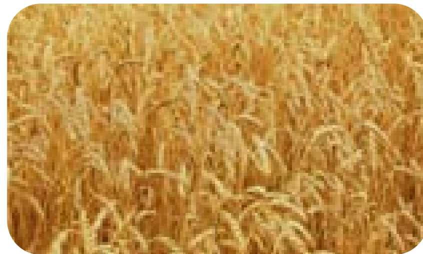

Donegal Creameries plc Annual Report & Financial Statements 2009

IPM seed potato business had another record year exporting to global markets

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Summary

- Adjusted operating profit of €3m on turnover of €113.3m
- Adjusted earnings per share of 48.9 cent exceeds market expectations
- Bank debt reduced from €26.7m to €20.5m
- Improved profitability in both Dairy and Produce businesses
- Associates, in particular Monaghan Middlebrook Mushrooms Limited (35%), performed well during 2009
- Reduction in turnover mainly attributable to Dairy and Agri-inputs business, offset by increased turnover in Produce business

Financial Highlights

		2009	2008
Turnover – continuing operations	€000's	113,271	129,873
Adjusted operating profit*	€000's	3,017	4,651
Operating (loss)/profit	€000's	(2,008)	5,797
Profit before tax – continuing operations	€000's	46	739
Taxation	€000's	29	854
Profit/(loss) after tax	€000's	17	(115)
Operating cash flow before interest & tax	€000's	10,205	5,515
Adjusted earnings per share **	cent	48.9	46.1
Earnings/(loss) per share (basic)	cent	0.3c	(0.9c)
Dividend paid per share	cent	16c	16c
Investment property valuation	€000's	36,885	41,758
Net asset value per share***	€	5.83	5.90

* Adjusted operating profit before the impact of (devaluation)/revaluation of investment properties

** Adjusted earnings before the impact of (devaluation)/revaluation of investment properties in group & associates and CGT rate change

***Net assets are total equity attributable to equity holders of the Company

Directors & Other Information

Board of Directors

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

Ian Ireland (Managing Director), BSC, MBA (aged 48) joined Donegal Creameries plc in January 2005. Prior to that he had spent over 20 years working in the food industry in Ireland and the UK.

John Mc Dermott (aged 45) Appointed in October 2008 having worked as a Financial Controller in the Dairy Division since 1998. He has over 15 years experience as an accountant in both the retail and food industry in Ireland and the UK.

Geoffrey Vance (aged 58) 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 farmer.

Ivan Grier (aged 65) 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 and the Donegal County Enterprise Board.

Francis Devenny (aged 64) 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 has significant residential and other property interests in the Letterkenny area.

Matt McNulty (aged 64) was appointed to the Board as an independent director on 19 August 1998. In a career of over 35 years he has held a number of senior positions in the public service including that of Director General of Bord Failte – the Irish Tourist Board. He has served on government bodies and committees dealing with tourism, transport, education, urban renewal, conservation, heritage, and taxation policy. Through his current work as an international management consultant he is familiar with the planning, budgeting, financial control and execution of projects of scale. He is chairman of Temple Bar Cultural Trust (previously Temple Bar Properties), Chairman of Design Ireland, Director of Ilex Urban Renewal Company in Northern Ireland and a director of a number of companies in the tourism services sector. He is a founding director and former chairman of the People in Need Charity and is chairman of Tara's Palace Trust – a children's charity.

Secretary and registered office
J Mc Dermott
Ballyraine
Letterkenny
Co Donegal

Independent auditor
KPMG
Chartered
Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Solicitors
VP McMullin & Son
Letterkenny
Co Donegal

Principal Bankers
Ulster Bank Limited
Letterkenny
Co Donegal

Charles Tindal (aged 73) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. He is a director of Donegal Carpets Limited and Bosco Properties Limited.

Patrick Kelly Jnr (aged 37) was appointed to the Board on 7 July 2004. He is chairman of the Audit Committee. He is also a former director of Teagasc and former National Chairman of Macra na Feirme. He is a farmer.

Norman Witherow (aged 57) was appointed to the Board on 2 July 2003. He is a member of the Audit Committee. He is also a director of Raphoe Enterprise Company Limited. He is a farmer.

Marshall Robinson (aged 54) has served on the Board of Donegal Creameries 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 Raphoe Enterprise Company Limited, North Western Livestock Holdings Limited and Treasurer of Donegal Farm Relief Services Limited. He is a farmer.

Lexie Tinney (aged 71), former Chairman, 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.

Michael Griffin (aged 62) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 35 years experience in the food industry in Ireland and the UK. Prior to this, he served as an executive director of the Kerry Group plc from 1990 until his retirement in 2004.

Chairman's statement

Donegal Creameries plc (the Group) announces its financial results for the year ended 31 December 2009. These results are prepared by Donegal Creameries plc under International Financial Reporting Standards, as adopted by the EU.

2009 was a very challenging year and the Group delivered a satisfactory overall performance with excellent strategic progress made in the key business areas of added value dairy and produce.

Turnover from continuing operations was €113.3m down from €129.9m in 2008, a decline of 12.8%. This was largely due to a significant reduction in market prices of dairy commodities along with some decline in milk volumes produced at farm level. In addition, pricing for agricultural commodities including feed and fertilizer were reduced in the year. In June 2009, the Group also exited its non-core packaging business in Donegal Potatoes Limited.

The Group made an operating profit before investment property devaluations of €3.0m (2008: €4.7m). We had an excellent performance in both Dairy and Produce in 2009. The operating profit for Dairy improved by 23% to €2.2m (2008: €1.8m). Operating profit for Produce increased by 64% to €2.9m (2008: €1.8m). Agri-inputs had a very difficult year and recorded an operating loss of €2.4m (2008: profit €1.3m) due to volatility in raw material pricing, cross border competition and a lack of cash liquidity at farm level. However, I am pleased to report a strong start to 2010 for this division.

Net cash from operating activity before interest and tax increased from €5.5m to €10.2m facilitating a reduction in bank debt from €26.7m in 2008 to €20.5m at December 2009.

Basic earnings per share for 2009 were 0.3 cent (2008: basic loss per share of 0.9 cent). However, adjusted earnings per share increased by 6% to 48.9 cent (2008: 46.1 cent).

During 2009, directors have participated in the ICOS led discussions to map out a sustainable future for the Irish dairy industry and Donegal Creameries will support developments which facilitate industry efficiency improvements.

Mr Michael Griffin joined as a non-executive director in March 2010 and I am pleased to welcome him to our board. He joins us with a wealth of experience in the food business in both the UK and Ireland and is a former director of Kerry Group plc.

While 2009 was a very challenging year, the diverse nature of the Group provided the platform to deliver a solid performance. Strong foundations continue to be laid in our strategic growth areas, our balance sheet is strong with net asset value per share of €5.83 (2008: €5.90) and the Group is confident of its ability to continue to deliver value to all of our stakeholders.

Dividend

The Directors are recommending a final dividend of 9 cent per share. If approved, this dividend will be paid on 27 August 2010 to those shareholders on the register on 6 August 2010. This will bring the total dividend per share to 16c, maintaining the 2008 dividend payment.

AGM

The company's AGM will take place in the Mount Errigal Hotel, Letterkenny, Co. Donegal at 11.30am on Thursday, 1 July 2010.

Our people and management throughout the Group are central to our continued success and growth and I would take this opportunity to thank all staff for their individual and collective contributions during 2009.

Geoffrey Vance
Chairman

Produce operating profit increased by 64% to

€2.9m

Organic conversion on the Grianan Estate is continuing to plan

Managing Director's review

The prevailing economic conditions in 2009 are well documented and impacted on many of Donegal Creameries' areas of operation. Global demand for dairy products was weak and had a significant knock on effect on farm incomes. This combined with poor credit availability meant that demand for farm inputs during 2009 was poor.

Dairy division

Turnover in the Group's Dairy business declined by €9.9m to €46.4m. This was due to the significant drop in world commodity prices and a 3% fall in the volume of milk collected. Our added value dairy business performed well notwithstanding the exchange rate difficulties against sterling. The result for the Dairy division improved by 23% to €2.2m (2008: €1.8m). In September 2009, we acquired a UK based business - Chef in a Box. Located near London, it provides breakfast and lunch solutions for the hotel and travel sector. This business has a high degree of synergy with our added value Dairy products and strengthens and diversifies our sales platform in the UK market. Our Rumblers brand continues to show strong growth with UK retailers and the brand was introduced to the French market in 2009.

The liquid milk business in Ireland remains very competitive. The business delivered a good performance in very difficult conditions and is well positioned to deal with the changing retail market. As outlined in last year's annual report, the Dairy business continued to develop its plans for pursuing a differentiation strategy around the concept of Donegal provenance and organic production for fresh dairy products.

2009 was a very difficult year for milk producers with significant challenges around prices received for milk and another year of poor weather. There was some slight improvement in the last quarter of the year, but much more is needed.

Donegal Creameries will continue to pursue strategies and relationships which will ensure the sustainability of its milk producers and meet its business needs.

Dairy division improved by 23% to

€2.2m

Acquisition of Chef in a Box increases sales platform in UK

Managing Director's Review

Agri-inputs
The performance of our Agri-inputs business was very disappointing, but not surprising, in 2009. Turnover declined by 21% to €37.0m and the segmental result delivered a loss of €2.4m. (2008: profit €1.3m). The key factors of this result were the collapse in raw materials prices in late 2008, reduced spending power at farm level, and the weakness of sterling. The trading environment in the first quarter of 2010 has improved and together with changes we have made to our business model, we expect operating profit in the current year to return to more normal levels.

Produce
The Produce business grew turnover by 12% to €28.9m and delivered a profit of €2.9m up from €1.8m in 2008. The conversion of the Grianan Estate to organic status is proceeding to plan with the first organic crops being planted. We will plant a significantly larger acreage in 2010. The IPM seed potato business had another record year with excellent progress made in all key markets. During the year the Group acquired a majority shareholding in Solanex, a seed potato distribution company in Brazil. This will be used as a vehicle to enter the important South American market with IPM's large range of proprietary potato varieties. Sales of Donegal's Rooster variety grew 135% year-on-year in the UK retail market driven by a strong marketing campaign from Albert Barlett, the UK licence holder.

Property and investments
There were no property sales or acquisitions during the year. The Group has reduced the carrying value of its property portfolio by €4.9m in 2009. This contributed to a loss of €4.8m (2009: profit of €1.4m). The Grianan Estate is our largest property asset and organic conversion of this land is continuing to plan. Good progress continues to be made in generating income from the Group's other properties, with increased summer letting of our student apartments and renewal of the lease on our Oatfield building. There are no current plans in place to dispose of any key property assets and our strategy will focus on improving the underlying value of these assets as we await improved conditions in the property market.

Produce business grew turnover by 12% to

€28.9m

Range of organic products on course to be introduced to market in 2010

Managing Director's Review

Associates
Share of results for associates for the period was a profit of €2.7m. (2008: loss €3.6m). The Group has a 35% shareholding in Monaghan Middlebrook Mushrooms Limited. This business performed well and continues to be amongst the most efficient producers of mushrooms in Europe. The growth strategy of the company was boosted with the acquisition of a mushroom business in Canada in late 2009. North Western Livestock Holdings secured planning permission for 779 units on its Hazelwood farm in Sligo. In February 2009, the Group acquired the remaining share capital of Donra Dairies Limited bringing Group ownership to 100%.

Finance
The Group has committed bank facilities of €31.7m with €11.2m of the facilities undrawn at year end. The Group made loan repayments of €3.9m in the year and repayments of €3.3m will be made in 2010. Interest paid during the year was €1.0m (2008: €1.7m).

Net cash inflow from operating activities was €8.9m increasing from €3.0m in 2008. Bank debt stood at €20.5m down from €26.7m in 2008. Debt reduction was driven by our management teams focusing on reducing working capital requirements and maximising value from capital expenditure projects.

Outlook
Notwithstanding the challenging economic climate, Donegal Creameries' diversified business portfolio will deliver value to shareholders going forward. We are confident of continued development in our produce and added value dairy categories. The poor performance in agri-inputs in 2009 will not be repeated in 2010 and is expected to make a positive contribution. The liquid milk business in Ireland is very competitive and Donegal Creameries dairy business is well positioned to maintain its market position into the future. Our milk trading business will need to see an improvement in dairy commodity prices to ensure a solid performance in 2010, and current indicators are positive in this regard.

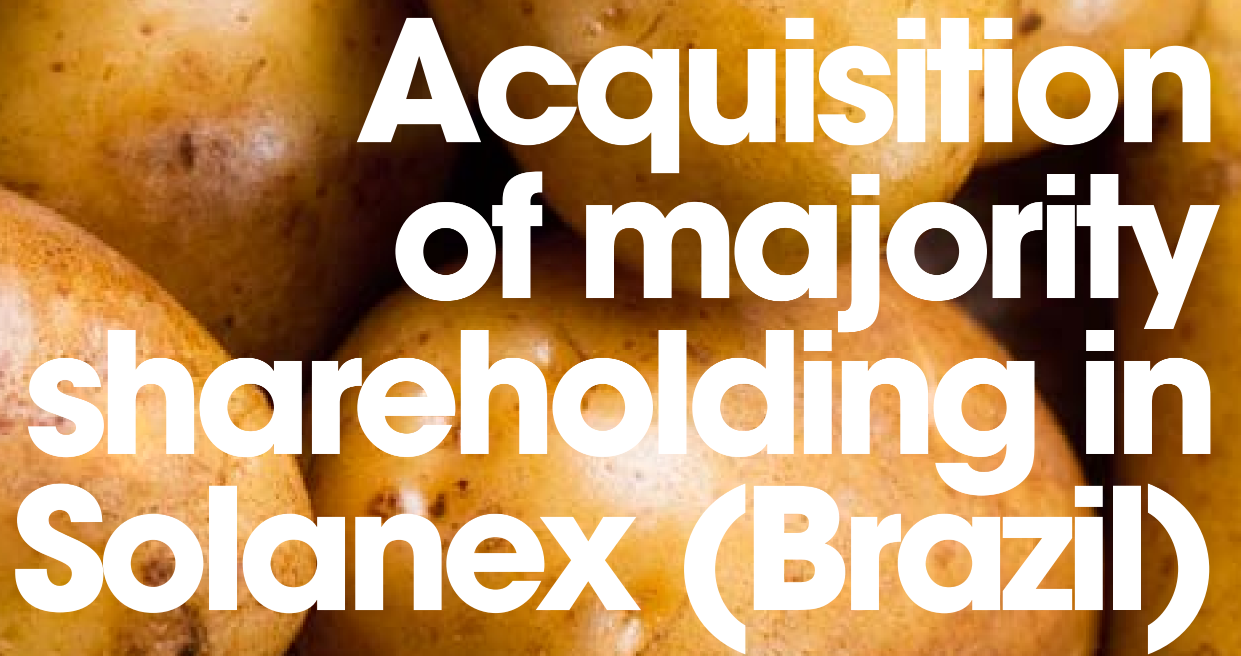
In conclusion, I would like again to thank our staff and my Board and management colleagues for their efforts in a very challenging year.

Ian Ireland
Managing Director

Net cash inflow from operating activities was

€8.9m

Acquisition of majority shareholding in Solanex (Brazil)



Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities and review of the business
The Group is engaged in the intake and processing of milk, the manufacture of milk products by its dairy business, the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of farm inputs by its agribusiness segment and the leasing, development and sales of property.

Turnover from continuing operations decreased by 12.8% to €113.3 million (2008: €129.9 million). The Chairman's Statement and Managing Director's review include a comprehensive review of the Group's businesses. The Group recorded an operating loss of €2.0 million during 2009 in comparison with a profit of €5.8 million in 2008, or an adjusted operating profit of €3.0 million in 2009 and €4.7 million in 2008 before the impact of devaluations/revaluations of investment properties in Group & associates and of a CGT rate change in the year. Profit before tax reduced from €0.74 million to €0.05 million mainly due to the devaluation of investment properties in both the Group and associated companies. Earnings per share of 0.3 cent increased from a loss per share of 0.9 cent in 2008.

The Group achieved positive cash flows of €1.8 million during 2009 compared to €1.4 million in 2008. After incurring an additional €2.2 million of capital expenditure, net debt decreased by €6.2 million. Net debt at 31 December 2009 stood at €20.5 million compared to shareholders funds of €59.1 million.

In monitoring performance the directors and management have regard to a range of key performance indicators (KPIs), including the following:

KPI	2009 €	2008 €
(Loss)/profit from operating activities	(2.0 million)	5.8 million
Profit before tax	0.05 million	0.7 million
Net decrease in cash & overdrafts	2.3 million	0.1 million
Net debt (including overdrafts)	20.5 million	26.7 million
Net assets	60.0 million	61.7 million
Return on equity	0.03%	(0.19%)

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Risk to processes along food chain production;
- Risk to quality of products;
- Commercial relationships with key customers;
- Relationship with bankers;
- Property related risks;
- Interest rate and risks;
- Volatility of sterling.

The directors have analysed these and other risks and appropriate plans are in place to manage and control these risks. The corporate governance statement on pages 13 to 17 sets out the policies and approach to risks adopted by the Group and the related internal control procedures and responsibilities.

Profits, dividends and reserves
Profit for the financial year amounted to €0.02 million (2008: loss €0.1 million). An interim dividend of 7.0 cent per share was paid on 7 December 2009.

The results for the financial year ended 31 December 2009 are set out in detail on pages 25 to 80.

Share capital
At the Annual General Meeting of the Company held on 26 July 1995, the shareholders sanctioned the 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 ended 31 December 2009, 143,835 ordinary shares of 13 cent each were held as treasury shares by Donegal Creameries plc. This represented 1.4% of the called up share capital of the Company. The total cost of acquisition of treasury shares is €348,394.

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 11.

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 22 April 2010 are listed on pages 2 and 3. On 1 March 2010, Michael Griffin was appointed to the Board.

Geoffrey Vance, Charles Tindal and Marshal Robinson will retire by rotation at the Annual General Meeting. Geoffrey Vance and Marshall Robinson will offer themselves for re-election as directors but Charles Tindal will not be going forward for re-election. Geoffrey McClay has been chosen for election as Director at an electoral meeting and will be recommended by the Board for election at the Annual General Meeting. The appointment of John McDermott as director and Michael Griffin as independent director must also be ratified at the Annual General Meeting.

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 the corporate governance policy is based.

The Board has reviewed the Combined Code and it is Group policy to apply all of the relevant main and supporting principles of good governance in the 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 role is 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 meet on a regular basis throughout the year 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.

Directors' report continued

Senior Independent Director
The Board has decided that it will not designate a recognised senior member other than the Chairman to whom concerns of other Board members can be conveyed as it does not consider it necessary.

Directors and Directors' Independence
All appointments to the Board are approved by the Nomination Committee. Eight 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 Group company.

The Board currently comprises the Chairman, two executive directors and nine 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 non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The Combined Code requires the Chairman to hold meetings with the non-executive directors without the executive directors being present. Procedures in this regard are formalised, took place in 2009 and are held on a periodic basis and as requested by individual directors.

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.

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. The Board has in place an annual process to evaluate the independence of directors, against the criteria set out in the Combined Code and in the context of the matters referred to above, and the most recent review concluded that all the non-executive directors are independent, notwithstanding the fact that the majority of the non-executive directors, as farmers, have a business relationship with the Group and trade with the Group on normal business terms and the fact that a number have served on the Board for more than nine years.

The non-executive directors considered by the Board to be independent:
- have not been employees of the Group within the last five years;
- have not, or had not within the last three years, a material business relationship with the Group;
- do not receive remuneration (other than through Director's fees) or share options;
- have no close family ties with any of the Group's advisers, directors or senior employees;
- hold no cross-directorships or has significant links with other directors through involvement in other companies or bodies; and
- are not significant shareholders.

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.

Nomination Committee
The Nomination Committee is comprised of three non-executive directors, Charles Tindal, who acts as chairman, Francis Devenny and Marshall Robinson.

Performance evaluation
The Board has formalised a process in place for the annual evaluation of the performance of the Board, its principal Committees, and individual directors in line with the requirements of the 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 review 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.

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2009, 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 are 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 audit committee, a formally constituted sub-committee of the Board, meet on a regular basis with the external auditor and satisfies itself as to the adequacy of the Group's internal control systems.

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

Directors' report continued

Attendance at meetings of the Board, the Remuneration Committee and the Audit Committee
Ten Board meetings were held during the year ended 31 December 2009 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Geoffrey Vance	10	10
Ian Ireland	10	10
Francis Devenny	10	10
Ivan Grier	10	10
John McDermott	10	9
Patrick Kelly Jnr	10	9
Matt McNulty	10	9
Marshall Robinson	10	10
Charles Tindal	10	10
Lexie Tinney	10	9
Norman Witherow	10	9

Seven meetings of the Remuneration Committee were held during the year ended 31 December 2009 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Ivan Grier	7	7
Matt McNulty	7	7
Lexie Tinney	7	7

Six meetings of the Audit Committee were held during the year ended 31 December 2009 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Patrick Kelly Jnr	6	6
Matt McNulty	6	6
Norman Witherow	6	5

Remuneration Committee
The Remuneration Committee is comprised of three non-executive directors. Ivan Grier 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 Executive Directors;
- 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 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 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 18 to 21.

Audit Committee
The Audit Committee comprises of three non-executive directors. Patrick Kelly Jnr. (Chairman), Norman Witherow and Matt McNulty. The Committee held six formal meetings during 2009. When necessary, non-Committee members are invited to attend.

The Audit Committee monitors areas of risk and performance by the Group and ensures the integrity of the Group's financial statements. The Audit Committee is also responsible for monitoring the effectiveness of the external auditor and audit process and makes recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors. This responsibility also ensures an appropriate relationship between the Group and external audit is maintained, including the review of all non-audit services provided.

The Audit Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group. The Audit Committee meets with management as required and meets privately with the external auditor and team.

In 2009 the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2008, meeting and reviewing with the external auditor prior to Board approval of financial statements;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact in the Group's financial statements of significant matters and changes arising during the year;
- reviewing and approving the audit fee and reviewing non-audit fees that may be payable to the Group's auditor;
- considered the external auditor's plan for the annual audit of the Group's financial statements for 2009;
- confirmation of the external auditor's independence and terms of engagement;
- reviewing and redefining the Group's system of risk identification assessment and control to ensure their robustness and effectiveness;
- reporting to the Board on its review of the Group's systems and internal controls and their effectiveness to meet current, future and strategic requirements.

Compliance Statement
The directors confirm that the Group has been in compliance with the relevant main and supporting principles of the Combined Code throughout the financial year under review, other than with respect to the following matters:

- no senior independent director has been identified; and
- the majority of the non-executive directors, as farmers, have a business relationship with the Group, trade with the Group on normal business terms and a number have served on the board for more than nine years.

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.

Substantial holdings
As at 22 April 2010, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Goodbody Stockbrokers Nominees Ltd	516,744	5.02%
BNY Custodial Nominees (Ireland) Limited	354,100	3.44%
Bank of Ireland Nominees Ltd	334,263	3.25%

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.

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.

Auditor
The auditor, KPMG, has expressed its 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 34 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 1 July 2010. 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

Geoffrey Vance	**Ian Ireland**
Director	Director

22 April 2010

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 current members of the remuneration committee are Lexie Tinney, Matt McNulty and Ivan Grier (Committee Chairman).

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 and senior personnel.

Remuneration policy
The Group's policy on senior personnel remuneration recognises that employment and remuneration conditions for senior personnel 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 senior personnel 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, Group performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a car allowance and participation in the share option scheme. No fees are payable to executive directors.

Incentive plan
The executive directors are entitled to receive bonus payments as the Remuneration Committee may decide at their absolute discretion.

Share option scheme
At an extraordinary general meeting held on 27 July 2005 a share option scheme for full time executives was approved by shareholders. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. No option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee. Details of options granted to date under this scheme are set out in note 25 to the financial statements.

Directors' service contracts
The Managing Director has a service agreement commencing on 1 January 2005 and continuing thereafter unless and until terminated by either party, giving not less than six months notice. This agreement automatically terminates on the Managing Director obtaining the age of sixty five years.

None of the other directors has a service contract with any member of the Group.

Directors' remuneration and interests in share capital
Details of directors' remuneration is given on pages 19 to 20, details of directors' share options and shareholdings are given on page 20 and 21 and details of directors' pensions are set out on page 19 and 20.

Pensions
The two executive directors are entitled to benefits under defined contribution scheme pension arrangements.

Executive directors

The following information has been audited as part of the financial statements.

Ian Ireland and John McDermott were the only executive directors in place during the year.

	2009 €	2008 €
Salaries and benefits		
Basic salary	370,060	408,650
Benefits (1)	38,777	41,381
	408,837	450,031
Performance related		
Annual incentives (2)	118,000	70,000
Pension charge (3)	68,741	75,105
Total executive directors' remuneration	595,578	595,136
Average number of executive directors	2	2
Average annual basic salary per executive director	185,030	204,325

Share options were granted to Ian Ireland and John McDermott during the year. See below and note 25 of the financial statements.

Non executive directors

	2009 €	2008 €
Fees and other emoluments		
Fees (4)	164,438	170,531
Other emoluments and benefits	2,000	2,000
	166,438	172,531
Other remuneration	-	-
Total non-executive directors' remuneration	166,438	172,531
Average number of non-executive directors	9	9
Total directors' remuneration	762,016	767,667

In addition, a charge of €71,000 (2008: €87,000) has been recognised with respect to share options granted to executive directors and management.

Notes to directors' remuneration

1 Benefits principally relate to a car allowance.
2 The incentive plan is outlined on page 18.
3 The pension charge represents defined contributions made to pension funds.
4 Nine non-executive directors received fees in 2009 (2008: Nine).

Report of the remuneration committee continued

	Basic salary (i) €	Incentive bonus €	Benefits €	Pension & other related costs €	2009 Total €	2008 Total €
Executive directors						
I Ireland	264,644	86,000	25,484	52,929	429,057	425,074
J McDermott (appointed 13 October 2008)	105,416	32,000	13,293	15,812	166,521	34,888
A Hanlon (resigned 13 October 2008)	-	-	-	-	-	135,174
	370,060	118,000	38,777	68,741	595,578	595,136

	Basic salary €	Fees €	Incentive Bonus €	Benefits €	Pension & other related costs €	2009 Total €	2008 Total €
Non-executive directors							
G Vance	-	43,320	-	-	-	43,320	45,203
L Tinney	-	16,172	-	2,000	-	18,172	17,806
M McNulty	-	19,752	-	-	-	19,752	19,846
N Witherow	-	14,190	-	-	-	14,190	15,215
F Devenny	-	12,978	-	-	-	12,978	13,892
I Grier	-	16,172	-	-	-	16,172	15,806
C Tindal	-	13,178	-	-	-	13,178	14,333
M Robinson	-	12,978	-	-	-	12,978	13,892
P Kelly Jnr	-	15,698	-	-	-	15,698	16,538
Michael Griffin (appointed 1 March 2010)	-	-	-	-	-	-	-
	-	164,438	-	2,000	-	166,438	172,531

(i) The directors' basic salaries were reduced by 5% in the current year.

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2008	Granted in 2009	Exercised in 2009	At 31 December 2009	Average Option Price 2009
I Ireland	150,000	-	-	150,000	4.35
	30,000	-	-	30,000	6.90
	-	30,000	-	30,000	3.00
	180,000	30,000	-	210,000	
J McDermott	-	30,000	-	30,000	3.00
	180,000	60,000	-	240,000	

The market price of the Company's shares at 31 December 2009 was €2.15 (2008: €2.71) and the range during 2009 was €1.50 to €2.90 (2008: €2.71 to €6.44). See note 25 of the financial statements for further information in this regard.

Options are exercisable between the third anniversary of the date of grant and the seventh anniversary of the date of grant.

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2009 in the ordinary shares of the Company at 31 December 2008 (or date of appointment, if later) and 31 December 2009 are set out below:

	31 December 2009	31 December 2008
Directors:		
G Vance	175,439	171,939
I Ireland	99,182	58,682
F Devenny	79,853	49,853
I Grier	45,243	45,243
J McDermott	4,000	1,500
P Kelly Jnr	2,401	2,401
M Mc Nulty	19,000	19,000
M Robinson	24,417	24,417
C Tindal	30,974	30,974
L Tinney	95,812	95,812
N Witherow	37,221	37,221

All increases in share holdings noted above represent purchases on the open market.

Statement of directors' responsibilities

in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with IEX Rules the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and the Company. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law and the requirements of the IEX Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with that law and those Rules.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

22 April 2010

Independent auditor's report

to the members of Donegal Creameries plc

We have audited the Group and Company financial statements (``financial statements'') of Donegal Creameries Plc for the year ended 31 December 2009 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 22.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you, in our opinion whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of IEX regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Managing Director's review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2009; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

Independent auditor's report continued

to the members of Donegal Creameries plc

Other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company Statement of Financial Position 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 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 may require the convening of an extraordinary general meeting of the Company.

Chartered Accountants
Registered Auditor
22 April 2010

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 €'000	2008 €'000
Continuing operations			
Revenue	6	113,271	129,873
Cost of sales		(93,305)	(106,885)
Gross profit		19,966	22,988
Other (expense)/income	7	(4,480)	1,922
Distribution expenses		(8,881)	(9,956)
Administrative expenses		(8,613)	(9,157)
(Loss)/profit from operating activities		(2,008)	5,797
Finance income		1,325	886
Finance expenses		(1,952)	(2,372)
Net finance expense	10	(627)	(1,486)
Share of profit/(loss) of associates		2,681	(3,572)
Profit before income tax		46	739
Income tax expense	11	(29)	(854)
Profit/(loss) from continuing operations		17	(115)
Other comprehensive income			
Foreign currency translation differences for foreign operations		150	(2,769)
Currency translation adjustment in associate undertaking		170	(372)
Revaluation of property, plant and equipment	12	-	1,407
Net change in fair value of available-for-sale financial assets	16	-	(344)
Reclassification of previous gain on fair value of available for sale financial asset – transfer to profit or loss		(956)	-
Defined benefit plan actuarial gain/(loss)	24	323	(1,190)
Tax on income and expense recognised directly in other comprehensive income	17	(39)	(361)
Tax on reclassification of previous gain on fair value of available for sale financial asset – transfer to profit or loss	17	186	-
Total comprehensive income for the year		(149)	(3,744)
Profit/(loss) attributable to:			
Equity holders of the Company		31	(88)
Minority interest		(14)	(27)
		17	(115)
Total comprehensive income attributable to:			
Equity holders of the Company		(168)	(3,597)
Minority interest		19	(147)
		(149)	(3,744)
Earnings/(loss) per share			
Basic earnings/(loss) per share (euro cent)	22	0.3c	(0.9c)
Diluted earnings/(loss) per share (euro cent)	22	0.3c	(0.8c)
Continuing operations			
Basic earnings/(loss) per share (euro cent)	22	0.3c	(0.9c)
Diluted earnings/(loss) per share (euro cent)	22	0.3c	(0.8c)

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of financial position

As at 31 December 2009

	Note	2009 €'000	2008 €'000
Assets			
Property, plant and equipment	12	**16,000**	16,208
Investment property	14	**36,885**	41,758
Goodwill	13	**2,196**	1,876
Intangible assets	13	**471**	393
Investment in associates	15	**14,109**	11,800
Other investments	16	**2,111**	3,266
Prepayment	19	**195**	196
Total non-current assets		**71,967**	75,497
Inventories	18	**5,706**	10,499
Trade and other receivables	19	**28,625**	29,241
Total current assets		**34,331**	39,740
Total assets		**106,298**	115,237
Equity			
Share capital	21	**1,337**	1,337
Share premium	21	**2,975**	2,975
Other reserves		**691**	1,273
Retained earnings		**54,090**	55,228
Total equity attributable to equity holders of the Company		**59,093**	60,813
Minority interest		**923**	928
Total equity		**60,016**	61,741
Liabilities			
Loans and borrowings	23	**16,805**	20,154
Trade and other payables	26	**145**	-
Derivatives	26	**811**	303
Employee benefits	24	**736**	1,073
Deferred tax liabilities	17	**6,091**	6,681
Total non-current liabilities		**24,588**	28,211
Trade and other payables	26	**18,016**	21,367
Loans and borrowings	23	**3,351**	3,918
Current tax		**327**	-
Total current liabilities		**21,694**	25,285
Total liabilities		**46,282**	53,496
Total equity and liabilities		**106,298**	115,237

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of financial position

As at 31 December 2009

	Note	2009 €'000	2008 €'000
Assets			
Property, plant and equipment	12	1,994	2,046
Investment property	14	32,037	35,860
Intangible assets	13	219	262
Investment in associates	15	8,891	9,494
Other investments	16	4,974	5,079
Total non-current assets		48,115	52,741
Inventories	18	2,210	3,750
Trade and other receivables	19	13,484	18,066
Cash and cash equivalents	20	3,492	7,446
Total current assets		19,186	29,262
Total assets		67,301	82,003
Equity			
Share capital	21	1,337	1,337
Share premium	21	2,975	2,975
Revaluation reserve	21	155	155
Share option reserve	21	277	206
Other reserves		(159)	(159)
Retained earnings		11,727	14,391
Total equity		16,312	18,905
Liabilities			
Loans and borrowings	23	16,801	20,142
Derivatives	26	811	303
Employee benefits	24	736	1,073
Deferred tax liabilities	17	4,449	4,660
Total non-current liabilities		22,797	26,178
Trade and other payables	26	24,683	33,052
Loans and borrowings	23	3,342	3,868
Current tax		167	-
Total current liabilities		28,192	36,920
Total liabilities		50,989	63,098
Total equity and liabilities		67,301	82,003

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Group consolidated statement of changes in equity

for the year ended 31 December 2009

	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Minority Interest €'000	Total Equity €'000
Balance at 1 January 2009		1,337	2,975	(3,181)	(348)	3,279	1,317	206	55,228	60,813	928	61,741
Total comprehensive income for the year												
Profit/(loss)		-	-	-	-	-	-	-	31	31	(14)	17
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	117	-	-	-	-	-	117	33	150
Currency translation adjustment in associate undertaking		-	-	-	-	-	-	-	170	170	-	170
Reclassification of previous gain on fair value of available for sale financial asset, net of tax		-	-	-	-	-	(770)	-	-	(770)	-	(770)
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	-	284	284	-	284
Other comprehensive income		-	-	117	-	-	(770)	-	454	(199)	33	(166)
Total comprehensive income for the year		-	-	117	-	-	(770)	-	485	(168)	19	(149)
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid		-	-	-	-	-	-	-	(1,623)	(1,623)	(26)	(1,649)
Shared based payments	25	-	-	-	-	-	-	71	-	71	-	71
Total contributions by and distributions to owners		-	-	-	-	-	-	71	(1,623)	(1,552)	(26)	(1,578)
Changes in ownership interests in subsidiaries that do not result in the loss of control												
Acquisition of non-controlling interest		-	-	-	-	-	-	-	-	-	2	2
Balance at 31 December 2009		**1,337**	**2,975**	**(3,064)**	**(348)**	**3,279**	**547**	**277**	**54,090**	**59,093**	**923**	**60,016**

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Minority Interest €'000	Total Equity €'000
Balance at 1 January 2008		1,337	2,975	(532)	(129)	2,410	1,633	119	58,353	66,166	1,101	67,267
Total comprehensive income for the year												
Loss		-	-	-	-	-	-	-	(88)	(88)	(27)	(115)
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(2,649)	-	-	-	-	-	(2,649)	(120)	(2,769)
Currency translation adjustment in associate undertaking		-	-	-	-	-	-	-	(372)	(372)	-	(372)
Revaluation of property, plant and equipment, net of tax	12	-	-	-	-	869	-	-	-	869	-	869
Net change in fair value of available for sale financial assets, net of tax		-	-	-	-	-	(316)	-	-	(316)	-	(316)
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	-	(1,041)	(1,041)	-	(1,041)
Other comprehensive income		-	-	(2,649)	-	869	(316)	-	(1,413)	(3,509)	(120)	(3,629)
Total comprehensive income for the year		-	-	(2,649)	-	869	(316)	-	(1,501)	(3,597)	(147)	(3,744)
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Own shares acquired		-	-	-	(219)	-	-	-	-	(219)	-	(219)
Dividends paid		-	-	-	-	-	-	-	(1,624)	(1,624)	(26)	(1,650)
Shared based payments	25	-	-	-	-	-	-	87	-	87	-	87
Total contributions by and distributions to owners		-	-	-	(219)	-	-	87	(1,624)	(1,756)	(26)	(1,782)
Balance at 31 December 2008		1,337	2,975	(3,181)	(348)	3,279	1,317	206	55,228	60,813	928	61,741

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 31 December 2009

	Note	Share capital €'000	Share premium €'000	Reserve for own shares €'000	Other reserve €'000	Revaluation reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2008		1,337	2,975	(129)	189	155	119	14,027	18,673
Profit for the year		-	-	-	-	-	-	2,249	2,249
Other comprehensive income for the year		-	-	-	-	-	-	(261)	(261)
Total comprehensive income for the year		-	-	-	-	-	-	1,988	1,988
Own shares acquired		-	-	(219)	-	-	-	-	(219)
Dividends to equity holders		-	-	-	-	-	-	(1,624)	(1,624)
Share-based payments	25	-	-	-	-	-	87	-	87
Balance at 31 December 2008		**1,337**	**2,975**	**(348)**	**189**	**155**	**206**	**14,391**	**18,905**
Loss for the year		-	-	-	-	-	-	(1,394)	(1,394)
Other comprehensive income for the year		-	-	-	-	-	-	353	353
Total comprehensive income for the year		-	-	-	-	-	-	(1,041)	(1,041)
Dividends to equity holders		-	-	-	-	-		(1,623)	(1,623)
Share-based payments	25	-	-	-	-	-	71	-	71
Balance at 31 December 2009		**1,337**	**2,975**	**(348)**	**189**	**155**	**277**	**11,727**	**16,312**

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2009

	Note	2009 €'000	2008 €'000
Cash flows from operating activities			
Profit/(loss) for the period		17	(115)
Adjustments for:			
Depreciation	12	2,484	2,304
Amortisation of intangibles	13	73	41
Non-cash defined benefit scheme settlement gain	24	(15)	-
Change in fair value of investment property	14	5,025	(1,146)
Defined benefit pension scheme charge		135	192
Net finance expense		627	1,486
Share of (profit)/loss of associates		(2,681)	3,572
Gain on sale of property, plant and equipment	7	(37)	(28)
Equity-settled share-based payment transactions	25	71	87
Income tax expense	11	29	854
Change in inventories		4,903	(2,190)
Change in trade and other receivables		561	(614)
Change in trade and other payables		(751)	1,327
		10,441	5,770
Interest paid		(1,016)	(1,695)
Defined benefit pension contributions paid		(236)	(255)
Income tax paid		(273)	(778)
Net cash from operating activities		8,916	3,042
Cash flows from investing activities			
Interest received		119	168
Dividends received		27	3
Proceeds from sale of property, plant and equipment		84	149
Proceeds from sale of investment property		-	331
Proceeds from repayment of loan stock in associate	15	780	645
Acquisition of subsidiary	28	(212)	-
Investment in associate	15	-	(671)
Acquisition of property, plant and equipment		(2,228)	(3,673)
Acquisition of intangibles		(118)	(280)
Acquisition of investment property	14	-	(2,394)
Purchase of own shares		-	(219)
Acquisition of other investments	16	(22)	(2)
Net cash used in investing activities		(1,570)	(5,943)
Cash flows from financing activities			
Drawdown of borrowings		-	7,268
Repayment of borrowings		(3,868)	(1,240)
Payment of finance lease liabilities		(49)	(56)
Dividend paid to minority interest		(26)	(26)
Dividends paid	21	(1,623)	(1,624)
Net cash (used in)/from financing activities		(5,566)	4,322
Net increase in cash and cash equivalents		1,780	1,421
Cash and cash equivalents at 1 January		(2,655)	(2,743)
Effect of exchange rate fluctuations on cash held		536	(1,333)
Cash and cash equivalents at 31 December	20	(339)	(2,655)

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 December 2009

	Note	2009 €'000	2008 €'000
Cash flows from operating activities			
(Loss)/profit for the period		(1,394)	2,249
Adjustments for:			
Depreciation	12	411	341
Amortisation	13	43	18
Change in fair value of investment property	14	3,823	(2,354)
Net finance expense		692	1,836
Gain on sale of property, plant and equipment		(4)	(150)
Equity-settled share-based payment transactions	25	71	87
Income tax expense		(26)	729
Defined benefit pension scheme charge		135	192
Change in inventories		1,540	(1,287)
Change in trade and other receivables		4,648	(1,997)
Change in trade and other payables		(8,358)	(3,536)
		1,581	(3,872)
Interest paid		(895)	(1,716)
Defined benefit pension scheme contribution		(236)	(255)
Income tax received/(paid)		27	(107)
Net cash from operating activities		476	(5,950)
Cash flows from investing activities			
Interest received		71	34
Dividend received		565	563
Proceeds from sale of property, plant and equipment		6	266
Proceeds from sale of investment property		-	331
Proceeds from repayment of loan in associate	15	780	645
Acquisition of associate	15	-	(671)
Acquisition of property, plant and equipment		(361)	(544)
Acquisition of intangibles	13	-	(280)
Acquisition of available for sale financial assets	16	-	(1)
Purchase of own shares		-	(219)
Net cash used in investing activities		1,061	124
Cash flows from financing activities			
Repayment of borrowings		(3,868)	(1,240)
Drawdown of borrowings		-	7,268
Dividends paid	21	(1,623)	(1,624)
Net cash (used in)/from financing activities		(5,491)	4,404
Net decrease in cash and cash equivalents		(3,954)	(1,422)
Cash and cash equivalents at 1 January		7,446	8,868
Cash and cash equivalents at 31 December	20	3,492	7,446

The notes on pages 33 to 80 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements
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1 Reporting entity

Donegal Creameries plc (the "Company") is a Company incorporated and tax resident in the Republic of Ireland. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 consolidate the financial statements of the Company and its subsidiaries (together referred to as the "Group") and include the Group's interest in associates using the equity method of accounting. The Company financial statements deal with the Company as a single entity. The Group is primarily involved in the management and distribution of milk and agricultural in-puts, the development and sale of produce and the development and sale of property.

The consolidated and Company financial statements were authorised for issuance on 22 April 2010.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2009 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union ('EU IFRS'). The Company financial statements have been prepared in accordance with EU IFRS, as applied in accordance with the Companies Acts 1963 to 2009, which permits a Company that publishes its consolidated and Company financial statements together to take advantage of the exemption in Section 148(8) of the Companies Act, 1963 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The Standards and Interpretations applied were those that were effective for accounting periods ending on or before 31 December 2009.

(b) Basis of preparation

The financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with EU IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Significant accounting policies

As of 1 January 2009, the Group has changed its accounting policies in the following areas:

(i) Determination and presentation of operating segments

In accordance with IFRS 8 Operating Segments, the Group determines and presents operating segments based on the information provided internally to the Chief Operating Decision Maker ("CODM"). Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. Comparative segment information has been represented in conformity with IFRS 8. This impact of the change in accounting policy is limited to matters of presentation and the comparative numbers have been restated to reflect the new basis of segmentation.

(ii) Presentation of financial statements

IAS 1 Presentation of Financial Statements (Amended) introduces presentational changes to the Group's primary statements. The standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement. In addition, a statement of changes in equity is now required as an additional primary statement.

(iii) IFRS 7 Financial Instruments: Disclosures (Amended) requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value.

(iv) IAS 23 Borrowing Costs (Amended): The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense all borrowing costs. However, notwithstanding the prospective change in policy, there has been no impact on the financial position or performance of the Group as a result of adoption of the revised standard as there are currently no qualifying assets under construction.

The Group has also adopted the following new and amended IFRS and IFRIC interpretations, which have not had an impact on the financial statements or performance of the Group:

- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amended)
- IFRIC 9 *Remeasurement of Embedded Derivatives* (Amended) and IAS 39 *Financial Instruments: Recognition and Measurement* (Amended)
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- Improvements to IFRSs (May 2008)

The Group has not applied the following standards and interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective: IFRS 3 *Business Combinations* (Revised) and IAS 27 *Consolidated and Separate Financial Statements* (Revised) – effective for the Group from 1 January 2010. The revised IFRS 3 introduces a number of changes to the accounting for business combinations that are likely to impact the treatment applied to future business combinations occurring after this date including the amount of goodwill recognised on future acquisitions, the reported results in the period when the acquisition occurs and future reported results. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. The application of the other forthcoming standards and interpretations which have been endorsed by the EU is not expected to have a material impact on the Group or Company Financial Statements.

The accounting policies set out below have been applied consistently by the Company in the Company financial statements and throughout the Group for the purposes of the consolidated financial statements.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expenses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements
continued

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in a separate component of equity through the statement of comprehensive income.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus/less any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are accounted for at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(m).

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

An associate of the Group holds derivative financial instruments to hedge its foreign currency risk exposures. Hedge accounting is not applied to such derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of these derivatives are recognised in profit or loss as part of the share of profit or loss of the associate.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3(h)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within 'other income' in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

(iii) Leased assets

Leases under the terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(iv) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that it will produce additional future economic benefits embodied within the part that will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(v) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives are as follows:

- buildings 20 years
- plant and equipment 10 years
- fixtures and fittings 4 - 10 years
- motor vehicles 4 - 10 years
- fixtures and fittings 4 years
- tanks 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. No depreciation is provided on freehold land.

(f) Intangible assets

(i) Goodwill

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries and associates.

Acquisitions prior to 1 January 2006

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2006. In respect of acquisitions prior to 1 January 2006 goodwill represents the amount recognised under the Group's previous accounting framework, Irish GAAP.

Notes to the consolidated financial statements
continued

3. Significant accounting policies (continued)

(f) Intangible assets (continued)

Acquisitions on or after 1 January 2006

For acquisitions on or after 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Intangible assets that are acquired by the Group in a business combination are recognised initially at their fair value at the date of acquisition, being their cost to the Group. Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss as incurred.

(iv) Amortisation

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

- computer software 4 years
- licenses 75 years

(g) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods and services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in profit or loss. An external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every twelve months.

When the use of a property changes such that it is reclassified as property, plant and equipment, the fair value at the date of reclassification becomes its cost for accounting purposes.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

(iii) Equity settled share-based payment transactions
The grant date fair value of equity settled options granted to employees with a non-market vesting condition is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Notes to the consolidated financial statements
continued

3. Significant accounting policies (continued)

(j) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. No revenue is recognised if there is significant continuing management involvement with the goods.

(ii) Rental income

Rental income from the Group's investment properties is recognised as other income in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

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

(m) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale debt securities), dividend income, the expected return on defined benefit pension assets, interest charged on trade receivable balances, gains on the disposal of available-for-sale financial assets and related foreign exchange gains and losses. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, calculated using the effective interest rate method, related foreign exchange differences, interest on defined benefit pension scheme liabilities and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill, including amounts arising in business combinations.

(p) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the consolidated financial statements
continued

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted

The Group has not applied the following standards and interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective. The application of the forthcoming standards and interpretations which have been endorsed by the EU is not expected to have a material impact on the Group or Company financial statements.

- As part of *Improvements to IFRSs* (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 *Leases* regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings. The directors anticipate that these amendments to IAS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2010. It is likely that the changes will affect the classification of some of the Group's leases of land. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. In particular, the directors will be considering the extent to which information is avail-able for retrospective application.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2009) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements application.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected at grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2010 consolidated financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(ii) Investments in equity and debt securities
The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. Where investments do not have a quoted bid price their fair value is estimated by the directors based on information available at the balance sheet date.

(iii) Trade and other receivables and trade and other payables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Where the time to maturity or settlement is less than six months, the cost of the item is deemed to reflect its fair value.

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

The fair value of written options issued over Group investments is measured using a Black Scholes option pricing model.

(v) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vi) Share-based payment transactions
The fair value of employee stock options is measured using a binomial lattice pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Group has exposure to the following risks:

- credit risk;
- liquidity risk;
- market risk ; and
- commodity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Notes to the consolidated financial statements
continued

5. Financial risk management (continued)

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, with the default risk of those customers being impacted by economic and legal changes in their sectors, primarily being the agricultural sector. Customers are subject to initial credit checks including trade references with credit limits reviewed regularly based on purchasing and payment performance. New customers are subject to restricted credit limits until a credit history is established. Due to the established nature of the businesses and customer relationships, the majority of customers have long-standing trading histories with the Group. Management ensure that suitable credit insurance or letters of credit are in place before dealing with new customers outside Ireland and the UK. The agribusiness division charges interest on overdue balances at the rate of 1% per month.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At 31 December 2009 the Group had committed bank facilities of €31.6 million, including an overdraft facility of €11.5 million for working capital requirements. Total facilities undrawn at year end were €11.2 million.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

At times, the Group buys forward contracts in order to manage market risks although the use of such instruments is limited. All such transactions are carried out within the guidelines set by the Audit Committee.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (€) and Sterling (GBP). The principal exposure relates to transactions denominated in GBP from entities with Euro functional currencies.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro and GBP. This provides an economic hedge and no derivatives are entered into.

Commodity risk

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. The Group's approach to managing commodity risk is to ensure the commodity procurement policy is consistently applied across the Group and trends are analysed in applying the commodity strategy.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not capable of net settlement.

Capital management
The Group considers that its capital comprises share capital, share premium, retained earnings and other reserves (excluding the translation, fair value and share options reserves) which amounted to €61.3 million at 31 December 2009 (2008: €62.5 million).

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the executive directors based on criteria set by the Board of Directors. The Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Business segments
IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group comprises the following reportable business segments:

- Dairy: The assembly, processing and distribution of liquid milk and the production, distribution and marketing of added value dairy products including the Rumblers brand.
- Agri-inputs: The manufacture, sale and distribution of farm inputs.
- Produce: The future growth, sales and distribution of seed potatoes and organic produce.
- Property and investments: Includes the rental, development and sale of property assets.
- Other operations: Includes the stevedoring business and corporate activity.

Geographical segments
The Group operates in three geographical segments, the Island of Ireland; Europe and the Rest of the World.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit/(loss) as included in the internal management reports that are reviewed by the Group's CODM, being the Board. Segment operating profit is used to measure performance, as such information is the most relevant in evaluating the results of the Group's segments. Segment results, assets and liabilities include all items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Notes to the consolidated financial statements
continued

6. Segment reporting (continued)
Business segments (continued)
Group

	Dairy		Agri-inputs		Produce		Property/other Investments		Other		Consolidated	
	2009 €'000	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000
External revenues	**46,397**	56,296	**37,041**	46,867	**28,931**	25,930	**18**	25	**884**	755	**113,271**	129,873
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Segment result	**2,183**	1,780	**(2,393)**	1,333	**2,928**	1,781	**(4,791)**	1,381	**271**	(199)	**(1,802)**	6,076
Share of results of associates											**2,681**	(3,572)
Net finance costs											**(627)**	(1,486)
Income tax expense											**(29)**	(854)
Share option benefits											**(71)**	(87)
Current pension service cost											**(135)**	(192)
Profit/(loss) for the period											**17**	(115)
Segment assets	**13,970**	16,414	**24,079**	24,816	**14,298**	16,279	**39,089**	45,043	**753**	885	**92,189**	103,437
Investments in associates	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**14,109**	11,800
Total assets	**13,970**	16,414	**24,079**	24,816	**14,298**	16,279	**39,089**	45,043	**753**	885	**106,298**	115,327
Segment liabilities	**6,529**	7,780	**6,726**	1,569	**6,304**	6,777	**121**	343	**355**	332	**20,035**	16,801
Loans and borrowings (unallocated)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**20,156**	30,014
Deferred tax (unallocated)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**6,091**	6,681
Total liabilities	**6,529**	7,780	**6,726**	1,569	**6,304**	6,777	**121**	343	**355**	332	**46,282**	53,496
Capital expenditure	**1,341**	950	**606**	3,004	**343**	-	**-**	-	**50**	-	**2,340**	3,954
Depreciation and amortisation	**921**	833	**1,371**	1,281	**231**	196	**-**	-	**34**	34	**2,557**	2,345
Impairment of investment property and other assets	**-**	-	**-**	-	**-**	-	**6,202**	-	**-**	-	**6,202**	-

Geographical segments

	Island of Ireland		Europe		Rest of world		Consolidated	
	2009 €'000	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000	**2009 €'000**	2008 €'000
Revenue from external customers	**112,282**	129,670	**989**	203	**-**	-	**113,271**	129,873
Segment assets	**97,577**	110,165	**8,506**	5,072	**215**	-	**106,298**	115,237
Capital expenditure	**2,331**	3,821	**9**	133	**-**	-	**2,340**	3,954

Entity-wide disclosures
Section 1: Information about products and services
The Group's revenue from external customers in respect of its principal products and services is analysed in the disclosures above.

Section 2: Information about geographical areas and customers
The Group has a presence in several countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) are attributable to the country of domicile of foreign operations are noted above.

7. Other (expense)/income

	2009 €'000	2008 €'000
Income from investment property rentals	599	748
Profit on disposal of property, plant and equipment	37	28
(Devaluation)/revaluation of investment property	(5,025)	1,146
Other expenses	(91)	-
	(4,480)	1,922

8. Personnel expenses

Group

	2009 €'000	2008 €'000
Wages and salaries	9,232	9,570
Social welfare costs	1,085	1,016
Pension costs	519	484
Share option benefits	71	87
	10,907	11,157

Employees

The average number of persons employed by the Group during the year was as follows:

	2009 Number	2008 Number
Production	120	112
Stores	80	82
Transport	34	32
Administration	70	66
	304	292

Company

	2009 €'000	2008 €'000
Wages and salaries	2,329	2,723
Social welfare costs	372	297
Pension costs	253	163
Share option benefits	71	87
	3,025	3,270

Employees

The average number of persons employed by the Company during the year was as follows:

	2009 Number	2008 Number
Stores	51	52
Administration	20	19
	71	71

Notes to the consolidated financial statements
continued

9. Statutory and other information

Profit before taxation has been arrived at after charging;	2009 €'000	2008 €'000
Depreciation	2,484	2,304
Auditor's remuneration	108	112
Amortisation of prepayments	1	1
Amortisation of intangible assets	73	41
Impairment of loan to associate	80	481
Impairment of available for sale investment	1,177	45

Amounts paid to directors are disclosed in the report of the remuneration committee on pages 18 to 21.

10. Finance income and expense

Recognised in profit or loss

	2009 €'000	2008 €'000
Interest income on bank deposits	107	99
Interest income on associate loan stock	65	180
Net foreign exchange gain	687	290
Expected rate of return on pension scheme assets	135	214
Dividends received	27	3
Interest charged on trade receivables	112	66
Reversal of impairment loss on trade receivables	-	29
Reversal of impairment of loan to associate	192	-
Change in fair value of option granted over investments	-	5
Finance income	1,325	886
Interest expense on bank loans and overdraft	(951)	(1,685)
Impairment of loan to associate	(80)	(481)
Change in fair value of option granted over investments	(508)	-
Interest on pension scheme liabilities	(179)	(161)
Impairment loss on trade receivables	(13)	-
Reclassification of previous gain on fair value of available for sale financial asset – transfer to profit or loss	956	-
Impairment of available for sale investment	(1,177)	(45)
Finance expense	(1,952)	(2,372)
Net finance expense recognised in profit/(loss) – continuing operations	(627)	(1,486)

Recognised in other comprehensive income

	2009 €'000	2008 €'000
Foreign currency translation differences for foreign operations	150	(2,769)
Net change in fair value of available-for-sale financial assets	-	(344)
Reclassification of previous gain on fair value of available for sale financial asset – transfer to profit or loss	(956)	-
Income tax on finance income and expense recognised in other comprehensive income	186	28
Finance expense recognised in other comprehensive income, net of tax	(620)	(3,085)
Attributable to:		
Equity holders of the Company	(620)	(3,085)
Minority interest	-	-
Finance income recognised in other comprehensive income, net of tax		
Recognised in:		
Fair value reserve	(770)	(316)
Translation reserve	150	(2,769)

11. Income tax expense

	Note	2009 €'000	2008 €'000
Current tax expense			
Current period		527	485
Adjustment for prior periods		(55)	(91)
		472	394
Deferred tax expense			
Origination and reversal of temporary differences		(1,025)	100
Change in tax rates		582	360
		(443)	460
Income tax expense excluding share of income tax of associates		29	854

Tax reconciliation

	2009 €'000	2008 €'000
Profit for period before tax – continuing activities	46	739
Adjustment for share of (profit)/loss of associates	(2,681)	3,572
(Loss)/profit for period before tax, excluding share of profit of associates	(2,635)	4,311
Tax at 12.5% (2008: 12.5%)	(329)	539
Depreciation in excess of capital allowances	161	143
Expenses not allowable for tax purposes	198	355
Passive income taxed at higher rate	262	32
Adjustment for capital gains tax	26	29
Deductions allowable for tax	(250)	(286)
Profit on sale of assets	(9)	(58)
Adjustment for prior periods	(51)	(91)
Capital gains tax on development land	-	56
Origination and reversal of temporary differences	21	88
Other adjustments	-	47
Total per accounts	29	854

Income tax recognised directly in equity

	Note	2009 €'000	2008 €'000
Revaluation of property, plant and equipment before transfer to investment property		-	538
Available-for-sale financial assets		(186)	(28)
Actuarial gains/(losses)		39	(149)
Total income tax recognised directly in equity	17	(147)	361

Notes to the consolidated financial statements
continued

12. Property, plant and equipment

Group	Note	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Cost or deemed cost						
Balance at 1 January 2008		13,037	18,076	2,427	3,587	37,127
Additions		1,530	846	368	809	3,553
Revaluation on transfer to investment property		1,379	-	-	-	1,379
Transfer to investment property	14	(1,700)	-	-	-	(1,700)
Disposals		-	(37)	(95)	(430)	(562)
Effect of movements in exchange rates		(237)	(145)	(43)	(43)	(468)
Balance at 31 December 2008		14,009	18,740	2,657	3,923	39,329
Balance at 1 January 2009		14,009	18,740	2,657	3,923	39,329
Additions		360	1,374	319	175	2,228
Arising on acquisition of subsidiary	28	-	-	41	-	41
Disposals		-	(265)	(1)	(108)	(374)
Effect of movements in exchange rates		61	36	11	10	118
Balance at 31 December 2009		**14,430**	**19,885**	**3,027**	**4,000**	**41,342**
Depreciation and impairment losses						
Balance at 1 January 2008		3,582	13,546	1,736	2,671	21,535
Depreciation for the year		411	1,282	242	369	2,304
Revaluation on transfer to investment property		(28)	-	-	-	(28)
Disposals		-	(33)	(86)	(322)	(441)
Effect of movements in exchange rates		(44)	(132)	(39)	(34)	(249)
Balance at 31 December 2008		3,921	14,663	1,853	2,684	23,121
Balance at 1 January 2009		3,921	14,663	1,853	2,684	23,121
Depreciation for the year		447	1,221	394	422	2,484
Disposals		-	(235)	(1)	(92)	(328)
Effect of movements in exchange rates		12	34	10	9	65
Balance at 31 December 2009		**4,380**	**15,683**	**2,256**	**3,023**	**25,342**
Carrying amounts						
At 1 January 2008		9,455	4,530	691	916	15,592
At 31 December 2008		10,088	4,077	804	1,239	16,208
At 1 January 2009		10,088	4,077	804	1,239	16,208
At 31 December 2009		**10,050**	**4,202**	**771**	**977**	**16,000**

Leased plant and machinery
The Group leases production equipment under a number of finance lease agreements. The leased equipment secures lease obligations (see note 23). At 31 December 2009 the net carrying amount of leased plant and machinery was €13,000 (2008: €62,000). Depreciation on leased plant and machinery was €53,000 (2008: €65,000).

Transfer to investment property
A property in Letterkenny included in property, plant and equipment at 31 December 2007 was revalued to €1,300,000 and transferred to investment property on 30 June 2008. A property held by a subsidiary in Dublin included in property, plant and equipment at 31 December 2007 was revalued to €400,000 and transferred to investment property at 31 December 2008.

Land assets
The carrying value of land not subject to depreciation at 31 December 2009 was €1.1 million (2008: €1.1 million).

Company	Note	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Cost or deemed cost						
Balance at 1 January 2008		2,681	502	1,530	588	5,301
Additions		208	23	208	105	544
Revaluation on transfer to investment property		1,111	-	-	-	1,111
Transfer to investment property	14	(1,300)	-	-	-	(1,300)
Disposals		(111)	-	(4)	(68)	(183)
Balance at 31 December 2008		2,589	525	1,734	625	5,473
Balance at 1 January 2009		2,589	525	1,734	625	5,473
Additions		194	98	34	35	361
Disposals		-	-	(1)	(41)	(42)
Balance at 31 December 2009		**2,783**	**623**	**1,767**	**619**	**5,792**
Depreciation and impairment losses						
Balance at 1 January 2008		1,143	444	1,091	475	3,153
Depreciation for the year		130	14	139	58	341
Disposals		-	-	(2)	(65)	(67)
Balance at 31 December 2008		1,273	458	1,228	468	3,427
Balance at 1 January 2009		1,273	458	1,228	468	3,427
Depreciation for the year		150	19	180	62	411
Disposals		-	-	(1)	(39)	(40)
Balance at 31 December 2009		**1,423**	**477**	**1,407**	**491**	**3,798**
Carrying amounts						
At 1 January 2008		1,538	58	439	113	2,148
At 31 December 2008		1,316	67	506	157	2,046
At 1 January 2009		1,316	67	506	157	2,046
At 31 December 2009		**1,360**	**146**	**360**	**128**	**1,994**

The carrying value of land not subject to depreciation at 31 December 2009 was €0.2 million (2008: €0.2 million). The Company holds no finance leases (2008: Nil).

Notes to the consolidated financial statements
continued

13. Intangible assets – Group

	Goodwill €'000	Software €'000	Licenses €'000	Total €'000
Cost				
Balance at 1 January 2008	3,058	42	-	3,100
Additions	-	401	-	401
Balance at 31 December 2008	3,058	443	-	3,501
Balance at 1 January 2009	3,058	443	-	3,501
Additions	-	112	-	112
Arising on acquisition of subsidiary (Note 28)	320	-	39	359
Balance at 31 December 2009	**3,378**	**555**	**39**	**3,972**
Amortisation and impairment losses				
Balance at 1 January 2008	1,182	9	-	1,191
Amortisation for the year	-	41	-	41
Balance at 31 December 2008	1,182	50	-	1,232
Balance at 1 January 2009	1,182	50	-	1,232
Amortisation for the year	-	73	-	73
Balance at 31 December 2009	**1,182**	**123**	**-**	**1,305**
Carrying amounts				
At 1 January 2008	1,876	33	-	1,909
At 31 December 2008	1,876	393	-	2,269
At 1 January 2009	1,876	393	-	2,269
At 31 December 2009	**2,196**	**432**	**39**	**2,667**

Intangible assets are amortised to the statement of comprehensive income over their estimated useful lives as follows: Software – 4 years; Licenses - 75 years.

Impairment testing for cash generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

	2009			2008		
	Dairy	Agribusiness	Produce	Dairy	Agribusiness	Produce
Goodwill at 1 January	**876**	**1,000**	**-**	876	1,000	-
Additions	**256**	**-**	**64**	-	-	-
Impairment	**-**	**-**	**-**	-	-	-
Goodwill at 31 December	**1,132**	**1,000**	**64**	876	1,000	-

Goodwill acquired through business combinations is monitored for impairment annually by review of the performance of each individual acquisition compared to pre-acquisition objectives and budgets.

Key assumptions used to assess the recoverable amount of cash generating units and related impairment were:

- Forecasted sales and cashflows are based on management approved budgets for 2010 projected forward for an additional five years with a terminal value, based on the year five cashflows used thereafter. Growth, estimated at 5%, is based on historical organic sales data adjusted by management in their assessment of economic factors affecting the industry. Incremental profit and cashflows resulting from future acquisitions are excluded.
- Forecasted gross margin is based on historically achieved gross margin, adjusted by management in their assessment of competitive factors affecting the industry and opportunities for margin improvement.
- Forecasted cashflows for individual cash generating units are discounted at a rate of 11%, representing the Group's weighted average cost of capital.
- The Group assesses the uncertainty of the above estimates by making sensitivity analyses. The discount rate reflects the time value of money and a 20% fluctuation in the rate used would not have led to any impairment. The business risk is included in the determination of the cashflows.

No impairment of goodwill was identified in 2009 as a result of this review (2008: Nil).

13. Intangible assets - Company

	Software €'000
Cost	
Balance at 1 January 2008	-
Additions	280
Balance at 31 December 2008	280
Balance at 1 January 2009	280
Additions	-
Balance at 31 December 2009	**280**
Amortisation and impairment losses	
Balance at 1 January 2008	-
Amortisation for the year	18
Balance at 31 December 2008	18
Balance at 1 January 2009	18
Amortisation for the year	43
Balance at 31 December 2009	**61**
Carrying amounts	
At 1 January 2008	-
At 31 December 2008	262
At 1 January 2009	262
At 31 December 2009	**219**

Notes to the consolidated financial statements
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14. Investment property

Group	Note	2009 €'000	2008 €'000
Balance at 1 January		41,758	36,929
(Devaluation)/revaluation		(5,025)	1,146
Additions		-	2,394
Disposals		-	(331)
Reclassification from property, plant and equipment	12	-	1,700
Effect of movement in exchange rates		152	(80)
Balance at 31 December		**36,885**	41,758

Investment property includes the Grianan estate, student residences, the Oatfield building, the Bridgend property and development land in both Donegal and Northern Ireland.

Company		2009 €'000	2008 €'000
Balance at 1 January		35,860	32,537
(Devaluation)/Revaluation		(3,823)	2,354
Disposals		-	(331)
Reclassification from property plant and equipment	12	-	1,300
Balance at 31 December		**32,037**	35,860

The fair values of the investment properties are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, when relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of yields applied for each type of property is included below.

	Yields
Land	4%-5%
Student residences	5%- 6%

In the absence of current prices in an active market, the valuations are generally prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated revisionary increases it is assumed that all notices, and when appropriate counter notices, have been served validly and within appropriate time.

15. Investment in associates

Group

The Group's share of after tax profits in its associates for the year was €2,851,000 (2008: Loss of €3,945,000).

	2009 Interest in Associate €'000	2009 Loans to Associate €'000	2009 Total €'000	2008 Interest in Associate €'000	2008 Loans to Associate €'000	2008 Total €'000
Balance at 1 January	7,569	4,231	11,800	11,290	4,730	16,020
Share of increase/(decrease) in net assets after tax	2,851	-	2,851	(3,945)	-	(3,945)
Additions	-	-	-	224	447	671
Interest charged	-	65	65	-	180	180
Transfer to subsidiary	61	-	61	-	-	-
Repayment of loan stock in associate	-	(780)	(780)	-	(645)	(645)
Reversal of impairment of loan to associate	-	192	192	-	-	-
Impairment	-	(80)	(80)	-	(481)	(481)
Balance at 31 December	10,481	3,628	14,109	7,569	4,231	11,800

Monaghan Middlebrook Mushrooms Limited (MMML) loan notes attract interest at market rates and are repayable over a five year period that commenced in February 2008. Loan repayments and interest charged in 2009 are included in the Group's interest in associates. The total loan notes and interest outstanding from MMML at 31 December 2009 is €2.7 million.

In 2007, the Group granted an option over 5% of Monaghan Middlebrook Mushrooms Limited to the majority shareholder and a member of key management personnel of Monaghan Middlebrook Mushrooms Limited exercisable if the company achieves certain performance criteria during the five year period to 31 December 2011. This option has been accounted for as a cash settled derivative and a liability of €810,700 (2008: €303,000) is recognised in derivatives in this regard.

During 2008, the Group invested further equity of €224,000 in North Western Livestock Holdings Limited to maintain its shareholding of 22.4%. It also acquired loan notes to the value of €447,000. These loans attract interest at market rate. North Western Livestock Holding Limited used the cash raised to reduce bank debt and to continue to fund the development of its property assets.

During 2009, the Group recognised a net reversal of impairment of €112,000 (2008: €481,000 impairment) to the carrying value of its share of net assets in associates following a review of the recoverability of those assets. The impairment is included within finance income and expenses.

At 31 December 2009, land held as investment property by associated companies was re-valued by an independent professional valuer, resulting in an impairment of €281,000 (2008: €4.7m) attributable to the Group, which is included in the share of profit/(loss) of the associate in the income statement.

On 1 February 2009, the Group acquired the remaining issued share capital of Donra Dairies Limited for a nominal sum bringing Group ownership to 100% and it is included as a subsidiary as at 31 December 2009.

Notes to the consolidated financial statements
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15. Investment in associates (continued)

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

2009	Ownership	Total Assets €'000	Total liabilities €'000	Profit/ (loss) €'000
Monaghan Middlebrook Mushrooms Limited	35.0%	106,907	81,298	9,237
North Western Livestock Holdings Limited	22.4%	10,309	5,079	(92)
Leapgrange Limited	42.7%	900	133	10

2008	Ownership	Total Assets €'000	Total liabilities €'000	Profit/ (loss) €'000
Monaghan Middlebrook Mushrooms Limited	35.0%	65,257	48,885	3,547
North Western Livestock Holdings Limited	22.4%	11,031	4,969	(188)
Donra Dairies Limited	50.0%	627	739	(120)
Leapgrange Limited	42.7%	1,190	208	-

Company	2009 Interest in Associate €'000	2009 Loans to Associate €'000	2009 Total €'000	2008 Interest in Associate €'000	2008 Loans to Associate €'000	2008 Total €'000
Balance at 1 January	5,263	4,231	9,494	5,039	4,730	9,769
Additions	-	-	-	224	447	671
Interest charged	-	65	65	-	180	180
Repayment of loan stock in associate	-	(780)	(780)	-	(645)	(645)
Reversal of impairment of loan to associate	-	192	192	-	-	-
Impairment	-	(80)	(80)	-	(481)	(481)
Balance at 31 December	5,263	3,628	8,891	5,263	4,231	9,494

The movements in the Company balance has been explained above.

16. Other investments

Group	2009 €'000	2008 €'000
Non-current investments		
Available-for-sale equity investments	2,111	3,266

Available-for-sale equity investments include €48,300 quoted shares (2008: €47,800), prize bonds held of €100,000 (2008: €100,000) and €1,963,000 unquoted shares (2008: €3,118,000). Quoted shares have been stated at market value in the manner stated in Note 4. The fair value of unquoted shares with a carrying value of €1,963,000 (2008: €3,118,000) has been based upon recent market transactions. The directors' estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

	2009 €'000	2008 €'000
Movement during the year		
Balance at 1 January	3,266	3,653
Devaluation of available for sale financial assets	-	(344)
Impairment of available for sale financial assets	(1,177)	(45)
Additions	22	2
	2,111	3,266

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

Company	2009 €'000	2008 €'000
Non-current investments		
Available-for-sale financial assets	184	186
Investments in subsidiaries	4,790	4,893
	4,974	5,079

	2009 Available-for-sale investments €'000	2009 Investments in subsidiaries €'000	2009 Total €'000	2008 Available-for-sale investments €'000	2008 Investments in subsidiaries €'000	2008 Total €'000
Movement during the year						
Balance at 1 January	186	4,893	5,079	259	5,308	5,567
Addition of available-for-sale financial assets	-	-	-	1	-	1
Impairment of available-for-sale financial assets	(2)	-	(2)	(74)	-	(74)
Impairment of subsidiary	-	(103)	(103)	-	(415)	(415)
Balance at 31 December	184	4,790	4,974	186	4,893	5,079

Available-for-sale equity investments include €47,000 quoted shares (2008: €47,000), prize bonds held of €100,000 (2008: €100,000) and €37,000 unquoted shares (2008: €39,000). Quoted shares have been stated at market value in the manner stated in Note 4. The director's estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

17. Deferred tax assets and liabilities

Group

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2009 €'000	2008 €'000
Deductible temporary differences:		
Tax losses	1,619	1,841

Deferred tax assets have not been recognised in respect of certain tax losses carried forward because it is not probable that future taxable profit will be available against which the relevant Group entity can utilise the benefits therefrom.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Property, plant and equipment	-	-	(849)	(879)	(849)	(879)
Investment property	-	-	(5,178)	(5,526)	(5,178)	(5,526)
Available-for-sale financial assets	-	-	(204)	(445)	(204)	(445)
Employee benefit plans	95	134	-	-	95	134
Share-based payments	35	26	-	-	35	26
Tax losses carried forward	10	9	-	-	10	9
Deferred tax assets/(liabilities)	140	169	(6,231)	(6,850)	(6,091)	(6,681)
Set off of tax	(140)	(169)	140	169	-	-
Net deferred tax liabilities	-	-	(6,091)	(6,681)	(6,091)	(6,681)

Notes to the consolidated financial statements
continued

17. Deferred tax assets and liabilities (continued)

Company

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 December 2009 (2008: €Nil).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Property, plant and equipment	-	-	(132)	(131)	(132)	(131)
Investment property	-	-	(4,456)	(4,689)	(4,456)	(4,689)
Available for sale financial asset	9	-	-	-	9	-
Share-based payments	35	26	-	-	35	26
Employee benefits	95	134	-	-	95	134
Deferred tax assets/(liabilities)	139	160	(4,588)	(4,820)	(4,449)	(4,660)
Set off of tax	(139)	(160)	139	160	-	-
Net tax liabilities	-	-	(4,449)	(4,660)	(4,449)	(4,660)

Movement in temporary differences during the year

Group

	Balance 1 Jan 08	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 08	Recognised in profit or loss	Recognised in equity	Balance at 31 Dec 09
Property, plant and equipment	(1,267)	388	-	(879)	30	-	(849)
Investment property	(4,120)	(868)	(538)	(5,526)	348	-	(5,178)
Available-for-sale financial assets	(473)	-	28	(445)	55	186	(204)
Employee benefit plans	-	(15)	149	134	-	(39)	95
Share based payment	-	26	-	26	9	-	35
Tax losses carried forward	-	9	-	9	1	-	10
	(5,860)	(460)	(361)	(6,681)	443	147	(6,091)

Company

	Balance 1 Jan 08	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 08	Recognised in profit or loss	Recognised in equity	Balance at 31 Dec 09
Property, plant and equipment	(227)	95	-	(131)	(1)	-	(132)
Investment property	(3,559)	(806)	(324)	(4,689)	233	-	(4,456)
Available for sale financial asset	-	-	-	-	-	9	9
Employee benefit plans	-	(15)	149	134	-	(39)	95
Share based payments	-	26	-	26	9	-	35
	(3,786)	(700)	(175)	(4,660)	241	(30)	(4,449)

18. Inventories

Group

	2009 €'000	2008 €'000
Dairy	76	57
Stores including animal feeds	4,686	7,984
Sacks for resale	-	1,736
Packaging and other stocks	944	722
	5,706	10,499

Inventories impairment	2009 €'000	2008 €'000
Balance at 1 January	238	218
(Reversal of impairment)/impairment	(15)	20
Balance at 31 December	223	238

In 2009, the write-back of inventories to net realisable value amounted to €15,000 (2008: write down €20,000). The write-back is included in cost of sales. Total inventory costs of €69,800,000 (2008: €82,700,000) were charged to the statement of comprehensive income.

Company	2009 €'000	2008 €'000
Stores including animal feeds	2,203	3,742
Other stocks	7	8
	2,210	3,750

Inventories impairment provision	2009 €'000	2008 €'000
Balance at 1 January	147	140
Impairment	15	7
Balance at 31 December	162	147

In 2009, inventory impairments amounted to €15,000 (2008: €7,000). The movement was included in cost of sales. Total inventory costs of €20,500,000 (2008: €24,200,000) were charged to the statement of comprehensive income.

Notes to the consolidated financial statements
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19. Trade and other receivables

Group	2009 €'000	2008 €'000
Current trade and other receivables		
Trade receivables due from related parties	402	582
Value added tax	962	1,101
Other trade receivables	25,179	26,175
Current tax	-	70
Other receivables	744	266
Prepayments	1,338	1,047
	28,625	29,241
Non-current trade and other receivables		
Long leasehold interest prepaid	195	196
	28,820	29,437

Company	2009 €'000	2008 €'000
Trade receivables due from related parties	11,005	11,007
Other trade receivables	2,178	6,619
Current tax	-	45
Prepayments	301	395
	13,484	18,066

The Group and Company exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 27.

20. Cash and cash equivalents

Group	2009 €'000	2008 €'000
Bank loans and overdrafts due within one year	(339)	(2,655)
Cash and cash equivalents at 31 December	(339)	(2,655)

Company	2009 €'000	2008 €'000
Bank & cash balances	3,492	7,446

There is a Group facility with our bank which allows for offset of the Group and subsidiary bank balances. The Group's and Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

21. Capital and reserves

Share capital and share premium

In thousands of shares	Ordinary shares 2009	2008
On issue at 1 January - Ordinary shares of 13 cent each	**10,285,590**	10,285,590
On issue at 31 December - Ordinary shares of 13 cent each	**10,285,590**	10,285,590

The Group also has issued share options (see note 25).

At 31 December 2009, the authorised share capital comprised 50,000,000 ordinary shares (2008: 50,000,000). All issued shares are fully paid.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment and includes revaluation gains or losses upon the reclassification of property, plant and equipment as investment property.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2009, the Group held 148,835 of the Company's shares (2008: 143,835). This represented 1.4% (2008: 1.4%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

Dividends

The following dividends were declared and paid by the Group:

	2009 €'000	2008 €'000
€0.16 per qualifying ordinary share (2008: €0.16)	**1,623**	1,624

After 31 December 2009 dividends of €0.09 per qualifying ordinary share were proposed by the directors for 2009.

The dividends have not been provided for and there are no income tax consequences.

22. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share is set out below:

Profit attributable to ordinary shareholders

	2009 Total Continuing operations €'000	2008 Total Continuing operations €'000
Profit/(loss) for the period	**17**	(115)
Profit/(loss) attributable to ordinary shareholders	**31**	(88)

Notes to the consolidated financial statements
continued

22. Earnings per share (continued)

Weighted average number of ordinary shares
In thousands of shares

	2009	2008
Weighted average number of ordinary shares in issue for the year	10,286	10,286
Weighted average number of treasury shares	(144)	(141)
Denominator for basic earnings per share	10,142	10,145
Effect of share options in issue	67	257
Weighted average number of ordinary shares (diluted) at 31 December	10,209	10,402

Earnings per share	2009	2008
Basic earnings/(loss) per share (euro cent)	0.3	(0.9)
Diluted earnings/(loss) per share (euro cent)	0.3	(0.8)
Continuing operations		
Basic earnings/(loss) per share (euro cent)	0.3	(0.9)
Diluted earnings/(loss) per share (euro cent)	0.3	(0.8)

23. Loans and borrowings

Group

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 27.

	2009 €'000	2008 €'000
Non-current liabilities		
Secured bank loans	16,801	20,142
Finance lease liabilities	4	12
	16,805	20,154
Current liabilities		
Secured bank loans	3,342	3,868
Finance lease liabilities	9	50
	3,351	3,918
Total	20,156	24,072

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2009 Face value €'000	31 Dec 2009 Carrying amount €'000	31 Dec 2008 Face value €'000	31 Dec 2008 Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	7,905	7,905	10,530	10,530
Secured bank loan	eur	Euribor+1.50%	2011	11,000	11,000	11,000	11,000
Secured bank loan	eur	Euribor+1.25%	2010	1,238	1,238	2,480	2,480
Finance lease liabilities	eur	6%	2010	15	13	65	62
Total interest-bearing liabilities				20,158	20,156	24,075	24,072

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2009 €'000	Interest 2009 €'000	Present value of minimum lease payments 2009 €'000	Future minimum lease payments 2008 €'000	Interest 2008 €'000	Present value of minimum lease payments 2008 €'000
Less than one year	10	1	9	52	2	50
Between one and five years	5	1	4	13	1	12
	15	2	13	65	3	62

Company

	2009 €'000	2008 €'000
Non-current liabilities		
Secured bank loans	16,801	20,142
Current liabilities		
Secured bank loans	3,342	3,868

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2009 Face value €'000	31 Dec 2009 Carrying amount €'000	31 Dec 2008 Face value €'000	31 Dec 2008 Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	7,905	7,905	10,530	10,530
Secured bank loan	eur	Euribor+1.50%	2011	11,000	11,000	11,000	11,000
Secured bank loan	eur	Euribor+1.25%	2010	1,238	1,238	2,480	2,480
Total interest-bearing liabilities				20,143	20,143	24,010	24,010

Notes to the consolidated financial statements
continued

24. Employee benefits

The pension entitlements of certain employees of the Group 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 and are charged to the profit or loss on an accruals basis.

On the basis of the latest actuarial valuations, which were carried out at 1 January 2007 the market value of the schemes assets represented 100% of the benefits that has accrued to members allowing for future increases in pensionable earnings. The actuarial valuation at 1 January 2010 is currently being prepared.

The principal actuarial assumption adopted in the valuations was that, over the long term, the annual rate of return on scheme assets would be 2% higher that the annual increase in pensionable remuneration. The pension cost charged to the income statement in respect of defined benefit pension schemes was €164,000 (2008: €139,000). The actuarial reports are not available for public inspection.

The Group operated one defined benefit scheme during the year. The full actuarial valuations carried out as outlined above were updated to 31 December 2009 for IAS 19 disclosure purposes by qualified independent actuaries under the projected unit credit method.

A scheme previously operated for senior executives of a subsidiary that had been closed in 2007, was also wound up and the assets transferred to individual members in February 2008. Contributions to the remaining defined benefit scheme will continue at the actuary’s recommended rate.

The Group also operates four defined contributions schemes, one in the Company and three in subsidiaries. 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 €370,000 (2008: €345,000). At 31 December 2009, €45,000 (2008: €42,000) was included within creditors in respect of defined contribution pension liabilities.

The full cost of pension employee costs recognised in the income statement was as follows

	2009 €'000	2008 €'000
Defined benefit scheme costs	164	139
Settlement gains on defined benefit schemes	(15)	-
Defined contribution scheme costs	370	345
Total	519	484

Group and Company	2009 €'000	2008 €'000
Present value of funded obligations	(3,331)	(3,053)
Fair value of plan assets	2,595	1,980
Recognised liability for defined benefit obligations	(736)	(1,073)

The Group makes contributions to a non-contributory defined benefit plan that provides pension and medical benefits for employees upon retirement. Plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided.

Plan assets comprise:	2009 €'000	2008 €'000
Equity securities	1,860	1,250
Government bonds	435	449
Property	86	105
Cash	214	176
	2,595	1,980

Movement in the present value of the defined benefit obligations

	2009 €'000	2008 €'000
Defined benefit obligations at 1 January	3,053	5,006
Benefits paid by the plan	(73)	(282)
Current service costs	135	192
Interest on obligation	179	161
Employee contributions	55	60
Actuarial losses recognised in equity	(3)	(120)
Settlements	(15)	(1,964)
Defined benefit obligations at 31 December	3,331	3,053

Movement in the present value of plan assets

	2009 €'000	2008 €'000
Fair value of plan assets at 1 January	1,980	5,006
Contributions paid into the plan	235	256
Benefits paid by the plan	(73)	(222)
Expected return on plan assets	135	214
Actuarial gains/(losses) recognised in equity	320	(1,310)
Settlements	-	(1,964)
Fair value of plan assets at 31 December	2,595	1,980

Expense recognised in profit or loss

	2009 €'000	2008 €'000
Current service costs	135	192
Interest on obligation	179	161
Expected return on plan assets	(135)	(214)
Settlement gain	(15)	-
	164	139

The expense is recognised in the following line items in the income statement:

	2009 €'000	2008 €'000
Cost of sales	(74)	(144)
Finance (expense)/income	(45)	53
Administrative expenses	(45)	(48)
	(164)	(139)
Actual return on plan assets	454	(1,096)

Actuarial gains and losses recognised directly in equity

	2009 €'000	2008 €'000
Cumulative gain at 1 January	(855)	335
Recognised during the period	323	(1,190)
Cumulative gain at 31 December	(532)	(855)

Notes to the consolidated financial statements
continued

24. Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2009	2008
Discount rate at 31 December	5.50%	5.60%
Expected return on plan assets at 1 January	6.50%	6.50%
Future salary increases	3.50%	3.50%
Future pension increases	n/a	n/a
Inflation	2.25%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring in 2009 at age 65 is 22.00 for males (2008: 21.70) and 23.50 for females (2008: 23.30).

The overall expected long-term rate of return on assets is 6.50 percent. The expected long-term rate of return is a weighted average of the individual expected rates of return on each asset class.

Historical information

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Present value of the defined benefit obligation	(3,331)	(3,053)	(5,006)	(11,031)	(9,996)
Fair value of plan assets	2,596	1,980	5,006	10,345	8,784
Deficit in the plan	(736)	(1,073)	-	(686)	(1,212)
Experience gains/losses arising on plan liabilities	176	(125)	703	(9)	924
Experience adjustments arising on plan assets	320	(1,310)	(516)	495	1,102

The Group expects €230,000 (2009: €230,000) in contributions to be paid to the defined benefit scheme in 2010.

25. Share-based payments

On 27 July 2005, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company. On 1 May 2006, 150,000 options were granted under this scheme, on 28 May 2007, a further 120,000 were granted of which 30,000 forfeited in 2008 and on 22 October 2009, a further 215,000 were granted under the scheme. In accordance with this programme, options granted in 2006 and 2007 are exercisable at the market price of the shares at the date of grant. Options granted in 2009 are exercisable at a price of €3. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. No option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee.

Additionally, a share option arrangement granted before 7 November 2002 exists. The recognition and measurement principles in IFRS 2 have not been applied to these grants.

Grant date / employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Option grant on 1 May 2006	150	3 years' service	7 years
Option grant on 28 May 2007 (net)	90	3 years' service	7 years
Option grant on 22 October 2009	215	3 years' service	7 years
Total share options	**455**		

At 31 December 2009 there were 67,000 (2008: 67,000) options outstanding with a grant date pre 7 November 2002.

The number and weighted average exercise prices of share options are as follows:

In thousands of options	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 January:				
- Pre 2002 options	€0.13	67	€0.13	67
- Options issued in 2006	€4.35	150	€4.35	150
- Options issued in 2007	€6.90	90	€6.90	120
Forfeited during the period (2007 grants)	-	-	€6.90	(30)
Granted during the period	€3.00	215	-	-
Outstanding at 31 December	€4.22	522	€5.31	307
Exercisable at 31 December	€0.13	67	€0.13	67

The options outstanding at 31 December 2009 have an exercise price in the range of €0.13 to €6.90 and a weighted average contractual life of 4.9 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

Fair value of share options and assumptions	2009	2008
Fair value at grant date – awarded to key management	32	-
Fair value at grant date – awarded to senior management	84	-
	116	-
Share price (€)	2.40	-
Exercise price (€)	3.00	-
Expected volatility (weighted average volatility)	35%	-
Option life (expected weighted average life) - years	3	-
Expected dividends	2.75%	-
Risk-free interest rate (based on government bonds)	3.10%	-

Employee expenses

	2009 €'000	2008 €'000
Share options granted in 2006	17	50
Share options granted in 2008	47	37
Share options granted in 2009	7	-
Total expense recognised as employee costs	71	87

Notes to the consolidated financial statements
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26. Trade and other payables

	2009 €'000	2008 €'000
Group		
Trade payables due to related parties	189	86
Bank overdraft	339	2,655
Other trade payables	12,752	13,636
PAYE	158	166
PRSI	148	113
Accrued expenses	4,052	4,521
Deferred rental income	187	190
Value added tax	191	-
	18,016	21,367
Non-current trade and other payables		
Deferred consideration	145	-
Derivatives		
Fair value of option granted over investment in associate	811	303
	18,972	21,670

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

	2009 €'000	2008 €'000
Company		
Trade payables due to related parties	22,380	29,976
Other trade payables	1,145	1,602
PAYE	84	78
PRSI	53	43
Accrued expenses	852	1,353
Value added tax	169	-
	24,683	33,052
Derivatives		
Fair value of option granted over investment in associate	811	303
	25,494	33,355

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

27. Financial instruments

The Group's financial instruments at 31 December 2009 were classified as follows:

31 December 2009	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	2,111	-	-
Loan to associates	3,628	-	-	-
Trade receivables due from related parties	402	-	-	-
Other trade receivables	25,179	-	-	-
Other receivables	744	-	-	-
Loans and borrowings	-	-	-	(20,143)
Bank overdraft	-	-	-	(339)
Payables due to related parties	-	-	-	(189)
Trade and other payables	-	-	-	(17,488)
Option over financial asset	-	-	(811)	-
Deferred consideration	-	-	-	(145)
	29,953	2,111	(811)	(38,304)

31 December 2008	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	3,266	-	-
Loan to associates	4,231	-	-	-
Trade receivables due from related parties	582	-	-	-
Other trade receivables	26,175	-	-	-
Other receivables	266	-	-	-
Loans and borrowings	-	-	-	(24,010)
Bank overdraft	-	-	-	(2,655)
Payables due to related parties	-	-	-	(86)
Trade and other payables	-	-	-	(18,157)
Option over financial asset	-	-	(303)	-
	31,254	3,266	(303)	(44,908)

Company

31 December 2009	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	184	-	-
Loan to associates	3,628	-	-	-
Trade receivables due from related parties	11,005	-	-	-
Other trade receivables	2,178	-	-	-
Other receivables	301	-	-	-
Loans and borrowings	-	-	-	(20,143)
Bank overdraft	3,492	-	-	-
Payables due to related parties	-	-	-	(22,380)
Trade and other payables	-	-	-	(2,303)
Option over financial asset	-	-	(811)	-
	20,604	**184**	**(811)**	**(44,826)**

Company

31 December 2008	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	186	-	-
Loan to associates	4,231	-	-	-
Trade receivables due from related parties	11,007	-	-	-
Other trade receivables	6,619	-	-	-
Other receivables	440	-	-	-
Loans and borrowings	-	-	-	(24,010)
Bank	7,446	-	-	-
Payables due to related parties	-	-	-	(29,976)
Trade and other payables	-	-	-	(3,077)
Option over financial asset	-	-	(303)	-
	29,743	186	(303)	(57,063)

Notes to the consolidated financial statements
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27. Financial instruments (continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group and Company. The maximum exposure to credit risk at the reporting date was:

Group	Note	Carrying amount 2009 €'000	2008 €'000
Loans due from associates	15	**3,628**	4,231
Available-for-sale equity investments	16	**2,111**	3,266
Trade receivables from related parties	19	**402**	582
Trade and other receivables	19	**25,179**	26,175
Other receivables	19	**744**	266
		32,064	34,520

Company	Note	2009 €'000	2008 €'000
Loans due from associates	15	**3,628**	4,231
Available-for-sale financial assets	16	**184**	186
Trade receivables from related parties	19	**11,005**	11,007
Trade and other receivables	19	**2,178**	6,619
Cash and cash equivalents	20	**3,492**	7,446
		20,487	29,489

The maximum exposure to credit risk for trade receivables of the Group at the reporting date by geographic region was:

Group	Carrying amount 2009 €'000	2008 €'000
Domestic	**12,885**	15,517
Euro-zone countries	**2,439**	822
United Kingdom	**5,287**	4,056
Other European countries	**-**	138
Other regions	**4,568**	5,642
	25,179	26,175

All receivables from related parties arise in the Ireland and are Euro denominated. Similarly loans to associates arise in Ireland and are Euro denominated.

The maximum exposure to credit risk for trade receivables of the Company at the reporting date by geographic region was:

Company	Carrying amount 2009 €'000	2008 €'000
Domestic	**2,178**	6,619

All receivables from related parties arise in the Ireland and are Euro denominated. Similarly loans to associates arise in Ireland and are Euro denominated.

The maximum exposure to credit risk for trade receivables of the Group at the reporting date by type of customer was:

Group	Carrying amount	
	2009 €'000	2008 €'000
Wholesale customers	15,551	16,923
Retail customers	9,628	9,252
	25,179	26,175

Impairment losses

The maximum exposure to credit risk for trade receivables of the Company at the reporting date by type of customer was:

Company	Carrying amount	
	2009 €'000	2008 €'000
Wholesale customers	2,178	5,274
Retail customers	-	1,345
	2,178	6,619

The ageing of trade receivables at the reporting date was:

Group	Gross 2009 €'000	Impairment 2009 €'000	Gross 2008 €'000	Impairment 2008 €'000
Not past due	16,747	123	18,254	91
Past due < 30 days	2,807	11	3,962	276
Past due 30 – 365 days	9,414	4,896	8,534	5,060
Past due > 365 days	2,432	1,191	1,725	873
	31,400	6,221	32,475	6,300

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 €'000	2008 €'000
Balance at 1 January	6,300	6,644
Fully impaired debts written off	(66)	216
Impairment	(13)	(560)
Balance at 31 December	6,221	6,300

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 30 days except for €123,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided for 1% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 52% of the balance past due from 30 to 365 days and 49% of balances past due in excess of 365 for which security has not been received over the amount receivable.

Notes to the consolidated financial statements
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27. Financial instruments (continued)

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. In 2009, the Group and Company recognised a total reversal of impairment of €112,000 (2008:€481,000) against amounts due on loans to associates.

Company	Gross 2009 €'000	Impairment 2009 €'000	Gross 2008 €'000	Impairment 2008 €'000
Not past due	701	16	4,268	20
Past due < 30 days	151	8	1,506	273
Past due 30 – 365 days	683	122	4,753	4,447
Past due > 365 days	908	119	678	206
	2,443	265	11,565	4,946

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 €'000	2008 €'000
Balance at 1 January	4,946	4,998
Fully impaired debts written off	(16)	(46)
Debts recovered	-	(6)
Transfer of debts to subsidiary	(4,665)	-
Balance at 31 December	265	4,946

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 30 days except for €16,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided of 5% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 18% of the balance past due from 30 to 365 days and 13% of balances past due in excess of 365 days for which security has not been received over the amount receivable.

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. In 2009, the Group and Company recognised a total reversal of impairment of €112,000 (2008:€481,000) against amounts due on loans to associates.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2009

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Group							
Secured bank loans	20,143	(21,610)	(1,853)	(2,042)	(16,075)	(1,640)	-
Finance lease liabilities	13	(15)	(2)	(3)	(10)	-	-
Payables due to related parties	189	(189)	(189)	-	-	-	-
Trade and other payables	17,488	(17,488)	(17,488)	-	-	-	-
Option over financial asset	811	(873)	-	-	-	(873)	-
Bank overdraft	339	(339)	(339)	-	-	-	-
Deferred consideration	145	(145)	-	-	(145)	-	-
	39,128	(40,659)	(19,871)	(2,045)	(16,230)	(2,513)	-

31 December 2008

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Group							
Secured bank loans	24,010	(26,268)	(1,941)	(2,654)	(3,953)	(17,720)	-
Finance lease liabilities	-	-	-	-	-	-	-
Payables due to related parties	86	(86)	(86)	-	-	-	-
Trade and other payables	18,157	(18,134)	(18,134)	-	-	-	-
Option over financial asset	303	(361)	-	-	-	(361)	-
Bank overdraft	2,655	(2,655)	(2,655)	-	-	-	-
	45,211	(47,504)	(22,816)	(2,654)	(3,953)	(18,081)	-

31 December 2009

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Company							
Secured bank loans	20,143	(21,609)	(1,853)	(2,042)	(16,075)	(1,640)	-
Payables due to related parties	22,380	(22,380)	(22,380)	-	-	-	-
Trade and other payables	2,303	(2,303)	(2,303)	-	-	-	-
Option over financial asset	811	(873)	-	-	-	(873)	-
	45,637	**(47,165)**	**(27,536)**	**(2,042)**	**(16,075)**	**(2,513)**	**-**

31 December 2008

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Company							
Secured bank loans	24,010	(26,268)	(364)	(4,231)	(3,953)	(17,720)	-
Payables due to related parties	29,976	(29,976)	(29,976)	-	-	-	-
Trade and other payables	2,955	(2,955)	(2,955)	-	-	-	-
Option over financial asset	303	(386)	-	-	-	(386)	-
	57,244	(59,585)	(33,295)	(4,231)	(3,953)	(18,106)	-

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk on financial instruments that impact profit or loss at the balance sheet date was as follows:

	euro 31 December 2009 €'000	GBP 31 December 2009 €'000	euro 31 December 2008 €'000	GBP 31 December 2008 €'000
Trade receivables	**31**	**6,418**	4,476	2,285
Loans and overdrafts	**(466)**	**970**	(4,000)	869
Trade payables	**(75)**	**(4,924)**	(1,737)	(1,162)
Gross balance sheet exposure	**(510)**	**2,464**	(1,261)	1,992

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
euro	**2009**	2008	**2009**	2008
GBP	**1.10**	1.26	**1.10**	1.027

Notes to the consolidated financial statements
continued

27. Financial instruments (continued)

Sensitivity analysis

A 10 percent strengthening of the euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Other Equity €'000	Profit or loss €'000
31 December 2009		
GBP	(13)	(702)
31 December 2008	(865)	(364)

A 10 percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was solely variable.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Other Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2009				
Cash flow sensitivity (net)	202	(202)	(202)	202
31 December 2008				
Cash flow sensitivity (net)	267	(267)	(267)	267

Equity Risk

The value of the Group and Company's available-for-sale financial assets are exposed to fluctuations in the Irish equity market. A 5% strengthening of equity prices at 31 December 2009 would have increased equity and profit or loss by €105,000 (2008: €155,000). A 5% weakening of equity prices would have had an equal but opposite effect.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2009		31 December 2008	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
Available-for-sale financial assets	2,111	2,111	3,266	3,266
Loans and receivables	29,953	29,657	31,254	31,254
Secured bank loans	(20,143)	(20,143)	(24,010)	(24,010)
Finance lease liabilities	(13)	(13)	(62)	(62)
Trade and other payables	(17,488)	(17,488)	(18,243)	(18,220)
Derivatives - option over financial asset	(811)	(811)	(303)	(303)
Bank overdraft	(339)	(339)	(2,655)	(2,655)
Deferred consideration	(145)	(145)	-	-
	(6,875)	(6,875)	(10,753)	(10,730)

The basis for determining fair values is disclosed in note 4.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

At 31 December 2008 and 31 December 2009, the Group recognised and measured the following financial instruments at fair value:

	2009 Total €'000	2009 Level 1 €'000	2009 Level 2 €'000	2009 Level 3 €'000
Available-for-sale financial assets				
Unquoted equity investments	2,111	-	2,111	-
Derivatives - option over financial asset	811	-	-	811

	2008 Total €'000	2008 Level 1 €'000	2008 Level 2 €'000	2008 Level 3 €'000
Available-for-sale financial assets				
Unquoted equity investments	3,266	-	3,266	-
Derivatives - option over financial asset	303	-	-	303

Additional disclosures for level 3 fair value measurements

	2009 €'000	2008 €'000
At beginning of year	303	308
Loss recognised in the income statement	508	-
Gain recognised in other comprehensive income	-	(5)
At the end of the year	811	303

The fair value of the option over a financial asset was measured by deriving an enterprise value using an earnings multiple comparable with recent market transactions. The resulting enterprise value was adjusted for the net funds of the investee, and a discount factor applied to reflect the minority interest nature of the investment. The effect of a change to a reasonably possible alternative assumption does not have a significant impact upon Group profit, total assets, or total equity

Interest rates used for determining fair value
The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008
Loans and borrowings	2.7%	3.0%
Leases	6.0%	6.0%

Notes to the consolidated financial statements
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28. Business combinations
Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred €'000
2009				
Chef in a Box Limited	Dairy business	31/08/2009	100%	566
Solanex Limited	Produce	01/09/2009	85%	75
Donra Dairies Limited	Dairy business	01/02/2009	50%	-
				641

Chef in a Box Limited was acquired so as to continue the expansion of the Group's dairy business activities, and the acquisition of Solanex Limited has improved the Group's potato business. On 1 February 2009, the Group acquired the remaining 50% of share capital of Donra Dairies Limited and at the date of transaction the Group owned 100% of share capital of the company.

Consideration transferred

	Chef in a Box Limited €'000	Solanex Limited €'000	Donra Dairies Limited €'000
Cash	421	75	-
Non cash	-	-	(60)
Contingent consideration arrangement (i)	145	-	-
Total	566	75	(60)

(i) The contingent consideration requires the Group to pay the vendors an additional €145,000 if Chef in a Box Limited's retained profit in the years 2010 and 2011 exceeds certain profit thresholds. Based on the operational plan and budgets prepared for the year ending 31 December 2010 and 2011, the directors consider it is probable that this payment will be required. €145,000 represents the fair value of this obligation.

Assets acquired and liabilities assumed at the date of acquisition

	Chef in a Box Limited €'000	Solanex Limited €'000	Donra Dairies Limited €'000	Total €'000
Current assets				
Cash and & cash equivalents	-	-	333	333
Trade and other receivables	568	2	295	865
Inventories	49	-	-	49
Non-current assets				
Intangible assets	-	39	-	39
Plant and equipment	38	3	-	41
Current liabilities				
Trade and other payables	(251)	(32)	(740)	(1,023)
Bank overdraft	(49)	-	-	(49)
Non-current liabilities				
Other liabilities	(160)	-	-	(160)
Total net assets/(liabilities)	362	13	(112)	263

Non-controlling interests
The non-controlling interest (15%) in Solanex Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to net assets of €2,000.

Goodwill arising on acquisition

	Chef in a Box Limited €'000	Solanex Limited €'000	Donra Dairies Limited €'000	Total €'000
Consideration transferred	566	75	-	641
Non-controlling interests	-	2	-	2
Interest previously acquired			(60)	(60)
Less: fair value of identifi-able net assets acquired	(362)	(13)	112	(263)
Goodwill arising on acquisition	204	64	52	320

Goodwill arose in the acquisition of Chef in a Box Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Chef in a Box Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group also acquired the customer lists and customer relationships of Solanex Limited and Donra Dairies Limited as part of the acquisitions. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Year ended 31/12/09 €'000	Year ended 31/12/08 €'000
Consideration paid in cash	496	-
Less: cash and cash equivalent balances acquired	(284)	-
	212	-

Impact of acquisitions on the results of the Group
Included in the profit for the year is €14,000 attributable to the additional business generated by Chef in a Box Limited, a loss of €43,000 attributable to Solanex Limited and a loss of €63,000 attributable to Donra Dairies Limited. Revenue for the period includes €996,000 in respect of Chef in a Box Limited, €3,000 in respect of Solanex Limited and €651,000 in respect of Donra Dairies Limited.

Had these business combinations been effected at 1 January 2009, the revenue of the Group from continuing operations would have been €2,590,000 and the profit for the year from continuing operations would have been €178,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Chef in a Box Limited and Solanex Limited been acquired at the beginning of the current reporting period, the directors have:

- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- excluded disposal costs of the acquiree as a one-off pre-acquisition transaction.

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29. Operating leases

Leases as lessor

The future minimum lease payments under non-cancellable leases are as follows:

	2009 €'000	2008 €'000
Less than one year	549	454
Between one and five years	1,218	67
	1,767	1,133

During the year ended 31 December 2009 €1,012,000 was recognised as rental income in the income statement (2008: €1,004,000). Expense charges against this income was as follows: maintenance costs €54,000 (2008: €22,000), management expenses €184,000 (2008: €345,000) and depreciation €175,000 (2008: €148,000).

The Group and Company had no operating lease commitments as leasee at 31 December 2009 (2008: €Nil).

30. Capital commitments

At the year end there were no capital commitments authorised by the Directors and not provided for in the financial statements (2008: €Nil).

31. Contingencies

Group and Company

Under agreements between the Group and the Industrial Development Authority, capital grants up to a maximum of €730,000 (2008: €730,000) could be become repayable in certain circumstances as set out in the agreements.

32. Related parties

Parent and ultimate controlling party

The Parent and Ultimate controlling party of the Group is Donegal Creameries Plc.

Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined contribution plan on their behalf.

Executive officers also participate in the Group's share option programme see note 25.

Key management personnel compensation comprised:

	2009 €'000	2008 €'000
Short-term employee benefits	526,837	520,031
Post-employment benefits	68,741	75,105
Share-based payments	34,172	55,790
	629,750	650,926

Key management personnel and director transactions

Directors of the Company control 5.2 percent of the voting shares of the Company.

From time to time directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

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 €1,121,224 (2008: €1,428,237) and €526,813 (2008: €776,149), respectively.

Related party transactions - Group

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Sale of goods and services				
Sales by Group to directors	527	776	74	106
Purchases by Group from directors	(1,121)	(1,428)	(189)	(86)
By parent to associates	20	1,453	328	476

Other related party transactions - Company

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Sale of goods and services				
Sales by parent to directors	397	539	52	54
By parent to subsidiaries	1,287	461	10,935	10,500
Parent from subsidiaries	(2,594)	(2,634)	(22,380)	(29,976)
By parent to associates	20	1,453	20	453

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

Notes to the consolidated financial statements
continued

33. Group entities

Subsidiaries

	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Glenveagh Agricultural Co-Operative Society Limited.	Ireland	100	100
Robert Smyth & Sons (Strabane & Donegal) Limited	Ireland	100	100
Donegal Dairy Products Limited	Ireland	100	100
Asian Paneer Limited (through Donegal Dairy Products Limited)	Ireland	75	75
North Donegal Co-Operative Enterprises limited	Ireland	55.6	55.6
Zopitar Limited (previously Oatfield Confectionery Limited)	Ireland	83	83
Crest Securities Limited	Ireland	100	100
Ramelton Road Property Developments Limited	Ireland	100	100
Letterkenny Student Residences Partnership	Ireland	100	100
Milburn Dairy Limited	Ireland	100	100
Irish Potato Marketing Limited	Ireland	100	100
Donegal Potatoes Limited	Ireland	100	100
The Different Dairy Company Limited	Ireland	100	100
Maybrook Dairy (Omagh) Limited	Northern Ireland	100	100
Mc Corkell Holdings Limited	Northern Ireland	75	75
Maybrook Dairy Limited	Northern Ireland	100	100
Euro-Agri Limited	Northern Ireland	100	100
Estuary Trading Limited	Northern Ireland	100	100
IPM Perth Limited	UK	100	100
IPM Holland B.V.	Holland	100	100
MPCO Limited	Ireland	100	100
High Meadow Patents Limited	Ireland	100	100
An Grianan Grain Company Limited	Ireland	100	100
Aisheco Limited	Ireland	100	100
Donra Dairies Limited	Ireland	100	50
Chef in a Box Limited	UK	100	-
Solanex Limited	Brazil	85	-
Associated undertakings:			
Monaghan Middlebrook Mushrooms Limited	Ireland	35	35
North Western Livestock Holdings Limited	Ireland	22.4	22.4
Leapgrange Limited	Ireland	42.7	42.7

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act 1986, whereby they will annex the financial statements of Donegal Creameries plc to their annual returns: Robert Smyth & Sons (Strabane & Donegal) Limited, Crest Securities Limited, Ramelton Road Property Developments Limited, Milburn Dairy Limited, Irish Potato Marketing Limited, The Different Dairy Company Limited, MPCO Limited, High Meadow Patents Limited, Aisheco Limited, Donra Dairies Limited and An Grianan Grain Company Limited.

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