Donegal

DONEGAL CREAMERIES PLC

annual report and financial statements

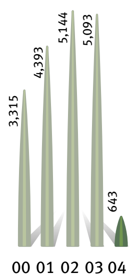
2004

CONTENTS

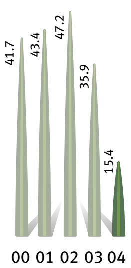
FINANCIAL HIGHLIGHTS

	2004 €'000	2003 €'000 (Restated)	Increase/ (Decrease)%
Turnover (includes joint ventures)	118,328	134,453	-12.0%
Operating profit	643	5,093	-87.4%
Profit before tax	2,005	4,521	-55.7%
Profit after tax	1,720	3,748	-54.1%
Cash flow (PBT + depreciation + amortisation)	4,590	7,246	-36.7%
Earnings per share	15.4c	35.9c	-57.1%
Dividend per share	12c	12c	0.0%
Net asset value per share (excluding minority interest)	€3.92	€3.77	4.0%

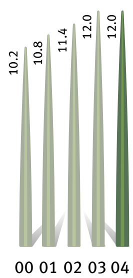
TURNOVER
(€'000)



OPERATING
PROFIT
(€'000)

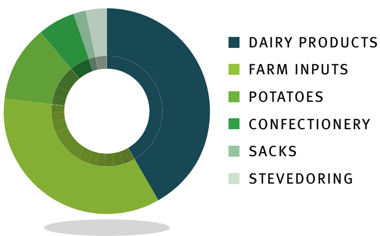


EARNINGS PER SHARE
BEFORE EXCEPTIONAL ITEMS
(CENTS)

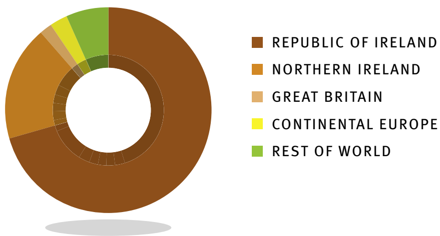


DIVIDENDS PER SHARE
(CENTS)

TURNOVER BY CLASS OF BUSINESS
(EXCLUDING JOINT VENTURES)



GEOGRAPHICAL DESTINATION OF TURNOVER
(EXCLUDING JOINT VENTURES)



DIRECTORS

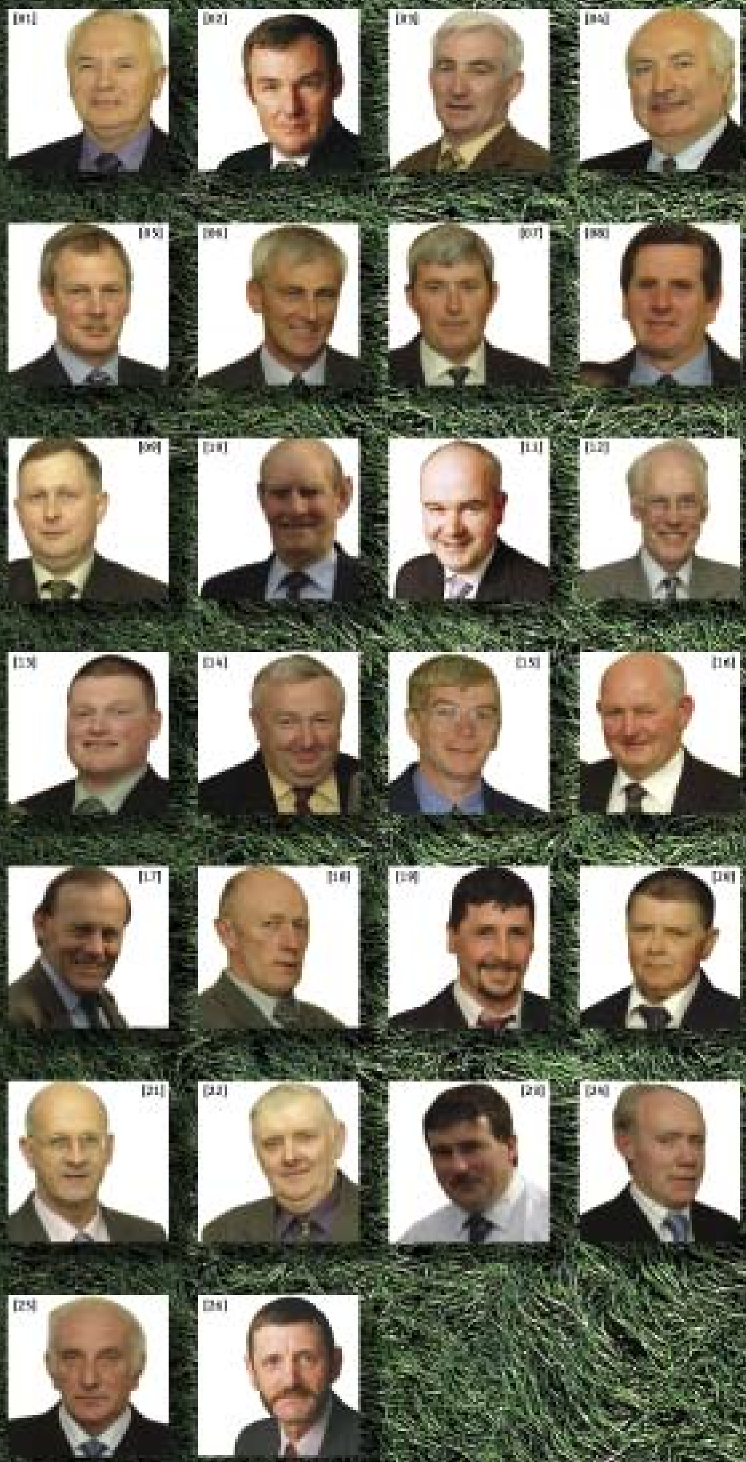
01. **L. Tinney** (1) (2) (3) (4)
02. **I. Ireland** (1) (4)
03. **F. Devenny** (1) (2) (4)
04. **M. McNulty** (1) (2) (4)
05. **G Vance** (1) (2) (4)
06. **N. Witherow** (1) (2) (4)
07. **F. Browne**
08. **D. Callaghan**
09. **M. Robinson**
10. **R. Rankin**
11. **P. J. Kelly**
12. **S. Gallagher**
13. **E. Kerr**
14. **I. Grier** (1) (2) (3) (4)
15. **D. Kelly** (1) (4)
16. **P. Kelly** (1) (2) (4)
17. **C. Tindal** (1) (2) (4)
18. **B. Byrne**
19. **R. Russell**
20. **M. Reid**
21. **J. Moody**
22. **I. Bates**
23. **G. McClay**
24. **D. Sweeney**
25. **E. Moore**
26. **J. Hamilton**

(1) Members of the Executive Committee (Inner Board)

(2) Members of the Audit Committee

(3) Members of the Remuneration Committee

(4) Members of the Nomination Committee



OTHER INFORMATION

Secretary and registered office
D Kelly
Ballyraine
Letterkenny
Co Donegal

Independent auditors
KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

Solicitors
VP McMullin & Son
Letterkenny
Co Donegal

Matheson Ormbsy Prentice
30 Herbert Street
Dublin 2

Principal Bankers
Ulster Bank Limited
Letterkenny
Co Donegal

Stockbrokers and financial advisors
NCB Group
3 George's Dock
IFSC
Dublin 1

Board of Directors

The Board of Directors of Donegal Creameries plc comprises twenty four non-executive directors and two executive directors.

Non-executive Directors

Lexie Tinney (aged 66) is Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a board member of ICOS.

Ivan Grier (aged 60) is Vice Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is also a director of North Western Livestock Holdings Limited.

Francis Devenny (aged 59) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer and has significant residential and other property interests in the Letterkenny area.

Patrick Kelly (aged 60) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer and is a director of North Western Livestock Holdings Limited, Progressive Genetics and the National Cattle Breeding Centre.

Matt McNulty (aged 59) was appointed to the Board on 19 August 1998. He has experience spanning over 35 years in the tourism and travel industries. He was most recently Director General of Bord Fáilte and has served on many Government bodies and committees dealing with tourism, transport, education, urban renewal, conservation, heritage and taxation policies. He was also a co-founder of the People in Need Trust Charity.

Charles Tindal (aged 68) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. He is a farmer and is a director of Donegal Carpets Limited. He is also a milk agent for Donegal Creameries plc.

Geoffrey Vance (aged 54) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer.

Norman Witherow (aged 52) served on the Board of Donegal Creameries plc from July 1993 to July 2002. He was re-elected in July 2003. He is a farmer and a director of A.A.B.T. Ltd.

The following non-executive directors are farmers:

I Bates, F Browne, B Byrne, D Callaghan, P J Kelly, S Gallagher, E Kerr, G McClay, J Moody, E Moore, R Rankin, M Robinson, R Russell, M Reid, J. Hamilton and D Sweeney.

Executive Directors

Ian Ireland, BSC, MBA (aged 43) joined Donegal Creameries plc as Group Managing Director in January 2005. Prior to that he had spent over 20 years working in the food industry in Ireland and the UK.

Dominic Kelly, FCCA (aged 48) joined Donegal Creameries plc in 1995 as Chief Accountant. Prior to joining Donegal Creameries plc, he was Finance Manager in Saehan Media Ireland Limited for a period of four years and prior to that he held a number of positions within the finance and accounting department of Abbott Ireland Limited. He was appointed to the Board of the Company in November 1997, at which time he became Finance Director. He is a non-executive director of Monaghan Middlebrook Mushrooms Limited.

CHAIRMAN'S STATEMENT

Lexie Tinney Chairman

Donegal Creameries plc (the "Group") announces its financial results for the year ended 31 December 2004, a year in which it experienced the most difficult trading conditions across many of its businesses for some considerable time.

During the year under review Group turnover fell to €118.3 million (including joint ventures of €6.9 million) a decrease of 12.0% on turnover (as restated) of €134.5 million generated in the year ended 31 December 2003 (including joint ventures of €20.5 million). This was primarily due to the merger, in June 2004, of the Group's mushroom operations, Carbury Mushrooms, with Monaghan Middlebrook Mushrooms, following which the Group's interest is now treated as an associate. Consequently, as it is no longer a joint venture, its turnover is no longer consolidated.

Net Asset Value per share increased by 4% to €3.92 at the end of 2004.

Profit before tax decreased by 55.6% to €2.0 million in the year under review, from €4.5 million (as restated) in 2003.

In 2005 issues were identified in relation to the financial statements of Carbury Mushrooms Limited ('Carbury') for the year ended 31 December 2003, during which time the group held a 52.5% joint venture interest in Carbury. The issues (incorporating the write-off of a UK bad debt, the impairment of fixed assets due to rationalisation of production and trade creditors, bank and accruals balances that had been incorrectly stated) had they been known would have had a negative profit effect of €2,539,000 in Carbury's financial statements for the year ended 31 December 2003. This in turn would have had the effect of reducing the share of results of the joint venture after tax recognised by the Group by €1,333,000 in that year.

The board has concluded that these 2003 issues represent a fundamental error and are most properly addressed by means of a prior year adjustment in the financial statements of the group. The impact of restating the 2003 results in this regard has been to reduce profit on ordinary activities before interest by €1,328,000 and profit on ordinary activities after taxation by €1,333,000. This reduced basic earnings per share from 49.3c to 35.9c in 2003. In addition the interest in joint ventures recognised in financial assets at 31 December 2003 has now been decreased by €1,333,000. The resultant movement on reserves is disclosed in Note 19.

Earnings per share has decreased by 57.1% to 15.4c (2003: 35.9c).

Net Asset Value per share increased by 4% to €3.92 at the end of 2004.

Dividends

The directors are recommending a final dividend of 6.50c per share for the year ended 31 December 2004. If approved, the total dividend for the year ended 31 December 2004 will be 12.0c per share, the same as for the year ended 31 December 2003, reflecting the directors confidence in the future of the business. Subject to shareholder approval, the final dividend will be paid on 16 September 2005 to shareholders on the register on 26 August 2005.

Staff

I would like to thank staff at all levels and across all our business units for their continued dedication and commitment throughout 2004. I also would like to welcome Ian Ireland who joined as Group Managing Director in January 2005.

Lexie Tinney
Chairman

MANAGING DIRECTOR'S REVIEW

Ian Ireland Managing Director

Dairy Division Review
Turnover in the Dairy Division for the year ended 31 December 2004 was €46.5 million, a decrease of 3.0% on the 2003 figure of €47.9 million, mainly due to lower volumes of milk traded.

These sales to other processors however continue to account for a large proportion of the Division's turnover. The contribution to profits from this business was down on 2003 due to higher procurement costs of milk, particularly in Northern Ireland.

The liquid milk market remains very competitive, both in the Division's local market in Donegal, and also nationally.

Sales in the Division's liquid milk business were in line with 2003 but profitability declined due to continuing competitive pressures.

Agricultural and Other Trading Division Review
Turnover in the Agri Trading Division decreased from €86.5 million in 2003 to €71.8 million in 2004, a decrease of 17.0%, primarily due to the change in reporting sales from the division's mushroom operations as detailed in the Chairman's Statement.

Turnover from the Division's 14 agri retail stores was down on last year. Profitability also decreased due to lower sales and difficult trading conditions.

Turnover in the Division's animal feed mill also decreased in the period. The contribution to profitability was also down due to this decreased turnover.

Trading and profitability in the Division's potato business was difficult due to high shipping costs and an over supplied market.

Rental incomes from the Division's land bank declined slightly reflecting the difficulties in Agriculture.

Turnover at Oatfield was down on last year, primarily in export markets. However, profitability improved, reflecting strict attention to cost control.

The Division's profitability from the sale of surplus assets and investments was significantly down on last year as the time required for planning permission has significantly increased.

The Division had a significant contribution to profitability from its mushrooms operations and the merger of Carbury Mushrooms and Monaghan Middlebrook Mushrooms has proven to be a success so far.

The performance of the Division's stevedoring operations was satisfactory.

MANAGING DIRECTOR'S REVIEW

continued

The Division had a significant contribution to profitability from its mushrooms operations

Outlook
Trading conditions remain difficult in some of the Group businesses for the first number of months of 2005 and the full impact of the EU changes in agricultural policy are still difficult to assess at this stage. Nevertheless the directors believe that the Group's performance for the current fiscal year will be satisfactory.

Dairy Division Outlook
Commodity markets remain difficult but milk prices have begun to drop to more accurately reflect returns available.

The liquid milk market remains very competitive, both in the Division's local market in Donegal, and also nationally. The Division will continue to seek to develop this business and to seek opportunities, and in this context recently acquired Milburn Dairies, a small local liquid milk business in Co Donegal. The Division will continue to strengthen the management team in this area and will continue to focus strongly on efficiency, cost savings and new product development.

Agricultural and Other Trading Division Outlook
Agri input sales remain challenging reflecting the uncertainty in the agricultural sector and general competitive pressures.

The Division's land at An Grianan continues to be let for satisfactory rentals. The Division will continue to sell and develop selected sites from the estate and returns from these should be significantly ahead of 2004. The Division's Section 50 development is up and running and will have its first full year in 2005.

On potatoes, the outlook for the coming season is still uncertain due to the dependence on the last quarter.

Board and Staff
I would like to thank the Board and staff for their support since joining the business.

Ian Ireland
Managing Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The Group are engaged in the intake and processing of milk, the manufacture of milk products, the development and sale of seed potatoes, the manufacture, sale and distribution of farm inputs, the leasing of land and milk quotas, the manufacture of confectionery, the manufacture of mushroom compost and the growing and marketing of mushrooms.

Turnover decreased by 12.0% to €118.3 million (2003: €134.5 million as restated). The chairman's statement and managing director's review include a comprehensive review of the group's businesses.

Profits, dividends and reserves

Profit for the financial year amounted to €1,555,000 (2003: €3,579,000 as restated). An interim dividend of 5.5 cents per share was paid on 6 December 2004. It is proposed to pay a final dividend of 6.5 cents per share on 16 September 2005 to shareholders on the register at the close of business on 26 August 2005. The total dividend of 12 cents per share is the same as for 2003.

The retained profit for the year amounted to €327,000.

The results for the financial year ended 31 December 2004 are set out in detail on pages 24 to 55.

Share capital

At the Annual General Meeting of the company held on 26 July 1995, the shareholders sanctioned requisite alteration to the Articles of Association of the company to enable the group to purchase treasury shares and authorised the group to make market purchases (as defined by Section 212 of the Companies Act, 1990). The aggregate nominal value of shares authorised to be so acquired was not to exceed 10% of the aggregate nominal value of the issued share capital of the company. This authority was renewed at subsequent Annual General Meetings.

Throughout the year ending 31 December 2004, 107,828 ordinary shares of 13 cents each were held as treasury shares by Donegal Creameries plc. This represented 1.0% of the called up share capital of the company. These shares were acquired at a cost of €129,118.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 6 to 9.

Events since the year end

There have been no significant events affecting the group since the year end.

Directors

The directors of the company on 16 June 2005 are listed on pages 2 and 3.
J. Hamilton and P. J. Kelly were co-opted to the board at 13 August 2004 and Ian Ireland on 2 January 2005 and will go before the AGM for approval. F. Scott and J. Carlin retired from the board on 7 July 2004 and J. Keon on 31 December 2004.

Except as noted above, each of the directors served for the entire year. I. Grier, E. Kerr, R. Rankin, I. Bates, F. Browne, R. Russell and M. Reid retire by rotation and have been chosen at the area electoral meetings for re-election as directors at the Annual General Meeting. M. McNulty being eligible will also go forward for re-election.

Corporate governance

Maintaining high standards of corporate governance continues to be a priority of the directors of Donegal Creameries plc. The UK Combined Code is the foundation on which their corporate governance policy is based.

In July 2003, the Financial Reporting Council in the UK issued the revised Combined Code on Corporate Governance which superseded and replaced the Combined Code published in 1998. The Board has reviewed the 2003 Combined Code and it is Group policy to apply all of the relevant main and supporting principles of good governance in the 2003 Combined Code.

The directors are accountable to the shareholders for good corporate governance and this report addresses how the relevant main and supporting principles of the Combined Code have been applied within the Group.

The Board

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership to the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board meets on a monthly basis and certain matters are specifically reserved to the Board for its decision.

The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the group; and ensuring that a satisfactory dialogue takes place with shareholders.

The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

The roles of the Chairman and the Managing Director

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all directors and constructive relations between the executive directors and the other directors, ensures that directors receive accurate, timely and clear information and manages effective communication with shareholders.

The Managing Director has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director

The Board has yet to designate a recognised senior member other than the Chairman to whom concerns can be conveyed.

Directors and Directors' Independence

All appointments to the Board are approved by the Nomination Committee. 22 directors are elected following area electoral meetings. There are no formal time limits for service as director although service periods are kept under ongoing review and each year one third of the board must retire and be reappointed by the AGM. No non-executive director has a service contract with any member of the group.

The Board currently comprises the Chairman, two executive director and 23 non-executive directors. The names of the directors together with their biographical details are set out on pages 2 and 3. The positions of Chairman and Managing Director are held by different persons. The Board includes external directors who constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The 2003 Combined Code requires the Chairman to hold meetings with the non-executive directors without the executive directors being present. It is the intention to formalise this procedure and hold such meetings on a periodic basis.

Directors have the right to ensure that any concerns they have, which cannot be resolved, about the running of the Group or a proposed action, are recorded in the Board minutes. In addition, upon resignation, a non-executive director will be asked to provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

DIRECTORS' REPORT

continued

Directors and Directors' Independence (continued)

The directors are given access to independent professional advice at the Group's expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

The Board believes that all directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. However the Board has yet to evaluate the independence of directors against the criteria set out in the 2003 Combined Code.

Professional development

On appointment, all new directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management, and the latest financial information about the Group. This will typically be supplemented by meetings with key senior executives. Throughout their period in office, the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the agriculture industry as a whole, by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as directors.

Performance evaluation

The Board is considering the implementation of a formal process for the annual evaluation of the performance of the Board, its principal Committees, and individual directors in line with the requirements of the 2003 Combined Code.

The Company Secretary

The Company Secretary is a full time employee of the group. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

Relations with shareholders

The Board and management maintain an ongoing dialogue with the Company's shareholders on strategic issues.

The Chairman and the managing Director give feedback to the Board on issues raised with them by the shareholders. All directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the group. This process, which is based on the Combined Code Guidance for directors, issued by the Institute of Chartered Accountants in England and Wales (the Turnbull Guidance), is periodically reviewed by the directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

In accordance with the guidance of the Turnbull committee, the directors are responsible for the Group's system of internal control, set appropriate policies on internal control, should seek regular assurance that will enable them to satisfy themselves that the system is functioning effectively and should ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss.

Internal Control (continued)

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2004, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditors on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. Managing business risk to deliver opportunities is a key element of all activities. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

Group management has responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to operating company management. Management at all levels is responsible for internal control over the respective business functions they have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board receives, on a regular basis, reports on the key risks to the business and the steps being taken to manage such risks. It considers whether the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The directors consider that, given its size, the group does not currently require an internal audit function.

The functions of the Inner Board, a formally constituted sub-committee of the Board, includes those of an audit committee and meets on a regular basis with the external auditors and satisfies itself as to the adequacy of the group's internal control systems.

Attendance at meetings of the Board, the Remuneration Committee and the Inner Board

7 Board meetings were held during the year ended 31 December 2004 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Lexie Tinney	7	7
Ian Ireland	-	-
John Keon	7	7
Dominic Kelly	7	7
Brian Byrne	7	7
Norman Witherow	7	7
Ronnie Russell	7	5
Frank Browne	7	7
Michael Reid	7	7
Donal Callaghan	7	5
Patrick Kelly	7	6
Geoffrey Vance	7	7
John Moody	7	6
Marshall Robinson	7	7
Ivan Bates	7	4

Name	Eligible to attend	Attended
Joseph Carlin	3	1
Charles Tindal	7	6
Robin Rankin	7	5
Geoffrey McClay	7	5
Fredrick Scott	3	2
Daniel Sweeney	7	7
Ivan Grier	7	7
Sean Gallagher	7	7
Ernest Moore	7	4
Francis Devenny	7	7
Eamon Kerr	7	7
Matt McNulty	7	6
John Hamilton	3	1
P J Kelly	3	3

DIRECTORS' REPORT

continued

Attendance at meetings of the Board, the Remuneration Committee and the Inner Board (continued)
2 meetings of the Remuneration Committee were held during the year ended 31 December 2004 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Lexie Tinney	2	2
Ivan Grier	2	2

4 meetings of the Inner Board were held during the year ended 31 December 2004 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Lexie Tinney	4	4
John Keon	4	4
Dominic Kelly	4	4
Norman Witherow	4	4
Patrick Kelly	4	3
Geoffrey Vance	4	3
Charles Tindal	4	3
Ivan Grier	4	3
Francis Devenny	4	4
Matt McNulty	4	4

Remuneration Committee
The Remuneration Committee is comprised of two non-executive directors. Lexie Tinney acts as Chairman of the Committee. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:
- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Managing Director;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to act, on behalf of the Board, and take all decisions related to pay and pay related matters, as the Chairman of the Board shall determine.
- to act, on behalf of the Board, and take all significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues.

The report of the Remuneration Committee on behalf of the board is set out on pages 17 to 20.

Nomination Committee
The Nomination Committee is comprised of a majority of non-executive directors. It is responsible for the selection of candidates who may be suitable for nomination as directors and for the presentation of such selection to the Board. The Committee uses the services of independent consultants, where appropriate, to facilitate the search for candidates suitable for nomination as non-executive directors.

The Nomination Committee is comprised of two executive directors and eight non-executive directors. Lexie Tinney acts as Chairman of the Committee. There were no meetings of the Nomination Committee during the year ended 31 December 2004.

Inner Board

The Inner Board, whose functions include acting as Audit Committee, is comprised of two executive directors and eight non-executive directors. Lexie Tinney acts as Chairman of the Committee. When necessary, non-Committee members are invited to attend.

The Inner Board monitors the integrity of the Group's financial statements. It is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors. It is responsible for ensuring that an appropriate relationship between the group and the external auditors is maintained, including reviewing non-audit services and fees. In order to maintain the independence of the external auditors, the Inner Board has determined policies as to what audit related and non-audit services can be provided by the group's external auditors and the approval process related to these services. Under these policies work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value added benefits to the group while ensuring that the objectivity and independence of the external auditors is maintained. The Inner Board monitors the level of fees paid to the external auditors.

The Inner Board reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the group.

The Inner Board meets with management, as well as privately with the external auditors.

In 2004 the Inner Board discharged its responsibilities by:

- reviewing the Group's draft financial statements prior to Board approval and meeting and reviewing with the external auditors their reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact in the Group's financial statements of significant matters arising during the year;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors;
- considered the external auditors' plan for the audit of the Group's financial statements, key risks to the business, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- considering the adequacy of the Group's system of risk identification and assessment;
- reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control;

Compliance Statement

The directors confirm that the Group has been in compliance with the relevant main and supporting principles of the 2003 Combined Code throughout the financial year under review, except as explained above, in relation to the following matters:

- no senior independent director has been identified;
- an evaluation of directors' independence against the criteria set out in the 2003 Combined code has yet to be carried out;
- a formal policy in relation to performance evaluation of Board, Board Committees and directors has yet to be put in place;
- no formal procedures currently exists for non-executive directors to meet with the Chairman without the executive directors present;
- non-executive directors do not currently meet to appraise the Chairman's performance;
- the Inner Board which carries out the functions of an Audit Committee includes executive directors;
- no formal current procedures are currently in place for employees to be able to raise matters of possible impropriety; and
- the majority of the non-executive directors, as farmers, have a business relationship with the Group.

Going Concern

The directors have reviewed the group's business plan and other relevant information and have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

continued

Substantial holdings

As at 16 June 2005, the company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Bloxham Investment Funds	798,000	7.76
Bank of Ireland Nominees Limited	685,010	6.66

Bloxham Investment Funds and Bank of Ireland Nominees Limited state that these shares are not beneficially owned by them.

Save for the interests referred to above, the company is not aware of any person who is, directly or indirectly, interested in 3% or more of the issued ordinary share capital of the company.

Employee welfare

It is the policy of the group to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy which was applied throughout the year, is based on the requirements of the Safety, Health and Welfare at Work Act, 1989 and the forthcoming Health and Safety Bill, 2004.

Books of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Ballyraine, Letterkenny, Co Donegal.

International Financial Reporting Standards

The Council of the European Union announced in June 2002 that listed companies will adopt International Financial Reporting Standards (IFRS), formerly known as International Accounting Standards, for all accounting periods on or after 1 January 2005. Accordingly, the Group will report its financial statements for the year ending 31 December 2005 under IFRS. During 2005 the Group will undertake a detailed exercise to convert its financial statements from Irish GAAP to IFRS.

Auditors

The auditors, KPMG, were appointed during the year and have expressed their willingness to be re-appointed in accordance with section 160(2) of the Companies Act, 1963.

Tax status

The company is not a close company under the provisions of the Taxes Consolidation Act, 1997.

Group companies

Information relating to subsidiary and associated undertakings is included in note 32 to the financial statements.

Political contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

AGM

The Company's Annual General Meeting will take place at the Mount Errigal Hotel, Letterkenny, Co. Donegal on 27 July 2005. Your attention is drawn to the separate circular enclosed with the annual report and financial statements containing the notice of meeting and an explanatory statement which sets out details of the matters to be considered at the Annual General Meeting.

On behalf of the board

Lexie Tinney	**Ian Ireland**	16 June 2005
Director	Director	

REPORT OF THE REMUNERATION COMMITTEE

Composition of board and remuneration committee

It is the practice of the company that a majority of the board comprises non-executive directors and that the chairman be non-executive. The remuneration committee consists solely of non-executive directors. The Managing Director is fully consulted about remuneration proposals and outside advice is sought when necessary. The members of the remuneration committee are L Tinney and I Grier.

The terms of reference for the committee are to determine the Group's policy on executive remuneration and to consider and approve salaries and other terms of the remuneration package for the executive directors.

Remuneration policy

The group's policy on executive directors' remuneration recognises that employment and remuneration conditions for senior executives must properly reward and motivate them to perform in the best interest of the shareholders. Performance related rewards, in which targets are measurable, are a key consideration.

The typical elements of the remuneration package for executive directors are basic salary and benefits, incentive bonus, pensions and participation in the share option plan.

It is policy to grant options to certain key management across all locations to encourage identification with shareholders' interests.

Executive directors' basic salary and benefits

The basic salaries of executive directors are reviewed annually having regard to personal performance, company performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a company car. No fees are payable to executive directors.

Incentive plan

Executive directors participate in performance related annual bonus schemes which are designed to align the interests of directors and shareholders and to give executive directors an incentive to perform at the highest levels.

Share option scheme

The executive directors hold options as set out on page 19 together with the attaching performance conditions.

Directors' service contracts

There are no service contracts between directors (executive and non-executive) and any member of the Group with notice periods of more than twelve months.

Directors' remuneration and interests in share capital

Details of directors' remuneration is given on pages 18 to 19, details of directors' share options and shareholdings are given on pages 19 to 20 and details of directors pensions are set out below.

Pensions

The two executive directors are entitled to benefits under defined benefit scheme pension arrangements. The aggregate amount of the increase in accrued pension entitlement (excluding inflation) for such directors amounted to €1,784, the aggregate amount of the transfer value of this increase in accrued pension entitlement (excluding inflation) in the period from 1 January 2004 to 31 December 2004 amounted to €18,055 and the aggregate amount of the total accrued benefit entitlement to such directors at 31 December 2004 amounted to €136,629.

REPORT OF THE REMUNERATION COMMITTEE

continued

		2004	2003
		€	€
	Executive directors		
	Salaries and benefits		
	Basic salary	**396,740**	448,759
1	Benefits	**32,953**	31,977
		429,693	480,736
	Performance related		
2	Annual incentives	**94,800**	50,790
3	Pension charge	**81,060**	379,513
4	Ex-gratia payments	**418,000**	-
	Total executive directors' remuneration	**1,023,553**	911,039
	Average number of executive directors	**2**	2
	Average annual basic salary per executive director	**198,370**	224,380
	Non executive directors		
	Fees and other emoluments		
5	Fees	**40,560**	39,000
	Other emoluments and benefits	**-**	-
		40,560	39,000
	Other remuneration	**-**	-
		40,560	39,000
	Total non-executive directors' remuneration	**40,560**	39,000
	Average number of non-executive directors	**24**	24
	Total directors' remuneration	**1,064,113**	950,039

Notes to directors' remuneration

1 Benefits principally relate to use of a company car.
2 The incentive plan is outlined on page 17.
3 The pension charge represents payments made to pension funds as advised by independent actuaries.
4 The ex-gratia payments represent payments to the outgoing Group Managing Director upon his retirement on 31 December 2004.
5 Two non-executive directors received fees in 2004 (2003: Two).

Individual remuneration for the year ended 31 December 2004

	Basic salary €	Fees €	Incentive bonus €	Benefits €	Pension costs €	Ex-gratia payments €	2004 Total €	2003 Total €
Executive directors								
J Keon	269,658	-	-	19,544	37,445	418,000	744,647	710,565
D Kelly	127,082	-	94,800	13,409	43,615	-	278,906	200,474
	396,740	-	94,800	32,953	81,060	418,000	1,023,553	911,039
Non-executive directors								
L Tinney	-	26,000	-	-	-	-	26,000	25,000
M McNulty	-	14,560	-	-	-	-	14,560	14,000
	-	40,560	-	-	-	-	40,560	39,000

Pension entitlements

Pension benefits earned by the directors during the year and the accumulated total accrued pension at 31 December 2004 were as follows

	Increase in accrued pension during 2004 €	**Transfer value of increase €**	**Total accrued pension at year - end €**
J Keon	467	7,471	122,741
D Kelly	1,317	10,584	13,888
	1,784	18,055	136,629

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2003	**Granted in 2004**	**Exercised in 2004**	**31 December 2004**	**Option price**
D Kelly	25,000	-	-	25,000(a)	210 cents
J. Keon	150,000	-	150,000*	-	210 cents
	175,000	-	150,000	25,000	

No options lapsed during the year. The market price of the company's shares at 31 December 2004 was €4.45 (2003: €3.31) and the range during 2004 was €3.31 to €4.75 (2003: €2.16 to €3.55).

(a) These options are only exercisable when earnings per share (EPS) growth exceeds the growth of the Irish Consumer Price Index plus 2% over a period of at least three years subsequent to the granting of the options. These options may only be exercised between November 2000 and November 2007.

* The market price of the company's shares on the exercise date was €4.70.

REPORT OF THE REMUNERATION COMMITTEE

continued

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2004 in the ordinary shares of the company at 31 December 2003 (or date of appointment, if later) and 31 December 2004 are set out below:

	31 December 2004	31 December 2003
Directors:		
L Tinney	**95,812**	95,812
I Grier	**45,243**	45,243
J Keon (resigned 31 December 04)	**240,151**	240,151
D Kelly (Secretary)	**9,309**	9,213
F Devenny	**44,853**	44,853
P Kelly	**125,022**	125,000
C Tindal	**30,974**	30,974
G Vance	**171,939**	171,939
I Bates	**67,044**	67,044
F Browne	**5,575**	5,517
B Byrne	**20,659**	20,445
D Callaghan	**12,898**	12,898
S Gallagher	**15,135**	14,978
E Kerr	**24,702**	24,446
G McClay	**9,567**	9,468
J Moody	**54,997**	54,997
E Moore	**12,050**	12,050
R Rankin	**12,961**	12,961
M Robinson	**34,417**	34,060
R Russell	**47,560**	47,560
D Sweeney	**9,878**	9,775
M Reid	**6,187**	6,123
N. Witherow	**37,221**	36,964
P. J. Kelly	**1,401**	1,387
J. Hamilton	**10,276**	10,168
M. Mc Nulty	**-**	-

The directors and secretary and their families had no other interests in the shares of the company or its subsidiary and associated undertakings at 31 December 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the directors to prepare financial statements for each financial year, in accordance with applicable Irish law and accounting standards, which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2003, and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Lexie Tinney	**Ian Ireland**	16 June 2005
Director	Director	

INDEPENDENT AUDITORS' REPORT

to the members of Donegal Creameries plc

We have audited the financial statements on pages 24 to 55.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors in relation to the financial statements

The directors are responsible for preparing the directors' report and, as described on page 21, the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the financial statements are in agreement with the books of account and report to you our opinion as to whether

- the company has kept proper books of account;
- the directors' report is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the company to hold an extraordinary general meeting, on the grounds that the net assets of the company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement on pages 11 to 15 reflects the Group's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the group and company's affairs at 31 December 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 10 to 16 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 30, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December, 2004 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

KPMG

Chartered Accountants 16 June 2005
Registered Auditors

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial statements.

The financial statements have been prepared in euro.

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and investment property, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

Turnover

Turnover principally arises from the sale of milk products, seed potatoes, farm inputs, confectionary, mushrooms and compost, excludes Value Added Tax, and is recognised upon the despatch of such products.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings made up to 31 December 2004.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below.

Subsidiary undertakings

Interests in subsidiary undertakings are stated in the holding company's balance sheet at cost less provision for any permanent diminution in value.

Joint venture and associate undertakings

Joint venture undertakings (joint ventures) are those undertakings over which the group exercises control jointly with another party.

Associated undertakings (associates) are those undertakings in which the group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Joint ventures and associates are accounted for using the gross equity method and equity method respectively. The Group's share of the profits less losses of joint ventures and associates are included in the consolidated profit and loss account. The Group's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the group's share of the fair values of the net assets at acquisition plus the Group's share of post acquisition retained profits or losses. Goodwill arising on acquisition of joint ventures and associates is dealt with as stated below.

The amounts included in the consolidated financial statements in respect of the post acquisition profits of joint ventures and associates are taken from their latest audited financial statements made up to the balance sheet date.

Investments in joint ventures and associates are shown in the company balance sheet as financial fixed assets at cost less provision for any permanent diminution in value.

Goodwill

Purchased goodwill arising on the acquisition of a subsidiary, joint venture, associate or business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Purchased goodwill arising on acquisitions prior to 1 January 1998 was eliminated against reserves on acquisition and negative goodwill arising on such acquisitions was credited directly to reserves as a matter of accounting policy. On disposal of the business any goodwill so treated is included in determining the profit or loss on sale of the business.

Purchased goodwill arising on acquisitions after 1 January 1998 is capitalised in the balance sheet and amortised over the estimated economic life of the goodwill, which is 20 years.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation.
The charge for depreciation is calculated to write down the cost or current value of tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Buildings	-	4 to 20 years
Plant	-	10 years
Fixtures and fittings	-	4 to 10 years
Motor vehicles	-	4 years
Tankers and trailers	-	6 years

Provision is also made for any impairment of tangible fixed assets below their carrying amounts.
The Group does not adopt a policy of revaluation in relation to tangible fixed assets. Under the transitional provisions of Financial Reporting Standard No 15 - Tangible Fixed Assets, the group has retained the book amounts of land and buildings which were revalued in 1988 and has not updated that valuation.

Investment property

Investment properties are revalued annually and are not depreciated or amortised. Where the valuation indicates a permanent diminution in the value of the property, the permanent diminution is charged to the profit and loss account. All other fluctuations in value are transferred to a revaluation reserve.

This treatment is a departure from the requirement of Company Law to provide depreciation on all fixed assets which have a limited useful economic life. However, these investment properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. If depreciation were to be provided it would be provided at a rate of 5% per annum on the revalued amount.

Trade investments

Trade investments are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

Pensions

In accordance with SSAP 24, the regular cost of providing pension benefits under the Group's defined benefit schemes is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from regular costs arising from periodic actuarial valuations of the principal schemes are allocated to operating profit over the expected remaining service lives of the members.

The disclosures required under the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits" are shown in Note 26.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost comprises purchase price, including transport costs where appropriate.

Net realisable value comprises the actual or estimated selling price (before settlement discounts), less all costs to be incurred in marketing, selling and distribution.

STATEMENT OF ACCOUNTING POLICIES

continued

Taxation
Current tax, including Irish corporation tax and foreign taxes, is provided on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

The Group's net investments in overseas subsidiary undertakings, joint ventures and associates are translated at the rate ruling at the balance sheet date. The profits and losses of overseas subsidiary undertakings, joint ventures and associates are translated at average rates for the year. Exchange differences resulting from the retranslation of the opening balance sheets of overseas subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses. Where net investments are matched in whole or in part by foreign currency borrowings, the exchange differences arising on the retranslation of such borrowings are also recorded as reserve movements and reflected in the statement of total recognised gains and losses.

Derivative instruments
Derivative instruments such as forward foreign exchange contracts are used in hedging transactions. Profits and losses are recognised in accordance with the underlying transactions.

Leasing
Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Government grants
Capital government grants received are shown as deferred income and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy of the relevant assets.

Other grants are credited to the profit and loss account to offset the matching expenditure.

Employee share schemes
The intrinsic cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Notes	2004 €'000	2003 €'000 (Restated- note 5)
Turnover : group and share of joint ventures	1	**118,328**	134,453
Less : share of joint venture's turnover		**(6,868)**	(20,533)
Group turnover		**111,460**	113,920
Cost of sales		**(96,098)**	(95,930)
Gross profit		**15,362**	17,990
Distribution costs		**(6,648)**	(6,206)
Administration expenses		**(7,581)**	(6,394)
Other operating costs		**(490)**	(297)
Operating profit		**643**	5,093
Exceptional items:			
- Profit on disposal of fixed assets		**5**	31
- Profit on disposal of financial investments		**336**	1,110
Share of results of joint venture		**442**	(1,775)
Share of results of associated undertakings		**564**	-
Profit on ordinary activities before interest		**1,990**	4,459
Income from financial assets	2	**553**	932
Interest receivable		**69**	4
Interest payable:			
- Group	3	**(465)**	(453)
- Joint venture	3	**(35)**	(421)
- Associate	3	**(107)**	-
Profit on ordinary activities before taxation	4	**2,005**	4,521
Taxation	6	**(285)**	(773)
Profit on ordinary activities after taxation		**1,720**	3,748
Minority interest	21	**(165)**	(169)
Profit for the financial year	20	**1,555**	3,579
Dividends:			
- Paid	7	**(559)**	(525)
- Proposed	7	**(669)**	(677)
Profit retained in year		**327**	2,377
Earnings per share			
- basic	8	**15.4c**	35.9c
- diluted	8	**15.3c**	35.5c

All profits arose from continuing operations. The accompanying notes form an integral part of these financial statements.

On behalf of the board

Lexie Tinney Director

Ian Ireland Director

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2004

	Notes	2004 €'000	2003 €'000 (Restated- note 5)
Profit for the financial year		**1,555**	3,579
Translation adjustment		**(3)**	(362)
Unrealised gain on part disposal of Joint Venture interest	10	**1,261**	-
Total recognised gains and losses for the year		**2,813**	3,217
Prior year adjustment	5	**(1,333)**	-
Total recognised gains and losses since the last annual report		**1,480**	3,217

NOTE OF HISTORICAL COST PROFITS AND LOSSES

year ended 31 December 2004

	2004 €'000	2003 €'000 (Restated- note 5)
Reported profit on ordinary activities before taxation	**2,005**	4,521
Difference between the historical cost depreciation charge and the actual depreciation	**10**	10
Historical cost profit for the year retained after taxation	**2,015**	4,531
Historical cost profit for the year retained after taxation, Minority interests and dividends	**337**	2,387

GROUP BALANCE SHEET

at 31 December 2004

	Notes	2004 €'000	2003 €'000 (Restated- note 5)
Fixed assets			
Tangible assets	9	**20,432**	20,545
Financial assets	10	**15,181**	10,507
Investment in joint venture			
- Share of gross assets	10	**-**	11,264
- Share of gross liabilities	10	**-**	(13,572)
Investment in associates	10	**3,803**	-
Goodwill	11	**1,648**	1,755
		41,064	30,499
Current assets			
Stocks	12	**10,409**	10,275
Debtors	13	**30,817**	30,407
Cash at bank and in hand		**1,264**	1,898
		42,490	42,580
Creditors – Amounts falling due within one year	14	**(32,657)**	(25,667)
Net current assets		**9,833**	16,913
Total assets less current liabilities		**50,897**	47,412
Creditors – Amounts falling due after one year	15	**(7,918)**	(7,667)
Provisions for liabilities and charges	16	**(1,686)**	(584)
Net assets		**41,293**	39,161
Capital and reserves			
Called up share capital	17	**1,337**	1,312
Share premium	18	**2,954**	2,597
Revaluation reserve	19	**312**	312
Reserve on acquisition	19	**293**	293
Other reserves	19	**189**	189
Profit and loss account	19	**34,386**	32,801
Shareholders' funds - equity	20	**39,471**	37,504
Minority interest in subsidiaries	21	**1,822**	1,657
		41,293	39,161

The accompanying notes form an integral part of these financial statements.

On behalf of the board

Lexie Tinney
Director

Ian Ireland
Director

COMPANY BALANCE SHEET

at 31 December 2004

	Notes	2004 €'000	2003 €'000
Fixed assets			
Tangible assets	9	**1,749**	1,920
Financial assets	10	**28,352**	16,531
		30,101	18,451
Current assets			
Stocks	12	**4,572**	4,459
Debtors	13	**22,357**	22,874
Cash at bank and in hand		**30,861**	15,579
		57,790	42,912
Creditors: amounts falling due within one year	14	**(74,003)**	(45,965)
Net current liabilities		**(16,213)**	(3,053)
Total assets less current liabilities		**13,888**	15,398
Creditors: amounts falling due after one year	15	**(7,618)**	(7,618)
Provision for liabilities and charges	16	**(1,048)**	-
Net assets		**5,222**	7,780
Capital and reserves			
Called up share capital	17	**1,337**	1,312
Share premium	18	**2,955**	2,597
Revaluation reserve	19	**155**	155
Reserve on acquisition	19	**189**	189
Profit and loss account	19	**586**	3,527
Shareholders' funds - equity		**5,222**	7,780

The accompanying notes form an integral part of these financial statements.

On behalf of the board

Lexie Tinney
Director

Ian Ireland
Director

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2004

	Notes	2004 €000	2004 €000	2003 €000	2003 €000
Net cash inflow from operating activities	27		**583**		6,539
Returns on investments and servicing of finance					
Property and milk quota leasing receipts		**610**		201	
Interest received		**84**		2	
Interest paid		**(465)**		(453)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			**229**		(250)
Taxation			**(637)**		(1,152)
Capital expenditure and financial investment					
Sale of tangible assets		**236**		177	
Purchase of tangible assets		**(2,532)**		(2,280)	
Purchase of financial assets		**(53)**		(71)	
Sale of financial assets		**355**		1,300	
Additions to investment property		**(6,019)**		(87)	
Net cash outflow from capital expenditure and financial investment			**(8,013)**		(961)
Acquisitions					
Acquisition of Crest Securities Limited		**(1,500)**		-	
Acquisition of loan stock in Carbury Mushrooms Limited		**(1,842)**		-	
Acquisition of Wm McKinney & Sons Limited		**-**		(114)	
Net cash outflow from acquisitions			**(3,342)**		(114)
Equity dividends paid			**(1,362)**		(1,158)
Net cash (outflow)/inflow before financing			**(12,542)**		2,904
Financing					
Issue of shares		**383**		59	
Finance lease receipts/(payments)	29	**293**		(13)	
Net cash inflow from financing			**676**		46
(Decrease)/increase in cash	28, 29		**(11,866)**		2,950

The accompanying notes form an integral part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		2004 €'000	2003 €'000
1	**Turnover**		
a)	**By class of business:**		
	Group turnover:		
	Dairy products	**46,480**	47,915
	Farm inputs	**39,478**	40,380
	Potatoes	**13,284**	13,969
	Confectionery	**6,496**	7,128
	Sacks	**2,129**	2,009
	Stevedoring	**3,593**	2,519
		111,460	113,920
	Share of joint venture's turnover:		
	Mushrooms and mushroom compost	**6,868**	20,533
	Turnover: group and share of joint ventures	**118,328**	134,453
b)	**By geographical market:**		
	Group turnover:		
	Republic of Ireland	**78,686**	83,552
	Northern Ireland	**20,183**	17,358
	Great Britain	**2,209**	2,146
	Continental Europe	**2,958**	3,122
	Rest of World	**7,424**	7,742
		111,460	113,920
	Share of joint venture's turnover:		
	Republic of Ireland	**1,887**	6,187
	Great Britain	**4,981**	14,346
		6,868	20,533
	Turnover: group and share of joint venture:		
	Republic of Ireland	**80,573**	89,739
	Northern Ireland	**20,183**	17,358
	Great Britain	**7,190**	16,492
	Continental Europe	**2,958**	3,122
	Rest of world	**7,424**	7,742
		118,328	134,453

The disclosure of segmental information in respect of profits and net assets as required by Statement of Standard Accounting Practice No. 25, "Segmental Reporting" (SSAP 25) would, in the opinion of the directors, be prejudicial to the interests of the group and accordingly has not been disclosed as permitted by SSAP 25.

2 Income from financial assets

	2004 €'000	2003 €'000
Income from financial assets comprises:		
Lease of investment property	**422**	495
Lease of milk quota	**-**	41
Dividends receivable from listed investments	**16**	21
Income receivable from loan stock issued by Joint Venture	**-**	375
Income from student residences	**81**	-
Miscellaneous income	**34**	-
	553	932

3 Interest payable

	2004 €'000	2003 €'000 (Restated)
This interest was in respect of:		
Borrowings wholly repayable within five years		
Bank overdraft and loans	**465**	451
Other interest	**-**	2
	465	453
Share of interest payable by - joint venture	**35**	421
- associate	**107**	-
	607	874

4 Profit before taxation

	2004 €'000	2003 €'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	**2,466**	2,617
Auditors' remuneration	**75**	72
Amortisation of goodwill	**119**	108
Amortisation of capital grants	**(5)**	(3)

Amounts paid to directors are disclosed in the report of the remuneration committee on pages 17 to 20.

5 Prior year adjustment

In 2005 issues were identified in relation to the financial statements of Carbury Mushrooms Limited ('Carbury') for the year ended 31 December 2003, during which time the group held a 52.5% joint venture interest in Carbury. The issues (incorporating the write-off of a UK bad debt, the impairment of fixed assets due to rationalisation of production and trade creditors, bank and accruals balances that had been incorrectly stated) had they been known would have had a negative profit effect of €2,539,000 in Carbury's financial statements for the year ended 31 December 2003. This in turn would have had the effect of reducing the share of results of the joint venture after tax recognised by the Group by €1,333,000 in that year.

The board has concluded that these 2003 issues represent a fundamental error and are most properly addressed by means of a prior year adjustment in the financial statements of the Group. The impact of restating the 2003 results in this regard has been to reduce profit on ordinary activities before interest by €1,328,000, to decrease taxation by €71,000 and to decrease profit on ordinary activities after taxation by €1,333,000. This reduced basic earnings per share from 49.3c to 35.9c in 2003. In addition the interest in joint ventures recognised in financial assets at 31 December 2003 has now been decreased by €1,333,000. The resultant movement on reserves is disclosed in Note 19.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

6 Tax on profits on ordinary activities

	2004 €'000	2003 €'000 (Restated)
Current tax:		
Irish corporation tax	**120**	804
United Kingdom corporation tax	**163**	78
Share of tax of joint venture	**39**	(109)
Share of tax of associate	**44**	-
Overprovision in relation to prior year	**(135)**	-
Current tax charge for year	**231**	773
Deferred tax:		
Deferred tax charge for the year (Note 16)	**54**	-
	285	773

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

	2004 €'000	2003 €'000
Profit on ordinary activities before tax	**2,005**	4,521
Profit on ordinary activities multiplied by the standard rate of Irish Corporation tax for the year of 12.5% (2003: 12.5%)	**251**	565
Effects of:		
Share of provision in respect of joint venture	**-**	(109)
Share of joint venture/associate profits not tax deductible	**(27)**	244
Net disallowable expenses	**173**	122
Differences in effective tax rate on Sterling earnings	**54**	63
Base cost and inflation relief on land disposal	**18**	(29)
Distributions receivable from Irish companies	**(71)**	(47)
Manufacturing relief	**(4)**	(21)
Overprovision in relation to prior year	**(135)**	-
Other adjustments	**(28)**	(15)
Current tax charge for year	**231**	773

7 Dividends

	2004 €'000	2003 €'000
Interim ordinary dividend paid of 5.5c per share (2003: 5.25c)	**559**	525
Final dividend proposed of 6.5c per share (2003: 6.75c)	**669**	677
	1,228	1,202

8 Earnings per share

	2004	2003 (Restated)
The computation of basic and diluted earnings per share is set out below:		
Numerator:		
For basic and diluted earnings per share		
Profit for the financial year (€'000)	**1,555**	3,579
Denominator:		
Weighted average number of ordinary shares in issue for the year	**10,187,657**	10,065,237
Average number of treasury shares	**(107,828)**	(107,828)
Denominator for basic earnings per share	**10,079,829**	9,957,409
Effect of dilutive potential ordinary shares (share options)	**114,590**	122,680
Denominator for diluted earnings per share	**10,194,419**	10,080,089
Basic earnings per ordinary share	**15.4c**	35.9c
Diluted earnings per ordinary share	**15.3c**	35.5c

9 Tangible assets

	Freehold and leasehold land and buildings €'000	Plant €'000	Fixtures and fittings €'000	Motor vehicles €'000	Tankers and trailers €'000	Total €'000
Group						
Cost						
At 31 December 2003						
- Valuation	775	-	-	-	-	775
- Cost	11,400	20,399	1,685	2,758	911	37,153
Additions	1,017	753	159	612	44	2,585
Disposals	-	(136)	(15)	(646)	(12)	(809)
Translation adjustment	-	(1)	-	-	-	(1)
At 31 December 2004	**13,192**	**21,015**	**1,829**	**2,724**	**943**	**39,703**
Accumulated depreciation						
At 31 December 2003	2,336	11,329	1,225	1,669	824	17,383
Charge for year	318	1,517	166	421	44	2,466
Disposals	-	(136)	(9)	(421)	(12)	(578)
At 31 December 2004	**2,654**	**12,710**	**1,382**	**1,669**	**856**	**19,271**
Net book amounts						
At 31 December 2003	9,839	9,070	460	1,089	87	20,545
At 31 December 2004						
- Valuation	775	-	-	-	-	775
- Cost	12,417	21,015	1,829	2,724	943	38,928
- Accumulated depreciation	(2,654)	(12,710)	(1,382)	(1,669)	(856)	(19,271)
	10,538	**8,305**	**447**	**1,055**	**87**	**20,432**

Included in Plant above are amounts in respect of assets held under finance leases:

	2004	2003
Net book value	317	37
Depreciation charge for year	24	9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

9 Tangible assets (continued)

Company	Freehold and leasehold land and buildings €'000	Plant €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Cost or valuation					
At 31 December 2003					
- Valuation	775	-	-	-	775
- Cost	1,550	486	912	628	3,576
Additions	7	-	25	29	61
Disposals	-	-	-	(29)	(29)
At 31 December 2004	2,332	486	937	628	4,383
Accumulated depreciation					
At 31 December 2003	907	381	771	372	2,431
Charge for year	61	16	49	92	218
Disposals	-	-	-	(15)	(15)
At 31 December 2004	968	397	820	449	2,634
Net book amounts					
At 31 December 2003	**1,418**	**105**	**141**	**256**	**1,920**
At 31 December 2004					
- valuation	775	-	-	-	775
- cost	1,557	486	937	628	3,608
- accumulated depreciation	(968)	(397)	(820)	(449)	(2,634)
	1,364	**89**	**117**	**179**	**1,749**

Land and buildings of the parent company were revalued on an existing use basis (except for certain land which was valued at open market value) by D Rainey & Sons M.I.A.V.I. at 31 December 1988. The surplus arising on the revaluation has been taken to revaluation reserve (Note 19).

The carrying value of freehold land and buildings would not be materially different had it been stated under the historical cost convention.

10 Financial assets

Group	Other investments €'000	Loan stock in joint venture/ associates €'000	Joint Venture €'000	Investment property €'000	Listed shares €'000	Unlisted shares €'000	Prize bonds €'000	Total (excluding Associates) €'000	Associates €'000
At 31 December 2003 (as previously reported)	40	5,640	(975)	4,599	30	98	100	9,532	-
Prior year adjustment (Note 5)	-	-	(1,333)	-	-	-	-	(1,333)	-
At 31 December 2003 (restated)	40	5,640	(2,308)	4,599	30	98	100	8,199	-
Additions	21	-	123	6,019	-	32	-	6,195	-
Acquisition of subsidiary (see 10b)	-	-	-	1,500	-	-	-	1,500	-
Translation Adjustment	-	-	-	10	-	-	-	10	-
Capitalisation of loans in JV (a)	-	(2,898)	2,898	-	-	-	-	-	-
Share of increase/(decrease) in net assets (a)	-	-	363	-	-	-	-	363	418
Disposals	-	-	-	(10)	-	-	-	(10)	-
Part disposal of JV interest (a)	-	-	(1,076)	-	-	-	-	(1,076)	3,385
At 31 December 2004	**61**	**2,742**	**-**	**12,118**	**30**	**130**	**100**	**15,181**	**3,803**

(a) See 10(a) for details on the disposal of the Joint Venture and the related acquisition of the associate.

10 Financial assets (continued)

	Subsidiary companies €'000	Listed Shares €'000	Associate under-takings €'000	Joint ventures €'000	Other interests €'000	Loan stock in joint venture/ associate €'000	Prize bonds €'000	Investment property €'000	Total €'000
Company									
At 31 December 2003	4,244	22	-	1,834	92	5,640	100	4,599	16,531
Additions (Note 10(b))	1,500	-	-	123	22	-	-	10,134	11,779
Acquisition of associate	-	-	4,897	(4,855)	-	-	-	-	42
Reclassification	-	-	-	2,898	-	(2,898)	-	-	-
At 31 December 2004	5,744	22	4,897	-	114	2,742	100	14,733	28,352
Cost									31,799
Provision									(3,447)
									28,352

(a) Acquisition of interest in associate

On 1 June 2004 as part of a business transaction with Monaghan Middlebrook Mushrooms Limited ("MMML"), the Group contributed its investment in its joint venture ("JV") Carbury Mushrooms Limited ("Carbury"), including certain loan stock held in that joint venture, to MMML in return for a 23% holding in MMML. MMML now owns 100% of Carbury. From the date of this transaction MMML, including its subsidiary Carbury, is accounted for as an associate of the Group. This transaction has been accounted for in accordance with UITF 31. The Group's continuing interest in Carbury, i.e. the 23% interest retained, continues to be carried at book value; the company's acquired interest in the rest of the MMML group is recorded at fair value, including goodwill; and a gain is recognised in the Statement of Total Recognised Gains and Losses on the proportion of Carbury no longer held by the group.

	Loans to JV/ associates €'000	Share of net assets in JV €'000	Interest in associate €'000	Total €'000
Interest in JV at beginning of the year	5,640	(975)	-	4,665
Prior year adjustment (note 5)	-	(1,333)	-	(1,333)
Additions	-	123	-	123
Share of 2004 results to date of transaction	-	363	-	363
Capitalisation of loans in JV	(2,898)	2,898	-	-
Interest in JV at date of transaction	2,742	1,076	-	3,818
Portion of interest in Carbury no longer controlled (see below)	-	(646)	-	(646)
Portion retained (at book value)	2,742	430	-	3,172
Reclassification as associate		(430)	430	-
Interest in MMML received				
- goodwill	-	-	418	418
- net identifiable assets	-	-	2,342	2,342
- provisions	-	-	195	195
Interest in MMML following transaction	2,742	-	3,385	6,127
Share of results of MMML after taxation following transaction	-	-	430	430
Amortisation of goodwill arising on investment in MMML	-	-	(12)	(12)
Interest in associate at end of year	2,742	-	3,803	6,545

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

10 Financial assets (continued)

(a) Acquisition of interest in associate (continued)

The investment in MMML at 31 December 2004 comprised the following

	€'000
Loan to associate	2,742
Goodwill on acquisition	406
Share of net assets in associate	3,397
	6,545

Gain on transaction

	€'000
Consideration received for interest in JV sold	2,760
Carrying value of assets sold (see above)	(646)
Provisions	(853)
	1,261

This gain of €1,261,000 has been included in the Statement of Gains and Losses as it has not been realised.

(b) Acquisition of subsidiary

On 12 November 2004 the Group acquired 100% of the share capital of Crest Securities Limited for cash consideration of €1,500,000.

The sole asset of this company was an interest in the Letterkenny Student Residence development, developed jointly with the Group. The company has not traded since acquisition. Goodwill arising on acquisition was €Nil.

	Fair value €'000
Investment property acquired on acquisition	1,500
Consideration paid	(1,500)
Goodwill arising	-

Group
The market value of the listed shares at 31 December 2004 was €1,887,000 (2003: €1,773,000). In the opinion of the directors, the value to Donegal Creameries plc of the unlisted shares is not less than the value shown above. The listed shares are listed on recognised stock exchanges.

Group and company
Investment property represents a farm, An Grianán, acquired by the company in 1996 and the Letterkenny Student Residence. The investment properties of the group and company were revalued by the directors of Donegal Creameries plc to an open market value basis reflecting existing use on 31 December 2004.

Company
The cumulative provision at 31 December 2004 of €3,447,000 (2003: €3,447,000) is against the carrying value of subsidiaries, €1,486,000 (2003: €1,486,000) and unlisted shares, €1,961,000 (2003: €1,961,000).

11 Goodwill

Group	Positive goodwill €'000	Negative goodwill €'000	Total €'000
Goodwill arising on acquisitions:			
At 31 December 2003 and 2004	2,992	(922)	2,070
Released to profit and loss account:			
At 31 December 2003	526	(211)	315
Amortised during the year	150	(43)	107
At 31 December 2004	676	(254)	422
Net book amount:			
At 31 December 2003	2,466	(711)	1,755
At 31 December 2004	**2,316**	**(668)**	**1,648**

12 Stocks

	2004 €'000	2003 €'000
Group		
Dairy	**46**	20
Store, including animal feeds	**6,933**	6,738
Confectionery	**1,121**	452
Packaging and other stocks	**2,309**	3,065
	10,409	10,275
Company		
Dairy	**6**	3
Store	**4,552**	4,428
Expense stocks	**14**	28
	4,572	4,459

The estimated replacement cost of stocks is not materially different from the above amounts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

13 Debtors

	2004 €'000	2003 €'000
Group		
Trade debtors	**25,940**	25,669
Amounts owed by associated undertakings	**2,180**	858
Value added tax	**1,263**	671
Other debtors	**64**	409
Prepayments and accrued income	**1,342**	2,788
Corporation tax recoverable	**28**	12
	30,817	30,407
Amount falling due after more than one year included above:	**1,291**	1,451
Company		
Trade debtors	**8,001**	9,380
Amounts owed by subsidiary undertakings	**10,808**	10,344
Amounts owed by associated undertakings	**2,156**	857
Value added tax	**852**	394
Other debtors	**-**	197
Prepayments and accrued income	**540**	1,702
	22,357	22,874
Amounts falling due after more than one year included above:	**1,291**	1,451

14 Creditors - amounts falling due within one year

	2004 €'000	2003 €'000
Group		
Bank loans and overdrafts	**15,020**	3,809
Finance leases	**46**	9
Trade creditors	**11,858**	14,286
Deferred consideration on acquisition of subsidiaries and joint ventures	**-**	1,807
Corporation tax	**146**	753
Income tax deducted under PAYE	**234**	95
Pay related social insurance	**166**	60
Value added tax	**167**	328
Other creditors and accruals	**4,263**	3,628
Dividend payable	**757**	892
	32,657	25,667

14 Creditors: amounts falling due within one year (continued)

	2004 €'000	2003 €'000
Company		
Bank loans	**2,809**	3,809
Trade creditors	**2,209**	3,024
Amounts due to subsidiary undertakings	**66,482**	35,075
Deferred consideration on acquisition of Subsidiaries and joint ventures	**-**	1,807
Corporation tax	**(35)**	226
Income tax deducted under PAYE	**194**	38
Pay-related social insurance	**100**	46
Other creditors and accruals	**1,489**	1,048
Dividends payable	**755**	892
	74,003	45,965

The bank loans and overdrafts are secured by cross guarantees from other group companies.

15 Creditors – amounts falling due after one year

	2004 €'000	2003 €'000
Group		
Bank loans	**7,618**	7,618
Capital grants deferred	**39**	44
Finance leases	**261**	5
	7,918	7,667
Company		
Bank loans	**7,618**	7,618
	7,618	7,618

16 Provisions for liabilities and charges

	2004 €'000	2003 €'000
Group		
Deferred tax liability	**638**	584
Other provisions	**1,048**	-
	1,686	584

A provision in respect of expected warranty claims against the group by other parties has been included in "other provisions" above. The exact nature and the amount of this provision has not been disclosed, as, in the opinion of the directors, such disclosure would be prejudicial to the interests of the group.

Deferred taxation	
At 31 December 2003	584
Transfer to profit and loss account (Note 6)	54
At 31 December 2004	**638**

Deferred taxation represents timing differences in respect of capital allowances claimed.

	2004	2003
Company		
Other provisions	**1,048**	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

17 Share capital

	2004 €'000	2003 €'000
Authorised		
50,000,000 ordinary shares of 13 cents each	**6,500**	6,500
Allotted and fully paid		
At beginning of year- 10,094,990 (2003: 10,034,990) ordinary shares of 13 cents each	**1,312**	1,304
Employee share options exercised	**25**	8
At end of year – 10,285,590 (2003: 10,094,990) ordinary share of 13c each	**1,337**	1,312

There are options outstanding in respect of 114,590 ordinary shares of 13 cents each at 31 December 2004 (2003: 306,590). This figure includes options over 48,000 shares which can only be exercised after the expiration of three years from the date of grant of the options and after specific EPS growth targets have been achieved.

The option prices range from 13 cents to €2.10 per ordinary share.

18 Share premium

	2004 €'000	2003 €'000
At beginning of year	**2,597**	2,546
Employee share options exercised	**357**	51
At end of year	**2,954**	2,597

19 Reserves

	Revaluation Reserve €'000	Reserve on acquisition €'000	Other reserves €'000	Profit and loss account €'000
Group				
At 31 December 2003 (as previously reported)	312	293	189	34,134
Prior year adjustment (note 5)	-	-	-	(1,333)
At 31 December 2003 (restated)	312	293	189	32,801
Profit for year	-	-	-	1,555
Dividends	-	-	-	(1,228)
Translation adjustment	-	-	-	(3)
Unrealised gain on part disposal of Joint Venture interest	-	-	-	1,261
At 31 December 2004	**312**	**293**	**189**	**34,386**
Company				
At 31 December 2003	155	-	189	3,527
Loss for year	-	-	-	(707)
Dividends	-	-	-	(1,228)
Unrealised loss on part disposal of Joint Venture interest	-	-	-	(1,006)
At 31 December 2004	**155**	**-**	**189**	**586**

19 Reserves (continued)

Other reserves of €188,749 are non distributable as they are not available for distribution until such time as the contingent liability (see Note 23) to repay capital grants, received from the Industrial Development Authority, has expired. The reserve on acquisition is non distributable and arose following the purchase of Robert Smyth & Sons in 1995.

Profits available for distribution are restricted by €129,110 (2003: €129,110), being the cost of shares in Donegal Creameries plc held by the group. As permitted by Section 3(2) of the Companies (Amendment) Act, 1986 a profit and loss account in respect of the parent company is not shown. A loss after tax of €707,421 (2003: profit after tax of €3,320,855) relating to the parent company is included in the group profit and loss account.

20 Reconciliation of movements in equity shareholders' funds

	2004 €'000	2003 €'000 (Restated)
Increase in share premium	**357**	51
Increase in share capital	**25**	8
Profit for the financial year (as originally stated)	**1,555**	4,912
Prior year adjustment	**-**	(1,333)
Dividends	**(1,228)**	(1,202)
	709	2,436
Unrealised gain on part disposal of Joint Venture interest	**1,261**	-
Translation adjustment	**(3)**	(362)
Net addition to shareholders' funds	**1,967**	2,074
Opening shareholders' funds	**37,504**	35,430
Closing shareholders' funds	**39,471**	37,504

21 Minority interests in subsidiaries

	2004 €'000	2003 €'000
Equity:		
At 1 January	**1,657**	1,548
Share of profit for year	**165**	169
Less share of minority interest in joint venture	**-**	(18)
Translation adjustment	**-**	(42)
At 31 December	**1,822**	1,657

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

22 Financial instruments

The board is conscious of the financial risks inherent in the group's activities denominated in foreign currencies, principally sterling, and the interest rate risk associated with the group's borrowings. While the foreign exchange risks are considered in consultation with the group's treasury providers, the group has maintained its bank borrowings at floating rates in the past.

The group has taken advantage of the exemption provided by Financial Reporting Standard 13 and has not included short term debtors and creditors within notes (a), (c) and (e) below.

(a) Interest rate risk profile of financial assets and liabilities

	2004 €'000	2003 €'000
The Group's financial assets, as defined by Financial Reporting Standard 13, comprise		
Listed shares	**30**	30
Unlisted shares	**130**	98
	160	128

The nature of these financial assets was as follows:

	2004		2003	
	Total €'000	**Equity shares €'000**	Total €'000	Equity shares €'000
Currency				
Euro	**160**	**160**	128	128

The Group's financial liabilities, as defined by Financial Reporting Standard 13 comprise:

	Notes	**2004 €'000**	2003 €'000
Finance leases	14-15	**307**	14
Bank loans and overdrafts	14-15	**22,638**	11,427
Deferred consideration on acquisition of subsidiaries and joint venture	14	**-**	1,807
Total		**22,945**	13,248

22 Financial instruments (continued)

After taking account of forward currency contracts, the interest rate profile of these financial liabilities was as follows:

31 December 2004:

	Total €'000	Floating rate Financial liabilities €'000	Fixed rate financial liabilities €'000
Currency			
Euro	22,243	22,221	22
Sterling	702	417	285
Total	22,945	22,638	307

31 December 2004:

	Fixed rate financial liabilities	
	Weighted average interest rate %	Period for which rate is fixed years
Currency		
Euro	3	5

31 December 2003:

	Total €'000	Floating rate financial liabilities €'000	Fixed rate financial liabilities €'000	Financial liabilities on which no interest is paid €'000
Currency				
Euro	12,591	10,770	14	1,807
Sterling	657	657	-	-
Total	13,248	11,427	14	1,807

31 December 2003:

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Period for which rate is fixed years	Weighted average period until maturity years
Currency			
Euro	4.36	.71	-

The floating rate financial liabilities comprise:

- Euro denominated overdrafts that bear at EURIBOR rates.
- Sterling denominated overdrafts that bear interest at UK base rates.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

22 Financial instruments (continued)

(b) Currency exposures

The table below shows the Group's currency exposures; i.e. those transactional (or non-structural) exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved. The table includes the effect of forward currency contracts taken out to manage these currency exposures.

As at 31 December 2004 these exposures were as follows:

	Net foreign currency monetary assets/(liabilities)				
	Euro	Sterling	US Dollar	Other	Total
	€'000	€'000	€'000	€'000	€'000
31 December 2004:					
Functional currency of group operation					
Euro	-	3,394	30	54	3,478
Sterling	(277)	-	-	-	(277)
Total	(277)	3,394	30	54	3,201
31 December 2003:					
Functional currency of group Operation					
Euro	-	(113)	40	38	(35)
Sterling	(4,043)	-	-	-	(4,043)
Total	(4,043)	(113)	40	38	(4,078)

(c) Maturity of financial liabilities

The maturity profile of the group's financial liabilities, other than short term creditors such as trade creditors and accruals, at 31 December 2004 was as follows:

	2004	2003
	€'000	€'000
In one year or less or on demand	**15,066**	5,625
In more than one year but not more than two years	**261**	5
In more than two years but not more than five years	**7,618**	7,618
	22,945	13,248

(d) Borrowing facilities

Undrawn borrowing facilities at 31 December 2004 amounted to €8.6 million (2003: €9.88 million).

22 Financial instruments (continued)

(e) Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31 December 2004:

	2004		2003	
	Book value €'000	**Fair value €'000**	Book value €'000	Fair value €'000
Primary financial instruments held or issued to finance the Group's operations:				
Listed and unlisted shares (Note 10)	**160**	**2,017**	128	1,872
Overdrafts and short-term borrowings (Note 14)	**15,020**	**15,020**	3,809	3,809
Long-term borrowings (Note 15)	**7,618**	**7,618**	7,618	7,618
Finance leases (Notes 14 and 15)	**307**	**307**	14	14
Deferred consideration on acquisition of Subsidiaries and joint venture (Note 14)	**-**	**-**	1,807	1,807
Derivative financial instruments held to hedge the currency exposure on sales				
Forward currency contracts	**-**	**-**	-	-

As a result of their short maturity there is no material difference between the book and fair value of overdrafts and short term borrowings. The fair values of all other items are their market values, where appropriate, or have been calculated by discounting future cash flows at prevailing interest rates.

(f) Gains and losses on hedging contracts

Gains and losses on hedging instruments which were unrecognised at 31 December 2004 are set out below:

	Gains €'000	Losses €'000	Total net gains/(losses) €'000
Unrecognised gains and losses on hedges at January 2004	**-**	**-**	**-**
Gains and losses arising in previous years that were recognised in 2004	-	-	-
Gains and losses arising in previous years that were not recognised in 2004	-	-	-
Gains and losses arising in 2003 that were not recognised in 2004	-	-	-
Unrecognised gains and losses on hedges at 31 December 2004	-	-	-
Of which:			
Gains and losses expected to be recognised in 2005	-	-	-
Gains and losses expected to be recognised in 2006 or later	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

22 Financial instruments (continued)

(f) Gains and losses on hedging contracts (continued)

	Gains €'000	Losses €'000	Total net gains/(losses) €'000
Unrecognised gains and losses on hedges at January 2003	**57**	**(13)**	**44**
Gains and losses arising in previous years that were recognised in 2003	(57)	13	(44)
Gains and losses arising in previous years that were not recognised in 2003	-	-	-
Gains and losses arising in 2002 that were not recognised in 2003	-	-	-
Unrecognised gains and losses on hedges at 31 December 2003	-	-	-
Of which: Gains and losses expected to be recognised in 2004	-	-	-
Gains and losses expected to be recognised in 2005 or later	-	-	-

23 Contingent liabilities

Group and company

Under agreements between the group and the Industrial Development Authority, capital grants up to a maximum of €730,000 (2003: €730,000) could become repayable in certain circumstances as out in the agreements.

Company

The company has guaranteed the bank borrowings of certain subsidiaries. At 31 December 2004 these borrowings amounted to €40,497,000 (2003: €nil).

24 Directors' remuneration and interests in shares

Directors' remuneration (including pensions) and interests in shares (including share options) are listed on pages 17 to 20 in the report of the remuneration committee.

25 Employees

The average number of persons employed by the group during the year was as follows:	**2004 Number**	2003 Number
Production	**145**	143
Stores	**105**	96
Transport	**42**	44
Administration	**68**	64
	360	347

	2004 €'000	2003 €'000
Wage costs are comprised of:		
- Wages and salaries	**9,546**	8,493
- Social welfare costs	**953**	840
- Other pension costs	**576**	934
	11,075	10,267

26 Pensions

The pension entitlements of most employees arise under defined benefit pension schemes and are secured by contributions by the Group to separately administered pension funds. Annual contributions are based on the advice of professionally qualified actuaries on the basis of triennial valuations using the attained age method and are charged to the profit and loss account on an accruals basis.

On the basis of the latest actuarial valuations prior to the year end, which were carried out as at 1 January 2004, 1 April 2003, 1 January 2003 and 1 February 2002, the market value of the schemes' assets was €8,462,000 (2003:€8,431,000) and the actuarial value of those assets represented in aggregate 98% (2003:102%) of the benefits that had accrued to members allowing for future increases in pensionable earnings. The principal actuarial assumption adopted in the valuations was that, over the long term, the annual rate of return on investments would be 2% higher than the annual increase in pensionable remuneration. The pension cost charged to the profit and loss account in respect of defined benefit pension schemes was €305,000 (2003: €787,000). The actuarial reports are not available for public inspection.

Contributions to the schemes will continue at the actuary's recommended rate, and the variation from regular cost will be charged over the average remaining service lives of employees as a fixed percentage of expected future pay.

The pension entitlements of employees of three of the subsidiaries arise under defined contribution schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and totalled €271,000 (2003: €146,000).

At 31 December 2004 €42,000 (2003: €300,000) was included within creditors in respect of pension liabilities.

Financial Reporting Standard 17 – Retirement Benefits

A new accounting standard, Financial Reporting Standard 17 – Retirement Benefits (FRS 17) was issued by the Accounting Standards Board in November 2000 which represents a significant change in the method of accounting for pension costs compared with the previous rules as set out in SSAP 24. The new accounting rules prescribed by FRS 17 do not become mandatory for the Group until 2005 and, while early adoption is permitted, the Group has elected to avail of the transitional provisions outlined in the standard, which for 2004, permit the use of SSAP 24 regulations for determining pension cost but require additional disclosure of the balance sheet and profit and loss impact of the adoption of FRS 17 as at 31 December 2004.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

26 Pensions (continued)

The Group operates several defined benefit schemes. The full actuarial valuations carried out as outlined above were updated to 31 December 2004 for FRS 17 disclosure purposes by qualified independent actuaries. The main financial assumptions used in the valuations were:

	2004	**2003**	**2002**
Rate of increase in salaries	3.50% - 4.25%	3.50% - 4.50%	4.00% - 4.25%
Rate of increase in pensions in payment	2.25% - 2.50%	2.50% - 5.00%	3.00% - 5.00%
Discount rate	4.25% - 5.00%	5.00% - 5.50%	5.00% - 5.50%
Inflation assumption	2.00% - 2.25%	2.00% - 2.50%	2.00% - 2.50%

The assets in the schemes and the expected rate of return were:

	Long-term Rate of return expected at 31 December 2004	**Market Value at 31 December 2004 €'000**	**Long-term rate of return expected at 31 December 2003**	**Market value at 31 December 2003 €'000**	**Long-term rate of return expected at 31 December 2002**	**Market value at 31 December 2002 €'000**
Equities and property	6.9%	3,492	7.4%	3,010	7.3%	2,499
Bonds	4.0%	2,207	4.5%	2,016	4.5%	1,905
Managed funds	7.0%	2,987	7.0%	3,285	7.0%	2,798
Other	3.4%	325	3.7%	259	4.3%	318
		9,011		8,570		7,520

The following amounts at 31 December 2004, 31 December 2003 and 31 December 2002 were measured in accordance with the requirements of FRS 17:

	2004 €'000	2003 €'000	2002 €'000
Total market value of assets	**9,011**	8,570	7,520
Present value of scheme liabilities	**(11,614)**	(9,985)	(8,853)
Deficit in the scheme	**(2,603)**	(1,415)	(1,333)
Related deferred tax asset	**325**	177	167
Net pension liability	**(2,278)**	(1,238)	(1,166)

26 Pensions (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2004, 31 December 2003 and December 2002 would be as follows:

	2004	2003	2002
	€'000	€'000	€'000
		(Restated)	
Nets assets excluding pension liability	**41,293**	39,161	36,978
Pension liability	**(2,278)**	(1,238)	(1,166)
Net assets including pension liability	**39,015**	37,923	35,812
Profit and loss reserve excluding pension liability	**34,386**	32,801	30,786
Pension liability	**(2,278)**	(1,238)	(1,166)
Profit and loss reserve including pension liability	**32,108**	31,563	29,620

The following amounts would have been recognised in the performance statement for the year ended 31 December 2004 under the requirements of FRS 17:

	2004	2003	2002
	€'000	€'000	€'000
Operating profit			
Current service cost	**318**	211	309
Other finance income			
Expected rate of return on pension scheme assets	**527**	494	557
Interest on pension scheme liabilities	**(520)**	(494)	(420)
	7	-	137
Statement of recognised gains and losses			
Actual return less expected return on pension scheme assets	**342**	327	(1,655)
Experience gains and losses arising on the scheme liabilities	**(700)**	(854)	76
Changes in assumptions underlying the present value of the scheme liabilities	**(854)**	237	(664)
Actuarial loss recognised in the statement of total recognised gains and losses	**(1,212)**	(290)	(2,243)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

26 Pensions (continued)

	2004 €'000	2003 €'000	2002 €'000
Movement in (deficit)/surplus during the year			
(Deficit)/surplus in scheme at 1 January	**(1,415)**	(1,333)	689
Movement in year:			
Current service cost	**(318)**	(211)	(309)
Contributions paid	**335**	419	393
Other finance income	**7**	-	137
Actuarial loss	**(1,212)**	(290)	(2,243)
Deficit in scheme at 31 December	**(2,603)**	(1,415)	(1,333)

Experience gains and losses for the year	**31 December 2004 €'000**	31 December 2003 €'000	31 December 2002 €'000
Difference between the expected and actual return on scheme assets	**342**	327	(1,655)
Percentage of scheme assets	**3.8%**	3.8%	(22%)
Experience gains and losses on scheme liabilities	**(700)**	(854)	76
Percentage of the present value of scheme liabilities	**6.0%**	8.6%	0.9%
Total recognised in statement of total recognised gains and losses	**(1,212)**	(290)	(2,243)
Percentage of the present value of the scheme liabilities	**(10.4%)**	(0.3%)	(25.3%)

27 Reconciliation of operating profit to net cash inflow from operating activities

	2004 €'000	2003 €'000
Operating profit	**643**	5,093
Depreciation	**2,466**	2,617
Amortisation of goodwill	**107**	108
Provision against financial assets	**-**	41
Capital grants amortised	**(5)**	(3)
(Increase)/decrease of stock	**(135)**	463
(Increase)/decrease of trade debtors	**(404)**	1,571
Increase of trade creditors	**(2,067)**	(3,112)
Exchange rate movements	**(22)**	(239)
Net cash inflow from operating activities	**583**	6,539

28 Reconciliation of net cash flow to movement in net debt

	2004 €'000	2003 €'000
(Decrease)/increase in cash	**(11,866)**	2,950
Capital element of finance lease (receipts)/payments	**(293)**	13
Change in net cash resulting from cash flows	**(12,159)**	2,963
Exchange rate movements	**21**	187
Movement in net debt in the year	**(12,138)**	3,150
Net debt at beginning of year	**(9,543)**	(12,693)
Net debt at end of year	**(21,681)**	(9,543)

29 Analysis of net debt

	At 31 December 2003 €'000	Cash flow €'000	Foreign exchange €'000	**At 31 December 2004 €'000**
Cash at bank and in hand	1,898	(618)	(16)	**1,264**
Overdrafts	-	(5,999)	37	**(5,962)**
	1,898	(6,617)	21	**(4,698)**
Bank loans due within one year	(3,809)	(5,249)	-	**(9,058)**
Bank loan due after one year	(7,618)	-	-	**(7,618)**
	(11,427)	(5,249)	-	**(16,676)**
Finance leases	(14)	(293)	-	**(307)**
	(9,543)	(12,159)	21	**(21,681)**

30 Related party transactions

In the ordinary course of their business as farmers, directors have traded on standard commercial terms with the group. Aggregate purchases from, and sales to, these directors amounted to €2,011,000 (2003: €2,081,000) and €688,000 (2003: €646,000), respectively.

The aggregate amounts owed to the directors, and by the directors, in respect of these transactions at 31 December 2004 was €98,000 (2003: €376,000) and €425,000 (2003: €372,000) respectively.

Donra Dairies Limited, an associate undertaking, purchased goods on standard commercial terms from the group during the year amounting to €2,313,000 (2003: €2,418,000). Included in debtors at 31 December is €700,000 (2003: €858,000) due from Donra Dairies Limited.

Included in debtors at year end is €1,549,000 (2003: €nil) due from Monaghan Middlebrook Mushrooms Limited (MMML), an associate undertaking. Details of the transfer by the group of its Joint Venture interest in Carbury Mushrooms Limited for an associate interest in MMML are detailed in Note 10. No further related party transactions occurred with MMML or Carbury Mushrooms Limited during the period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

31 Capital commitments

There were no capital commitments at the balance sheet date which are not provided for in the financial statements (2003: €nil).

32 Principal interests in subsidiary and associated undertakings

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Subsidiary undertakings Incorporated in the Republic of Ireland: Glenveagh Agricultural Co-Operative Society Limited	Intake and processing of milk	99.5%	100,500 ordinary shares of €1.26973 each
Robert Smyth & Sons (Strabane & Donegal) Limited, Ballindrait, Lifford, Co Donegal	Manufacture of animal feed compounds	100%	324,168 ordinary shares of €1.26973
Comharchuman Gaeltacht Lár Tír Chonaill	Selling of agricultural and dairy products	54.1%	47,073 ordinary shares of €1.26973 each
Donegal Dairy Products Limited	Non-trading	100%	384,996 ordinary shares of €1.26973 each
Asian Paneer (Ireland) Limited (through Donegal Dairy Products Limited)	Non-trading	75%	29,915 ordinary shares of €1.26973 each
North Donegal Co-Operative Enterprises Limited	Non-trading	56.6%	26,500 ordinary shares of €1.26973 each
Irish Potato Marketing Limited, Unit 1, Loughlinstown Centre, Loughlinstown, Dun Laorie, Co. Dublin	Development, marketing and sale of seed potatoes	100%	8 "A" ordinary shares of €1.26973 each
Donegal Potatoes Limited (through Irish Potato Marketing Limited) Colehill, Newtoncunningham, Co. Donegal	Grading and storage of potatoes and sack printing	100%	120,000 ordinary shares of €1.26973 each
Oatfield Confectionery Limited Ramelton Road, Letterkenny, Co. Donegal	Confectionery manufacture	76%	323,750 ordinary shares of €1.26973 each
		0%	15,000 preference shares of €1.26973 each
Crest Securities Limited c/o Jack Hickey, Cornagill, The Golf Course Road, Letterkenny, Co. Donegal	Property development	100%	100 ordinary shares of €1 each
Ramelton Road Property Developments Limited	Property development	100%	1 ordinary share of €1
Letterkenny Student Residences Partnership	Property development	100%	Partnership

The registered office of the above companies is Ballyraine, Letterkenny, Co. Donegal, except where otherwise stated.

32 Principal interests in subsidiary and associated undertakings (continued)

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in Northern Ireland:			
Maybrook Dairy Limited	Non-trading	100%	683,655 ordinary 'A' shares of Stg£1 each
		100%	227,885 ordinary 'B' shares of Stg£1 each
Euro-Agri Limited	Selling of agricultural inputs	100%	50,000 ordinary shares of Stg£1 each
Estuary Trading Limited	Agents for Donegal Creameries plc in Northern Ireland	100%	1,000 ordinary shares of Stg£1 each
Maybrook Dairy (Omagh) Limited	Selling of agricultural and dairy products	100%	1,000 ordinary shares of Stg£1 each
McCorkell Holdings Limited Fanum House, 108 Great Victoria Street, Belfast BT2 7AX	Stevedoring	75%	923,652 ordinary shares of Stg£1 each

The registered office of the above companies is 14A Dromore Road, Omagh, Co. Tyrone, except where otherwise stated.

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in the United Kingdom:			
IPM Perth Limited East Den Brae, Letham, Angus DD8 2PJ Scotland	Non-trading	100%	2 ordinary shares of Stg£1 each

Associated undertakings:

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in the Republic of Ireland:			
Monaghan Middlebrook Mushrooms Ltd Tyholland, Co. Monaghan	Mushroom Marketing and compost production	23%	3,846,669 'A' ordinary shares of €0.634869 each
			5,770,004 'B' ordinary shares of €0.634869 each
Donra Dairies Limited Ballyraine, Letterkenny, Co Donegal	Distribution of long life milk	50%	2 ordinary shares of €1.26973 each
North Western Livestock Holdings Limited Doonally House, Doonally, Sligo	Property company	22.4%	198,459 ordinary shares of €1 each

The results of all subsidiary, joint venture and associated undertakings have been included within the group financial statements. All companies operate primarily in their country of incorporation. The percentage shareholdings stated above also reflect the group's voting rights for each class of share except in the case of Glenveagh Agricultural Co-Operative Society Limited, where the group and each of the other 500 shareholders have one vote each. Donegal Creameries plc has call options, exercisable at its absolute discretion, over the ordinary shares in Glenveagh Agricultural Co-Operative Society Limited not already owned by it.

33 Approval of financial statements

The directors approved the financial statements on 16 June 2005.

GROUP FINANCIAL SUMMARY

	2004 €'000	2003 €'000 (Restated)	2002 €'000	2001 €'000	2000 €'000
Detailed Profit and Loss Account					
Turnover	118,328	134,453	135,337	139,419	125,930
Operating profit	643	5,093	5,144	4,393	3,315
Profit on disposal of fixed assets	5	31	55	85	223
Profit on disposal of investment property	336	1,110	699	601	580
Share of results of joint venture	442	(1,775)	549	862	1,152
Share of results of associates	564	-	-	79	42
Income from financial assets	553	932	800	846	834
Interest receivable	69	4	29	14	53
Interest payable	(607)	(874)	(1,467)	(1,502)	(1,146)
Profit before exceptional items and tax	2,005	4,521	5,809	5,378	5,053
Profit on disposal of fixed assets destroyed by fire	-	-	-	-	3,244
Share of joint ventures exceptional losses	-	-	-	(304)	(2,082)
Profit before tax	2,005	4,521	5,809	5,074	6,215
Tax	(285)	(773)	(921)	(972)	(1,273)
Profit after tax	1,720	3,748	4,888	4,102	4,942
Minority interest	(165)	(169)	(198)	(96)	(74)
Dividends	(1,228)	(1,202)	(1,133)	(1,074)	(1,010)
Profit retained	327	2,377	3,557	2,932	3,858
Balance sheet					
Tangible fixed assets	20,432	20,545	21,124	21,553	15,423
Financial fixed assets	15,181	10,507	10,568	10,102	10,822
Investments in joint venture	-	(2,308)	(36)	13	286
Investment in associates	3,803	-	-	-	-
Intangible assets	1,648	1,755	1,918	2,082	2,105
Net current assets	9,833	16,913	11,689	8,134	4,158
	50,897	47,412	45,263	41,884	32,794
Creditors due after one year	(7,918)	(7,667)	(7,677)	(7,808)	(2,576)
Provisions	(1,686)	(584)	(608)	(645)	(334)
Minority interests	(1,822)	(1,657)	(1,548)	(1,368)	(730)
Shareholders' funds	39,471	37,504	35,430	32,063	29,154
Depreciation (€'000)	2,466	2,617	2,615	2,161	1,707
Earnings per share (cents)	15.4	35.9	47.2	40.4	49.0
Earnings per share excluding exceptional items (cents)	15.4	35.9	47.2	43.4	41.7
Dividends per share (cents)	12.0	12.0	11.4	10.8	10.2
Dividends cover (times)	1.3	3.0	4.1	3.7	4.8

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