Donegal Creameries plc
Annual Report and Financial Statements 2008

Donegal Creameries Plc has three main divisions making up its business; Dairy, Agribusiness and Property. It has operations in Ireland, the U.K. and Holland. Its Dairy business is centred on fresh milk in the north west of Ireland with processing at Killygordon in Donegal. Its Agribusiness includes the manufacture of compound animal feeds and the development, growing and sale of seed potatoes to over thirty countries. It has significant property assets including The Grianan Estate, one of the largest farms in Ireland and other properties in Donegal, Sligo and the U.K.

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Financial Highlights

Turnover	Operating profit	Profit before tax
€129.9m	€5.8m	€0.7m
2007: €125.6m	2007: €9.3m	2007: €15.0m

Taxation	(Loss)/profit after tax	Operating Cash Flow before interest and tax
€0.9m	(€0.1m)	€5.5m
2007: €2.7m	2007: €11.2m	2007: €2.0m

Adjusted earnings per share*	Dividend per share	Investment property valuation
46.1 cents	16 cents	€41.7m
2007: 56.9cents	2007: 15.5cents	2007: €36.9m

*Earnings Per Share from Continuing Operations before impact of revaluations of investment properties and CGT rate change

Directors & Other Information

Board of Directors

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

Executive Directors

1. **Ian Ireland** (Managing Director), BSC, MBA (aged 47) 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.

2. **John Mc Dermott** (Finance Director and Company Secretary), (aged 44) 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.

Non-executive Directors

3. **Geoffrey Vance** (aged 57) 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.

4. **Ivan Grier** (aged 64) 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.

5. **Francis Devenney** (aged 62) 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.

6. **Matt McNulty** (aged 63) 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 N. 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.

7. **Charles Tindal** (aged 72) 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 Ltd.

8. **Patrick Kelly Jnr** (aged 36) 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.

9. **Norman Witherow** (aged 56) 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.

10. **Marshall Robinson** (aged 53) 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.

11. **Lexie Tinney** (aged 70), 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. He is a council member of ICOS.

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

Chairman's Statement

Donegal Creameries plc (the "Group") announces its financial results for the year ended 31 December 2008. These results are prepared by Donegal Creameries Plc under International Financial Reporting Standards, as adopted by the EU.

In 2008, the Group delivered a solid performance in very challenging times. The decline in the global dairy market has had a significant impact on the Group's dairy division. The painful downside of volatility is being felt by producer and processor alike. This, however, was partly offset by a solid performance from our liquid milk business.

Turnover from continuing operations increased by 3.4% from €125.6 million to €129.9 million. Profits from operating activities were €5.8 million, down from €9.3 million in 2007 and include €1.1 million of revaluation gains on investment property (2007: €3.2 million). Underlying profits were €4.7 million down from €6.1 million in 2007 mainly due to dairy commodity prices and less activity in the property market. The agribusiness division again performed well with our seed potato business continuing to flourish and our recently established garden centres making a useful contribution.

Our expansion into organic foods continued with further conversion of lands at An Grianan estate together with increased organic activities at Donegal Potatoes Ltd. The Group also invested in additional resources to drive this strategy.

Agribusiness division again performed well with our seed potato business continuing to flourish

Despite the challenges faced in 2008 and the current economic climate the Group balance sheet remains strong and we are confident that over the next few years the Group will continue to deliver value for its shareholders.

Basic loss per share was 0.9 cent (2007: Basic earnings of 109.8 cents) but this key measure was primarily impacted in both years by the revaluation of an investment property in an associate company. Underlying earnings per share from continuing activities before the impact of revaluations of investment properties and a deferred tax rate change was 46.1 cents (2007: 56.9 cents).

Dividend

The directors are recommending a final dividend of 9 cent per share. If approved, this dividend will be paid on 28 August 2009 to those shareholders on the register on 7 August 2009. This will bring the total dividend in respect of the financial year to 16 cent per share, an increase of 3% on the 2007 dividend.

AGM

The company's AGM will take place in the Mount Errigal Hotel, Letterkenny, Co. Donegal at 11.30am on Thursday, 2 July 2009.

I would like to compliment senior management and all staff on achieving a good year's result in 2008 despite the tough business environment.

Geoffrey Vance
Chairman

Managing Director's Review

The key aspects of the 2008 results included the deterioration in global dairy markets, continued progress in our seed potato business, a solid performance in the added value Ennis Foods business and further progress in building an organic foods platform for the future.

Turnover was up 3.4% to €129.9 million and operating profit for the year was €5.8 million. The loss for the period after tax was €115,000 down from a profit of €11.2 million in 2007. The Group's share of the revaluation of an associate property has had a significant impact on our results for both 2007 and 2008 which I have detailed in the Property Development and Investments commentary below.

Dairy Division

Turnover in the Dairy Division was down by 5% to €56.3 million. This was due to the significant decline in the value of dairy commodities. The volume of milk collected was 127.2 million litres, slightly down on the volume in 2007 of 128.8 million litres. Ennis Foods delivered excellent growth of 18% following a refocused launch with retailers in the UK and an increased presence in the airline sector. The liquid milk business delivered a solid performance for the full year. However, in the last quarter of 2008 the weakness of sterling impacted sales as consumers moved to shop in Northern Ireland. During the year significant work was done in R&D and consumer understanding to deliver a robust plan to launch a range of value added dairy products built on the concept of organic and provenance. We expect to bring new products to market in the next 12 months.

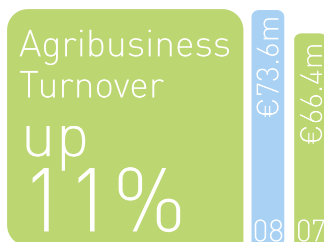
A solid performance from our liquid milk business

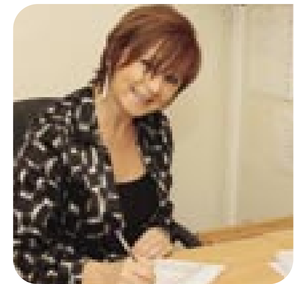
Ennis Foods growth of 18%

Agribusiness Division

Turnover in the Agribusiness Division was up 11% to €73.6 million. This was driven by a combination of increased commodity prices on animal feeds and good volume growth in our seed potato business, Irish Potato Marketing. The retail stores business performed well and during the year there was significant investment in systems to improve range and availability. The animal feed business delivered a solid performance for the year. However, competition in the North West due to the weakness in sterling became an issue in the last quarter. Donegal Potatoes commenced the packing and sales of organic vegetables late in 2007 and this business has performed ahead of target. Irish Potato Marketing delivered a good performance in a challenging year for seed potato growers, particularly given the significant swing in currency which materialised in the final quarter. Sales volume in the year increased to 40,000 tonnes and a strong platform is being created to develop this business in our global markets with our exclusive varieties. During the year Irish Potato Marketing relocated to its new head office in Dublin.

Managing Director's Review Continued





Property Development and Investments

In compliance with IFRS reporting standards all investment properties have been independently revalued as at the 31 December 2008, including properties held by associates. The revaluation of development lands in North Western Livestock Holdings Limited resulted in a loss to the Group of €4.7 million. Shareholders will be aware that the 2007 revaluation of this property delivered a gain to the Group of €5.2 million. Both these revaluations impacted the income statement of the relevant years and understanding their effect is important in making comparisons year on year.

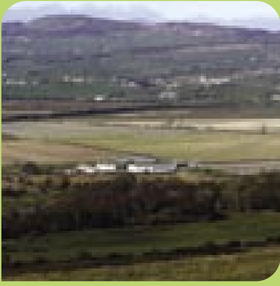
With regard to valuations of investment property held by the Group there was a gain of €1.1 million due mainly to planning approval and rental potential achieved in 2008. We are very aware of the downturn in the property market, however, we remain fully confident that our property assets will deliver value to shareholders. A significant percentage of our property portfolio is agricultural and it will continue to deliver rental income. Other properties were acquired in the past number of years to either deliver value in the longer term or improve access and the value potential of our existing portfolio. In December, planning was approved for a future development on our Ballyraine site. No decision has yet been made as to how to proceed due to the current economic climate.

Others

The Group has a 35% shareholding in Monaghan Middlebrook Mushrooms Limited. In 2008, the business performed well and consolidated its position in its markets. The management of Monaghan Middlebrook Mushrooms have done an excellent job in positioning the company amongst the most efficient producers of mushrooms in Europe and is now seeking further growth opportunities.

Finance

The Group has committed bank facilities of €35.5 million with €8.8 million of the facilities undrawn at year end. This position reflects the successful renewal of our bank facilities in December 2008. Interest charges were €1.7 million (2007: €0.9m). In the last three years the Group has invested €3.5 million in associates, €9 million in strategic properties and funded increases in working capital which have been created by a growing business and significant increases in the price of key inputs including grain and dairy. We are now in a different phase of the commodity cycle and, as a consequence, expect borrowings to come down prior to further acquisitions or new investments.



Our expansion into organic foods continued with further conversion of lands at An Grianan estate together with increased organic activities at Donegal Potatoes Ltd.

Managing Director's Review Continued

Outlook

The economic climate and outlook have changed significantly in the last 12 months and the Group has adapted to meet these new challenges. In the short term, we have to deal with the impact of weak sterling on retail sales in Donegal for both dairy and agri-inputs and a weakening global economy. However, our three main strategies as outlined in 2007 remain valid and will be the future focus to create value for shareholders. Food and Agribusiness will be very resilient as markets come to terms with the current global dynamic and, while the Group has short term challenges which will impact on performance and results, we are confident that over the next few years we will develop good sustainable business and continue to deliver value to shareholders.

In conclusion, I would again like to thank all stakeholders in Donegal Creameries for their support and, in particular, I would like to thank our staff and my board and management colleagues.

Ian Ireland
Managing Director

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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 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 increased by 3.4% to €129.9 million (2007: €125.6 million). The Chairman's Statement and Managing Director's review include a comprehensive review of the group's businesses.

Results from operating activities were €5.8 million down from €9.3 million in 2007. Profit before tax reduced from €15 million to €0.7 million mainly due to the revaluation of investment properties in both the Group and associated companies. Earnings per share are a loss of 0.9 cents down from a gain of 109.8 cent in 2007, again mainly due to the revaluation of property in an associate company.

The group achieved operating cash flows of €3.0 million compared to €54,000 in 2007. After investing an additional €2.4 million in investment property and €4.0 million on capital expenditure, net debt increased by €5.9 million. Net debt at 31 December 2008 stood at €26.7 million compared to shareholders funds of €61.7 million.

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

KPI	2008 €	2007 €
Profit from operating activities	**5.8 million**	9.3 million
Profit before tax	**0.7 million**	15.0 million
Net increase/(decrease) in cash & overdrafts	**0.1 million**	(3.2) million
Net debt (including overdrafts)	**26.7 million**	20.8 million
Net assets	**61.7 million**	67.3 million

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:

- 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

Loss for the financial year amounted to €0.1 million (2007: profit of €11.2 million). An interim dividend of 7.0 cents per share was paid on 5 December 2008.

The results for the financial year ended 31 December 2008 are set out in detail on pages 23 to 75.

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 2008, 143,835 ordinary shares of 13 cents each were held as treasury shares by Donegal Creameries plc. This represented 1.4% of the called up share capital of the company. There were 36,007 shares purchased in February 2008 at a cost of €219,284. 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 page 10.

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 24 April 2009 are listed on page 2.

On 13 October 2008, Anthony Hanlon resigned from the Board and as a company secretary. On the same date, John Mc Dermott was appointed to the Board and as company secretary.

Lexie Tinney, Francis Devenney and Norman Witherow retire by rotation and have been chosen at the area electoral meetings for re-election as directors 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 their corporate governance policy is based.

The Board has reviewed the 2006 Combined Code and it is group policy to apply all of the relevant main and supporting principles of good governance in the 2006 Combined Code.

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

The Board

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

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' report *(continued)*

Directors and Directors' Independence
All appointments to the Board are approved by the Nomination Committee. 8 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, 2 executive directors and 8 non-executive directors. The names of the directors together with their biographical details are set out on page 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 2006 Combined Code requires the Chairman to hold meetings with the non-executive directors without the executive directors being present. Procedures in this regard were formalised during the year and it is the intention to hold such meetings 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 2006 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 9 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 Devenney and Marshall Robinson.

Performance evaluation
During the year the Board formalised a process for the annual evaluation of the performance of the Board, its principal Committees, and individual directors in line with the requirements of the 2006 Combined Code.

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

Information

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

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

Relations with shareholders

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

Internal Control

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

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

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2008, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditors on matters identified in the course of its statutory audit work.

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

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

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

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

The audit committee, a formally constituted sub-committee of the Board, meets on a regular basis with the external auditors 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.
11 Board meetings were held during the year ended 31 December 2008 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Geoffrey Vance	11	11
Ian Ireland	11	10
Francis Devenney	11	10
Ivan Grier	11	11
John Mc Dermott	3	3
Patrick Kelly Jnr	11	10
Matt McNulty	11	10
Marshall Robinson	11	11
Charles Tindal	11	8
Lexie Tinney	11	10
Norman Witherow	11	11
Anthony Hanlon	9	8

5 meetings of the Remuneration Committee were held during the year ended 31 December 2008 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Ivan Grier	5	5
Matt McNulty	5	5
Lexie Tinney	5	4

6 meetings of the Audit Committee were held during the year ended 31 December 2008 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	5
Norman Witherow	6	6

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 Managing Director;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to act, on behalf of the Board, and take 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 20.

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 2008. 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.

Audit committee (continued)

In 2008 the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2007, 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 auditors;
- considered the external auditors' plan for the annual audit of the Group's financial statements for 2008.
- 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 and trade with the Group on normal business terms.

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 23 April 2009, the company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Goodbody Stockbrokers Nominees Ltd	437,794	4.25%
Bank of Ireland Nominees Ltd	412,657	4.00%
Bank of New York Custodial Nominee (Ire) Ltd	354,100	3.44%

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, have expressed their willingness to be re-appointed in accordance with section 160(2) of the Companies Act, 1963.

Tax status

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

Group companies

Information relating to subsidiary and associated undertakings is included in note 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 2 July 2009. 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 Director

Ian Ireland Director

23 April 2009

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, company 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. 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 details of directors' pensions are set out on page 20.

Pensions

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

Executive directors

Ian Ireland, Anthony Hanlon and John Mc Dermott were the only executive directors in place during the year.

	2008 €	2007 €
Salaries and benefits		
Basic salary	**408,650**	383,000
Benefits (1)	**41,381**	35,739
	450,031	418,739
Performance related		
Annual incentives (2)	**70,000**	167,500
Pension charge (3)	**75,105**	70,600
Total executive directors' remuneration	**595,136**	656,839
Average number of executive directors	**2**	2
Average annual basic salary per executive director	**204,325**	191,500

Share options granted to Anthony Hanlon lapsed on his resignation during the year. No new options were granted during the year. See below and note 25 of the financial statements.

Non executive directors	**2008 €**	2007 €
Fees and other emoluments		
Fees (4)	**170,531**	152,110
Other emoluments and benefits	**2,000**	2,000
	172,531	154,110
Other remuneration	**-**	-
	172,531	154,110
Total non-executive directors' remuneration	**172,531**	154,110
Average number of non-executive directors	**9**	9
Total directors' remuneration	**791,558**	870,949

In addition, a charge of €87,000 (2007: €91,000) has been recognised with respect to share options granted to executive directors.

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 2008 (2007: Nine).

Report of the remuneration committee *(continued)*

	Basic salary €	Incentive Bonus €	Benefits €	Pension & other related costs €	2008 Total €	2007 Total €
Executive directors						
I Ireland	276,150	70,000	23,694	55,230	**425,074**	469,484
J Mc Dermott	27,500	-	3,263	4,125	**34,888**	-
A Hanlon	105,000	-	14,424	15,750	**135,174**	187,355
	408,650	70,000	41,381	75,105	**595,136**	656,839

	Basic salary €	Fees €	Incentive Bonus €	Benefits €	Pension & other related costs €	2008 Total €	2007 Total €
Non-executive directors							
G Vance	-	45,203	-	-	-	**45,203**	42,025
L Tinney	-	15,806	-	2,000	-	**17,806**	14,600
M McNulty	-	19,846	-	-	-	**19,846**	17,205
N Witherow	-	15,215	-	-	-	**15,215**	14,130
F Devenney	-	13,892	-	-	-	**13,892**	12,600
I Grier	-	15,806	-	-	-	**15,806**	12,800
C Tindal	-	14,333	-	-	-	**14,333**	12,800
M Robinson	-	13,892	-	-	-	**13,892**	12,600
P Kelly Jnr	-	16,538	-	-	-	**16,538**	15,350
	-	170,531	-	2,000	-	**172,531**	154,110

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2007	Granted in 2008	Lapsed in 2008	31 December 2008	Option price
I Ireland	180,000	-	-	180,000	4.78
A Hanlon	30,000	-	(30,000)	-	-
	210,000	-	(30,000)	180,000	4.78

30,000 options lapsed during the year. The market price of the company's shares at 31 December 2008 was €2.71 (2007: €6.30) and the range during 2008 was €2.71 to €6.44 (2007: €4.70 to €7.16). See note 25 of the financial statements for further information in this regard.

These options may only be exercised between May 2009 and May 2014.

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2008 in the ordinary shares of the company at 31 December 2007 (or date of appointment, if later) and 31 December 2008 are set out below:

	31 December 2008	31 December 2007
Directors:		
G Vance	**171,939**	171,939
I Ireland	**58,682**	48,682
F Devenney	**49,853**	44,853
I Grier	**45,243**	45,243
J Mc Dermott (appointed 13 October 2008)	**1,500**	-
P Kelly Jnr	**2,401**	2,401
M McNulty	**19,000**	17,590
M Robinson	**24,417**	24,417
C Tindal	**30,974**	30,974
L Tinney	**95,812**	95,812
N Witherow	**37,221**	37,221

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 parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent 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 parent company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2006 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. The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the Group and parent 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 parent 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 parent company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. 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 dis-semination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

23 April 2009

Independent auditor's report

to the members of Donegal Creameries plc

We have audited the Group and parent company financial statements ("financial statements") of Donegal Creameries Plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statement, the Group and Parent Company Statement of Recognised Income and Expense 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 21.

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 2006. 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 parent 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 2008 and of its loss for the year then ended;
- the parent 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 2006, of the state of the parent company's affairs as at 31 December 2008; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006.

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 balance sheet 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 2008 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

23 April 2009

Consolidated income statement

for the year ended 31 December 2008

	Note	**2008 €'000**	2007 €'000
Continuing operations			
Revenue	6	**129,873**	125,621
Cost of sales		**(106,885)**	(103,384)
Gross profit		**22,988**	22,237
Other income	7	**1,922**	3,698
Distribution expenses		**(9,956)**	(9,702)
Administrative expenses		**(9,157)**	(6,950)
Profit from operating activities	6	**5,797**	9,283
Finance income		**886**	1,176
Finance expenses		**(2,372)**	(1,896)
Net finance expense	10	**(1,486)**	(720)
Share of (loss)/profit of associates	15	**(3,572)**	6,431
Profit before income tax		**739**	14,994
Income tax expense	11	**(854)**	(2,651)
(Loss)/profit from continuing operations		**(115)**	12,343
Discontinued operation			
Loss from discontinued operation (net of income tax)	28	**-**	(1,175)
(Loss)/profit for the period		**(115)**	11,168
Attributable to:			
Equity holders of the Company		**(88)**	11,178
Minority interest		**(27)**	(10)
(Loss)/profit for the period		**(115)**	11,168
(Loss)/earnings per share			
Basic (loss)/earnings per share (euro)	22	**(.9c)**	109.8c
Diluted (loss)/earnings per share (euro)	22	**(.8c)**	106.8c
Continuing operations			
Basic (loss)/earnings per share (euro)	22	**(.9c)**	121.4c
Diluted (loss)/earnings per share (euro)	22	**(.8c)**	118.1c

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of recognised income and expense

for the year ended 31 December 2008

	Note	**2008 €'000**	2007 €'000
Foreign currency translation differences for foreign operations		**(2,769)**	(529)
Currency translation adjustment in associate undertaking		**(372)**	-
Revaluation of property, plant and equipment	12	**1,407**	2,947
Net change in fair value of available-for-sale financial assets	16	**(344)**	539
Defined benefit plan actuarial losses	24	**(1,190)**	(219)
Tax on income and expense recognised directly in equity	17	**(361)**	(700)
Income and expense recognised directly in equity		**(3,629)**	2,038
(Loss)/profit for the period		**(115)**	11,168
Total recognised income and expense for the period	21	**(3,744)**	13,206
Attributable to:			
Equity holders of the Company	21	**(3,597)**	12,697
Minority interest	21	**(147)**	509
Total recognised income and expense for the period		**(3,744)**	13,206

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of recognised income and expense

for the year ended 31 December 2008

	Note	**2008 €'000**	2007 €'000
Revaluation of property plant and equipment		**1,111**	-
Net change in fair value of available-for-sale financial assets		**(7)**	-
Defined benefit plan actuarial losses		**(1,190)**	(227)
Tax on income and expense recognised directly in equity	17	**(175)**	28
Income and expense recognised directly in equity		**(261)**	(199)
Profit for the period		**2,249**	2,187
Total recognised income and expense for the period	21	**1,988**	1,988

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated balance sheet

As at 31 December 2008

	Note	2008 €'000	2007 €'000
Assets			
Property, plant and equipment	12	**16,208**	15,592
Investment property	14	**41,758**	36,929
Goodwill	13	**1,876**	1,876
Intangible assets	13	**393**	33
Investment in associates	15	**11,800**	16,020
Other investments	16	**3,266**	3,653
Prepayment	19	**196**	197
Total non-current assets		**75,497**	74,300
Inventories	18	**10,499**	8,527
Trade and other receivables	19	**29,241**	31,319
Total current assets		**39,740**	39,846
Total assets		**115,237**	114,146
Equity			
Share capital	21	**1,337**	1,337
Share premium	21	**2,975**	2,975
Other reserves	21	**1,691**	3,501
Retained earnings	21	**54,810**	58,353
Total equity attributable to equity holders of the Company		**60,813**	66,166
Minority interest	21	**928**	1,101
Total equity		**61,741**	67,267
Liabilities			
Loans and borrowings	23	**20,154**	15,570
Trade and other payables	26	**303**	308
Employee benefits	24	**1,073**	-
Deferred tax liabilities	17	**6,681**	5,860
Total non-current liabilities		**28,211**	21,738
Trade and other payables	26	**21,367**	22,295
Loans and borrowings	23	**3,918**	2,530
Current tax		**-**	316
Total current liabilities		**25,285**	25,141
Total liabilities		**53,496**	46,879
Total equity and liabilities		**115,237**	114,146

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company balance sheet

As at 31 December 2008

	Note	2008 €'000	2007 €'000
Assets			
Property, plant and equipment	12	**2,046**	2,148
Investment property	14	**35,860**	32,537
Intangible assets	13	**262**	-
Investment in associates	15	**9,494**	9,769
Other investments	16	**5,079**	5,567
Total non-current assets		**52,741**	50,021
Inventories	18	**3,750**	2,463
Trade and other receivables	19	**18,066**	16,026
Cash and cash equivalents	20	**7,446**	8,868
Total current assets		**29,262**	27,357
Total assets		**82,003**	77,378
Equity			
Share capital	21	**1,337**	1,337
Share premium	21	**2,975**	2,975
Revaluation reserve	21	**155**	155
Share option reserve	21	**206**	119
Other reserves	21	**(159)**	60
Retained earnings	21	**14,391**	14,027
Total equity		**18,905**	18,673
Liabilities			
Loans and borrowings	23	**20,142**	15,515
Trade and other payables	26	**303**	308
Employee benefits	24	**1,073**	-
Deferred tax liabilities	17	**4,660**	3,786
Total non-current liabilities		**26,178**	19,609
Trade and other payables	26	**33,052**	36,598
Loans and borrowings	23	**3,868**	2,467
Current tax		**-**	31
Total current liabilities		**36,920**	39,096
Total liabilities		**63,098**	58,705
Total equity and liabilities		**82,003**	77,378

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of cash flows

for the year ended 31 December 2008

	Note	2008 €'000	2007 €'000
Cash flows from operating activities			
(Loss)/profit for the period		**(115)**	11,168
Adjustments for:			
Depreciation	12	**2,304**	2,401
Amortisation of intangibles	13	**41**	7
Non-cash pension settlement gain		**-**	(299)
Change in fair value of investment property	14	**(1,146)**	(3,172)
Defined benefit pension charge		**192**	444
Net finance expense		**1,486**	713
Share of loss/(profit) of associates	15	**3,572**	(6,431)
Gain on sale of property, plant and equipment	7	**(28)**	(171)
Gain from sale of discontinued operation, net of income tax		**-**	1,159
Equity-settled share-based payment transactions	25	**87**	91
Income tax expense	11	**854**	2,651
Change in inventories		**(2,190)**	(1,697)
Change in trade and other receivables		**(614)**	(4,276)
Change in trade and other payables		**1,327**	2,005
Change in provisions	24	**-**	(1,629)
		5,770	2,964
Interest paid		**(1,695)**	(920)
Defined benefit pension contributions paid		**(255)**	(944)
Income tax paid		**(778)**	(1,046)
Net cash from operating activities		**3,042**	54
Cash flows from investing activities			
Interest received		**168**	90
Dividends received		**3**	6
Proceeds from sale of property, plant and equipment		**149**	307
Proceeds from sale of investment property		**331**	782
Proceeds from sale of share in associate	15	**-**	250
Proceeds from repayment of loan stock in associate	15	**645**	333
Acquisition of minority interest	7	**-**	(412)
Disposal of discontinued operation, net of cash disposed of	7	**-**	1,516
Investment in associate	15	**(671)**	(2,650)
Acquisition of property, plant and equipment		**(3,673)**	(1,448)
Acquisition of intangibles		**(280)**	(4)
Acquisition of investment property	14	**(2,394)**	(2,342)
Purchase of own shares		**(219)**	-
Acquisition of other investments	16	**(2)**	(550)
Net cash used in investing activities		**(5,943)**	(4,122)
Cash flows from financing activities			
Drawdown of borrowings		**7,268**	3,834
Repayment of borrowings		**(1,240)**	(1,240)
Payment of finance lease liabilities		**(56)**	(62)
Dividend paid to minority interest	21	**(26)**	(34)
Dividends paid	21	**(1,624)**	(1,476)
Net cash from financing activities		**4,322**	1,022
Net increase/(decrease) in cash and cash equivalents		**1,421**	(3,046)
Cash and cash equivalents at 1 January		**(2,743)**	441
Effect of exchange rate fluctuations on cash held		**(1,333)**	(138)
Cash and cash equivalents at 31 December	20	**(2,655)**	(2,743)

The notes on pages 30 to 75 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 December

	Note	2008 €'000	2007 €'000
Cash flows from operating activities			
Profit for the period		**2,249**	2,187
Adjustments for:			
Depreciation	12	**341**	302
Amortisation	13	**18**	-
Loss on sale of subsidiary		**-**	2,417
Release of provision		**-**	(681)
Change in fair value of investment property	14	**(2,354)**	(3,172)
Net finance (income)/expense		**1,836**	(1,803)
Gain on sale of property, plant and equipment		**(150)**	(146)
Equity-settled share-based payment transactions	25	**87**	91
Income tax expense		**729**	1,976
Defined benefit pension scheme change		**192**	-
Change in inventories		**(1,287)**	(84)
Change in trade and other receivables		**(1,997)**	631
Change in trade and other payables		**(3,536)**	338
Provision utilised during period		**-**	(842)
		(3,872)	1,214
Interest paid		**(1,716)**	(880)
Defined benefit pension scheme contribution		**(255)**	-
Income tax paid		**(107)**	(676)
Net cash out flow from operating activities		**(5,950)**	(342)
Cash flows from investing activities			
Interest received		**34**	9
Dividend received		**563**	364
Proceeds from sale of property, plant and equipment		**266**	196
Proceeds from sale of investment property		**331**	782
Disposal of subsidiary		**-**	1,754
Proceeds from sale of share in associate	15	**-**	250
Proceeds from repayment of loan in associate	15	**645**	333
Acquisition of associate		**(671)**	(2,650)
Acquisition of property, plant and equipment		**(544)**	(416)
Acquisition of intangibles	13	**(280)**	-
Acquisition of investment property	14	**-**	(1,200)
Acquisition of available for sale financial assets	16	**(1)**	(76)
Purchase of own shares		**(219)**	-
Acquisition of subsidiary	16	**-**	(816)
Additional investment in subsidiary	16	**-**	(412)
Net cash from/(used in) investing activities		**124**	(1,882)
Cash flows from financing activities			
Repayment of borrowings		**(1,240)**	(1,240)
Drawdown of borrowings		**7,268**	3,834
Dividends paid	21	**(1,624)**	(1,476)
Net cash from financing activities		**4,404**	1,118
Net decrease in cash and cash equivalents		**(1,422)**	(1,106)
Cash and cash equivalents at 1 January		**8,868**	9,974
Cash and cash equivalents at 31 December	20	**7,446**	8,868

The notes on pages 30 to 75 are an integral part of these 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 2008 consolidate the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. 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 produce, the development and sale of agri-products and the development and sale of property.

The consolidated and Company financial statements were authorised for issuance on 23 April 2009.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2008 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 and as applied in accordance with the Companies Acts 1963 to 2006 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 Acts, 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 2008.

(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.

3. Significant accounting policies

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.

(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.

Notes *(continued)*
to the consolidated financial statements

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(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 recognised income and expenses.

(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. 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(l) .

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(g)), 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.

(iii) 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.

(d) 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(g)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs related to the acquisition of qualifying assets are recognised in profit and loss as incurred.

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 the future economic benefits embodied within the part 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.

(e) 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.

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.

Notes *(continued)*

to the consolidated financial statements

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

Notes *(continued)*
to the consolidated financial statements

3. Significant accounting policies (continued)

(k) 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.

(l) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale debt securities), dividend income, fair value gains on embedded derivatives, 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which be-comes mandatory for the Group’s 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate re-sources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). The Group are currently considering the impact of this standard on its financial reporting. This may result in the disclosure of segmental information at a level lower than that currently disclosed.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore, there will be no impact on prior periods in the Group’s 2009 consolidated financial statements.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group’s 2009 consolidated financial statements, is not expected to have any significant impact on the consolidated financial statements.
- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive in-come. Revised IAS 1, which becomes mandatory for the Group’s 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net as-sets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group’s 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.
- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group’s operations: – The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. – Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss. – Transaction costs, other than share and debt issue costs, will be expensed as incurred. – Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss. – Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which becomes mandatory for the Group’s 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group’s 2010 consolidated financial statements.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) 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.
- 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 in 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 2009 consolidated financial statements, with retrospective application. The amendments are not expected to have a significant effect on the Group’s consolidate financial statements.

Notes *(continued)*

to the 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 financial assets at fair value through profit or loss and 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 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 from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market 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.

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 components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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 2008 the Group had committed bank facilities of €35.5 million, including an overdraft facility of €11.5 million for working capital requirements. Total facilities undrawn at year end were €8.8 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 foreign exchange 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.

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5. Financial risk management (continued)

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.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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 €62 million at 31 December 2008 (2007: €64 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

The Group comprises the following main 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 of breakfast products.
- Agribusiness: The manufacture, sale and distribution of farm inputs including the development and sale of seed potatoes.
- Other operations: which include the development and sale of property assets and the activities of the Group's associate Monaghan Middlebrook Mushrooms Limited.

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.

6. Segment reporting (continued)

Group

	Dairy		Agribusiness		Discontinued		Other operations		Consolidated		Discontinued		Continuing Operations	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
External revenues	**56,296**	59,268	**73,573**	66,353	**-**	1,415	**4**	-	**129,873**	127,036	**-**	1,415	**129,873**	125,621
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Segment result	**1,780**	2,148	**3,114**	3,355	**-**	(23)	**903**	3,780	**5,797**	9,260	**-**	(23)	**5,797**	9,283
Share of results of associates							**(3,572)**	6,431	**(3,572)**	6,431	**-**	-	**(3,572)**	6,431
Net finance costs									**(1,486)**	(713)	**-**	7	**(1,486)**	(720)
Income tax expense									**(854)**	(2,651)	**-**	-	**(854)**	(2,651)
Loss on sale of discontinued operation (net of income tax)									**-**	(1,159)	**-**	(1,159)	**-**	-
(Loss)/profit for the period									**(115)**	11,168	**-**	(1,175)	**(115)**	12,343

	Dairy		Agri business		Discontinued		Other operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment assets	**16,414**	13,600	**41,980**	43,944	**-**	-	**41,777**	36,929	**100,171**	94,473
Other investments (unallocated)									**3,266**	3,751
Investment in associates									**11,800**	16,020
Total assets	**16,414**	13,600	**41,980**	43,944	**-**	-	**41,777**	36,929	**115,237**	114,244
Segment liabilities	**7,780**	5,985	**9,021**	14,289	**-**	-	**-**	-	**16,801**	20,274
Loans and borrowings (unallocated)									**30,014**	20,843
Deferred tax liability (unallocated)									**6,681**	5,860
	7,780	5,985	**9,021**	14,289	**-**	-	**-**	-	**53,496**	46,977
Capital expenditure	**950**	507	**3,004**	960	**-**	4	**-**	-	**3,954**	1,471
Depreciation and amortisation	**833**	901	**1,357**	1,332	**-**	44	**155**	124	**2,345**	2,401
Impairment losses on intangible assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-

Geographical segments

	Island of Ireland		Europe		Rest of World		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Revenue from external customers	**113,234**	108,078	**6,593**	7,158	**10,046**	10,385	**129,873**	125,621
Segment assets	**104,528**	100,906	**5,072**	4,818	**5,637**	8,520	**115,237**	114,244
Capital expenditure	**3,954**	1,471	**133**	-	**-**	-	**3,954**	1,471

Notes *(continued)*
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7. Other income

	2008 €'000	2007 €'000
Income from investment property rentals	**748**	309
Profit on disposal of property, plant and equipment	**28**	171
Gain on revaluation of investment property	**1,146**	3,172
Other	**-**	46
	1,922	3,698

8. Personnel expenses

Group

	2008 €'000	2007 €'000
Wages and salaries	**9,570**	9,565
Social welfare costs	**1,016**	975
Pension costs	**484**	361
Share option benefits	**87**	91
	11,157	10,992

Employees

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

	2008 Number	2007 Number
Production	**112**	106
Stores	**82**	91
Transport	**32**	31
Administration	**66**	74
	292	302

Company

	2008 €'000	2007 €'000
Wages and salaries	**2,723**	2,499
Social welfare costs	**297**	256
Pension costs	**163**	180
Share option benefits	**87**	91
	3,270	3,026

Employees

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

	2008 Number	2007 Number
Stores	**52**	45
Administration	**19**	23
	71	68

9. Statutory and other information

	2008 €'000	2007 €'000
Profit before taxation has been arrived at after charging/ (crediting):		
Depreciation	**2,304**	2,401
Auditor's remuneration	**112**	130
Amortisation of investments	**1**	-
Amortisation of intangible assets	**41**	7
Impairment of loan to associate	**481**	335
Impairment of available for sale investment	**45**	-

Amounts paid to directors are disclosed in the report of the remuneration committee on pages 18 to 20.

10. Finance income and expense

Recognised in profit or loss

	2008 €'000	2007 €'000
Interest income on bank deposits	**99**	98
Interest income on associate loan stock	**180**	-
Interest on convertible loan stock	**-**	10
Fair value gain on embedded derivative	**-**	117
Net foreign exchange gain	**290**	-
Expected rate of return on pension scheme assets	**214**	344
Dividends received	**3**	6
Interest charged on trade receivables	**66**	119
Reversal of impairment loss on trade receivables	**29**	482
Change in fair value of option granted over investments	**5**	-
Finance Income	**886**	1,176
Interest expense on bank loans and overdraft	**(1,685)**	(941)
Net foreign exchange loss	**-**	(36)
Impairment of loan to associate	**(481)**	(344)
Change in fair value of option granted over investments	**-**	(308)
Interest on pension scheme liabilities	**(161)**	(267)
Impairment of available for sale investment	**(45)**	-
Finance expense	**(2,372)**	(1,896)
Net finance expense recognised in profit or loss – continuing activities	**(1,486)**	(720)

Recognised directly in equity

	2008 €'000	2007 €'000
Foreign currency translation differences for foreign operations	**(2,769)**	(529)
Net change in fair value of available-for-sale financial assets	**(344)**	539
Income tax on finance income and expense recognised directly in equity	**28**	(135)
Finance expense recognised directly in equity, net of tax	**(3,085)**	(125)
Attributable to:		
Equity holders of the Company	**(3,085)**	(125)
Minority interest	**-**	-
Finance income recognised directly in equity, net of tax		
Recognised in:		
Fair value reserve	**(316)**	404
Translation reserve	**(2,769)**	(529)

Notes *(continued)*

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11. Income tax expense

	Note	2008 €'000	2007 €'000
Current tax expense			
Current period		**485**	864
Adjustment for prior periods		**(91)**	35
		394	899
Deferred tax expense			
Origination and reversal of temporary differences		**100**	1,752
Change in rate		**360**	-
		460	1,752
Income tax expense excluding share of income tax of associates		**854**	2,651
		854	2,651

Tax reconciliation	2008 €'000	2007 €'000
Profit for period before tax – continuing activities	**739**	14,994
Adjustment for share of loss/(profit) of associates	**3,572**	(6,431)
Profit for period before tax, excluding share of profit of associates	**4,311**	8,563
Tax at 12.5% (2007: 12.5%)	**539**	1,070
Depreciation in excess of capital allowances	**143**	345
Expenses not allowable for tax purposes	**355**	244
Investment property valuations not taxable	**-**	342
Passive income taxed at higher rate	**32**	108
Adjustment for capital gains tax	**29**	28
Deductions allowable for tax	**(286)**	(501)
Profit on sale of assets	**(58)**	140
Adjustment for prior periods	**(91)**	35
Capital gains tax on development land	**56**	82
Origination and reversal of temporary differences	**88**	735
Other adjustments	**47**	23
Total per accounts	**854**	2,651

Income tax recognised directly in equity	Note	2008 €'000	2007 €'000
Revaluation of property, plant and equipment before transfer to investment property		**538**	592
Available-for-sale financial assets		**(28)**	135
Actuarial gains and losses		**(149)**	(27)
Total income tax recognised directly in equity	17	**361**	700

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 2007		13,416	22,956	2,516	3,776	42,664
Additions		254	483	277	434	1,448
Revaluation on transfer to investment property		2,803	-	-	-	2,803
Transfer to investment property	14	(3,250)	-	-	-	(3,250)
Disposal of subsidiary		-	(4,890)	(219)	(309)	(5,418)
Disposals		(96)	(386)	(123)	(299)	(904)
Effect of movements in exchange rates		(90)	(87)	(24)	(15)	(216)
Balance at 31 December 2007		13,037	18,076	2,427	3,587	37,127
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**
Depreciation and impairment losses						
Balance at 1 January 2007		3,387	16,040	1,791	2,839	24,057
Depreciation for the year		404	1,355	260	382	2,401
Revaluation on transfer to investment property		(144)	-	-	-	(144)
Disposal of subsidiary		-	(3,410)	(190)	(288)	(3,888)
Disposals		(50)	(362)	(104)	(252)	(768)
Effect of movements in exchange rates		(15)	(77)	(21)	(10)	(123)
Balance at 31 December 2007		3,582	13,546	1,736	2,671	21,535
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**
Carrying amounts						
At 1 January 2007		10,029	6,916	725	937	18,607
At 31 December 2007		9,455	4,530	691	916	15,592
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**

Notes *(continued)*

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12. Property, plant and equipment (continued)

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 2008 the net carrying amount of leased plant and machinery was €62,000 (2007: €118,000). Depreciation on leased plant and machinery was €65,000 (2007: €36,000).

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.

In April 2007 the group disposed of the confectionery trade of Oatfield Confectionery Limited. The building owned by Oatfield Confectionery Limited was retained by the Group as an investment property and revalued by an independent firm of auctioneers to a market value of €3.25 million. This asset was reclassified as investment property.

Land assets

The carrying value of land not subject to depreciation at 31 December 2008 was €1.1 million (2007: €1.4 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 2007		2,563	494	1,391	551	4,999
Additions		208	8	160	40	416
Disposals		(90)	-	(21)	(3)	(114)
Balance at 31 December 2007		2,681	502	1,530	588	5,301
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**
Depreciation and impairment losses						
Balance at 1 January 2007		1,088	429	974	424	2,915
Depreciation for the year		105	15	128	54	302
Disposals		(50)	-	(11)	(3)	(64)
Balance at 31 December 2007		1,143	444	1,091	475	3,153
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**
Carrying amounts						
At 1 January 2007		1,475	65	417	127	2,084
At 31 December 2007		1,538	58	439	113	2,148
At 1 January 2008		1,538	58	439	113	2,148
At 31 December 2008		**1,316**	**67**	**506**	**157**	**2,046**

The carrying value of land not subject to depreciation at 31 December 2008 was €0.2 million (2007: €0.4 million). The company holds no finance leases (2007: Nil).

13. Intangible assets - Group

	Goodwill €'000	Software €'000	Total €'000
Cost			
Balance at 1 January 2007	3,058	19	3,077
Additions	-	23	23
Balance at 31 December 2007	3,058	42	3,100
Balance at 1 January 2008	3,058	42	3,100
Additions	-	401	401
Balance at 31 December 2008	**3,058**	**443**	**3,501**
Amortisation and impairment losses			
Balance at 1 January 2007	1,182	2	1,184
Amortisation for the year	-	7	7
Balance at 31 December 2007	1,182	9	1,191
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**
Carrying amounts			
At 1 January 2007	1,876	17	1,893
At 31 December 2007	1,876	33	1,909
At 1 January 2008	1,876	33	1,909
At 31 December 2008	**1,876**	**393**	**2,269**

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.

	2008		2007	
	Dairy	**Agribusiness**	Dairy	Agribusiness
Goodwill at 1 January	**876**	**1,000**	876	1,000
Impairment	**-**	**-**	-	-
Goodwill at 31 December	**876**	**1,000**	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.

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13. Intangible assets - Group (continued)

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 2009 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 2008 as a result of this review (2007: Nil).

Intangible assets - Company

	Software €'000
Cost	
Balance at 1 January 2007	-
Additions	-
Balance at 31 December 2007	-
Balance at 1 January 2008	-
Additions	280
Balance at 31 December 2008	**280**
Amortisation and impairment losses	
Balance at 1 January 2007	-
Amortisation for the year	-
Balance at 31 December 2007	-
Balance at 1 January 2008	-
Amortisation for the year	18
Balance at 31 December 2008	**18**
Carrying amounts	
At 1 January 2007	-
At 31 December 2007	-
At 1 January 2008	-
At 31 December 2008	**262**

14. Investment property

Group	Note	2008 €'000	2007 €'000
Balance at 1 January		**36,929**	28,947
Revaluation		**1,146**	3,172
Additions		**2,394**	2,342
Disposals		**(331)**	(782)
Reclassification from property, plant and equipment	12	**1,700**	3,250
Effect of movement in exchange rates		**(80)**	-
Balance at 31 December		**41,758**	36,929

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

Company	Note	2008 €'000	2007 €'000
Balance at 1 January		**32,537**	28,947
Revaluation		**2,354**	3,172
Additions		**-**	1,200
Disposals		**(331)**	(782)
Reclassification from property plant and equipment	12	**1,300**	-
Balance at 31 December		**35,860**	32,537

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	2%- 3%
Student residences	5%- 6%

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 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; the allocation of maintenance and insurance responsibilities between lessor and lessee; 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.

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15. Investment in associates

Group

The Group's share of after tax losses in its associates for the year were €3,945,000 (2007: share of profit of €6,431,000).

	2008 Interest in Associate €'000	**2008 Loans to Associate €'000**	**2008 Total €'000**	2007 Interest in Associate €'000	2007 Loans to Associate €'000	2007 Total €'000
Balance at 1 January	**11,290**	**4,730**	**16,020**	4,259	3,607	7,866
Share of (decrease)/increase in net assets after tax	**(3,945)**	**-**	**(3,945)**	6,431	-	6,431
Additions	**224**	**447**	**671**	850	1,800	2,650
Interest charged	**-**	**180**	**180**	-	-	-
Disposals	**-**	**-**	**-**	(250)	-	(250)
Repayment of loan stock in associate	**-**	**(645)**	**(645)**	-	(333)	(333)
Impairment	**-**	**(481)**	**(481)**	-	(344)	(344)
Balance at 31 December	**7,569**	**4,231**	**11,800**	11,290	4,730	16,020

In 2007, the Group acquired additional loan notes to the value of €1.8 million in Monaghan Middlebrook Mushrooms Limited bringing the total loan notes outstanding from the company to €3.5 million at 31 December 2007. These 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 2008 are included in the Group's interest in associates. The total loan notes and interest outstanding from the company at 31 December 2008 is €3.4 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 €303,000 is recognised in other payables 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 2008, the Group recognised an impairment of €481,000 (2007: €344,000) 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 expenses.

At 31 December 2008, land held as an investment property by an associated company was re-valued by an independent professional valuer, resulting in a impairment of €4.7 million attributable to the Group, which is included in the share of profit/loss of associate in the income statement.

On 20 February 2009, the Group acquired the remaining share capital of Donra Dairies Limited for a nominal sum bringing Group ownership to 100%.

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

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	-

2007	**Ownership**	**Total Assets €'000**	**Total liabilities €'000**	**Profit/ (loss) €'000**
Monaghan Middlebrook Mushrooms Limited	35.0%	65,299	51,494	4,302
North Western Livestock Holdings Limited	22.4%	36,092	9,238	23,155
Donra Dairies Limited	50.0%	769	758	-
Leapgrange Limited	42.7%	1,190	208	632

Company	**2008 Interest in Associate €'000**	**2008 Loans to Associate €'000**	**2008 Total €'000**	2007 Interest in Associate €'000	2007 Loans to Associate €'000	2007 Total €'000
Balance at 1 January	**5,039**	**4,730**	**9,769**	4,439	3,607	8,046
Additions	**224**	**447**	**671**	850	1,800	2,650
Interest Charged	**-**	**180**	**180**	-	-	-
Disposals	**-**	**-**	**-**	(250)	-	(250)
Repayment of loan stock in associate	**-**	**(645)**	**(645)**	-	(333)	(333)
Impairment	**-**	**(481)**	**(481)**	-	(344)	(344)
Balance at 31 December	**5,263**	**4,231**	**9,494**	5,039	4,730	9,769

The movement's in the company balance has been explained above.

16. Other investments

	2008 €'000	2007 €'000
Group		
Non-current investments		
Available-for-sale equity investments	**3,266**	3,653

Available-for-sale equity investments include €3,100,000 quoted shares (2007: €3,483,000), prize bonds held of €100,000 (2007: €100,000) and €66,000 unquoted shares (2007: €70,000). 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 €66,000 (2007: Nil) 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.

	2008 €'000	2007 €'000
Movement during the year		
Balance at 1 January	**3,653**	2,437
Investment income	**-**	10
Revaluation of available for sale financial assets	**(344)**	539
Impairment of available for sale financial assets	**(45)**	-
Fair value gain on embedded derivative	**-**	117
Additions	**2**	550
	3,266	3,653

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

Notes *(continued)*

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16. Other investments (continued)

	2008 €'000	2007 €'000
Company		
Non-current investments		
Available-for-sale financial assets	**186**	259
Investments in subsidiaries	**4,893**	5,308
	5,079	5,567

	2008 Available-for-sale investments €'000	**2008 Investments in subsidiaries €'000**	**2008 Total €'000**	2007 Available-for-sale investments €'000	2007 Investments in subsidiaries €'000	2007 Total €'000
Movement during the year						
Balance at 1 January	**259**	**5,308**	**5,567**	183	5,095	5,278
Addition of available-for-sale financial assets	**1**	**-**	**1**	76	-	76
Impairment of available-for-sale financial assets	**(74)**	**-**	**(74)**	-	-	-
Impairment of subsidiary	**-**	**(415)**	**(415)**	-	-	-
Purchase of subsidiary	**-**	**-**	**-**	-	816	816
Purchase of shares in subsidiary	**-**	**-**	**-**	-	412	412
Non-cash distribution from subsidiary	**-**	**-**	**-**	-	2,956	2,956
Disposal of subsidiary	**-**	**-**	**-**	-	(3,971)	(3,971)
Balance at 31 December	**186**	**4,893**	**5,079**	259	5,308	5,567

Available-for-sale equity investments include €47,000 quoted shares (2007: €84,000), prize bonds held of €100,000 (2007: €100,000) and €39,000 unquoted shares (2007: €75,000). Quoted shares have been stated at market value in the manner stated in Note 4. The directors 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:

	2008 €'000	2007 €'000
Deductible temporary differences		
Tax losses	**1,841**	1,619

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**	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000	**2008 €'000**	2007 €'000
Property, plant and equipment	**-**	7	**(879)**	(1,274)	**(879)**	(1,267)
Investment property	**-**	108	**(5,526)**	(4,243)	**(5,526)**	(4,135)
Available-for-sale financial assets	**-**	-	**(445)**	(473)	**(445)**	(473)
Employee benefit plans	**134**	-	**-**	-	**134**	-
Share-based payments	**26**	15	**-**	-	**26**	15
Tax losses carried forward	**9**	-	**-**	-	**9**	-
Deferred tax assets/(liabilities)	**169**	130	**(6,850)**	(5,990)	**(6,681)**	(5,860)
Set off of tax	**(169)**	(130)	**169**	130	**-**	-
Net deferred tax liabilities	**-**	-	**(6,681)**	(5,860)	**(6,681)**	(5,860)

Company
Unrecognised deferred tax assets/(liabilities)

The company had no unrecognised deferred tax assets or liabilities at 31 December 2008 (2007: €Nil).

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000	**2008 €'000**	2007 €'000
Property, plant and equipment	**-**	-	**(131)**	(227)	**(131)**	(227)
Investment property	**-**	108	**(4,689)**	(3,682)	**(4,689)**	(3,574)
Share-based payments	**26**	15	**-**	-	**26**	15
Employee benefits	**134**	-	**-**	-	**134**	-
Deferred tax assets/(liabilities)	**160**	123	**(4,820)**	(3,909)	**4,660**	(3,786)
Set off of tax	**(160)**	(123)	**160**	123	**-**	-
Net tax liabilities	**-**	-	**(4,660)**	(3,786)	**(4,660)**	(3,786)

Movement in temporary differences during the year

Group	**Balance 1 Jan 07**	**Recognised in profit or loss**	**Recognised in equity**	**Included in discontinued activities**	**Balance 31 Dec 07**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31 Dec 08**
Property, plant and equipment	(1,273)	(152)	-	158	(1,267)	388	-	(879)
Investment property	(2,058)	(1,470)	(592)	-	(4,120)	(868)	(538)	(5,526)
Available-for-sale financial assets	(307)	(31)	(135)	-	(473)	-	28	(445)
Employee benefit plans	72	(99)	27	-	-	(15)	149	134
Share based payment	-	-	-	-	-	26	-	26
Tax losses carried forward	-	-	-	-	-	9	-	9
	(3,566)	(1,752)	(700)	158	(5,860)	(460)	(361)	(6,681)

Company	**Balance 1 Jan 07**	**Recognised in profit or loss**	**Recognised in equity**	**Balance 31 Dec 07**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31 Dec 08**
Property, plant and equipment	(110)	(117)	-	(227)	95	-	(132)
Investment property	(2,058)	(1,501)	-	(3,559)	(806)	(324)	(4,689)
Employee benefit plans	-	(28)	28	-	(15)	149	134
Share based payments	-	-	-	-	26	-	26
	(2,168)	(1,646)	28	(3,786)	(700)	(175)	(4,661)

Notes *(continued)*

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18. Inventories

Group

	2008 €'000	2007 €'000
Dairy	**57**	159
Stores including animal feeds	**7,984**	6,240
Sacks for resale	**1,736**	1,220
Packaging and other stocks	**722**	908
	10,499	8,527

Inventories impairment	2008 €'000	2007 €'000
Balance at 1 January	**218**	184
Impairment	**20**	34
Balance at 31 December	**238**	218

In 2008, the write-down of inventories to net realisable value amounted to €20,000 (2007: €34,000). The write-down is included in cost of sales.

Company	2008 €'000	2007 €'000
Stores including animal feeds	**3,742**	2,455
Other stocks	**8**	8
	3,750	2,463

Inventories impairment provision	2008 €'000	2007 €'000
Balance at 1 January	**140**	142
Impairment/(reversal of impairment)	**7**	(2)
Balance at 31 December	**147**	140

In 2008, inventory impairments amounted to €7,000 (2007: reversals of €2,000). The movement was included in cost of sales.

19. Trade and other receivables

Group	2008 €'000	2007 €'000
Current trade and other receivables		
Trade receivables due from related parties	**582**	737
Value added tax	**1,101**	1,408
Other trade receivables	**26,175**	27,227
Current tax	**70**	-
Other receivables	**266**	617
Prepayments	**1,047**	1,330
	29,241	31,319
Non-current trade and other receivables		
Long leasehold interest prepaid	**196**	197
	29,437	31,516

	2008	2007
	€'000	€'000
Company		
Trade receivables due from related parties	**11,007**	9,478
Other trade receivables	**6,619**	5,929
Current tax	**45**	-
Prepayments	**395**	619
	18,066	16,026

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	**2008** **€'000**	2007 €'000
Bank loans and overdrafts due within one year	**(2,655)**	(2,743)
Cash and cash equivalents at 31 December	**(2,655)**	(2,743)

Company	**2008** **€'000**	2007 €'000
Bank & cash balances	**7,446**	8,868
Bank loans and overdrafts due within one year	**(3,868)**	(2,467)
Cash and cash equivalents at 31 December	**3,578**	6,401

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.

Notes *(continued)*

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21. Capital and reserves

Reconciliation of movement in capital and reserves

Group	**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 2007		1,337	2,975	(3)	(129)	705	1,229	28	48,712	54,854	1,739	56,593
Transfer to retained earnings		-	-	-	-	(33)	-	-	33	-	-	-
Total recognised income and expense		-	-	(529)	-	1,738	404	-	11,084	12,697	509	13,206
Dividends paid		-	-	-	-	-	-	-	(1,476)	(1,476)	-	(1,476)
Payment to minority interests incl dividends		-	-	-	-	-	-	-	-	-	(34)	(34)
Acquisition of minority interest		-	-	-	-	-	-	-	-	-	(507)	(507)
Minority interest disposed of											(606)	(606)
Share-based payments	25	-	-	-	-	-	-	91	-	91	-	91
Balance at 31 December 2007		1,337	2,975	(532)	(129)	2,410	1,633	119	58,353	66,166	1,101	67,267
Balance at 1 January 2008		1,337	2,975	(532)	(129)	2,410	1,633	119	58,353	66,166	1,101	67,267
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense		-	-	(2,769)	-	1,407	(316)	-	(1,919)	(3,597)	(147)	(3,744)
Dividends paid		-	-	-	-	-	-	-	(1,624)	(1,624)	-	(1,624)
Payment to minority interests incl dividends		-	-	-	-	-	-	-	-	-	(26)	(26)
Acquisition of own shares		-	-	-	(219)	-	-	-	-	(219)	-	(219)
Share-based payments	25	-	-	-	-	-	-	87	-	87	-	87
Balance at 31 December 2008		**1,337**	**2,975**	**(3,301)**	**(348)**	**3,817**	**1,317**	**206**	**54,810**	**60,813**	**928**	**61,741**

Reconciliation of movement in capital and reserves
Attributable to equity holders of the Company

Company	**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 2007		1,337	2,975	(129)	189	155	28	13,515	18,070
Total recognised income and expense		-	-	-	-	-	-	1,988	1,988
Dividends to equity holders		-	-	-	-	-	-	(1,476)	(1,476)
Share-based payments	25	-	-	-	-	-	91	-	91
Balance at 31 December 2007		1,337	2,975	(129)	189	155	119	14,027	18,673
Balance at 1 January 2008		1,337	2,975	(129)	189	155	119	14,027	18,673
Total recognised income and expense		-	-	-	-	-	-	1,988	1,988
Dividends to equity holders		-	-	-	-	-	-	(1,624)	(1,624)
Acquisition of own shares		-	-	(219)	-	-	-	-	(219)
Share-based payments	25	-	-	-	-	-	87	-	87
Balance at 31 December 2008		**1,337**	**2,975**	**(348)**	**189**	**155**	**206**	**14,391**	**18,905**

Share capital and share premium

In thousands of shares	Ordinary shares 2008	2007
On issue at 1 January - Ordinary shares of 13 cents each	**10,285,590**	10,285,590
On issue at 31 December - Ordinary shares of 13 cents each	**10,285,590**	10,285,590

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

At 31 December 2008, the authorised share capital comprised 50,000,000 ordinary shares (2007: 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 as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation since the company's date of transition to IFRS as adopted by the EU.

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 2008, the Group held 143,835 of the Company's shares (2007: 107,828). This represented 1.4% (2007: 1%) 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:

	2008 €'000	2007 €'000
€0.16 per qualifying ordinary share (2007: €0.145)	**1,624**	1,476

After 31 December 2008 the following dividends were proposed by the directors for 2008:

€0.16 per qualifying ordinary share

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

	2008			2007		
	Continuing operations €'000	**Discontinued operation €'000**	**Total €'000**	Continuing operations €'000	Discontinued operation €'000	Total €'000
(Loss)/profit for the period	**(115)**	**-**	**(115)**	12,343	(1,175)	11,168
(Loss)/profit attributable to ordinary shareholders	**(88)**	**-**	**(88)**	12,355	(1,177)	11,178

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22. Earnings per share (continued)
Weighted average number of ordinary shares
In thousands of shares

	2008	2007
Weighted average number of ordinary shares in issue for the year	**10,286**	10,286
Weighted average number of treasury shares	**(141)**	(108)
Denominator for basic earnings per share	**10,145**	10,178
Effect of share options on issue	**257**	287
Weighted average number of ordinary shares (diluted) at 31 December	**10,402**	10,465

Earnings per share	**2008**	2007
Basic earnings per share (euro cent)	**(.9)**	109.8
Diluted earnings per share (euro cent)	**(.8)**	106.8
Continuing operations		
Basic earnings per share (euro cent)	**(.9)**	121.4
Diluted earnings per share (euro cent)	**(.8)**	118.1

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.

	2008 €'000	2007 €'000
Non-current liabilities		
Secured bank loans	**20,142**	15,515
Finance lease liabilities	**12**	55
	20,154	15,570
Current liabilities		
Secured bank loans	**3,868**	2,467
Finance lease liabilities	**50**	63
	3,918	2,530

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 Dec 2008		31 Dec 2007	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value €'000**	**Carrying amount €'000**	Face value €'000	Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	**10,530**	**10,530**	4,909	4,909
Secured bank loan	eur	Euribor+1.50%	2011	**11,000**	**11,000**	9,353	9,353
Secured bank loan	eur	Euribor+.75%	2010	**2,480**	**2,480**	3,720	3,720
Finance lease liabilities	eur	6%	2009	**65**	**62**	125	118
Total interest-bearing liabilities				**24,075**	**24,072**	18,107	18,100

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2008 €'000	**Interest 2008 €'000**	**Present value of minimum lease payments 2008 €'000**	Future minimum lease payments 2007 €'000	Interest 2007 €'000	Present value of minimum lease payments 2007 €'000
Less than one year	**52**	**2**	**50**	58	3	55
Between one and five years	**13**	**1**	**12**	67	4	63
	65	**3**	**62**	125	7	118

Company	**2008 €'000**	2007 €'000
Non-current liabilities		
Secured bank loans	**20,142**	15,515
Current liabilities		
Secured bank loans	**3,868**	2,467

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 Dec 2008		31 Dec 2007	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value €'000**	**Carrying amount €'000**	Face value €'000	Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	**10,530**	**10,530**	4,909	4,909
Secured bank loan	eur	Euribor+1.50%	2011	**11,000**	**11,000**	9,353	9,353
Secured bank loan	eur	Euribor+0.75%	2010	**2,480**	**2,480**	3,720	3,720
Total interest-bearing liabilities				**24,010**	**24,010**	17,982	17,982

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 using the attained age method and are charged to the profit and loss account on an accruals basis.

On the basis of the latest actuarial valuations, 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 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 €139,000 (2007: €338,000). 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 2008 for IAS 19 disclosure purposes by qualified independent actuaries.

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 parent 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 €345,000 (2007: €322,000). At 31 December 2008, €42,000 (2007: €15,000) was included within creditors in respect of defined contribution pension liabilities.

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24. Employee benefits (continued)

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

	2008 €'000	2007 €'000
Defined benefit scheme costs	**139**	338
Settlement gains on defined benefit schemes	**-**	(299)
Defined contribution scheme costs	**345**	322
Total	**484**	361

Group	2008 €'000	2007 €'000
Present value of funded obligations	**(3,053)**	(5,006)
Fair value of plan assets	**1,980**	5,006
Recognised liability for defined benefit obligations	**(1,073)**	-

The Group makes contributions to a non-contributory defined benefit plan that provide 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:	2008 €'000	2007 €'000
Equity securities	**1,250**	2,606
Government bonds	**449**	179
Property	**105**	396
Cash	**176**	1,825
	1,980	5,006

Movement in the present value of the defined benefit obligations	2008 €'000	2007 €'000
Defined benefit obligations at 1 January	**5,006**	11,031
Benefits paid by the plan	**(222)**	(627)
Current service costs	**192**	444
Interest on obligation	**161**	267
Past service costs	**-**	17
Actuarial gains recognised in equity	**(120)**	(297)
Settlements	**(1,964)**	(5,829)
Defined benefit obligations at 31 December	**3,053**	5,006

Movement in the present value of plan assets	2008 €'000	2007 €'000
Fair value of plan assets at 1 January	**5,006**	10,345
Contributions paid into the plan	**256**	944
Benefits paid by the plan	**(222)**	(627)
Expected return on plan assets	**214**	390
Actuarial losses recognised in equity	**(1,310)**	(516)
Settlements	**(1,964)**	(5,530)
Fair value of plan assets at 31 December	**1,980**	5,006

Expense recognised in profit or loss

	2008	2007
	€'000	€'000
Current service costs	**192**	444
Interest on obligation	**161**	267
Expected return on plan assets	**(214)**	(390)
Past service cost	**-**	17
Settlement gain	**-**	(299)
	139	39

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

Cost of sales	**(144)**	(294)
Finance income	**53**	77
Discontinued activities	**-**	(6)
Administrative expenses	**(48)**	184
	(139)	(39)
Actual return on plan assets	**(1,095)**	(126)

Actuarial gains and losses recognised directly in equity	**2008** **€'000**	2007 €'000
Cumulative gain at 1 January	**335**	554
Recognised during the period	**(1,190)**	(219)
Cumulative gain at 31 December	**(855)**	335

Actuarial assumptions

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

	2008	2007
Discount rate at 31 December	**5.60%**	5.50%
Expected return on plan assets at 1 January	**6.50%**	7.00%
Future salary increases	**3.50%**	3.75%
Future pension increases	**n/a**	n/a
Inflation	**2.00%**	2.40%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring in 2008 at age 65 is 21.7 for males and 23.3 for females.

The overall expected long-term rate of return on assets is 6.5 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	**2008** **€'000**	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Present value of the defined benefit obligation	**(3,053)**	(5,006)	(11,031)	(9,996)	(11,614)
Fair value of plan assets	**1,980**	5,006	10,345	8,784	9,011
Deficit in the plan	**(1,073)**	-	(686)	(1,212)	(2,603)
Experience gains/losses arising on plan liabilities	**(125)**	703	(9)	924	(700)
Experience adjustments arising on plan assets	**(1,310)**	(516)	495	1,102	342

The Group expects €147,000 in contributions to be paid to the defined benefit scheme in 2009.

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24. Employee benefits (continued)

Company

	2008 €'000	2007 €'000
Present value of funded obligations	**(3,053)**	3,031
Fair value of plan assets	**1,980**	3,031
Recognised liability for defined benefit obligations	**(1,073)**	-

Plan assets comprise:	**2008 €'000**	2007 €'000
Equity securities	**1,250**	2,341
Government bonds	**449**	136
Property	**105**	396
Cash	**176**	158
	1,980	3,031

Movement in the present value of the defined benefit obligations	**2008 €'000**	2007 €'000
Defined benefit obligations at 1 January	**3,031**	3,877
Benefits paid by the plan	**(211)**	(354)
Current service costs	**192**	356
Interest on obligation	**161**	160
Past service costs	**-**	17
Actuarial (gains)/losses recognised in equity	**(120)**	(226)
Settlements	**-**	(799)
Defined benefit obligations at 31 December	**3,053**	3,031

Movement in the present value of plan assets

	2008 €'000	2007 €'000
Fair value of plan assets at 1 January	**3,031**	3,875
Contributions paid into the plan	**256**	244
Benefits paid by the plan	**(211)**	(354)
Expected return on plan assets	**214**	219
Actuarial (losses)/gains recognised in equity	**(1,310)**	(453)
Settlements	**-**	(500)
Fair value of plan assets at 31 December	**1,980**	3,031

Expense recognised in profit or loss

	2008 €'000	2007 €'000
Current service costs	**192**	356
Interest on obligation	**161**	160
Expected return on plan assets	**(214)**	(219)
Past service cost	**-**	17
Settlement gain	**-**	(299)
	(139)	15

Actuarial gains and losses recognised directly in equity

	2008 €'000	2007 €'000
Cumulative gain at 1 January	**(221)**	6
Recognised during the period	**(1,190)**	(227)
Cumulative gain at 31 December	**(1,411)**	(221)

Actuarial assumptions

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

	2008	2007
Discount rate at 31 December	**5.60%**	5.50%
Expected return on plan assets at 1 January	**6.50%**	7.00%
Future salary increases	**3.50%**	3.75%
Future pension increases	**n/a**	n/a
Inflation	**2.00%**	2.40%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring in 2008 at age 65 is 21.7 for males and 23.3 for females.

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 and on 28 May 2007, a further 120,000 were granted of which 30,000 lapsed in 2008. In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

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
Total share options	240		

At 31 December 2008 there was 67,000 (2007: 67,000) options outstanding with a grant date pre 7 November 2002.

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25. Share-based payments (continued)

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

In thousands of options	**Weighted average exercise price 2008**	**Number of options 2008**	Weighted average exercise price 2007	Number of options 2007
Outstanding at 1 January:				
- Pre 2002 options	€0.13	67	€0.53	84
- Options issued in 2006	€4.35	150	€4.35	150
- Options issued in 2007	€6.90	120	€6.90	120
Lapsed during the period (pre 2002 grants)	-	-	€2.90	(17)
Lapsed during the period (2007 grants)	€6.90	(30)	-	-
Exercised during the period	-	-	-	-
Granted during the period	-	-	€6.90	120
Outstanding at 31 December	€5.31	307	€5.48	337
Exercisable at 31 December	€0.13	67	€0.13	67

The options outstanding at 31 December 2008 have an exercise price in the range of €0.13 to €6.90 and a weighted average contractual life of 4.7 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements and consequently those that lapsed during the year had no impact on the income statement in 2008.

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	**2008**	2007
Fair value at grant date – awarded to key management	**-**	93
Fair value at grant date – awarded to senior management	**-**	93
	-	186
Share price (€)	**-**	6.90
Exercise price (€)	**-**	6.90
Expected volatility (weighted average volatility)	**-**	25%
Option life (expected weighted average life) - years	**-**	3
Expected dividends	**-**	2.75%
Risk-free interest rate (based on government bonds)	**-**	3.70%

Employee expenses	**2008 €'000**	2007 €'000
Share options granted in 2006	**50**	54
Share options granted in 2007	**37**	37
Total expense recognised as employee costs	**87**	91

26. Trade and other payables

	2008 €'000	2007 €'000
Group		
Trade payables due to related parties	**86**	124
Bank overdraft	**2,655**	2,743
Other trade payables	**13,636**	14,498
PAYE	**166**	123
PRSI	**113**	110
Accrued expenses	**4,521**	4,270
Deferred rental income	**190**	427
	21,367	22,295
Non-current trade payables		
Fair value of option granted over investment in associate	**303**	308
	21,670	22,603

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

	2008 €'000	2007 €'000
Company		
Trade payables due to related parties	**29,976**	34,638
Other trade payables	**1,602**	1,591
PAYE	**78**	76
PRSI	**43**	58
Accrued expenses	**1,353**	235
	33,052	36,598
Non-current trade payables		
Fair value of option granted over investment in associate	**303**	308
	33,355	36,906

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

Notes *(continued)*

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27. Financial instruments

The Group's financial instruments at 31 December 2008 were classified as follows:

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 associate	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)**

31 December 2007	**Loans and receivables €'000**	**Available for sale financial assets €'000**	**Derivatives €'000**	**Liability at amortised cost €'000**
Equity investments	-	3,751	-	-
Loan to associate	4,730	-	-	-
Trade receivables due from related profits	737	-	-	-
Other trade receivables	27,227	-	-	-
Other receivables	617	-	-	-
Loans and borrowings	-	-	-	(18,100)
Bank overdraft	-	-	-	(2,743)
Payables due to related parties	-	-	-	(124)
Trade and other payables	-	-	-	(18,866)
Option over financial asset	-	-	(308)	-
	33,311	3,751	(308)	(39,833)

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**	
		2008 €'000	2007 €'000
Loans due from associates	15	**4,231**	4,730
Available-for-sale equity investments	16	**3,266**	3,751
Trade receivables from related parties	19	**582**	737
Trade and other receivables	19	**26,175**	27,227
Other receivables	19	**266**	617
		34,520	37,062

Company	Note	2008 €'000	2007 €'000
Loans due from associates	15	**4,231**	4,730
Available-for-sale financial assets	16	**186**	259
Trade receivables from related parties	19	**11,007**	9,478
Trade and other receivables	19	**6,619**	5,929
Cash and cash equivalents	20	**7,446**	8,868
		29,489	29,264

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

Group	Carrying amount	
	2008 €'000	2007 €'000
Domestic	**15,517**	13,889
Euro-zone countries	**822**	468
United Kingdom	**4,056**	4,072
Other European countries	**138**	278
Other regions	**5,642**	8,520
	26,175	27,227

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	
	2008 €'000	2007 €'000
Domestic	**6,619**	5,820
United Kingdom	**-**	109
	6,619	5,929

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	
	2008 €'000	2007 €'000
Wholesale customers	**16,923**	17,195
Retail customers	**9,252**	10,032
	26,175	27,227

Notes *(continued)*

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27. Financial instruments (continued)

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 2008 €'000	2007 €'000
Wholesale customers	**5,274**	4,679
Retail customers	**1,345**	1,250
	6,619	5,929

The ageing of trade receivables at the reporting date was:

Group	Gross 2008 €'000	Impairment 2008 €'000	Gross 2007 €'000	Impairment 2007 €'000
Not past due	**18,254**	**91**	22,459	21
Past due < 30 days	**3,962**	**276**	3,084	643
Past due 30 – 365 days	**8,534**	**5,060**	5,900	4,088
Past due > 365 days	**1,725**	**873**	2,428	1,892
	32,475	**6,300**	33,871	6,644

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

	2008 €'000	2007 €'000
Balance at 1 January	**6,644**	10,932
Fully impaired debts written off	**216**	(3,806)
Impairment	**(560)**	(482)
Balance at 31 December	**6,300**	6,644

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 60 days except for €91,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided for 7% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 59% of the balance past due from 30 to 365 days and 100% of balances past due in excess of 305 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 2008, the group and company recognised an impairment charge of €481,000 (2007: €334,000) against amounts due on loans to associates.

Company	Gross 2008 €'000	Impairment 2008 €'000	Gross 2007 €'000	Impairment 2007 €'000
Not past due	**4,628**	**20**	4,512	21
Past due < 30 days	**1,506**	**273**	1,350	643
Past due 30 – 365 days	**4,753**	**4,447**	3,381	3,228
Past due > 365 days	**678**	**206**	1,684	1,106
	11,565	**4,946**	10,927	4,998

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

	2008 €'000	2007 €'000
Balance at 1 January	**4,998**	8,079
Fully impaired debts written off	**(46)**	(2,836)
Debts recovered	**(6)**	(245)
Balance at 31 December	**4,946**	4,998

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 60 days except for €20,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided of 18% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 94% of the balance past due from 30 to 365 days and 100% 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 routinely reviewed for impairment. In 2008, the group and company recognised an impairment charge of €481,000 (2007:€334,000) 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 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 2007	**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	17,982	(21,460)	(455)	(2,309)	(3,282)	(6,061)	(9,353)
Finance lease liabilities	118	(131)	(35)	(36)	(60)	-	-
Payables due to related parties	124	(124)	(124)	-	-	-	-
Trade and other payables	18,866	(18,866)	(18,866)	-	-	-	-
Option over financial asset	308	(308)	-	-	-	(308)	-
Bank overdraft	2,743	(2,743)	(2,743)	-	-	-	-
	40,141	(43,632)	(22,223)	(2,345)	(3,342)	(6,369)	(9,353)

Notes *(continued)*

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27. Financial instruments (continued)

Liquidity risk (continued)

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)**	**-**

31 December 2007	**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	17,982	(21,460)	(455)	(2,309)	(3,282)	(6,061)	(9,353)
Payables due to related parties	34,638	(34,638)	(34,638)	-	-	-	-
Trade and other payables	1,826	(1,826)	(1,826)	-	-	-	-
Option over financial asset	308	(308)	-	-	-	(308)	-
	54,754	(58,232)	(36,919)	(2,309)	(3,282)	(6,369)	(9,353)

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 2008 €'000	**GBP 31 December 2008 €'000**	euro 31 December 2007 €'000	GBP 31 December 2007 €'000
Trade receivables	**4,476**	**2,285**	3,313	2,087
Cash, loans and borrowings	**(4,000)**	**869**	(6,070)	(4,307)
Trade payables	**(1,737)**	**(1,162)**	(638)	(481)
Gross balance sheet exposure	**(1,261)**	**1,992**	(3,395)	(2,701)

The following significant exchange rates applied during the year:

euro	**Average rate 2008**	Average rate 2007	**Reporting date spot rate 2008**	Reporting date spot rate 2007
GBP	**1.26**	1.468	**1.027**	1.361

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 2007.

	Other Equity €'000	Profit or loss €'000
31 December 2008		
GBP	(865)	(364)
31 December 2007	(140)	140

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 2007.

	Profit or loss		Other Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2008				
Variable rate instruments Cash flow sensitivity (net)	267	(267)	(267)	267
31 December 2007				
Variable rate instruments Cash flow sensitivity (net)	207	(207)	(207)	207

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 2008 would have increased equity and profit or loss by €155,000 (2007: €174,000). 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 2008		31 December 2007	
	Carrying amount €'000	**Fair value €'000**	Carrying amount €'000	Fair value €'000
Available-for-sale financial assets	**3,266**	**3,266**	3,751	3,751
Loans and receivables	**31,254**	**31,254**	33,311	33,311
Secured bank loans	**(24,010)**	**(24,010)**	(17,982)	(17,830)
Finance lease liabilities	**(62)**	**(62)**	(118)	(118)
Trade and other payables	**(18,243)**	**(18,220)**	(18,990)	(18,990)
Derivatives - option over financial asset	**(303)**	**(303)**	(308)	(308)
Bank overdraft	**(2,655)**	**(2,655)**	(2,743)	(2,743)
	(10,753)	**(10,730)**	(3,079)	(2,927)

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

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:

	2008	2007
Loans and borrowings	**3%**	5.5% - 5.12%
Leases	**6%**	6.0%

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28. Discontinued operation

On 31 March 2007 the Group disposed of its shares in Maltar Limited, being 83% of the issued share capital in that company, for €1.7 million in cash. Prior to this disposal, the group had increased its shareholding in this company from 76% to 83% for €412,000. This resulted in negative goodwill of €95,000 which has been recognised in the loss from discontinued activities in 2007 (see below). The company manufactures and distributes confectionery.

As part of the sale of this company, the freehold land and buildings occupied by the company was retained by the Group. The purchaser has been provided with a 2 year lease over these premises at a discounted rent. The consideration received upon the sale of Maltar Limited has been adjusted to reflect the fair value of this discounted rent of €200,000. In addition the freehold land and buildings were reclassified as investment property from property, plant and equipment upon the sale of the company. This resulting revaluation gain of €2,947,000 has been recognised directly in equity in 2007.

Effect of disposal on the financial position of the Group

Loss on disposal of subsidiary:	Note	2007 €'000
Assets and liabilities disposed of:		
Property, plant and equipment		1,530
Inventories		1,229
Trade and other receivables		1,162
Deferred tax liabilities	17	(158)
Trade and other payables		(682)
Net assets and liabilities disposed of		3,081
Minority interest		(556)
Group share		2,525
Consideration received, satisfied in cash		1,787
Cash disposed of		(271)
Net cash inflow on disposal of subsidiary		1,516
Adjustment to consideration for discounted rent agreement		(150)
Net loss on disposal		1,159

	2008 €'000	2007 €'000
Results of discontinued operation		
Revenue	-	1,415
Expenses	-	(1,438)
Results from operating activities	-	(23)
Net finance cost	-	7
Income tax expense	-	-
Results from operating activities, net of income tax	-	(16)
Loss on sale of discontinued operation	-	(1,159)
Income tax on gain on sale of discontinued operation	-	-
Loss for the period	-	(1,175)
Basic loss per share (cent)	-	(11.5)
Diluted loss per share (cent)	-	(11.2)
Cash flows from discontinued operation		
Net cash used in operating activities	-	28
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash from discontinued operation	-	28

29. Acquisition of investment property through subsidiary

The group purchased 100% of the share capital of MPCO Limited on 26 July 2007 for a total consideration of €816,000. The only asset of the company acquired was a property situated at Bridgend, Co. Donegal and consequently the acquisition has been treated as an asset purchase and not a business combination.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts €'000	Fair value adjustments €'000	Fair value on acquisition €'000
Investment Property	76	740	816
Consideration paid, satisfied in cash			816
Net cash outflow			816

30. Operating leases

Leases as lessor

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

	2008 €'000	2007 €'000
Less than one year	**454**	508
Between one and five years	**679**	400
	1,133	908

During the year ended 31 December 2008 €1,004,000 was recognised as rental income in the income statement (2007: €899,000). Expense charges against this income was as follows: Maintenance costs €22,000 (2007:€51,000), management expenses €345,000 (2007:€301,000) and depreciation €148,000 (2007:€124,000).

The Group and Company had no operating lease commitments as leasee at 31 December 2008 (2007: €Nil).

31. Capital commitments

At the year end there were no capital commitments authorised by the Directors and not provided for in the financial statements (2007: €Nil).

32. Contingencies

Group and company

Under agreements between the Group and the Industrial Development Authority, capital grants up to a maximum of €730,000 (2007: €730,000) could be become payable in certain circumstances as set out in the agreements.

33. 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.

Notes *(continued)*

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33. Related parties (continued)

Key management personnel compensation comprised:

	2008 €'000	2007 €'000
Short-term employee benefits	**520,031**	586,239
Post-employment benefits	**75,105**	70,600
Share-based payments	**55,790**	72,820
	650,926	729,659

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 €1,428,237 (2007: €1,655,323) and €776,149 (2007: €563,251), respectively.

Related party transactions - Group	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2008 €'000	**2007** €'000	**2008 €'000**	**2007** €'000
Sale of goods and services				
Sales by group to directors	**776**	563	**106**	98
Purchases by group from directors	**(1,428)**	(1,655)	**(86)**	(124)
By parent to associates	**1,453**	2,088	**476**	639

Other related party transactions - Company	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2008 €'000	**2007** €'000	**2008 €'000**	**2007** €'000
Sale of goods and services				
Sales by parent to directors	**539**	344	**54**	56
By parent to subsidiaries	**461**	1,023	**10,500**	8,803
Parent from subsidiaries	**(2,634)**	(2,395)	**(29,976)**	(34,638)
By parent to associates	**1,453**	2,088	**453**	619

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 is secured.

34. Group entities

Subsidiaries

	Country of incorporation	Ownership interest 2008 %	2007 %
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
Ennis Foods 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**	-
Aisheco Limited	Ireland	**100**	100

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
Donra Dairies Limited	Ireland	**50**	50

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, Ennis Foods Limited, MPCO Limited, High Meadow Patents Limited, An Grianan Grain Company Limited, Aisheco Limited.

Notes

www.sourcedesign.ie

Donegal Creameries plc
Ballyraine, Letterkenny, Co. Donegal.
T: +353 (0) 74 9121766
F: +353 (0) 74 9124823
www.donegal-creameries.ie