €'m
Lease liability at the beginning of the period	-	-
Step acquisition (note 39)	28.2	-
Additions	13.2	-
Termination of lease	(0.3)	-
Lease term modifications	0.1	-
Payments	(5.4)	-
Lease interest	0.3	-
Lease liability at the end of the period	36.1	-

An analysis of the maturity profile of the discounted lease liabilities arising from the Group's leasing activities at the end of the reporting period is as follows:

	2022 €'m	2021 €'m
Within 1 year	6.7	-
1-2 years	5.7	-
2-5 years	8.9	-
More than 5 years	14.8	-
Total	36.1	-

Analysed as:

	2022	2021
	€'m	€'m
Current liabilities	6.7	-
Non-current liabilities	29.4	-
Total	36.1	-

The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Group income statement as incurred:

	2022	2021
	€'m	€'m
Short term leases	0.9	-
Total	0.9	-

Lease commitments for short-term leases are similar to the portfolio of short-term leases for which the costs, as above, were expensed to the Group income statement. The effect of excluding future cash outflows arising from variable lease payments, termination options, residual value guarantees and leases not yet commenced from lease liabilities was not material for the Group.

The Group leases several assets including buildings, plant and IT equipment. The average lease term is 13 years (2021: nil). There is no income from subleasing and gains/losses on sale and leaseback transactions.

13. Intangible assets

	Goodwill	Software and development costs	Brands	Utility connection	Total
	€'m	€'m	€'m	€'m	€'m
Cost					
Balance at 2 January 2021 and 1 January 2022	-	0.8	-	-	0.8
Step acquisition (note 39)	133.3	47.8	26.8	4.6	212.5
Additions	-	2.7	-	-	2.7
Balance at 31 December 2022	133.3	51.3	26.8	4.6	216.0
Accumulated amortisation and impairment					
Balance at 2 January 2021	-	0.3	-	-	0.3
Charge for the financial year	-	0.3	-	-	0.3
Balance at 1 January 2022	-	0.6	-	-	0.6
Step acquisition (note 39)	-	42.8	-	0.8	43.6
Charge for the financial year	-	1.2	1.0	0.1	2.3
Impairment	133.3	-	-	-	133.3
Balance at 31 December 2022	133.3	44.6	1.0	0.9	179.8
Carrying amount at 2 January 2021	-	0.5	-	-	0.5
Carrying amount at 1 January 2022	-	0.2	-	-	0.2
Carrying amount at 31 December 2022	-	6.7	25.8	3.7	36.2

- The remaining average amortisation period for software costs is 3 years (2021: 1.5 years). Utility connection represents the cost of providing gas and electricity to the processing plants at Belview, Co. Kilkenny and Rocklands, Wexford. Approximately €1.9 million of software additions during the period (2021: nil) were internally generated.
- Brands acquired in the Tirlán step acquisition have a carrying amount of €25.8 million and average remaining amortisation period of 19 years.

Impairment test for Goodwill

The goodwill arising from the step acquisition during the current period was attributable to Tirlán Limited (note 38) cash generating unit (“CGU”). There is no comparative information in this section as goodwill was nil during the prior financial year.

Goodwill is subject to impairment testing on an annual basis or more frequently if there are indications that they might be impaired. The recoverable amount of goodwill allocated to the CGU is determined on a value in use computation.

The cash flow projections are based on the 2023 budget formally approved by the Board, and the strategic financial plans for 2023 to 2027 as presented to the Board of Directors. In preparing the 2023 budget and strategic plan, management considered the Group’s history of earnings, past experience and cash flow generation. Management also considered external sources of information pertaining to estimated growth of the relevant market, customer and consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates in. Business sustaining capital expenditure and working capital requirements are estimated by assigning values to the investment required to support the estimated future profitability taking into account historic investment patterns and past experience. The cash flow projections exclude the impact of future developments and acquisition activity.

A terminal value assuming 2% growth into perpetuity was used. This growth rate does not exceed the long term average growth rate for the industries in which the CGU operates.

The present value of future cash flows is calculated using pre-tax discount rates which are the Group’s weighted average cost of capital of 9.4%, calculated using the Capital Asset Pricing Model adjusted for the Group’s specific beta coefficient together with a country risk premium, adjusted to reflect risks associated with the CGU.

Following the step acquisition (note 39), it is the Board’s stated intention to pay the highest possible milk and grain price to our suppliers. As a result the expected future cashflows available to the business to consider for impairment testing are reduced. Following the impairment testing, the Group has recognised an impairment of €133.3 million in the current year (note 8) against goodwill which is recorded within exceptional items in the Group income statement. This impairment charge is non-cash, one off in nature and does not impact the Group’s reserves available for distribution.

14. Financial assets

	2022	2021
	€'m	€'m
Ornua Co-operative Limited		
At the beginning of the financial year	-	-
Step acquisition (note 39)	0.4	-
At the end of the financial year	<u>0.4</u>	<u>-</u>
Ornua Co-operative Limited – convertible loan stock		
At the beginning of the financial year	-	-
Step acquisition (note 39)	2.3	-
Disposals	(0.5)	-
At the end of the financial year	<u>1.8</u>	<u>-</u>
Other investments		
At the beginning of the financial year	-	-
Step acquisition (note 39)	2.9	-
Disposals	(0.7)	-
Additions	0.1	-
At the end of the financial year	<u>2.3</u>	<u>-</u>
Total investments		
At the beginning of the financial year	<u>-</u>	<u>-</u>
At the end of the financial year	<u>4.5</u>	<u>-</u>

15. Principal subsidiaries

Following the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC) in 2022 (note 39), details of the principal subsidiaries as at 31 December 2022 are as follows:

Incorporated and operating in	Registered office	Principal activity	Beneficial interest %
Ireland			
Tirlán Services Society Limited	Abbey Quarter, Kilkenny, Ireland, R95 DXR1	Investment holding	100
Quinport Limited	Abbey Quarter, Kilkenny, Ireland, R95 DXR1	Investment holding	100
Robinfield Co-operative Society Limited	Abbey Quarter, Kilkenny, Ireland, R95 DXR1	Investment holding	100
Slademoire Limited	Abbey Quarter, Kilkenny, Ireland, R95 DXR1	Investment holding	100
Tirlán Limited	Abbey Quarter, Kilkenny, Ireland, R95 DXR1	Milk products, consumer goods and agri trading	100
Glanbia Foods Ireland Limited*	Glanbia House, Kilkenny, Ireland, R95 E866	Consumer products & agri trading business	100
Tirlán Treasury DAC	Leggettsrath, Kilkenny	Financial services	100
Truly Natural Foods Limited	Glanbia House, Kilkenny, Ireland, R95 E866	Dairy products	100
South Eastern Cattle Breeding Society	Dovea, Thurles, Co. Tipperary	Cattle breeding	61
D. Walsh & Sons Limited	Palmerstown, Kilkenny	Grain and fertilisers	60
Grasslands Fertilisers (Kilkenny) Limited	Palmerstown, Kilkenny	Fertilisers	73
Britain and Northern Ireland			
Tirlán Animal Nutrition Limited	20 Colmore Circus, Queensway, Birmingham, B4 6AT	Animal feed distribution	100
Kilmeaden Foods (NI) Limited	202 City Business Park, Dumurry, BT179HY 9HY	Consumer food distribution	100
Germany			
Tirlán Ingredients GmbH	Gewerbestrasse 3, D-78359, Orsingen-Nenzingen	Marketing and support services	100
United States			
Tirlán Services, Inc	3411 Silverside Road, Tatnall Building 104 Wilmington, New Castle County, DE 19810	Marketing and support services	100
China			
Tirlán Ingredients Trading (Shanghai) Company Limited	Room 901-901, No. 550 East Yan'an Road, Huangpu District, Shanghai East Yan'an Road, Huangpu District, Shanghai	Inactive	100

The Group owned 60% of the beneficial interest in Tirlán Limited (formerly Glanbia Ireland DAC) in the prior year. Refer to note 39 for details of the step acquisition that took place during 2022.

*Glanbia Foods Ireland Limited was merged by absorption into Tirlán Limited on 2 April 2023.

16. Investments in joint ventures

Tirlán Limited (formerly Glanbia Ireland DAC)	2022	2021
	€'m	€'m
At the beginning of the financial year	503.0	466.7
Share of profit after tax (pre exceptional)	13.9	44.7
Share of loss after tax (exceptional)	(4.1)	(1.6)
Gain recognised through equity net of deferred tax	3.3	11.6
Dividends received	-	(18.4)
Loss on remeasurement of joint venture	(55.6)	-
Step acquisition – note (a)	(460.5)	-
At the end of the financial year	-	503.0
Corman Miloko Ireland Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	4.7	-
Share of loss after tax	(3.3)	-
Gain recognised through equity net of deferred tax	0.5	-
Impairment – note (b)	(1.9)	-
At the end of the financial year	-	-
Malting Company of Ireland Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	3.4	-
Share of profit after tax	0.1	-
Decrease in investment	(0.7)	-
At the end of the financial year	2.8	-
South East Port Services Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	8.9	-
Share of profit after tax	0.7	-
Dividend received	(0.2)	-
At the end of the financial year	9.4	-

Kilkenny Cheese Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	3.5	-
Additions – note (c)	20.6	-
At the end of the financial year	24.1	-
Total Joint Ventures		
At the beginning of the financial year	503.0	466.7
At the end of the financial year	36.3	503.0

(a) On 1 April 2022, the Society acquired the remaining 40% of the shares in Tirlán Limited (formerly Glanbia Ireland DAC) for €307 million in cash (“step acquisition”) and consolidated it into the Group as a subsidiary, see note 39 for further details.

(b) On 20 January 2023, the Group announced its decision to close the Corman Miloko facility at Carrick-on-suir, Co. Tipperary. On this basis, the investment was fully impaired.

(c) On 18 December 2020, the Company invested €1.9 million in Kilkenny Cheese Limited and a further €1.6 million in 2021, and €20.6 million in 2022 by way of a convertible, interest-free, unsecured loan note. Within 10 business days of the date of receipt by Kilkenny Cheese Limited of the final tranche of funds from its two shareholders, the convertible loan notes were converted into ordinary shares in Kilkenny Cheese Limited, in full satisfaction and discharge of the monies due in respect of the convertible loan notes. If the Shareholders Agreement relating to Kilkenny Cheese Limited had been terminated on or before 31 December 2022, each of the convertible loan notes which have already been advanced on or before such date shall be repaid by Kilkenny Cheese Limited to its two shareholders in full within 10 days of the termination of such Shareholders Agreement.

Details of the joint ventures at the financial year end are as follows:

Incorporated and operating in Ireland	Registered office	Principal activity	Beneficial interest %
Corman Miloko Ireland Limited	Deerpark, Carrick on Suir, Co. Tipperary	Butter oil and dairy spreads production	45
Malting Company of Ireland Limited	The Maltings, South Link, Togher, Cork	Malting	50
South East Port Services Limited	Palmerstown, Kilkenny	Port services	49
Kilkenny Cheese Limited	Leggettsrath, Kilkenny	Cheese production	49

Set out below is the summarised financial information for Tirlán Limited (formerly Glanbia Ireland DAC) for 2021 which was disclosed in the 2021 financial statements as the joint venture was material to the Group:

	2021
	€'m
Non-current assets	729.8
Current assets	569.3
Non-current liabilities	(386.9)
Current liabilities	(387.3)
Net assets (100%)	<u>524.9</u>
Net assets attributable to equity holders of the Society*	511.0
Reconciliation to carrying amount:	
Group's share of net assets	306.6
Adjustment in respect of fair value adjustments on the investment in Tirlán Limited (formerly Glanbia Ireland DAC)	196.4
Carrying amount	<u>503.0</u>
Revenue	2,245.6
Profit after tax	73.5
Other comprehensive income	19.3
Total comprehensive income	<u>92.8</u>
Total comprehensive income attributable to equity holders of the Society	<u>91.1</u>
Reconciliation to the Group's share of total comprehensive income:	
Group's share of total comprehensive income	<u>54.7</u>
Joint Venture other movements:	
Dividend received	<u>18.4</u>

*The difference between the net assets and the net assets attributable to equity holders of the Society is the portion of net assets attributable to non-controlling interests.

The gain recognised through equity net of deferred tax is analysed as follows:

	2022	2021
	€'m	€'m
OCI items that will not be reclassified subsequently to the income statement		
Remeasurements on defined benefit plans, net of deferred tax	0.7	9.7
OCI items that may be reclassified subsequently to the income statement		
Currency translation differences	-	0.1
Fair value movements on cash flow hedges, net of deferred tax	<u>3.1</u>	<u>1.8</u>
	<u>3.1</u>	<u>1.9</u>
Total OCI	<u><u>3.8</u></u>	<u><u>11.6</u></u>

17. Investments in associates

Glanbia plc	2022	2021
	€'m	€'m
At the beginning of the financial year	956.1	917.5
Share of profit after tax (pre exceptional)	72.1	66.6
Share of profit/(loss) after tax (exceptional)	7.5	(13.1)
(Loss)/gain recognised through equity net of deferred tax	(12.2)	10.9
Dividends received	(26.7)	(25.8)
Disposal – note (a)	(189.6)	-
At the end of the financial year	807.2	956.1
Co-operative Animal Health Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	2.0	-
Share of profit after tax (pre exceptional)	0.1	-
At the end of the financial year	2.1	-
Total Associates		
At the beginning of the financial year	956.1	917.5
At the end of the financial year	809.3	956.1

(a) During 2022, the Group disposed of 5.75 million shares by way of private placement and 12.0 million shares through a spin-out to members resulting in derecognition of the related carrying amount of the investment in associate of €59.4m and €130.2m respectively. See note 8 and 10 for further details.

The Group holds ordinary shares in Glanbia plc. The quoted fair value of the shares in Glanbia plc at the end of the reporting period was €0.9 billion (2021: €1.1 billion). There are no contingent liabilities relating to the Group's interests in its associate.

Details of the associates are as follows:

Incorporated and operating in Ireland	Registered office	Principal activity	Beneficial interest %
Glanbia plc	Ring Rd, Kilkenny	Holding company	27.74
Co-Operative Animal Health Limited	Tullow, Co. Carlow	Agri chemicals	50

Set out below is the summarised financial information for Glanbia plc as it is material to the Group:

	2022	2021
	€'m	€'m
Non-current assets	2,308.2	2,198.6
Current assets other than assets held for sale	1,537.6	1,195.0
Assets held for sale	14.3	234.0
Non-current liabilities	(871.7)	(999.9)
Current liabilities other than liabilities held for sale	(1,113.7)	(887.4)
Liabilities held for sale	(6.3)	-
Net assets (100%)	1,868.4	1,740.3
Net assets attributable to equity holders of the Society**	1,861.1	1,732.2
Reconciliation to carrying amount:		
Group's share of net assets	516.3	562.6
Adjustment in respect of fair value adjustments on the investment in Glanbia plc	409.8	409.8
Adjustment in respect of changes in Group's equity interest*	70.7	(16.3)
Adjustment in respect of disposal of shareholding	(189.6)	-
Carrying amount	807.2	956.1
Revenue	5,642.4	4,196.9
Profit after tax from continuing operations	199.6	141.0
Profit after tax from discontinued operations	57.2	26.4
Other comprehensive income	105.7	135.3
Total comprehensive income	362.5	302.7
Total comprehensive income attributable to equity holders of the Society	363.3	302.3
Reconciliation to the Group's share of total comprehensive income:		
Group's share of total comprehensive income	100.8	98.2
Adjustment in respect of changes in Group's equity interest*	13.1	(1.1)
Group's share of total comprehensive income	113.9	97.1
Associate other movements:		
Dividend received	26.7	25.8

* There were changes in the Group's equity interest in Glanbia plc during 2022 and 2021. Accordingly the Group's equity interest at 31 December 2022 and 1 January 2022 did not reflect the Group's share of the associate's 2022 and 2021 total comprehensive income.

**The difference between the net assets and the net assets attributable to equity holders of the Society is the portion of net assets attributable to non-controlling interest.

The gain recognised through equity net of deferred tax is analysed as follows:

	2022	2021
	€'m	€'m
OCI items that will not be reclassified subsequently to the income statement		
Remeasurements on defined benefit plans, net of deferred tax	4.0	1.8
OCI items that may be reclassified subsequently to the income statement		
Currency translation differences	24.7	40.7
Fair value movements on cash flow hedges, net of deferred tax	5.6	1.1
	30.3	41.8
Total OCI	34.3	43.6
Other equity movements		
Purchase of Glanbia plc own shares	(57.9)	(27.6)
Cost of share based payments	3.0	3.0
Recognition and remeasurement of put option liability	7.4	(8.0)
Change in fair value of equity instruments measured at FVOCI	0.1	(0.1)
Transfer to Group income statement*	0.5	-
Sale of shares held by a subsidiary	0.4	-
	(46.5)	(32.7)
	(12.2)	10.9

*On disposal of discontinued operation

18. Inventories

	2022	2021
	€'m	€'m
Raw materials	23.8	-
Finished goods	371.9	-
Consumables	13.4	-
	<u>409.1</u>	<u>-</u>

The amount of inventory written down to net realisable value and the raw materials and consumables recognised as an expense are shown in note 6. The directors are of the opinion that the replacement cost of inventory at year end did not differ significantly from the amounts shown above.

19. Trade and other receivables

	2022	2021
	€'m	€'m
Current		
Trade receivables	241.9	-
Less: allowance for impairment of receivables	(8.8)	-
Trade receivables – net	<u>233.1</u>	<u>-</u>
Receivables from related parties – note 32	19.0	0.1
Prepayments	20.0	0.1
Loans to Joint Ventures	-	19.3
Value added tax	12.8	0.2
Current tax asset	3.6	-
Other receivables	10.2	-
Other receivables	<u>65.6</u>	<u>19.7</u>
	<u>298.7</u>	<u>19.7</u>
Non-current		
Loans to Joint Ventures	1.9	24.0
Tirlán Milkflex Fund*	1.7	2.1
	<u>3.6</u>	<u>26.1</u>
Total	<u>302.3</u>	<u>45.8</u>

The fair value of trade and other receivables is not materially different to their carrying amount.

At 31 December 2022, the Group has derecognised €139.5 million (2021: nil) through the use of a receivables securitisation arrangement and €60.3 million (2021: nil) through the use of a receivables sale arrangement. Under the terms of these arrangements the Group has transferred the credit risk and control of the receivables sold.

* In 2016 the Group, along with the Ireland Strategic Investment Fund, Rabobank and Finance Ireland, created the Tirlán MilkFlex Fund ('the Fund'). The Fund offers loans to Tirlán milk suppliers with loan repayments which can vary according to movements in milk price. The loans will have a standard term of eight years, but may be extended by up to a maximum of a further two years when volatility triggers are enacted. Loan repayments will be temporarily reduced when the Tirlán manufacturing milk price falls below 28 cent per litre (including VAT) for three consecutive months. Loan repayments will be suspended for a period, when the Tirlán manufacturing milk price falls below 26 cent per litre (including VAT) for three consecutive months or when the outbreak of a notifiable disease reduces milk output materially on the previous year. Loan repayments will increase when the Tirlán manufacturing price goes above 34 cent per litre (including VAT) for three consecutive months. As at the year end, repayments are expected to continue to 2026.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022	2021
	€'m	€'m
Euro	257.9	45.8
US dollar	38.2	-
GBP sterling	6.2	-
	<u>302.3</u>	<u>45.8</u>

Movement on the Group's expected credit loss allowance for trade receivables is as follows:

	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	8.9	-
Increase in loss allowance recognised during the year	0.3	-
Receivables written off during the year as uncollectible	(0.4)	-
At the end of the financial year	<u>8.8</u>	<u>-</u>

At 31 December 2022, Group trade receivables of €82.6 million (2021: nil) were past due:

	2022	2021
	€'m	€'m
Less than 30 days	30.4	-
1 to 3 months	22.8	-
4 to 6 months	19.8	-
Over 6 months	9.6	-
At the end of the period	<u>82.6</u>	<u>-</u>
Less expected credit loss allowance	(8.8)	-
	<u>73.8</u>	<u>-</u>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance of receivables is established based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment of countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

20. Cash and cash equivalents

	2022	2021
	€'m	€'m
Cash at bank and in hand	108.8	0.3

21. Called up share capital and share premium

	Number of shares (millions)	Ordinary shares €'m	Share premium €'m	Total €'m
At 2 January 2021	37.4	37.4	8.8	46.2
Shares issued	-	-	0.2	0.2
At 2 January 2022	37.4	37.4	9.0	46.4
Shares cancelled	(3.4)	(3.4)	-	(3.4)
At 31 December 2022	34.0	34.0	9.0	43.0

During 2022, 3.4 million ordinary shares with a nominal value of €1 were cancelled in connection with the spin-out of Glanbia plc shares to members of the Society (note 17).

The total issued number of ordinary 'A' shares is 34.0 million (2021: 37.4 million) with a par value of €1 per share. Nil (2021: €0.1 million) ordinary 'A' shares were issued but not fully paid as at 31 December 2022.

The 'A' ordinary shares have four classes of membership A1, A2, A3 and A4. The shares held by a member in any class carry the designation of that class of membership. The rights of each class differ as follows:

- A1 members have all the rights of membership provided for in the rules of the Society except for those applying only to A4 members.
- A2 members are entitled to vote in elections in the Society but are not entitled to participate in any such elections as a candidate or proposer or seconder of a candidate. They are not entitled to receive notice of or vote on any special resolution or on any resolution to amend, delete or add to the rules of the Society, but are entitled to receive notice of and vote on all other resolutions at any general meeting of the Society.
- A3 members do not have the right to receive notice of any meeting of the Society or to attend or vote at any such meeting or to participate in any way in any elections in the Society.
- A4 members have the rights and entitlements attaching to corporate members and A4 shares rank pari passu with the A1 shares.

22. Deferred tax assets and liabilities

	2022 €'m	2021 €'m
Deferred tax asset	1.2	-
Deferred tax liability	(52.7)	-
Net deferred tax liability	(51.5)	-

The gross movement on the deferred tax account is as follows:

	2022 €'m	2021 €'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	(47.0)	-
Credited to income statement	1.8	-
Charged to other comprehensive income:		
- Deferred tax charge on fair value movements	(1.0)	-
- Deferred tax charge on remeasurements - defined benefit pension schemes	(5.3)	-
At the end of the financial year	(51.5)	-

The movement in deferred tax liabilities and assets during the financial year is as follows:

Deferred tax asset	Retirement benefit obligations €'m	Benefit of tax losses €'m	Other €'m	Total €'m
At 2 January 2021 and 1 January 2022	-	-	-	-
Step acquisition (note 39)	3.9	0.3	0.9	5.1
Credited to income statement	0.9	0.7	0.3	1.9
Charged to other comprehensive income	(5.3)	-	(1.0)	(6.3)
Reclassified to deferred tax liabilities	0.5	-	-	0.5
At 31 December 2022	-	1.0	0.2	1.2

A deferred tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future tax profits is probable.

Deferred tax liabilities	Accelerated tax Depreciation €'m	Retirement benefit obligations €'m	Other €'m	Total €'m
At 2 January 2021 and 1 January 2022	-	-	-	-
Step acquisition (note 39)	(46.8)	-	(5.3)	(52.1)
(Charged) / credited to income statement	(1.9)	-	1.8	(0.1)
Reclassified from deferred tax asset	-	(0.5)	-	(0.5)
At 31 December 2022	(48.7)	(0.5)	(3.5)	(52.7)

The deferred tax charged to other comprehensive income during the period is as follows:

	2022 €'m	2021 €'m
Retirement benefit obligations	(5.3)	-
Hedging reserve	(1.0)	-
Total charged to other comprehensive income	(6.3)	-

23. Retirement benefit obligation

Defined contribution pension plans

The Group has a number of defined contribution pension plans in operation. €1.7 million (2021: nil) was recognised in the Group income statement during the year (note 28).

Defined benefit pension plans

Tirlán Limited operates various defined benefit schemes, one of which is relevant to Tirlán Co-operative Society Limited and three of which are relevant to Tirlán Limited (formerly Glanbia Ireland DAC). It is planned to formally separate the pension scheme between Glanbia plc and the Group within the next six months. There will be no financial impact from the separation. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The majority of the Group's employees are members of these schemes which provide retirement and death benefits. The details of these schemes, which are funded through separate trustee managed funds, are set out below.

The contributions paid to the schemes are in accordance with the advice of a professionally qualified actuary. The latest valuation reports for the schemes (which are not available for public inspection) are dated 1 January 2021. The contributions paid to the schemes in the current period are in accordance with the contribution rates recommended in the actuarial valuation reports and as validated by the actuaries.

The aggregate market value of the assets at the date of the last applicable actuarial valuation was in excess of €457.8 million at Group level. The most recent actuarial valuation shows that the Schemes in aggregate are less than 100% funded in respect of the on-going liabilities. In relation to accrued on-going liabilities, based on pensionable salaries projected to normal retirement age, the aggregate value of the assets of the Schemes represented 75% of these accrued liabilities at the relevant actuarial valuation date. The Group has agreed a funding plan with the trustees and where relevant, the regulatory body in relation to the funding of the Schemes. On actuarial advice, the pension charge will be increased for the effects of this deficit and the variation from the regular cost will be amortised over the employees' expected remaining working lives.

The charge in the income statement in respect of the defined benefit pension scheme cost for the financial year amounted to €6.2 million (2021: nil) which consisted of current service costs of €5.9 million (2021: €0.1 million) and a net interest cost of €0.3 million (2021: net interest income of €0.1 million). The remeasurement gain in the statement of other comprehensive income amounted to €42.4 million (2021: remeasurement gain of €0.1 million).

The amounts recognised in the balance sheet are determined as follows:

	2022	2021
	€'m	€'m
Present value of funded obligations	(342.0)	(3.2)
Fair value of plan assets	355.4	3.1
Asset/(liability) in the balance sheet	13.4	(0.1)

The amounts recognised in the income statement are as follows:

	2022	2021
	€'m	€'m
Current service cost	(5.9)	(0.1)
Net interest (costs)/income	(0.3)	0.1
Total expense - defined benefit schemes	(6.2)	-

The movement in the liability recognised in the balance sheet over the financial period is as follows:

	2022	2021
	€'m	€'m
At the beginning of the financial year	(0.1)	(0.3)
Step acquisition (note 39)	(30.8)	-
Total expense – defined benefit schemes	(6.2)	-
Remeasurements – defined benefit schemes	42.4	0.1
Contributions paid by employer	8.1	0.1
At the end of the financial year	13.4	(0.1)

The movement in pension obligations during the financial year is as follows:

	2022	2021
	€'m	€'m
At the beginning of the financial year	(3.2)	(3.1)
Step acquisition (note 39)	(460.5)	-
Current service costs	(5.9)	(0.1)
Interest costs	(6.1)	-
Remeasurements:		
- Experience loss	(4.5)	(0.1)
- Changes in financial assumptions	120.3	-
Benefits paid	19.4	0.1
Contributions by plan participants	(1.5)	-
At the end of the financial year	(342.0)	(3.2)

The movement in plan assets over the financial year is as follows:

	2022	2021
	€'m	€'m
At the beginning of the financial year	3.1	2.8
Step acquisition (note 39)	429.7	-
Interest income	5.8	0.1
Remeasurements:		
- Return on plan assets excluding amounts included in interest income	(72.6)	-
- Experience (loss)/gain	(0.8)	0.2
Benefits paid	(19.4)	(0.1)
Contributions paid by employer	8.1	0.1
Contributions by plan participants	1.5	-
At the end of the financial year	355.4	3.1

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	3.7%	1.1%
Inflation rate	2.5%	2.1%
Future salary increases	3.5%	3.1%

Plan assets relating to the Group are comprised as follows:

	Quoted €'m 2022	Unquoted €'m 2022	Total €'m 2022	%	Quoted €'m 2021	Unquoted €'m 2021	Total €'m 2021	%
Equities								
- Consumer	13.7	-	13.7	4	0.2	-	0.2	7
- Energy	5.9	-	5.9	2	-	-	-	-
- Financials	11.1	-	11.1	3	0.2	-	0.2	6
- Healthcare	13.0	-	13.0	4	0.2	-	0.2	6
- Industrials	6.8	-	6.8	2	0.1	-	0.1	4
- I.T.	9.1	-	9.1	3	0.2	-	0.2	6
- Materials	2.8	-	2.8	1	-	-	-	-
- Telecoms	4.7	-	4.7	1	0.1	-	0.1	3
- Utilities	1.4	-	1.4	-	-	-	-	-
- Other	1.3	-	1.3	-	-	-	-	-
Government bonds								
- Eurozone	185.1	-	185.1	52	1.0	-	1.0	32
- Other	8.5	-	8.5	2	0.1	-	0.1	3
Corporate bonds								
- Investment Grade	27.1	-	27.1	8	0.3	-	0.3	10
Property	-	9.3	9.3	2		0.1	0.1	3
Cash	3.9	2.2	6.1	2	0.1	-	0.1	3
Investment funds and other	49.5	-	49.5	14	0.5	-	0.5	17
	343.9	11.5	355.4	100	3.0	0.1	3.1	100

Contributions to post-employment defined benefit pension schemes are expected to be circa €15.8 million (2021: €0.2 million) in 2023.

Mortality rates:

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2022	2021
Male	24.2	24.1
Female	26.3	26.2

The mortality assumptions imply the following expectancies in years of an active member, aged 65, retiring now:

	2022	2021
Male	21.9	21.8
Female	24.3	24.2

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, all other assumptions remaining constant.

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase / (decrease) of 50 bps	Decrease of €21.5 million / (increase) of €23.9
Price inflation	Increase / (decrease) of 50 bps	Increase of €6.8 million / (decrease) of €6.5
Mortality	Increase / (decrease) of one year	Increase / (decrease) of €8.9 million

Post-employment benefits risk

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plan holds investments in asset classes such as equities, which have volatile market values and while these are expected to provide higher returns than other asset classes over the long term, the short term volatility could cause an increase or decrease in the deficit at any particular point in time.

Interest rate risk

The pension plan liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the pension plan holds other assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk

A significant proportion of the benefits under the plans are linked to inflation. Although the plan's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to further deficits emerging.

Mortality risk

In the event that members live longer than assumed a further deficit will emerge in the schemes.

24. Provisions

	2022 €'m	2021 €'m
Restructuring provision		
At the beginning of the financial year	-	-
Step acquisition	10.4	-
Provided in the financial year	0.2	-
Utilised in the financial year	(7.8)	-
At the end of the financial year	2.8	-
	2022 €'m	2021 €'m
Milk Supply Voluntary Retirement Scheme		
At the beginning of the financial year	-	-
Step acquisition	7.7	-
Utilised in the financial year	(1.5)	-
At the end of the financial year	6.2	-

	2022 €'m	2021 €'m
Legal provision		
At the beginning of the financial year	-	-
Step acquisition	0.1	-
At the end of the financial year	<u>0.1</u>	<u>-</u>

	2022 €'m	2021 €'m
Property and lease commitments		
At the beginning of the financial year	-	-
Step acquisition	4.7	-
Provided in the financial year	0.4	-
At the end of the financial year	<u>5.1</u>	<u>-</u>

	2022 €'m	2021 €'m
Provisions		
At the beginning of the financial year	-	-
At the end of the financial year	<u>14.2</u>	<u>-</u>

	2022 €'m	2021 €'m
Provisions are shown as:		
Current	4.6	-
Non-current	9.6	-
	<u>14.2</u>	<u>-</u>

- **Restructuring provision** relates to a fundamental review and re-organisation of the Tirlán Group's existing corporate and operating structures and to optimise business portfolios to maximise business returns.
- The **Milk Supply Voluntary Retirement scheme** relates to costs associated with supporting retiring milk suppliers exit milk supply as part of peak milk supply management. Payments will be made to retiring milk suppliers over the period 2022 to 2026.
- The **legal provision** relates to certain legal claims, insurance claims and other items.
- The **property and lease commitments provision** relates to property remediation works and is based on the estimated cost of re-instating a property to its original condition.
- Due to the nature of these provisions there is some uncertainty around the amount and timing of payments

25. Capital grants

	2022 €'m	2021 €'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	31.4	-
Grants received during the financial year	2.0	-
Released to income statement	(1.4)	-
At the end of the financial year	<u>32.0</u>	<u>-</u>
Non-current	30.2	-
Current	1.8	-
	<u>32.0</u>	<u>-</u>

26. Borrowings

	2022	2021
	€'m	€'m
Current		
Bank overdraft	38.6	-
Bank borrowings	7.0	-
	<u>45.6</u>	<u>-</u>
Non-current		
Bank borrowings	242.4	-
Secured exchangeable bond	236.5	-
	<u>478.9</u>	<u>-</u>
Total borrowings	<u>524.5</u>	<u>-</u>

The Group's borrowings are denominated in Euro and are borrowed at floating interest rates. Interest is set at commercial rates based on Euribor for periods of up to six months.

In January 2022, a secured exchangeable bond of €250.0 million was issued at a fixed rate of 1.875% (payable half yearly) with a bullet repayment in January 2027 unless redeemed earlier at the option of the Society. This convertible debt instrument includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible bond option is accounted for as a derivative liability (note 33). The convertible debt is a hybrid instrument containing a host debt contract and a convertible option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. The host bond is initially recognised at fair value and subsequently at amortised cost.

Included within the carrying value of borrowings and the secured exchangeable bond are deferred debt issue costs of €2.8 million, all of which is recognised in finance costs in the Group income statement using the effective interest rate method over the remaining life of the bond.

The maturity of non-current borrowings is as follows:

	2022	2021
	€'m	€'m
Between 1 and 2 years	241.0	-
Between 2 and 5 years	237.9	-
More than 5 years	-	-
At the end of the financial year	<u>478.9</u>	<u>-</u>

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount	Carrying amount	Fair value	Fair value
	2022	2021	2022	2021
	€'m	€'m	€'m	€'m
Non-current borrowings	<u>478.9</u>	<u>-</u>	<u>443.9</u>	<u>-</u>

The carrying value of current borrowings approximates their fair value due to their short-term nature.

The Group has the following undrawn borrowing facilities:

	2022	2021
	€'m	€'m
Committed facilities expiring beyond 1 year	<u>136.0</u>	<u>-</u>

The providers of finance are AIB, Bank of Ireland, Danske Bank, Rabobank, HSBC Bank and Ulster Bank. All of the undrawn borrowing facilities are floating rate facilities.

Net debt comprises the following:

	2022	2021
	€'m	€'m
Current borrowings	45.6	-
Non-current borrowings	478.9	-
Cash and cash equivalents	(108.8)	(0.3)
	<u>415.7</u>	<u>(0.3)</u>

The movement in net debt is as follows:

	2022	2021
	€'m	€'m
Net debt at the beginning of the financial year	(0.3)	67.3
Step acquisition (note 39)	204.0	-
Drawdown of borrowings	266.7	-
Repayment of borrowings	(13.3)	(93.4)
Convertible bond option	(11.4)	-
Deferred debt issue costs	0.6	-
Net increase/decrease in cash and cash equivalents	(30.6)	25.8
Net debt at the end of the financial year	<u>415.7</u>	<u>(0.3)</u>

27. Trade and other payables

	2022	2021
	€'m	€'m
Current		
Trade payables	228.8	-
Amounts due to related parties - note 32	13.0	0.6
Social security costs	1.4	-
Deferred income	4.3	-
Current tax liability	0.6	-
Other payables and accruals	317.7	18.5
	<u>565.8</u>	<u>19.1</u>
Non-current		
Other payables	19.2	-
Total trade and other payables	<u>585.0</u>	<u>19.1</u>

28. Employees

The average monthly number of persons employed during the year analysed by category, was as follows:

	2022	2021
Production	1,440	-
Sales and Marketing	604	-
Administration	255	9
	<u>2,299</u>	<u>9</u>

The number of persons employed at 31 December 2022 was 2,143 (2021: 9).

The aggregate payroll cost of employees for the period was as follows:

	2022	2021
	€'m	€'m
Wages and salaries	101.2	0.8
Social security costs	11.1	-
Pension costs – defined benefit schemes (note 23)	6.2	-
Pension costs – defined contribution schemes (note 23)	1.7	-
	<u>120.2</u>	<u>0.8</u>
Analysed as follows:		
Expensed to profit or loss	118.9	0.8
Capitalised	1.3	-
	<u>120.2</u>	<u>0.8</u>

29. Commitments

Capital commitments contracted for as at 31 December 2022, but not provided in the financial statements were €7.5 million (2021: nil).

The Group has a commitment in relation to the Patronage Bonus scheme amounting to €21.8 million in 2022 (2021: €24.8 million). These were approved at a special general meeting in 2019 and 2018. The Patronage Bonus will be paid out based on events that will be at the discretion of the Board.

30. Contingent liabilities

Bank guarantees amounting to €2.0 million were outstanding as at 31 December 2022 (1 January 2022: nil). The Group does not expect any material loss to arise from these guarantees.

The Group has a contingent liability in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from these contingent liabilities.

31. Cash generated from operating activities

(a) Cash generated from operations	Notes	2022 €'m	2021 €'m
Profit after taxation		(131.8)	92.4
Income taxes	9	(3.9)	-
Depreciation – property, plant and equipment	11	32.9	0.1
Depreciation – right-of-use assets	12	5.6	-
Amortisation of intangible assets	13	2.3	0.3
Amortisation of capital grants received	25	(1.4)	-
Difference between pension charge and cash contributions		(1.9)	(0.1)
Net finance cost	7	20.9	(0.8)
Non cash movements – exceptional items		165.1	-
Non cash movements - commodities		(1.3)	-
Share of profit of Joint Ventures and Associates (post exceptional)		(87.0)	(96.6)
Cash used in operations before changes in working capital		(0.5)	(4.7)
Change in net working capital:			
Increase in inventory		(51.1)	-
Decrease/(increase) in trade and other receivables		60.3	(0.5)
Increase in trade and other payables		82.0	1.9
Decrease in provisions		(8.7)	-
Net increase in working capital		82.5	1.4
Cash generated from/(used in) operating activities		82.0	(3.3)

(b) Changes in liabilities arising from financing activities

	Borrowings €'m	Lease liabilities €'m	Total €'m
At 2 January 2021 and 2 January 2022	-	-	-
Step acquisition (note 39)	281.9	28.2	310.1
Drawdown of borrowings	266.7	-	266.7
Repayment of borrowings	(13.3)	-	(13.3)
Convertible bond option	(11.4)	-	(11.4)
Deferred debt issue costs	0.6	-	0.6
Leases	-	13.0	13.0
Payment of lease liabilities	-	(5.1)	(5.1)
At 31 December 2022	524.5	36.1	560.6

32. Related party transactions

Related parties of the Group include subsidiary undertakings, joint ventures and associates, key management personnel and connected parties. Refer to notes 15 to 17 for the Group's principal subsidiaries, joint ventures and associates.

(a) Group

Dividends received

Dividends received by the Group from its joint ventures and associates are as follows:

	2022	2021
	€'m	€'m
Glanbia plc	26.7	25.8
South East Port Services Limited	0.2	-
Tirlán Limited (formerly Glanbia Ireland DAC) (until 1 April 2022)	-	18.4
	<u> </u>	<u> </u>

	2022	2021
	€'m	€'m
Sales of goods and services		
Glanbia plc	77.2	0.3
Tirlán Limited (formerly Glanbia Ireland DAC) (until 1 April 2022)	0.1	0.2
Joint ventures and related undertakings of Tirlán Limited (formerly Glanbia Ireland DAC)	124.7	-
Directors	3.4	-
	<u> </u>	<u> </u>
	<u>205.4</u>	<u>0.5</u>

Sales to related parties were carried out under normal commercial terms and conditions.

	2022	2021
	€'m	€'m
Purchases of goods and services		
Glanbia plc	27.7	1.4
Tirlán Limited (formerly Glanbia Ireland DAC) (until 1 April 2022)	-	0.2
Joint ventures and related undertakings of Tirlán Limited (formerly Glanbia Ireland DAC)	7.0	-
Directors	10.8	-
	<u> </u>	<u> </u>
	<u>45.5</u>	<u>1.6</u>

Purchases from related parties were carried out under normal commercial terms and conditions.

Financial year end balances

	2022	2021
	€'m	€'m
Receivables from related parties		
Glanbia plc	8.9	0.1
Joint ventures and related undertakings of Tirlán Limited (formerly Glanbia Ireland DAC)	9.9	-
Directors	0.2	-
	<u> </u>	<u> </u>
	<u>19.0</u>	<u>0.1</u>

	2022	2021
	€'m	€'m
Payables to related parties		
Glanbia plc	5.0	0.5
Tirlán Limited (formerly Glanbia Ireland DAC) (until 1 April 2022)	-	0.1
Joint ventures and related undertakings of Tirlán Limited (formerly Glanbia Ireland DAC)	6.9	-
Joint ventures of Glanbia plc	0.1	-
Directors	1.0	-
	<u> </u>	<u> </u>
	<u>13.0</u>	<u>0.6</u>

The outstanding balances included in receivable and payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash. No guarantees have been given or received. All outstanding balances are deemed to be fully recoverable by the Group.

	2022	2021
	€'m	€'m
Key management compensation		
Salaries and other short-term employee benefits	4.6	-
Non-Executive directors fees	1.4	0.5
Post-employment benefits	0.3	-
Long term incentive plan	0.8	-
Termination payments	0.6	-
	<u>7.7</u>	<u>0.5</u>

Key management compensation includes directors (Executive and Non-Executive) and members of the Group Executive Leadership Team.

The Group operates a long-term incentive plan which may be offered to key management personnel. At 31 December 2022, the Group has recorded liabilities of €2.2 million (2021: nil) in respect of the plan.

(b) Loans to joint ventures

	2022	2021
	€'m	€'m
Loans receivable		
At the beginning of the period	43.3	103.2
Loans novated during the period	28.8	-
Loans repaid during the period	(33.3)	(59.9)
Movement during the year arising from step acquisition	(36.9)	-
At the end of the period	<u>1.9</u>	<u>43.3</u>
Interest on loans receivable		
At the beginning of the period	0.1	-
Interest charged	0.4	1.7
Interest paid	(0.5)	(1.6)
At the end of the period	<u>-</u>	<u>0.1</u>
Total loans and interest receivable at the end of the period	<u>1.9</u>	<u>43.4</u>

Loans to Joint Ventures are as follows:

(a) an interest bearing unsecured loan of €1.5 million to South East Port Services Limited, a Joint Venture which is repayable subject to cash-flows, to which an interest rate of 3.5% applies.

(b) an interest free unsecured loan of €0.4 million to Malting Company of Ireland Limited, a Joint Venture, which is repayable in 2043.

(c) prior to 1 April 2022, there were loans amounting to €38.8 million due from Tirlán Limited (formerly Glanbia Ireland DAC), a joint venture of the Group. Following the step acquisition (note 39), Tirlán Limited (formerly Glanbia Ireland DAC) became a subsidiary of the Group and accordingly loans to joint ventures and associates decreased by €38.8 million.

(c) (i) Details of transactions with Key Management personnel (including directors), and connected parties (where indicated), for the period ended 31 December 2022 are as follows. There were no such transactions for the year ended 1 January 2022.

	Balance at 1 April 2022 €'m	Sales/ (Purchases) with Director €'m	(Receipts from) /payments to Director €'m	Interest charged during 2022 €'m	Balance at 31 December 2022 €'m	Maximum balance during the period €'m
P Ahern						
Sales to Director	-	0.2	(0.2)	-	-	-
Purchases from Director	(0.1)	(0.7)	0.8	-	-	(0.1)
R Barron						
Sales to Director	-	-	-	-	-	-
Purchases from Director	-	(0.3)	0.3	-	-	-
V Gorman						
Sales to Director	-	-	-	-	-	0.1
Purchases from Director	(0.1)	(0.3)	0.2	-	(0.2)	(0.2)
B Hayes						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	(0.1)	(0.4)	0.5	-	-	(0.1)
T Phelan						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	-	(0.4)	0.4	-	-	(0.1)
D O'Sullivan						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	(0.1)	(0.8)	0.8	-	(0.1)	(0.1)
L Hannon						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	(0.1)	(0.5)	0.5	-	(0.1)	0.1
S Molloy						
Sales to Director	-	-	-	-	-	-
Purchases from Director	-	-	-	-	-	-
E McEntegart						
Sales to Director	-	0.3	(0.3)	-	-	0.1
Purchases from Director	(0.1)	(0.9)	0.9	-	(0.1)	(0.1)
J G Murphy						
Sales to Director	0.1	0.3	(0.4)	-	-	0.2
Purchases from Director	(0.1)	(0.8)	0.8	-	(0.1)	(0.1)
J Murphy						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	-	(0.1)	0.1	-	-	-
P Murphy						
Sales to Director	0.1	0.1	(0.2)	-	-	0.1
Purchases from Director	(0.1)	(0.7)	0.8	-	-	(0.1)

	Balance at 1 April 2022 €'m	Sales/ (Purchases) with Director €'m	(Receipts from) /payments to Director €'m	Interest charged during 2022 €'m	Balance at 31 December 2022 €'m	Maximum balance during the period €'m
G O'Brien						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	(0.1)	(0.4)	0.5	-	-	(0.1)
J Regan						
Sales to Director	-	0.1	(0.1)	-	-	-
Purchases from Director	-	(0.3)	0.3	-	-	-
W Carroll						
Sales to Director	0.7	1.3	(1.9)	-	0.1	0.7
Purchases from Director	(0.3)	(3.2)	3.3	-	(0.2)	(0.5)

(c) (ii) Connected Persons

The aggregate of credit to connected persons of Directors in office as at 31 December 2022, as defined in section 220 of the Companies Act 2014, was as follows (2022: 5 persons; 2021: no persons).

	Balance at 1 April 2022 €'m	Sales/ (Purchases) with Director €'m	(Receipts from) /payments to Director €'m	Interest charged during 2022 €'m	Balance at 31 December 2022 €'m	Maximum balance during the period €'m
Sales to Director	-	0.3	(0.3)	-	-	-
Purchases from Director	(0.1)	(0.6)	0.7	-	-	(0.1)

(c) (iii) Former Directors who were in office during 2022

	Balance at 1 April 2022 €'m	Sales/ (Purchases) with Director €'m	(Receipts from) /payments to Director €'m	Interest charged during 2022 €'m	Balance at Date of resignation €'m	Maximum balance during the period €'m
V Gorman						
Sales to Director	-	-	-	-	-	-
Purchases from Director	(0.1)	(0.3)	0.2	-	(0.2)	(0.2)

33. Derivative financial instruments

	2022 Assets €'m	2022 Liabilities €'m	2021 Assets €'m	2021 Liabilities €'m
Convertible bond option – fair value through income statement	-	(18.4)	-	-
Interest rate swaps – cash flow hedges	11.3	-	-	-
Foreign exchange contracts – cash flow hedges	1.7	(0.6)	-	-
Commodity futures – cash flow hedges	0.1	(0.9)	-	-
Total	13.1	(19.9)	-	-
Less non-current portion:				
Convertible bond option – fair value through income statement	-	(18.4)	-	-
Interest rate swaps – cash flow hedges	11.3	-	-	-
Foreign exchange contracts – cash flow hedges	-	(0.3)	-	-
Commodity futures – cash flow hedges	-	(0.5)	-	-
Non-current	11.3	(19.2)	-	-
Current	1.8	(0.7)	-	-

Convertible bond option

In January 2022, a convertible bond of €250 million was issued by the Society. The convertible debt instrument includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible option is accounted for as a derivative liability. The convertible debt is a hybrid instrument containing a host debt contract and a conversion option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit and loss. The host bond option is initially recognised at fair value and subsequently at amortised cost (note 26).

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts, qualifying as cash flow hedges at 31 December 2022 are €240.0 million (1 January 2022: nil).

Foreign exchange contracts

The notional principal amounts of the outstanding foreign exchange contracts at 31 December 2022 are €61.6 million (1 January 2022: nil).

Commodity futures

The notional principal amounts of the outstanding commodity futures (diesel oil, butter, whey, skim milk powder) at 31 December 2022 are €21.2 million (1 January 2022: nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swaps, foreign exchange contracts and commodity futures at 31 December 2022 will be released to the income statement at various dates within one year from the reporting date.

34. Deferred consideration

Wexford Creamery Limited	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	5.9	-
Imputed interest recognised in the Income Statement	0.1	-
Fair value adjustment	(0.4)	-
At the end of the financial year	<u>5.6</u>	<u>-</u>
Current	0.1	-
Non-current	5.5	-
Total	<u>5.6</u>	<u>-</u>

The acquisition consideration refers to the amount due at the end of the financial year in respect of the acquisition of Wexford Creamery Limited, which took place on 16 May 2014.

Utility Consideration	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	0.2	-
Consideration payment	(0.1)	-
At the end of the financial year - current	<u>0.1</u>	<u>-</u>

Utility consideration represents the cost of providing gas to the Wexford processing plant at Rocklands, Wexford.

Deferred consideration	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
At the end of the financial year	<u>5.7</u>	<u>-</u>
Current	0.2	-
Non-current	5.5	-
Total	<u>5.7</u>	<u>-</u>

35. Non-controlling interest

	2022	2021
	€'m	€'m
At the beginning of the financial year	-	-
Step acquisition (note 39)	15.4	-
Share of profit for the financial year	2.3	-
Dividends to non-controlling interest	(1.8)	-
At the end of the financial year	15.9	-

Following the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC) on 1 April 2022 (note 39), the Group has the following non-controlling interest at 31 December 2022:

	2022
	%
South Eastern Cattle Breeding Society Limited	39
D Walsh & Sons Limited	40
Grassland Fertilisers (Kilkenny) Limited	27

36. Capital reserves

The capital reserve of €20.8 million (2021: €17.4 million) comprises of a capital redemption reserve which arose on the re-nominalisation of the Society's share capital on conversion to the euro and a capital reserve which relates to the cancellation of Society shares.

37. Other reserves

	Currency reserve	Hedging reserve	Joint venture & associates	Total
	€'m	€'m	€'m	€'m
Balance at 2 January 2022	-	-	(28.3)	(28.3)
Fair value movement on foreign currency	(0.1)	-	-	(0.1)
Fair value movement on cash flow hedges	-	9.6	-	9.6
Commodity futures – loss in the period	-	(2.0)	-	(2.0)
Deferred tax charge on cash flow hedges	-	(1.0)	-	(1.0)
Fair value movement on cashflow hedges – joint ventures	-	-	3.1	3.1
Fair value movement on cashflow hedges – associates	-	-	5.6	5.6
Currency translation differences - associates	-	-	24.7	24.7
Net change in OCI	(0.1)	6.6	33.4	39.9
Purchase of Glanbia plc own shares – associates	-	-	(57.9)	(57.9)
Cost of share based payments - associates	-	-	3.0	3.0
Recognition and remeasurement of put option liability - associates	-	-	7.4	7.4
Change in fair value of equity instruments measured at FVOCI - associates	-	-	0.1	0.1
Transfer to Group income statement - associates	-	-	0.5	0.5
Sale of shares held by subsidiary - associates	-	-	0.4	0.4
Transfer to Group income statement*	-	-	(12.9)	(12.9)
Balance at 31 December 2022	(0.1)	6.6	(54.3)	(47.8)
Balance at 2 January 2021	-	-	(39.3)	(39.3)
Currency translation differences - associates	-	-	40.7	40.7
Revaluation – associates	-	-	1.1	1.1
Currency translation differences – joint ventures	-	-	0.1	0.1
Revaluation – joint ventures	-	-	1.8	1.8
Net change in OCI	-	-	43.7	43.7
Purchase of Glanbia plc own shares – associates	-	-	(27.6)	(27.6)
Cost of share based payments - associates	-	-	3.0	3.0
Recognition and remeasurement of put option liability - associates	-	-	(8.0)	(8.0)
Change in fair value of equity instruments measured at FVOCI - associates	-	-	(0.1)	(0.1)
Balance at 1 January 2022	-	-	(28.3)	(28.3)

*€6.8 million relates to the disposal of a portion of shareholdings in an associate and €6.1 million is associated with the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC)

Currency reserve

The currency reserve reflects the foreign exchange gains and losses arising from the translation of the net investment in foreign operations. The movement in USD foreign exchange rates from 1.1052 as at 2 April to 1.0666 as at 31 December 2022 is the primary driver of the movement in the currency reserve in the period.

Hedging reserve

The hedging reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Amounts accumulated in the hedging reserve are recycled to the income statement in the periods when the hedged item affects income or expense.

Share of equity movements of joint ventures and associates reserve

This reserve reflects the Group's share of the equity movements of its associates and joint ventures which are recorded in this equity component including those relating to currency reserve, Glanbia plc own shares reserve, hedging reserve, put option liability reserve, share based payment reserve and FVOCI reserve.

38. Segments

The Group has one reportable segment, Tirlán Limited (formerly Glanbia Ireland DAC). Tirlán Limited is the largest milk processor in Ireland producing a range of value added dairy ingredients and consumer products. Tirlán Limited is also a large scale seller of animal nutrition and fertilizer as well as having a chain of agricultural retail outlets in Ireland.

This segment aligns with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker ('CODM') assesses performance and allocates the Group's resources. Each segment is reviewed in its totality by the CODM. The board of Tirlán Co-operative Society Limited assesses the trading performance of operating segments based on profit after tax.

"Other" include the results of the Society, the associates and joint ventures of the Group and consolidation adjustments. These entities did not meet the quantitative thresholds for reportable segments in 2022 or 2021.

Comparative information has been provided for the prior year as IFRS 8 segmental disclosures are required in the current year (including prior year comparatives).

Pre-exceptional segment results are as follows:

	Tirlán Limited	Other	Total Group
	€'m	€'m	€'m
2022			
Total gross segment revenue	2,478.0	-	2,478.0
Inter-segment revenue	-	-	-
Revenue	2,478.0	-	2,478.0
(Loss)/profit after taxation	(206.5)	74.7	(131.8)

Tirlán Limited's loss after tax includes €39.7 million loss in the Group income statement prior to the step acquisition (note 39) when it was accounted for as an equity accounted associate comprising share of profit after tax, fair value adjustment prior to step acquisition and recycle of other comprehensive income to the Group income statement.

	€'m	€'m	€'m
2021			
Total gross segment revenue	-	-	-
Inter-segment revenue	-	-	-
Revenue	-	-	-
Profit after taxation	43.1	49.3	92.4

Revenue of approximately €352.3 million (2021: nil) is derived from one external customer within the Tirlán Limited segment.

Other pre-exceptional segment information is as follows:

	Tirlán Limited	Other	Total Group
	€'m	€'m	€'m
2022			
Depreciation and impairment of PPE & right-of-use assets	38.3	0.2	38.5
Amortisation and impairment of intangibles	135.5	0.1	135.6
Capital expenditure – additions	69.1	-	69.1
Capital expenditure – business combinations	-	307.0	307.0
2021			
Depreciation and impairment of PPE & Right-of-use assets	-	0.1	0.1
Amortisation and impairment of intangibles	-	0.3	0.3
Capital expenditure – additions	-	-	-
Capital expenditure – business combinations	-	-	-

The segment assets and liabilities are as follows:

	Tirlán Limited	Other	Total Group
	€'m	€'m	€'m
2022			
Segment assets	1,709.9	814.1	2,524.0
Segment liabilities	1,002.5	267.6	1,270.1
	<hr/>	<hr/>	<hr/>
2021	€'m	€'m	€'m
Segment assets	503.0	1,003.1	1,506.1
Segment liabilities	-	19.2	19.2
	<hr/>	<hr/>	<hr/>

Geographical Information

Revenue

Revenue from external customers is allocated to geographical areas based on the place of delivery or collection of the products sold as agreed with customers as opposed to the end use market where the product may be consumed.

	Tirlán Limited	Other	Total Group
	€'m	€'m	€'m
2022			
Ireland (country of domicile)	1,309.8	-	1,309.8
UK	178.4	-	178.4
Rest of Europe	573.7	-	573.7
Africa	121.0	-	121.0
USA	77.4	-	77.4
Others	217.7	-	217.7
	<hr/>	<hr/>	<hr/>
	2,478.0	-	2,478.0

Non-current assets

The total of non-current assets, other than financial instruments, deferred tax assets, and retirement benefit assets attributable to the country of domicile and all foreign countries of operation for which non-current assets exceed 10% of total Group non-current assets are set out below.

	2022	2021
	€'m	€'m
Ireland (country of domicile)	1,671.6	1,460.0
	<hr/>	<hr/>
	1,671.6	1,460.0

Disaggregation of revenue

Revenue is disaggregated based on the key geographical markets in which the Group operates (see table above within Geographical Information), type of activity and the timing of revenue recognition.

	Tirlán Limited	Other	Total Group
	€'m	€'m	€'m
2022			
Products transferred at point in time	2,478.0	-	2,478.0
Products transferred over time	-	-	-
Total	<hr/>	<hr/>	<hr/>
	2,478.0	-	2,478.0

	€'m	€'m	€'m
2022			
Sale of dairy and consumer products	2,040.8	-	2,040.8
Sale of animal feed and fertiliser products	437.2	-	437.2
Total	<hr/>	<hr/>	<hr/>
	2,478.0	-	2,478.0

39. Step acquisition

Prior to 1 April 2022, the Society owned 60% of the shares in Tirlán Limited (formerly Glanbia Ireland DAC) which was accounted for as a joint venture using the equity method of accounting as the business plan, which directed the relevant activities of the business, required the unanimous approval of both the Society and Glanbia plc (which held the remaining 40% shareholding). Tirlán Limited's principal activities are the procurement and assembly of raw milk, cream, whey, permeate and other dairy inputs and the production and sale of dairy ingredients and consumer products. In addition, it is a large-scale seller of animal feed and fertiliser as well as operating a chain of agricultural retail outlets in Ireland.

On 1 April 2022, the Society acquired the remaining 40% of the shares in Tirlán Limited for €307 million in cash bringing its total shareholding to 100% and thereby gaining control over Tirlán Limited. In accordance with "IFRS 3 *Business Combinations*", by virtue of gaining control it is a business combination achieved in stages ("step acquisition") and the acquisition method of accounting applies. The previously held Tirlán Limited joint venture was remeasured to its fair value on 1 April 2022 of €460.5m and the resulting fair value adjustment of €55.6m was recognised in exceptional items in the Group income statement.

The step acquisition supports the Society's ambitions to build one of Europe's leading co-operatives, with greater flexibility to support its members, pursue new opportunities and add value to its farmers' high quality milk and grain through innovation.

The carrying amounts/net book values of the assets and liabilities on 1 April 2022 and the fair value adjustments as determined from the purchase price allocation ("PPA") exercise are as follows:

	Book values	Fair value adjustment	Fair value
	€'m	€'m	€'m
Property, plant and equipment	655.5	78.1	733.6
Right-of-use assets	29.5	-	29.5
Intangible assets	20.7	14.9	35.6
Inventories	335.4	22.6	358.0
Trade and other receivables	355.2	-	355.2
Cash and cash equivalents	77.9	-	77.9
Other assets*	34.1	-	34.1
Trade and other payables	(485.6)	-	(485.6)
Deferred tax liability	(32.8)	(14.2)	(47.0)
Lease liabilities	(28.2)	-	(28.2)
Other liabilities**	(413.5)	-	(413.5)
Total identifiable net assets acquired	548.2	101.4	649.6

*Other assets acquired include financial assets, investments in joint ventures and associates, derivative financial instruments and non-current trade and other receivables.

**Other liabilities acquired include retirement benefit obligation, provisions, capital grants, financial liabilities, deferred consideration and derivative financial instruments.

Reconciliation of goodwill arising from the step acquisition:

	Notes	€'m
Cash paid		307.0
Fair value of previously held equity accounted interest		460.5
		<u>767.5</u>
Less: Fair value of identifiable net assets acquired		(649.6)
Non controlling interest arising on acquisition		15.4
Goodwill	13	<u>133.3</u>

The goodwill relates to the acquired workforce, the acquisition of existing Tirlán management know-how that can assist the company to continue its track record of achieving revenue growth and the opportunity to strengthen its competitive position in global markets and acquire future customers.

As shown in the table of reconciliation of goodwill above, the goodwill arising from the step acquisition on 1 April 2022 is a residual accounting amount that is calculated based on the excess of the cash paid, the fair value of the previously held equity accounted interest in Tirlán Limited, and the amount of non-controlling interest arising on acquisition over the fair value of net identifiable assets acquired. The goodwill is then subsequently subject to impairment testing at year end. As described in note 13, following the step acquisition, it is the Board's stated intention to pay the highest possible milk and grain price to our suppliers. As a result the expected future cashflows available to the business to consider for impairment testing are reduced. Following the impairment testing, the Group has recognised an impairment of €133.3 million in the current year (note 8) against goodwill which is recorded within exceptional items in the Group income statement. This impairment charge is non-cash, one off in nature and does not impact the Group's reserves available for distribution.

The fair value of Tirlán's trade receivables at the acquisition date amounted to €290.3 million. The gross contractual amount for trade receivables due is €299.1 million, of which €8.8 million is expected to be uncollectible. Acquisition-related costs of €4.6 million incurred primarily on professional fees are included in exceptional costs.

Tirlán contributed revenues of €2,478.0 million and net loss of €13.2 million to the Group for the period from 2 April to 31 December 2022. If the step acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and net profit for the year ended 31 December 2022 would have been €3,058.9 million and €3.4 million respectively.

Impact of the step acquisition on profits of current and future periods

As part of the PPA exercise on the step acquisition date, the carrying amounts of inventory and tangible fixed assets were stepped up by €22.6 million and €78.1 million respectively. The intangible asset fair value adjustment of €14.9 million comprises the adjustment of the book values of goodwill and certain brands of €11.9 million and the recognition of acquired brands at their fair value of €26.8 million. An additional deferred tax liability of €14.2 million was also recognised on the temporary differences arising on the fair value adjustments on property, plant and equipment, intangible assets and inventory.

The impact on the Group income statement is as follows: the step-up in inventory value was charged to cost of sales as the acquired inventory was sold in 2022. The step-up in fixed assets and intangible assets recognised are depreciated/amortised over the estimated remaining useful lives of the assets.

	Inventories	Intangible assets	Property, plant & equipment	Total
	€'m	€'m	€'m	€'m
Fair value adjustment on acquisition date	22.6	26.8	78.1	127.5
Unwind during 2022 recognised in profit or loss	(22.6)	(0.9)	(2.7)	(26.2)
Unamortised fair value adjustment at 31 December 2022	-	25.9	75.4	101.3

The remaining fair value adjustment of €101.3 million at 31 December 2022 will be unwound in future years and recognised in profit or loss.

40. Events after the reporting period

On 31 March 2023, Glanbia Ireland DAC changed its name to Tirlán Limited. On 2 April 2023, Glanbia Foods Ireland Limited was merged by absorption into Tirlán Limited.

41. Approval of the financial statements

The directors approved the financial statements on 26 April 2023.

42. Statement of directors' responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view in accordance with applicable Irish law including the Industrial and Provident Societies Acts 1893-2021 and IFRSs as adopted by the European Union. In preparing the financial statements, the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; 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 of Directors confirms that it has complied with the above requirements in preparing the financial statements. The Board of Directors is responsible for keeping proper books of account, such as are necessary to give a true and fair view of the state of affairs of the Society and to explain its transactions. The Board of Directors is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tirlán Co-operative Society Limited

Parent Society Financial Statements
For the Financial Year Ended 31 December 2022

Income statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'m	2021 €'m
Administration expenses		(7.5)	(4.5)
Other income		0.2	0.2
Operating loss	5	(7.3)	(4.3)
Exceptional items	6	55.9	(1.1)
Income from shares in related companies	7	26.7	51.7
Interest receivable and similar income	8	1.8	2.0
Interest payable and similar expenses	9	(12.3)	(0.8)
Profit before taxation		64.8	47.5
Income taxes	10	-	-
Profit for the year		64.8	47.5

On behalf of the Board

J G Murphy
26 April 2023

J Bergin

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'m	2021 €'m
Profit for the financial year		<u>64.8</u>	<u>47.5</u>
Other comprehensive income			
Items that are not reclassified subsequently to the income statement			
Remeasurement of defined benefit liability	18	<u>0.1</u>	<u>0.1</u>
Other comprehensive income for the year, net of tax		0.1	0.1
Total comprehensive income for the year		<u>64.9</u>	<u>47.6</u>

Balance sheet

AS AT 31 DECEMBER 2022

	Notes	31 Dec 2022 €'m	1 Jan 2022 €'m
ASSETS			
Non-current assets			
Property, plant and equipment	12	0.5	0.7
Intangible assets	13	0.1	0.2
Financial assets	14	630.2	352.8
Trade and other receivables	15	28.8	24.0
Total non-current assets		659.6	377.7
Current assets			
Trade and other receivables	15	34.9	30.9
Cash and cash equivalents	16	2.4	0.2
Total current assets		37.3	31.1
Total assets		696.9	408.8
EQUITY			
Share capital and share premium	19	158.4	161.8
Capital reserve		20.8	17.4
Retained earnings		248.4	210.5
Shareholder's equity		427.6	389.7
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	254.9	-
Retirement benefit obligation	18	-	0.1
Total non-current liabilities		254.9	0.1
Current liabilities			
Trade and other payables	17	14.4	19.0
Total current liabilities		14.4	19.0
Total liabilities		269.3	19.1
Total equity and liabilities		696.9	408.8

On behalf of the Board

J G Murphy
26 April 2023

J Bergin

Statement of changes in equity

AS AT 31 DECEMBER 2022

	Share capital and share premium (note 19) €'m	Capital reserve (note a) €'m	Retained earnings €'m	Total €'m
Balance at 2 January 2022	161.8	17.4	210.5	389.7
Profit for the financial year	-	-	64.8	64.8
Remeasurements on defined benefit plans, net of deferred tax	-	-	0.1	0.1
Total other comprehensive income for the financial year, net of tax	-	-	0.1	0.1
Total comprehensive income for the financial year	-	-	64.9	64.9
Shares cancelled	(3.4)	3.4	-	-
Ordinary share interest to Society shareholders (note 11)	-	-	(6.5)	(6.5)
Distributions to Society shareholders – rebates (note 11)	-	-	(0.4)	(0.4)
Distributions to Society shareholders – spin-out of Glanbia plc shares (note 11)	-	-	(20.1)	(20.1)
Balance at 31 December 2022	158.4	20.8	248.4	427.6
Balance at 3 January 2021	161.6	17.4	191.3	370.3
Profit for the financial year	-	-	47.5	47.5
Remeasurements on defined benefit plans, net of deferred tax	-	-	0.1	0.1
Total other comprehensive income for the financial year, net of tax	-	-	0.1	0.1
Total comprehensive income for the financial year	-	-	47.6	47.6
Shares issued	0.2	-	-	0.2
Ordinary share interest to Society shareholders (note 11)	-	-	(6.2)	(6.2)
Distributions to Society shareholders – rebates (note 11)	-	-	(22.2)	(22.2)
Balance at 1 January 2022	161.8	17.4	210.5	389.7

- (a) The capital reserve comprises of a capital redemption reserve which arose on the re-nominalisation of the Society's share capital on conversion to euro and a capital reserve which relates to the cancellation of Society shares.

Notes to the financial statements

1. Basis of preparation

Basis of preparation

Glanbia Co-operative Society Limited (the 'Society') is a society incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny, R95 E866.

These financial statements are prepared for the 52-week period ended 31 December 2022. Comparatives are for the 52 week period ended 1 January 2022. The balance sheets for 2022 and 2021 have been drawn up as at 31 December 2022 and 1 January 2022 respectively.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Society applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU, but makes amendments where necessary in order to comply with the Industrial and Provident Societies Acts 1893-2021 and has set out below where advantage of the FRS 101 disclosures exemptions has been taken.

The Society has taken advantage of the following disclosure exemptions under FRS 101, where applicable:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- additional comparative information;
- disclosures in respect of transactions entered into between two or more members of a group;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of the Society and its subsidiaries include the equivalent disclosures, the Society has also taken the exemptions under FRS 101 available in respect of the following disclosures where applicable:

- IFRS 2 'Share Based Payments' in respect of group settled share based payments;
- certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- disclosures required by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the cash flows of discontinued operations;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Society; and
- disclosures required by IFRS 13 'Fair Value Measurement' and IFRS 7 'Financial Instrument Disclosures'.

The financial statements have been prepared in euro and presented in euro millions (€'m).

The financial statements have been prepared under the historical cost convention except, where applicable, as modified by use of fair values for certain other financial assets and derivative financial instruments.

Going concern

The Directors have considered the effect of COVID-19 on the Society and are satisfied that the Society has sufficient reserves to meet the expected costs of the Society over the next 12 months. Accordingly the financial statements for the financial year ended 31 December 2022 have been prepared on a going concern basis.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Society makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. Revisions to estimates are recognised prospectively.

The most significant judgement identified in the preparation of these financial statements is set out below.

(a) Exceptional items

The Society considers that items of income or expense which are significant by virtue of their scale and nature should be disclosed separately if the financial statements are to fairly present the financial performance and financial position of the Society. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Society believes would give rise to exceptional items for separate disclosure are outlined in the accounting policy on exceptional items in note 3.

3. Accounting policies

The principal accounting policies of the Society which are outlined below have been applied consistently throughout the current and prior period.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The rates of depreciation are as follows:

- Buildings 4%
- Plant and machinery 10%

Impairment

In accordance with IAS 36 'Impairment of Assets', the carrying amounts of items of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life

(b) Intangible assets

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses.

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes for internal use, if they meet the recognition criteria of IAS 38 'Intangible Assets'.

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives, which is normally between four and 10 years.

(c) Financial assets

Investments in subsidiaries, associates and joint ventures are held at cost in financial assets and are reviewed for impairment annually. An impairment loss is recognised in the income statement for the amount by which the carrying value exceeds its recoverable amount.

(d) Trade and other receivables

Trade and other receivables are classified and measured at amortised cost as they are held to collect contractual cash flows which comprise solely payments of principal and interest, where applicable. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition or where there has been a credit impaired event, a lifetime expected loss allowance is recognised, irrespective of the timing of the default.

The Society applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance for receivables is estimated based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, which affect the ability of the debtors to settle the debt. Receivables are written off when there is no reasonable expectation of recovery such as a debtor failing to engage in a repayment plan with the Society.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(f) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(g) Employee benefits

Pension obligations

The Society has both defined benefit and defined contribution plans.

Defined contribution pension

A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity. The Society has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense in the income statement when they are due.

Defined benefit pension obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The fair value of plan assets is based on market price information and in the case of quoted securities in active markets it is the published bid price.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Remeasurements are not reclassified to the income statement in subsequent periods.

A curtailment arises when the Society significantly reduces the number of employees or employee entitlements covered by a plan. A past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions).

The gain or loss on a settlement is the difference between:

- (a) the present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- (b) the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

(h) Ordinary share interest

Ordinary share interest reflects distributions on the ordinary shares, and are recognised as a liability of the Society when approved by the Society's members.

(i) Distributions to Society members

Pursuant to rule 98 of the Society, the Board may distribute part of the reserves of the Society to members based on their shareholding or trading with the Society. Such distributions can include rebates, bonus issues of shares or loan stock, share buy backs and interest free support. These distributions are recorded in retained earnings as distributions to members when approved by the Society's members.

(j) Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(k) Interest receivable and interest payable

Interest payable and similar charges include where applicable, interest payable on borrowings calculated using the effective interest method, the unwinding of the discount on provisions and the interest expense component of lease liabilities. Interest income and interest expense is recognised in the income statement as it accrues, using the effective interest method.

(l) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Society balance sheet date in countries where the Society operates and generates taxable income, taking into account adjustments relating to prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(m) Exceptional items

The Society has adopted an income statement format that seeks to highlight significant items within the results for the year. Such items may include impairment of assets, including material adjustments arising from the re-assessment of asset lives, adjustments to contingent consideration, material acquisition integration costs, restructuring costs including termination benefits, profit or loss on disposal or termination of operations, material acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension plan restructuring, external events including disasters relating to weather, pandemics, wars and other acts of God and natural disasters, and profit or loss on (deemed) disposal of investments. Judgement is used by the Society in assessing the particular items which by virtue of their scale and nature should be disclosed in the income statement and notes as exceptional items.

4. Principal activities

The principal activity of the Society is the holding of investments.

5. Operating loss

	2022 €'m	2021 €'m
Operating loss is stated after charging/(crediting):		
Employee benefits	1.0	0.5
Board, council and committee expenses	1.8	0.7
Charges for services provided by related companies	2.9	1.9
Legal and professional fees	0.8	0.3
Other	1.0	1.1
Other income	(0.2)	(0.2)
	<u>7.3</u>	<u>4.3</u>

Directors' fees paid during the year ended 31 December 2022 were €0.9 million (2021: €0.5 million).

6. Exceptional items

	2022	2021
	€'m	€'m
Profit on disposal of Glanbia Plc shares	60.4	-
Organisational redesign costs	(4.5)	(1.1)
	55.9	(1.1)

In January 2022, the Society disposed of 5,750,000 shares in Glanbia plc at a price of €12.25 per share resulting in proceeds of €70.4 million. A gain of €60.4 million arose on the private placement based on proceeds received of €70.4 million less the carrying amount of the investment of €9.6 million (note 14) and costs associated with the transaction of €0.4 million.

The organisational redesign costs in 2021 and 2022 relate to the planned acquisition of the remaining shareholding in Tirlán Limited (formerly Glanbia Ireland DAC) from Glanbia plc. This acquisition was completed in 2022 (see note 14).

7. Income from shares in related companies

	2022	2021
	€'m	€'m
Dividend income from ordinary shares in Glanbia plc	26.7	23.8
Dividend income from ordinary shares in Tirlán Limited (formerly Glanbia Ireland DAC)	-	18.4
Dividend income from ordinary shares in subsidiaries	-	9.5
	26.7	51.7

8. Interest receivable and similar income

	2022	2021
	€'m	€'m
Rental income	0.3	0.3
Interest on loan to joint venture	1.5	1.7
Total interest receivable and similar income	1.8	2.0

9. Interest payable and similar expenses

	2022	2021
	€'m	€'m
Finance cost of bond	5.0	0.8
Remeasurement of convertible bond option	7.0	-
Bank deposit interest expense	0.3	-
Total interest payable and similar expenses	12.3	0.8

10. Taxation

	2022 €'m	2021 €'m
Irish corporation tax	-	-
Current tax on income for the year	-	-
Total current tax charge	-	-
Deferred tax	-	-
Origination and reversal of temporary difference	-	-
Total deferred tax charge	-	-
Total tax charge on profit on ordinary activities	-	-

Reconciliation of the total tax expense

The tax charge for the year is different than the tax charge that would result from applying the standard rate of Irish corporation tax to the profit on ordinary activities before taxation. The differences are explained below.

	2022 €'m	2021 €'m
Profit on ordinary activities before taxation	64.8	47.5
Income tax calculated at Irish rate of 12.5% (2021: 12.5%)	8.1	5.9
Income taxable at passive Irish rates	(5.1)	0.3
Non-taxable income	(3.3)	(6.5)
Expenses of management	0.4	(0.5)
Other reconciling differences	(0.1)	0.8
Total tax charge	-	-

11. Ordinary share interest and appropriations

	Notes	2022 €'m	2021 €'m
Ordinary share interest to Society shareholders	(a)	6.5	6.2
Distribution to Society shareholders – rebates	(b)	0.4	22.2
Distribution to Society shareholders – spin out of Glanbia Plc shares	(c)	20.1	-
		27.0	28.4

(a) Ordinary share interest paid in 2022 was 17.325 cent per share on 37.4 million shares (2021: 16.5 cent per share on 37.4 million shares).

(b) Details of the patronage rebates are as follows:

During 2019, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature and the timing of payments at the discretion of the Board. As at 31 December 2022, €21.8 million remains unpaid (2021: €24.8 million).

During 2017, at a Special General Meeting of the Society, members of the Society approved the payment of patronage rebate funds from the future receipts of annual dividends from Glanbia Ireland with the nature on the timing of payments at the discretion of the Board. During 2018 the Board announced the Trading Bonus Scheme as payments from these funds. During 2020 the Board announced Share of Glanbia Ireland Profits scheme as payments from these funds and that, to the extent that the 2021 Trading Bonus Scheme exceeded the Glanbia Ireland dividend income received in 2021, the excess was to be appropriated from the patronage rebate fund. €3.0 million was apportioned from the patronage rebate fund in 2022. As at 1 January 2022 the estimated payments were €21.8 million with €8.2 million remaining unpaid at year end, €8.6 million was paid during 2022 resulting in additional distributions of €0.4m in 2022.

During 2022, as a result of the step acquisition of Tirlán Limited (formerly Glanbia Ireland DAC), the 2022 Trading Bonus Scheme rebates were paid directly to members of the Society by Tirlán Limited and therefore are no longer treated as distributions from the Society. Accordingly, the cost of the 2022 rebates have been included in cost of sales in the Group income statement.

During 2021, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:

- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to one unit of € loan stock for every 250 litres of milk supplied during 2020.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to five units of € loan stock for every one tonne of grain supplied during 2020.

(c) During 2022, at a Special General Meeting of the Society, the members approved a spin-out of approximately 12.0 million Glanbia plc shares to all members. The total cost to the Society amounted to €20.1 million (note 14).

12. Property, plant and equipment

	Land and buildings €'m	Plant and equipment €'m	Total €'m
Cost			
Balance at 2 January 2022	3.3	1.4	4.7
Balance at 31 December 2022	<u>3.3</u>	<u>1.4</u>	<u>4.7</u>
Depreciation			
Balance at 2 January 2022	2.6	1.4	4.0
Depreciation charge for the year	0.2	-	-
At 31 December 2022	<u>2.8</u>	<u>1.4</u>	<u>4.2</u>
Carrying amount			
At 2 January 2022	<u>0.7</u>	<u>-</u>	<u>0.7</u>
At 31 December 2022	<u>0.5</u>	<u>-</u>	<u>0.5</u>

13. Intangible assets

	Software Costs €'m
Cost	
Balance at 2 January 2022	0.8
Balance at 31 December 2022	<u>0.8</u>
Amortisation	
Balance at 2 January 2022	0.6
Amortisation charge for the year	0.1
At 31 December 2022	<u>0.7</u>
Carrying amount	
At 2 January 2022	<u>0.2</u>
At 31 December 2022	<u>0.1</u>

14. Financial assets

	Investments in related companies €'m	Total €'m
Balance at 2 January 2022	352.8	352.8
Tirlán Limited (formerly Glanbia Ireland DAC) purchase – note (a)	307.0	307.0
Disposal of shares in Glanbia Plc – note (b)	(29.7)	(29.7)
Purchase of shares in Glanbia Plc – note (c)	0.1	0.1
At 31 December 2022	<u>630.2</u>	<u>630.2</u>
At 2 January 2022	<u>352.8</u>	<u>352.8</u>
At 31 December 2022	<u>630.2</u>	<u>630.2</u>

Note (a) In April 2022 the Society, having already owned 60% of the joint venture in Tirlán Limited (formerly Glanbia Ireland DAC), completed the purchase of Glanbia plc's 40% interest in Tirlán Limited (formerly Glanbia Ireland DAC) for a consideration of €307 million.

Note (b) In January 2022 the Society also disposed of 5.75 million shares in Glanbia plc which reduced the investment in Glanbia plc by €9.6 million. Refer to note 6 for further details.

In September 2022 the Society disposed of 12.0 million shares in Glanbia plc through a share spin-out to members of the Society. The disposed Glanbia plc shares had a historical cost of €1.67 giving rise to a distribution of €20.1 million (note 11).

Note (c): In September 2022 the Society acquired 4,276 ordinary shares in the Glanbia Plc for cash consideration equal to its market value of €0.1 million (market value of €12.48 per share). The shares were acquired from fellow Group undertakings:

- Robinfield Co-operative Society Limited (1,935 ordinary shares);
- Quinport Limited (1,849 ordinary shares); and
- Glanbia Services Society Limited (492 ordinary shares).

At 31 December 2022, the Society's shareholding in Glanbia plc consisted of 75.5 million ordinary shares (2021: 93.3 million ordinary shares) at a market value of €11.92 per share (2021: €12.30 per share) giving a total market value of €900.4 million (2021: €1,147.6 million).

In the opinion of the Directors the shares in the related undertakings are worth at least the amounts at which they are stated in the balance sheet.

The investments in Group companies are as follows:

Group Company	% Holding	Address of registered office	Country of incorporation
Associate:			
- Glanbia plc	27.7	Glanbia House, Kilkenny	Ireland
Subsidiaries:			
- Tirlán Limited (formerly Glanbia Ireland DAC)	100.0	Abbey Quarter, Kilkenny	Ireland
- Quinport Limited	100.0	Abbey Quarter, Kilkenny	Ireland
- Slademoire Limited	100.0	Abbey Quarter, Kilkenny	Ireland
- Robinfield Co-operative Society Limited	100.0	Abbey Quarter, Kilkenny	Ireland

15. Trade and other receivables

	Notes	2022 €'m	2021 €'m
Amounts owed by Group undertakings	(a)	62.1	54.6
Other debtors		1.6	0.3
		63.7	54.9
Non-current			
Amounts owed by Group undertakings	(a)	28.8	24.0
		28.8	24.0
Current			
		34.9	30.9
		63.7	54.9

Note (a): €11.3 million (2021: €11.3 million) of amounts due from Group undertakings are interest free, unsecured and payable on demand. €50.8 million (2021: €43.3 million) of amounts due from Group undertakings are interest bearing ranging from 1.1% to 5.9% (2021: 1.1% to 3.8%) and unsecured, of which €22.0 million (2021: €19.30 million) is payable on demand.

16. Cash and cash equivalents

	2022 €'m	2021 €'m
Cash at bank and in hand	2.4	0.2

17. Trade and other payables

	Notes	2022 €'m	2021 €'m
Current			
Amounts due to joint ventures and associates		2.0	0.5
Accruals		7.4	4.8
Trading Bonus Scheme		-	8.2
Secured exchangeable bond (note (a))		(0.7)	-
Dividends payable		5.7	5.5
		<u>14.4</u>	<u>19.0</u>
Non current			
Secured exchangeable bond (note (a))		236.5	-
Convertible bond option – fair value through income statement (note (b))		18.4	-
		<u>254.9</u>	<u>-</u>
Total		<u>269.3</u>	<u>19.0</u>

- (a) In January 2022, a secured exchangeable bond of €250.0 million was issued at a fixed rate of 1.875% (payable half yearly) with a bullet repayment in January 2027 unless redeemed earlier at the option of the Society. Included within the carrying value of the secured exchangeable bond are deferred debt issue costs of €2.8 million, all of which is recognised in finance costs in the income statement using the effective interest rate method over the remaining life of the bond.
- (b) The secured exchangeable bond includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible bond option is accounted for as a derivative liability containing a host debt contract and a convertible option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. Fair value movement in the year amounted to a €7.0 million loss to the income statement (2021: nil).

18. Retirement benefit obligations

Defined contribution plan

The Society operates a defined contribution pension plan. The total expense relating to the plan in the current year was nil (2021: nil).

Defined benefit plan

The defined benefit pension plan is administered by Boards of Trustees through separate trustee controlled funds. These Boards are responsible for the management and governance of the plan including compliance with all relevant laws and regulations. The Society's plan operates under its respective regulatory framework and minimum funding requirements. The plan is closed to new entrants.

The defined benefit pension plan provides retirement and death benefits for the Society's scheme members. The defined benefit pension plan is a career average pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment.

The contributions paid to the defined benefit pension plan are in accordance with the schedule of contributions agreed between the Society and the Trustees of the plan as recommended in the actuarial valuation report or in subsequent actuarial advice. The contributions are partly funded by the employees, where they are required to contribute a fixed percentage of pensionable salary, and partly by the Society. The latest actuarial valuation report for this plan, which are not

available for public inspection, is dated 1 January 2021.

	2022	2021
	€'m	€'m
Total defined benefit asset	2.3	3.1
Total defined benefit liability	(2.3)	(3.2)
Net defined benefit liability	-	(0.1)

Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2022	2021	2022	2021	2022	2021
	€'m	€'m	€'m	€'m	€'m	€'m
Balance at beginning of the year	(3.2)	(3.1)	3.1	2.8	(0.1)	(0.3)
Current service cost	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Interest income	-	-	-	0.1	-	0.1
Total amount recognised in profit or loss	(0.1)	(0.1)	-	0.1	(0.1)	-
Remeasurements						
– Assumption changes	1.0	-	-	-	1.0	-
– Experience adjustment	(0.1)	(0.1)	(0.8)	0.2	(0.9)	0.1
Total amount recognised in other comprehensive	0.9	(0.1)	(0.8)	0.2	0.1	0.1
Contributions paid by the employer	-	-	0.1	0.1	0.1	0.1
Benefits paid	0.1	0.1	(0.1)	(0.1)	-	-
Balance at end of the year	(2.3)	(3.2)	2.3	3.1	-	(0.1)

	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	€'m	€'m	€'m	€'m	€'m	€'m
Equities*	0.5	-	0.5	1.0	-	1.0
Corporate bonds						
– Investment grade	0.2	-	0.2	0.3	-	0.3
Government bonds and gilts	1.2	-	1.2	1.1	-	1.1
Property	-	0.1	0.1	-	0.1	0.1
Cash	-	-	-	0.1	-	0.1
Investment funds	0.3	-	0.3	0.4	-	0.4
Other	-	-	-	0.1	-	0.1
	2.2	0.1	2.3	3.0	0.1	3.1

* There is no emphasis on any industry. Industries that the plan assets are invested in include consumer, financials, healthcare, industrials and information technology.

Through its defined benefit pension plan the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plan holds investments in asset classes such as equities, which have volatile market values. While these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time. When assets return less than the discount rate, this will lead to an increase in the net defined benefit obligation. The Trustees conduct investment reviews to take advice on asset allocation,

taking into account asset valuations, liability durations, funding measurements and an achievement of an appropriate return on assets.

Interest rate risk

The pension liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the pension plan holds other assets such as equities, the value of the assets and liabilities may not move in the same way. A change in the defined benefit obligation as a result of changes in the discount rate leads to volatility in the Society balance sheet, Society income statement and Society statement of comprehensive income. It also impacts the funding requirements for the plan.

Inflation risk

A significant proportion of the benefits under the plan are linked to inflation, be it consumer price inflation or retail price inflation, which in most cases are subject to a cap on annual increases. Although there are caps in force on inflation increases and the plan's assets are expected to provide a good hedge against inflation over the long-term, higher inflation will lead to higher liabilities.

Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2022	2021
Discount rate	3.7%	1.10%
Inflation rate	2.5%	2.10%
Future salary increases*	3.5%	3.10%
Future pension increases	0.00%	0.00%
Mortality rates (years)		
– Male – reaching 65 years of age in 20 years' time	24.2	24.1
– Female – reaching 65 years of age in 20 years' time	26.3	26.2
– Male – currently aged 65 years old	21.9	21.8
– Female – currently aged 65 years old	24.3	24.2

*The defined benefit pension plan is on a career average structure therefore this assumption does not have a material impact.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Society's defined benefit pension scheme. The following table analyses, for the Society's pension scheme, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, all other assumptions remaining constant. The impact on the plan liabilities has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised on the Society balance sheet. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

2022 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.5% movement	(0.1)	0.2
Price inflation	0.5% movement	-	-
Longevity	1 year movement	0.1	(0.1)
Future salary increases *			
Future pension increases **			

2021 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(0.1)	0.1
Price inflation	0.25% movement	-	-
Longevity	1 year movement	0.1	(0.1)
Future salary increases *			
Future pension increases **			

* The majority of the defined benefit schemes are career average plans. As a result, future salary increases will not have a material impact on the plan liabilities.

** There are no future pension increases agreed in the defined benefit pension scheme.

	2022	2021
Expected contributions to post-employment defined benefit plans (€'m)	0.1	0.2
Weighted average duration of the defined benefit obligation (years)	14.0	17.0

19. Share capital and share premium

	Number of shares				Share premium €'m	Total €'m
	Ordinary 'A' shares (millions)	'C' shares (millions)	Ordinary 'A' shares €'m	'C' shares €'m		
At 2 January 2022	37.4	11,535.8	37.4	115.4	9.0	161.8
Issuance of shares - note (a)	-	-	-	-	-	-
Cancellation of shares – note (b)	(3.4)	-	(3.4)	-	-	(3.4)
At 31 December 2022	34.0	11,535.8	34.0	115.4	9.0	158.4

Note (a): During 2022, 1,000 (2021: 40,591) ordinary shares with a nominal value of €1 were issued to new members of the Society at €5 per share and were fully paid for at 31 December 2022 (2021: €0.1m).

Note (b): During 2022, 3.4 million ordinary shares with a nominal value of €1 were cancelled in connection with the spin-out of Glanbia plc shares to members of the Society.

The 'A' ordinary shares have a nominal value of €1 and four classes of membership A1, A2, A3 and A4. The shares held by a member in any class carry the designation of that class of membership. The rights of each class differ as follows:

- A1 members have all the rights of membership provided for in the rules of the Society except for those applying only to A4 members;
- A2 members are entitled to vote in elections in the Society but are not entitled to participate in any such elections as a candidate or proposer or seconder of a candidate. They are not entitled to receive notice of or vote on any special resolution or on any resolution to amend, delete or add to the rules of the Society, but are entitled to receive notice of and vote on all other resolutions at any general meeting of the Society.
- A3 members do not have the right to receive notice of any meeting of the Society or to attend or vote at any such meeting or to participate in any way in any elections in the Society.
- A4 members have the rights and entitlements attaching to corporate members and A4 shares rank pari passu with the A1 shares.

The 'C' shares have five sub-classes; Class C1, Class C2, Class C3, Class C4 and Class C5. The 'C' shares each have a nominal value of €0.01. The 'C' shares are not entitled to notice of or attendance or voting at general meetings of the Society. They do not entitle the holders to participate in any allocation of net surplus, interest or dividend on share capital or allocation of bonus shares unless otherwise specifically determined by the Board at its sole discretion. The Board may redeem the 'C' shares of any member at any time with the consent of that member. The 'C' shares rank ahead of the ordinary shares in the repayment of the nominal amount paid up thereof, but do not entitle the holder to participate in the distribution of any surplus assets. The 'C' shares are held by a member of the Glanbia Co-operative Society Limited Group and therefore eliminate on consolidation.

20. Commitments

Refer to note 29 of the Group financial statements.

21. Related party transactions

The Society has availed of the exemptions available in FRS 101 "Reduced Disclosure Framework" from disclosing transactions entered into between two or more members of a group and key management personnel.

The Directors of the Society including their connected persons did not enter into any transactions with the Society in the current or preceding year and had no receivable or payable balances outstanding at 31 December 2022 and 1 January 2022.

Transactions with joint ventures and associates

The Society provides and receives management and administrative services to and from its joint venture and associate, which are settled in cash. Dividends received by the Society from its joint venture and associate are as follows:

	2022	2021
	€'m	€'m
Glanbia plc	26.7	23.8
Tirlán Limited (formerly Glanbia Ireland DAC)	-	18.4

The following transactions were carried out with related parties:

21a. Sales and purchases of goods and services

	2022	2021
	€'m	€'m
Sales of services:		
– Associates	0.3	0.3
– Joint Ventures (until 1 April 2022)	0.1	0.2
Purchases of services:		
– Associates	1.4	1.4
– Joint Ventures (until 1 April 2022)	0.1	0.2

21b. Year end balances

	2022	2021
	€'m	€'m
Payables to related parties:		
– Associates	0.2	0.4
– Joint Ventures	-	0.1

The outstanding balances included in receivables and payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash. No guarantees have been given or received. All outstanding balances are deemed to be fully recoverable by the Group.

21c. Loans to joint ventures and associates

	2022 €'m	2021 €'m
Loans receivable		
At the beginning of the year	43.3	103.2
Loans extended during the year	12.0	-
Loans novated during the year	28.8	
Loans repaid during the year	(33.3)	(59.9)
At the end of the year	50.8	43.3
Interest on loans receivable		
At the beginning of the year	0.1	-
Interest charged	1.5	1.7
Interest received	(1.4)	(1.6)
At the end of the year	0.2	0.1
Total loan and interest receivable at the end of the year	51.0	43.4

22. Events after the reporting period

Refer to note 40 of the Group financial statements.

23. Statement of the Board of directors' and society's responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view in accordance with applicable Irish law including the Industrial and Provident Societies Acts, 1893 – 2021 and Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). In preparing the financial statements, the Board of Directors is required to:

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

The Board of Directors confirms that it has complied with the above requirements in preparing the financial statements.

The Board of Directors is responsible for keeping proper books of account such as are necessary to give a true and fair view of the state of affairs of the Society and to explain its transactions.

The Board of Directors is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

24. Approval of the financial statements

The Board of Directors approved the financial statements on 26 April 2023.