

planting the seeds for growth



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Financial highlights: pre-exceptional

Revenue -
continuing operations

€80.5m

2011: €68.9m***
Up 16.9%

Profit before tax
- continuing operations

€4.7m

2011: (€2.8m) ***
Up €7.5m

Profit after tax
- continuing operations

€4.3m

2011: (€1.7m) ***
Up €6.0m

Operating cashflow
before interest & tax

€1.8m

2011: (€0.7m) ***
Up €2.5m

Basic earnings per share -
continuing operations

14.2c

2011: (24.5c) ***
Up 38.7c

Diluted earnings per share -
continuing operations

14.1c

2011: (24.5c) ***
Up 38.6c

Adjusted earnings
per share*

44.4c

2011: 52.6c
Down 8.2c

Dividend
per share

16c

2011: 16c

Investment property
valuation

€25.7m

2011: €25.8m
Down €0.1m

Net asset value
per share**

€5.75

2011: €5.09
Up €0.66

* Adjusted earnings before the impact of change in fair value of investment properties in group & associates, the related deferred tax and CGT rate change in 2011 and 2012

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

*** As re-presented to reflect the effect of discontinued operations

Summary

Continued focus on strategic growth areas and in particular our seed potato business, with further progress made in 2012 in developing new markets and new varieties

Full integration of prior year acquisitions of AJ Allan Seed Potato Group (November 2011) and Biogreen Limited (January 2011)

Revenue growth of 16.9%

Adverse weather conditions resulted in significant impact on Produce business which despite growth in turnover of 5.2% saw profits reduced from €3.4m in 2011 to €0.94m in 2012

In contrast our animal-feeds business benefitted strongly from increased demand for quality animal feeds during the winter months

Strong contribution of €4.5m from key associate investments, including Monaghan Middlebrook Mushrooms, due to the UK mushroom market returning to more normal levels in 2012, contributions from associate acquisitions in 2012 and devaluation of associate investment property in 2011

Adjusted EPS guidance of 50 cents versus achieved of 44.4 cents albeit inclusive of write down of €0.76m, or 7.5 cents per share on the Group's investment in One 51

Total bank debt reduced from €32.9m to €21.7m, further reduced by post year-end receipt of €2.5m in contingent earnout payments from the disposal of the Group's liquid milk and agri-stores business to Connacht Gold

During 2013 the Group will continue to review options to release capital from its non-strategic businesses and assets with the objective of focusing financial and management resources on the strategic areas of seed potato, value added dairy and associate investments

Board of Directors

The Board of Directors of Donegal Creameries plc currently comprises nine non-executive directors and one executive director.



Ian Ireland (Managing Director)

BSC, MBA, Chartered Director (aged 51) 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.



Geoffrey Vance* (Chairman)

(aged 61) 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.



Francis Devenny*

(aged 67) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the Committee of management of Donegal Co-operative Creameries Limited. He has significant residential and other property interests in the Letterkenny area.



Matt McNulty*

(aged 68) was appointed to the Board as an independent director on 19 August 1998. In a career of over 40 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 currently works as a senior international management consultant specialising in planning and development in the Middle East Region.



Patrick Kelly Jnr *

(aged 40) 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.



Norman Witherow*

(aged 60) was appointed to the Board on 2 July 2003. He is vice chairman of the Board and chairman of the Remuneration Committee. He is also a director of Raphoe Enterprise Company Limited.

Other Information



Marshall Robinson* (aged 57) 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.



Michael Griffin* (aged 65) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 35 years experience in the food industry in Ireland and the UK. Prior to this, he served as an executive director of the Kerry Group plc from 1990 until his retirement in 2004.



Geoffrey McClay* (aged 47) was appointed to the Board on 1 July 2010. Geoffrey previously served on the Board of Donegal Creameries plc during the period 2001 to 2006. He is also currently a director of Mullinacross Enterprises Limited.



Frank Browne* (aged 60), was appointed to the Board on 29 June 2011. Frank previously served on the Board of Donegal Creameries plc from 1996 to 2006. He holds no other directorships.

Secretary and registered office

Padraic Lenehan
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

Registered number

162921

* Non-executive director

Chairman's Statement

BUILDING AND DEVELOPING FOR THE FUTURE



In 2012 we set out on a path with a new business model following the strategic disposal of our liquid milk and agri-stores businesses. The Board planned 2012 to be a year of consolidation to get our resources aligned around those businesses we planned to build and develop for the future. We set challenging growth targets for our Produce business and our Food-Agri business. Our two acquisitions in 2011, AJ Allan and Biogreen Dairy, have been integrated into our structure and will play an important role in the growth of our Produce and Food-Agri businesses going forward.



We are very pleased with the revenue increase of 16.9%

The Board views the performance of 2012 as satisfactory. The Produce business was impacted significantly by the exceptionally poor weather conditions experienced in 2012. This had a significant impact on yields which reduced the planned volume of quality product required to meet customer orders of our proprietary certified seed potato varieties. This was offset to some degree by a stronger performance in the animal feed business which benefited from the poor weather.

We are very pleased with the revenue increase of 16.9% which was achieved in the challenging environment created by the weather and expect double digit growth again in 2013. Pre-exceptional profit before tax was €4.7m, an improvement of €7.5m over the loss recorded in 2011.

Our balance sheet remains strong with an improvement in shareholders' funds of €6.5m to €59.0m.

During the year Mr Lexie Tinney and Mr Ivan Grier retired from the board. Lexie and Ivan were former Chairman and Deputy Chairman of Donegal Creameries and had served on the Board for many years. Their significant contributions for which we are grateful have been invaluable to the company, however it is with deep regret we must record the death of Mr Lexie Tinney on 23 April 2013.

Dividend

The Directors are recommending a final dividend of 9 cent per share. If approved, this dividend will be paid on 23 August 2013 to those shareholders on the register on 2 August 2013. This will bring the total dividend per share to 16 cent, maintaining the 2011 dividend payment.

AGM

The Group's AGM will take place on Wednesday 3 July 2013 at 11.30am at the Silver Tassie Hotel, Letterkenny, Co. Donegal.

Geoffrey Vance
Chairman





Managing Director's Review

FOCUSING FINANCIAL AND MANAGEMENT RESOURCES

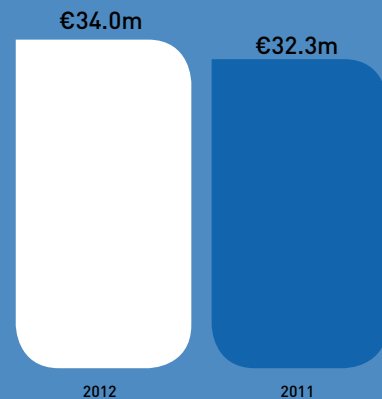


Produce Division

Our Produce Division comprises the seed potato business Irish Potato Marketing (IPM), along with Solanex in Brazil, AJ Allan in Scotland, Donegal Potatoes and An Grianan Grain in Ireland. IPM, the largest business within our Produce division, has 27 proprietary seed potato varieties including names such as Rooster, Burren, Banba and Barna which it produces and exports to over 40 countries world-wide. Key markets include Egypt, Algeria, Morocco, the UK and Ireland. Seed production takes place in dedicated growing areas including Scotland, Ireland, France, Denmark and Brazil. Both production and sales only take place in territories which recognise and embrace variety copyright regulation.

During 2012, turnover increased from €32.3m to €34.0m, an increase of 5.2%. The 2012 performance of the Produce Division was severely impacted by the exceptionally poor weather experienced in 2012, causing a delay in the harvest by several weeks as well as reducing the supply of suitable quality seed to meet customer deadlines.

Produce Division turnover



In terms of new growth markets and customers, progress continued to be made during the year in South America and sub-Saharan African markets to consolidate our strong position in Europe and North Africa. During the year we have opened IPM offices in Campinas, Brazil and in France. In the coming years we will increase our global footprint to include Asian and South African territories. In terms of our pipeline of new varieties, development work continued satisfactorily during the year. Performance trials on a new processing variety called Infinity are very promising and will add a capability in potato processing for our seed potato portfolio.

The Board views the performance of its Produce Division as satisfactory in view of the exceptionally difficult production environment created by the adverse weather conditions. The Board remains confident in the strong growth potential of the Group's core seed potato business underpinned by increased demand for food from global population growth, the westernisation of diets in emerging markets and issues around water availability. IPM's proprietary varieties also have the potential to produce more carbohydrate per unit of water than most of the global carbohydrate staples. All of these will enable the Group to become a leading global player in its core seed potato business.

Overall, our seed potato business, is a high growth business generating strong operating profit margins, has low capital expenditure requirements and yields consistently strong returns on capital. It will be the key strategic focus for the Group going forward.

Food – Agri Division

Overall, the Food-Agri Division grew by 27.2% to €46.6m delivering a segmental profit of €0.95m (2011: loss of €5.9m).

Our animal feed business recorded a particularly strong performance during the year benefitting from the poor weather conditions which resulted in increased demand for quality feed. As a well invested business and together with its strong brand and loyal customer base it is very well positioned to take advantage of the increased demand for animal feed product during 2013.



Our Rumlbers brand continues to grow in both the UK and Ireland. Rumlbers is a food to go brand which achieved sales growth of 31% during 2012 with a number of additional listings achieved with major retailers. The Organic for Us retail brand was sold in December 2012 due to the continued challenging consumer market in Ireland.

Our boutique yogurt business, with a range of premium and ethnic products, performed well in the year with additional listings achieved in its 'Good Heavens' brand and ethnic yogurt products.

As per International Financial Reporting Standards ('IFRS') all investments, including food-agri related property are revalued every year. There was no significant change to the property portfolio which was to be expected following the decision in 2011 of the Board to value the majority of its development land within the Group's portfolio at agricultural values (2011: devaluation of €6.7m). The company's food-agri property portfolio comprises both income generating and non-income generating investment property. The Board has decided that it will increase the active management of its property portfolio during 2013 with a view to both generating capital for investment in its Produce business and improving overall Group returns on capital employed.

The Board has reduced the carrying value of its investment in One 51 by €0.76m to €0.33m at the year end (2011: reduction of €0.37m).

Associates

Performance from Associates improved strongly on 2011 with our key associate investment, Monaghan Middlebrook Mushrooms, benefiting from the contribution of acquisitions in 2012, a more normal UK mushroom market than in 2012 and the reduced impact of property devaluations. The Group's share of turnover for Associates was up by 47.6% to €150m delivering a segmental result of €4.3m, up from €1.7m in 2011.

Finance and Balance Sheet

The Group has committed bank facilities of €24.5m. Net Debt at year end 2012 was €21.7m (2011: €32.9m). During the year the Group repaid bank loans of €3.9m, spent €1.1m on capital expenditure and paid dividends to shareholders of €1.6m.

Shareholder's funds increased from €52.5m to €59.0m and net asset value per share increased by 66 cent to €5.75 per share.

Outlook

As previously advised 2012 was a year of consolidating the considerable strategic changes made to the Group during 2011, with the disposal of our milk and agri-stores businesses. During 2013 the Group will continue to review options to release capital from its non-strategic businesses and assets with the objective of focusing financial and management resources on the strategic areas of seed potato, value added dairy and associate investments, and so deliver value for our shareholders.

Ian Ireland
Managing Director





Corporate Social Responsibility

Donegal Creameries plc is committed to promoting CSR across the Group. The Group strives to operate best practice in corporate governance, the environment, health & safety and the community & social performance.

Corporate Governance

The Group's Board complies with the requirements of IFRS reporting along with the principles of the Revised UK Corporate Governance Code where practicable. A review of corporate governance is addressed in the corporate governance report on pages 16 to 20.

The environment

At a minimum, the Group is committed to complying with all environmental legislative and regulatory requirements in our operations which are located in six countries. Donegal Creameries plc recognises that good manufacturing practice must incorporate environmental management. The Group conducts its business activities in an environmentally responsible manner and endeavours to ensure that all adopted decisions consider the protection of the environment as documented in the Group's environmental policy. The organic conversion of the Grianan Estate, Ireland's largest organic farm, further cements our commitment to the environment.

Health and safety

Best practice in health & safety management is embedded in the Group's risk management processes and procedures and applied across the Group. Compliance is maintained through the full time health & safety officer, continuous high level of staff and management awareness and regular training.

The community

The Group is also actively involved in the local community within which it operates supporting many important social and community activities such as the Skills @ Work Programme during the year.



Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activities

During the year, the Group was engaged in the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of farm inputs and dairy products by its food-agri business segment and the rental and sales of food-agri property assets.

Business review

Turnover from continuing operations increased by 16.9% to €80.5m (2011: €68.9m) in the year. The Chairman's statement and Managing Director's review include a comprehensive review of the Group's businesses. The Group recorded an operating profit of €1.6m before exceptional items in comparison with a loss of €2.7m in 2011. Adjusted earnings per share of 44.4 cent decreased from adjusted earnings per share of 52.6 cent in 2011. In monitoring performance the directors and management have regard to a range of key performance indicators (KPIs), including the following:

Financing KPI's	2012*	2011**	Change
EBITDA	€6.94m	€0.66m	Up €6.28m
Operating profit/(loss)	€1.6m	(€2.7)	Up €4.3m
Profit/(loss) before tax	€4.65m	(€2.79m)	Up €7.44m
Net increase/(decrease) in cash & overdrafts	€7.9m	(€5.8m)	Up €13.7m
Net debt (including overdrafts)	€21.7m	€32.9m	Down €11.2m
Net assets	€59.0m	€52.5m	Up €6.5m

* Stated before exceptional items

** As re-presented to reflect the effect of discontinued operations

Profits and dividends

Profit for the financial year amounted to €7.98 million (2011: loss €7.85 million). A final dividend for 2011 of 9.0 cent per share was paid on 24 August 2012. An interim dividend for 2012 of 7.0 cent per share was paid on 7 December 2012. The Directors are recommending a final dividend of 9.0 cent per share. If approved, this dividend will be paid on 23 August 2013 to those shareholders on the register on 2 August 2013.

The results for the financial year ended 31 December 2012 are set out in detail on page 28 onwards.

Principal risks and uncertainties

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:

- Reduced consumer demand;
- Ability to sustain commercial relationships with key customers in a competitive environment;
- Ability to utilise debt capacity or obtain financing from financial institutions in the current economic climate;
- Ability to sustain growth through acquisitions;
- Default of counterparties in respect of money owed to the Group;
- The economic conditions in respect of the property market;
- Exposure to interest rate fluctuations;
- Adverse changes to sterling relative to the euro.

The directors have analysed these and other risks and appropriate plans are in place to manage and control these risks. The corporate governance report on pages 16 to 20 sets out the policies and approach to risks adopted by the Group and the related internal control procedures and responsibilities.

Financial management

Our financial risk management objectives and policies and exposure to market risk are outlined in Note 5 to the consolidated financial statements.

Directors' report continued

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.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 8 and 9.

Events since the year end

There have been no significant events subsequent to the year end, which would require adjustment to, or disclosure in, the financial statements.

Board of Directors

The directors of the Company on 11 April 2013 are listed on pages 2 and 3. On 4 July 2012, Lexie Tinney and Ivan Grier retired as directors. On 30 November 2012, John McDermott resigned as a director and secretary and was replaced by Ian Ireland as secretary on that date. Padraic Lenehan replaced Ian Ireland as secretary on 10 April 2013. Michael Griffin, Geoffrey McClay and Geoffrey Vance retire by rotation and intend to stand for re-election as directors at the Annual General Meeting. Marshall Robinson also retires by rotation and does not intend to stand for re-election.

The interest of the directors and secretary are disclosed in the report of the remuneration committee on pages 21 to 24.

Purchase of own shares

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 2012, 143,835 ordinary shares of 13 cent each were held as treasury shares by Donegal Creameries plc. This represented 1.4% of the called up share capital of the Company. The total cost of acquisition of treasury shares is €348,394.

Substantial holdings

As at 11 April 2013, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Goodboody Stockbroker Nominees	694,030	6.75%

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 and records

The directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account are maintained at Ballyraine, Letterkenny, Co Donegal.

Research and development

The Group subsidiary, Irish Potato Marketing Limited, has invested in potato variety innovation for over 30 years by funding the variety breeding programme at Oak Park Research Centre, Carlow, Ireland. The breeding programme uses the most current breeding techniques and does not utilise genetic modification (G.M.). The development of new and better potato varieties is one of the key elements for a vibrant and resourceful potato industry. IPM consistently release new varieties to cater for the ever-changing requirements of our customers worldwide. The Food-Agri division is committed to continuous research & development in respect of our added value dairy products through the development of new yogurt products ranges for the Irish, UK and European markets.

Corporate Governance

Compliance with the provisions of the Code and the Group's system of internal control are set out page 16 to 20. For the purposes of statutory instrument 450/2009 European Communities (Directive 2006/46) Regulations 2009, the report on Corporate Governance is deemed to form part of the Directors Report.

Auditor

The auditor, KPMG, has expressed its willingness to be re-appointed in accordance with section 160(2) of the Companies Act, 1963.

Tax status

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

Subsidiary and associated undertakings

Information relating to subsidiary and associated undertakings is included in note 36 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 Silver Tassie Hotel, Letterkenny, Co. Donegal on 3 July 2013. 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

11 April 2013

Corporate Governance report

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

The Board has reviewed the Revised UK Corporate Governance Code ('the Code') and it is Group policy to apply all of the relevant main and supporting principles of good governance in the Code.

This Report also takes into account the disclosure requirements set out in the corporate governance annex to the listing rules of the Irish Stock Exchange.

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

The Board

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

The current 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.

Membership of the Board

It is our practice that a majority of the Board comprises non-executive Directors, considered by the Board to be independent, and that the Chairman is non-executive. At present, there is one executive and nine non-executive Directors. Biographical details are set out on pages 2 and 3.

We consider the current size and composition of the Board to be within a range which is appropriate. We also believe that the current size of the Board is sufficiently large to enable its Committees to operate effectively, while being dynamic and responsive to the needs of the Company.

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 and Directors' Independence

All appointments to the Board are approved by the Nomination Committee. 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, one executive director and eight non-executive directors. The names of the directors together with their biographical details are set out on pages 2 and 3. The positions of Chairman and Managing Director are held by different persons. The non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The Code requires the Chairman to hold meetings with the non-executive directors without the executive directors being present. Procedures in this regard are formalised, took place in 2012 and are held on a periodic basis and as requested by individual directors.

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

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

The Board believes that all directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. The Board has in place an annual process to evaluate the independence of directors, against the criteria set out in the Code and in the context of the matters referred to above, and the most recent review concluded that all the non-executive directors are independent, notwithstanding the fact that the majority of the non-executive directors, as farmers, have a business relationship with the Group and trade with the Group on normal business terms and the fact that a number have served on the Board for more than nine years. It is noted that each director's business relationship with the Group reduced due to the sale of the liquid and trade milk and agri-stores business on 13 January 2012. In reaching their conclusion, the Board considered the principles relating to independence contained in the Code, and have taken the view that independence is determined by a Director's character, objectivity and integrity.

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 have 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 at 31 December 2012 was comprised of three non-executive directors, Geoffrey Vance, who acts as chairman, Patrick Kelly and Norman Witherow.

The Nomination Committee is responsible for proposing to the Board any new appointments, whether of Executive or Non-Executive Directors of the Company. Appointments to the Board are approved by the Board as a whole. In so doing, the Board considers the balance of skill, knowledge and experience on the Board which is necessary to allow it to meet the strategic vision for the Group. Newly appointed Directors are subject to election by shareholders at the Annual General Meeting following their appointment. Excluding any such newly appointed Directors, one third of the Board is subject to re-election each year.

Corporate Governance report continued

Appointments to committees are for a period of up to three years which may be extended for two further three year periods provided that the majority of the committee members remain independent.

Performance evaluation

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

As part of the performance evaluation process, the Non-Executive Directors meet annually without the Chairman present to appraise the Chairman's performance, having taken the views of the Executive Director and the Company Secretary into account.

The chairman conducts a formal evaluation of the performance of all Directors annually. Each Director is provided with feedback gathered from other members of the Board. This process covers the training and development needs of individual Directors, where appropriate. Performance is assessed against a number of measures, including the ability of the Director to contribute to the development of strategy, to understand the major risks affecting the Group and to commit the time required to fulfil the role. As part of that review process the Chairman discusses with each individual their training and development needs and, where appropriate, agrees for suitable arrangements to be put in place to address those needs.

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 Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

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

Communication with shareholders

The Company has regular dialogue with institutional and major shareholders throughout the year, other than during close periods. All Directors are available to meet with such shareholders throughout the year. The Company also encourages communication with shareholders throughout the year and welcomes their participation at general meetings. The views of the shareholders and the market in general are communicated to the Board on a regular basis, as are expressed views on corporate governance and strategy, as well as the outcome of analyst and broker briefings. Analyst reports on the Group are also circulated to the Board members on a regular basis. The Group's website, www.donegal-creameries.ie, provides the full text of the Annual Reports, Interim Management Statements and Half Yearly Financial Reports. These can be accessed through the Financial Statements section of the website. Stock Exchange announcements are also made available in the News section of the website, after release to the Stock Exchange.

All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues, and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and Financial Statements. The chairmen of the Board's committees are available at the Annual General Meeting. Notice of the Annual General Meeting, together with the Annual Report and Financial Statements, are sent to shareholders at least twenty working days before the meeting, and details of the proxy votes for and against each resolution and the number of abstentions are announced after each vote on a show of hands.

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 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 2012, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditors on matters identified in the course of its statutory audit work.

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

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

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

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

The Audit Committee, a formally constituted sub-Committee of the Board, meet on a regular basis with the external auditor and satisfies itself as to the adequacy of the Group's internal control systems.

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

The preparation and issue of financial reports, including the consolidated annual accounts is managed by the Group finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department. The Group Finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. The financial information for each entity is subject to a review at reporting entity and group level by senior management.

Attendance at meetings of the Board, the Remuneration Committee, the Audit Committee and the Nomination Committee

Ten meetings of the Board, three meetings of the Remuneration Committee, five meetings of the Audit Committee and one meeting of the Nomination Committee were held during the year ended 31 December 2012 and the attendance record of each director is set out in the following table:

Name	Board		Remuneration		Audit		Nomination	
	A	B	A	B	A	B	A	B
Geoffrey Vance	10	10	-	-	-	-	1	1
Ian Ireland	10	9	-	-	-	-	-	-
Francis Devenny	10	10	-	-	-	-	-	-
Ivan Grier	5	5	-	-	-	-	-	-
John McDermott	9	8	-	-	-	-	-	-
Patrick Kelly Jnr	10	10	-	-	5	5	1	1
Matt McNulty	10	10	6	6	5	5	-	-
Marshall Robinson	10	10	-	-	5	5	-	-
Lexie Tinney	5	5	4	4	-	-	-	-
Norman Witherow	10	10	6	6	-	-	1	1
Michael Griffin	10	9	2	2	-	-	-	-
Geoffrey McClay	10	10	-	-	-	-	-	-
Frank Browne	10	10	-	-	-	-	-	-

A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee

B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee

Corporate Governance report continued

Remuneration Committee

The Remuneration Committee is comprised of three non-executive directors of which Norman Witherow is chairman. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Executive Directors;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to act, on behalf of the Board, and take decisions related to pay and pay related matters, as the Chairman of the Board shall determine;
- to act, on behalf of the Board, and take significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues.

The report of the Remuneration Committee on behalf of the Board is set out on pages 21 to 24.

Audit Committee

The Audit Committee comprises of three non-executive directors – Marshall Robinson, Patrick Kelly Jnr (Chairman) and Matt McNulty. The Committee held five formal meetings during 2012. 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 performs a self evaluation annually and no issues were identified during the review.

The engagement of the external auditor to provide any non-audit services must be pre-approved by the Committee where the fee exceeds 20% of the audit fee. During the financial year to 31 December 2012, fees charged in relation to non-audit related services totalled €10,000 (2011: €149,000) in respect of KPMG, the external auditor.

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

In 2012 the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2011, 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 auditor;
- considered the external auditors' plan for the annual audit of the Group's financial statements for 2012;
- 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 Revised UK Corporate Governance Code throughout the financial year under review, other than with respect to the following matters:

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

The Corporate Governance report forms part of the Directors' report.

On behalf of the Board

Geoffrey Vance
Director

Ian Ireland
Director

11 April 2013

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 Michael Griffin, Matt McNulty and Norman Witherow (Committee Chairman).

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

Remuneration policy

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

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

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

Executive directors' basic salary and benefits

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

Incentive plan

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

Share option scheme

At an extraordinary general meeting held on 27 July 2005 a share option scheme for full time executives was approved by shareholders. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. No option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee. Details of options granted to date under this scheme are set out in note 28 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 reaching 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 22 and 23, details of directors' share options and shareholdings are given on page 24 and details of directors' pensions are set out on page 23.

Pensions

Executive directors are entitled to benefits under defined contribution scheme pension arrangements.

Report of the remuneration committee continued

Executive directors

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

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

	2012 €	2011 €
<i>Salaries and benefits</i>		
Basic salary	516,160	366,843
Benefits ⁽¹⁾	39,537	42,163
	555,697	409,006
<i>Performance related</i>		
Annual incentives ⁽²⁾	75,000	36,234
Pension charge ⁽³⁾	66,830	68,144
Total executive directors' remuneration	697,527	513,384
Average number of executive directors	2	2
Average annual basic salary per executive director	258,080	183,422
 Non executive directors		
	2012 €	2011 €
<i>Fees and other emoluments</i>		
Fees ⁽⁴⁾	175,813	181,999
Other emoluments and benefits	-	1,827
	175,813	183,826
<i>Other remuneration</i>	-	-
Total non-executive directors' remuneration	175,813	183,826
Average number of non-executive directors	10	11
Total directors' remuneration	873,340	697,210

In addition, a charge of €15,000 (2011: €39,000) has been recognised with respect to share options granted to executive directors and management.

Notes to directors' remuneration

1. Benefits principally relate to a car allowance.
2. The incentive plan is outlined on page 21.
3. The pension charge represents defined contributions made to pension funds.
4. Eleven non-executive directors received fees in 2012 (2011: Eleven).

	Basic salary €	Incentive bonus €	Benefits €	Pension & other related costs €	2012 Total €	2011 Total €
Executive directors						
I Ireland	262,344	75,000	26,477	52,464	416,285	369,304
J McDermott (Resigned 30 November 2012)	253,816	-	13,060	14,366	281,242	144,080
	516,160	75,000	39,537	66,830	697,527	513,384

	Basic fees €	Incentive bonus €	Benefits €	Pension & other related costs €	2012 Total €	2011 Total €
Non-executive directors						
G Vance	43,242	-	-	-	43,242	42,943
L Tinney (Resigned 4 July 2012)	7,731	-	-	-	7,731	16,891
M McNulty	19,000	-	-	-	19,000	18,402
N Witherow	16,112	-	-	-	16,112	15,064
F Devenny	12,569	-	-	-	12,569	12,868
I Grier (Resigned 4 July 2012)	6,285	-	-	-	6,285	12,868
M Robinson	14,064	-	-	-	14,064	14,363
P Kelly Jnr	15,363	-	-	-	15,363	15,563
Michael Griffin	16,309	-	-	-	16,309	15,711
G McClay	12,569	-	-	-	12,569	12,868
Frank Browne (appointed 29 June 2011)	12,569	-	-	-	12,569	6,285
	175,813	-	-	-	175,813	183,826

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2011	Granted in 2012	Forfeited in 2012	At 31 December 2012	Average Option Price 2012
I Ireland	150,000	-	-	150,000	4.35
	30,000	-	-	30,000	6.90
	30,000	-	-	30,000	3.00
J McDermott	210,000	-	-	210,000	
	30,000	-	-	30,000	3.00
	240,000	-	-	240,000	

The market price of the Company's shares at 31 December 2012 was €3.25 (2011: €3.10) and the range during 2012 was €3.10 to €3.90 (2011: €3.00 to €4.70). See note 28 of the financial statements for further information in this regard.

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

No share options were granted or forfeited during the year. See above and note 28 of the financial statements.

Report of the remuneration committee continued

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2012 in the ordinary shares of the Company at 31 December 2012 (or date of appointment, if later) and 31 December 2011 are set out below:

	31 December 2012	31 December 2011
Directors' and secretary:		
G Vance	175,439	175,439
I Ireland	124,965	124,965
F Devenny	100,707	100,707
P Kelly Jnr	2,401	2,401
M Mc Nulty	19,000	19,000
M Robinson	24,417	24,417
N Witherow	50,471	48,971
G McClay	12,107	12,107
M Griffin	15,000	15,000
Frank Browne	6,917	6,917
Padraic Lenehan (secretary)	-	-

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

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with ESM Rules the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2012.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and the Company. The Companies Acts 1963 to 2012 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the directors are required to:

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2012. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

Geoffrey Vance
Director

Ian Ireland
Director

11 April 2013

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 2012 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2012.

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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 25 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2012 and of its profit for the year then ended;
- the parent company statement of financial position gives 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 2012, of the state of the parent company's affairs as at 31 December 2012; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Matters on which we are required to report by the Companies Acts 1963 to 2012

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The parent company statement of financial position is in agreement with the books of account and, in our opinion, proper books of account have been kept by the company.

In our opinion the information given in the directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group 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 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Under the terms of our engagement, we have agreed to review the voluntary Corporate Governance Report on pages 12 to 18 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code and the Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange.

David Wilkinson
for and on behalf of



Chartered Accountants, Statutory Audit Firm
12 April 2012
Stokes Place,
St Stephens Green
Dublin 2

11 April 2013

Consolidated statement of comprehensive income for the year ended 31 December 2012

	Note	Pre- Exceptional €'000	2012 (Note 8) Exceptional €'000	Total €'000	Pre- Exceptional €'000	2011 (Note 8) Exceptional €'000	Restated* Total €'000
Continuing operations							
Revenue	6	80,534	-	80,534	68,907	-	68,907
Cost of sales		(61,235)	-	(61,235)	(49,734)	-	(49,734)
Gross profit		19,299	-	19,299	19,173	-	19,173
Other income	7	846	-	846	688	-	688
Other expenses	7	(169)	-	(169)	(6,738)	-	(6,738)
Distribution expenses		(8,729)	-	(8,729)	(7,654)	-	(7,654)
Administrative expenses		(9,635)	(174)	(9,809)	(8,182)	(901)	(9,083)
Profit/(loss) from operating activities		1,612	(174)	1,438	(2,713)	(901)	(3,614)
Finance income		308	-	308	537	-	537
Finance expenses		(1,785)	(2,147)	(3,932)	(2,270)	-	(2,270)
Net finance expense	11	(1,477)	(2,147)	(3,624)	(1,733)	-	(1,733)
Share of profit of associates (net of tax)		4,515	(698)	3,817	1,656	-	1,656
Profit/(loss) before income tax		4,650	(3,019)	1,631	(2,790)	(901)	(3,691)
Income tax (expense)/credit	12	(304)	-	(304)	1,129	-	1,129
Profit/(loss) for the year – continuing operations		4,346	(3,019)	1,327	(1,661)	(901)	(2,562)
Discontinued operations							
Net gain on disposal of operations	23	-	7,284	7,284	-	-	-
Loss from discontinued operations	13	(636)	-	(636)	(5,865)	576	(5,289)
Profit/(loss) for the year		3,710	4,265	7,975	(7,526)	(325)	(7,851)
Other comprehensive income							
Foreign currency translation differences for foreign operations				(101)			(60)
Currency translation adjustment in associate undertaking				162			281
Revaluation of property on reclassification to investment property	14			-			856
Tax on revaluation of property on reclassification to investment property	19			-			(257)
Reclassification of previous gain on fair value of available for sale financial asset – transfer to profit and loss	11			-			(271)
Tax on reclassification of previous gain on fair value of available for sale financial asset – transfer to profit or loss	19			-			81
Defined benefit plan actuarial gain/(loss)	27			91			(351)
Tax on defined benefit plan actuarial gain/(loss)	19			(11)			34
Total comprehensive income/(loss) for the year				8,116			(7,538)

* As restated to reflect the effect of discontinued operations.

	Note	2012 €'000	Restated* 2011 €'000
Profit/(loss) attributable to:			
Equity holders of the Company		8,087	(7,785)
Non-controlling interest		(112)	(66)
		7,975	(7,851)
Total comprehensive income attributable to:			
Equity holders of the Company		8,239	(7,483)
Non-controlling interest		(123)	(55)
		8,116	(7,538)
Earnings/(loss) per share			
Basic earnings/(loss) per share (euro cent):			
	25		
Continuing		14.2	(24.5)
Discontinued		65.5	(52.3)
		79.7	(76.8)
Diluted earnings/(loss) per share (euro cent):			
	25		
Continuing		14.1	(24.5)
Discontinued		65.0	(51.7)
		79.1	(76.2)

* As restated to reflect the effect of discontinued operations.

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of financial position

As at 31 December 2012

	Note	2012 €'000	2011 €'000
Assets			
Property, plant and equipment	14	16,025	16,557
Investment property	16	25,675	25,833
Goodwill	15	3,633	3,633
Intangible assets	15	534	472
Investment in associates	17	21,549	18,503
Other investments	18	667	1,301
Prepayment	21	192	193
Total non-current assets		68,275	66,492
Inventories	20	5,409	5,069
Trade and other receivables	21	38,603	31,111
Current tax		-	46
Assets held for sale	23	-	16,705
Total current assets		44,012	52,931
Total assets		112,287	119,423
Equity			
Share capital	24	1,337	1,337
Share premium	24	2,975	2,975
Other reserves	24	1,495	1,408
Retained earnings		52,486	45,942
Total equity attributable to equity holders of the Company		58,293	51,662
Non-controlling interest		675	829
Total equity		58,968	52,491
Liabilities			
Loans and borrowings	26	14,784	17,593
Deferred income	29	1,020	992
Derivatives	29	3,856	1,709
Employee benefits	27	-	257
Deferred tax liabilities	19	4,316	4,087
Total non-current liabilities		23,976	24,638
Trade and other payables	29	21,880	19,301
Bank overdraft	22	4,318	12,200
Loans and borrowings	26	2,905	3,424
Current tax		240	-
Liabilities held for sale	23	-	7,369
Total current liabilities		29,343	42,294
Total liabilities		53,319	66,932
Total equity and liabilities		112,287	119,423

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of financial position

As at 31 December 2012

	Note	2012 €'000	2011 €'000
Assets			
Property, plant and equipment	14	3,238	3,299
Investment property	16	22,131	22,280
Intangible assets	15	19	28
Investment in associates	17	6,455	7,388
Other investments	18	4,065	5,772
Total non-current assets		35,908	38,767
Trade and other receivables	21	15,608	11,991
Assets held for sale		-	6,286
Bank	22	626	-
Total current assets		16,234	18,277
Total assets		52,142	57,044
Equity			
Share capital	24	1,337	1,337
Share premium	24	2,975	2,975
Revaluation reserve	24	616	616
Share option reserve	24	389	374
Other reserves	24	(159)	(159)
Retained earnings		13,602	8,196
Total equity		18,760	13,339
Liabilities			
Loans and borrowings	26	14,600	17,396
Derivatives	29	3,856	1,709
Deferred income	29	3	4
Employee benefits	27	-	257
Deferred tax liabilities	19	3,099	3,011
Total non-current liabilities		21,558	22,377
Trade and other payables	29	8,943	8,363
Bank overdraft	22	-	8,332
Loans and borrowings	26	2,797	3,302
Liabilities held for sale		-	1,252
Current tax		84	79
Total current liabilities		11,824	21,328
Total liabilities		33,382	43,705
Total equity and liabilities		52,142	57,044

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Revalua- tion reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2012	1,337	2,975	(2,787)	(348)	4,169	-	374	45,942	51,662	829	52,491
Total comprehensive income for the year											
Profit/(loss) for the year	-	-	-	-	-	-	-	8,087	8,087	(112)	7,975
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(90)	-	-	-	-	-	(90)	(11)	(101)
Currency translation adjustment in associate undertaking	-	-	162	-	-	-	-	-	162	-	162
Defined benefit plan actuarial gains and (losses), net of tax	-	-	-	-	-	-	-	80	80	-	80
Other comprehensive income											
Total comprehensive income for the year											
Total comprehensive income for the year											
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid								(1,623)	(1,623)	(31)	(1,654)
Shared based payments								-	15	-	15
Total contributions by and distributions to owners											
Total contributions by and distributions to owners											
Balance at 31 December 2012	1,337	2,975	(2,715)	(348)	4,169	-	389	52,486	58,293	675	58,968

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Revalua- tion reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2011	1,337	2,975	(2,997)	(348)	3,570	190	335	55,667	60,729	914	61,643
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	-	-	(7,785)	(7,785)	(66)	(7,851)
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(71)	-	-	-	-	-	(71)	11	(60)
Currency translation adjustment in associate undertaking	-	-	281	-	-	-	-	-	281	-	281
Reclassification of previous gain on fair value of available for sale financial asset, net of tax	-	-	-	-	-	(190)	-	-	(190)	-	(190)
Defined benefit plan actuarial gains and (losses), net of tax	-	-	-	-	-	-	-	(317)	(317)	-	(317)
Revaluation of property on reclassification to investment property, net of tax	-	-	-	-	599	-	-	-	599	-	599
Other comprehensive income											
	-	-	210	-	599	(190)	-	(317)	302	11	313
Total comprehensive income for the year											
	-	-	210	-	599	(190)	-	(8,102)	(7,483)	(55)	(7,538)
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	24	-	-	-	-	-	-	(1,623)	(1,623)	(30)	(1,653)
Shared based payments	28	-	-	-	-	-	39	-	39	-	39
Total contributions by and distributions to owners											
	-	-	-	-	-	-	39	(1,623)	(1,584)	(30)	(1,614)
Balance at 31 December 2011	1,337	2,975	(2,787)	(348)	4,169	-	374	45,942	51,662	829	52,491

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Company statement of changes in equity for the year ended 31 December 2012

	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 2011		1,337	2,975	(348)	189	155	335	7,293	11,936
Profit for the year		-	-	-	-	-	-	2,843	2,843
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	(317)	(317)
Revaluation of property on reclassification to investment property, net of tax		-	-	-	-	461	-	-	461
Total comprehensive income for the year		-	-	-	-	461	-	2,526	2,987
Dividends to equity holders		-	-	-	-	-	-	(1,623)	(1,623)
Share-based payments	28	-	-	-	-	-	39	-	39
Balance at 31 December 2011		1,337	2,975	(348)	189	616	374	8,196	13,339
Profit for the year		-	-	-	-	-	-	6,949	6,949
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	80	80
Total comprehensive income for the year		-	-	-	-	-	-	7,029	7,029
Dividends to equity holders		-	-	-	-	-	-	(1,623)	(1,623)
Share-based payments	28	-	-	-	-	-	15	-	15
Balance at 31 December 2012		1,337	2,975	(348)	189	616	389	13,602	18,760

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Cash flows from operating activities			
Profit/(loss) for the period		7,975	(7,851)
Adjustments for:			
Depreciation	14	1,378	2,345
Amortisation of intangibles	15	103	81
Non-cash defined benefit scheme settlement gain	27	(153)	(576)
Change in fair value of investment property	16	169	6,738
Defined benefit pension scheme charge	27	18	176
Net finance expense		3,624	1,733
Share of profit of associates		(3,817)	(1,656)
Gain on sale of property, plant and equipment	7	(42)	(23)
Gain on disposal of discontinued operations	23	(7,284)	-
Equity-settled share-based payment transactions	28	15	39
Income tax expense/(benefit)		304	(1,129)
Change in inventories		795	(1,424)
Change in trade and other receivables		(4,798)	(2,787)
Change in trade and other payables		3,476	3,614
		1,763	(720)
Interest paid		(807)	(1,029)
Defined benefit pension contributions paid		(46)	(271)
Income tax refunded/(paid)		41	(318)
Net cash from operating activities		951	(2,338)
Cash flows from investing activities			
Interest received		119	58
Dividends received		3	26
Drawdown of grant		40	-
Proceeds from sale of property, plant and equipment		112	90
Proceeds from repayment of loan stock in associate	17	780	780
Proceeds from disposals of discontinued operations		12,933	-
Acquisition of subsidiaries		(380)	(4,448)
Acquisition of property, plant and equipment		(833)	(2,273)
Acquisition of intangibles		(171)	(99)
Net cash used in investing activities		12,603	(5,866)

Consolidated statement of cash flows

for the year ended 31 December 2012 continued

	Note	2012 €'000	2011 €'000
Cash flows from financing activities			
Drawdown of borrowings		-	6,000
Repayment of borrowings		(3,902)	(2,102)
Payment of finance lease liabilities		(75)	(47)
Dividend paid to non-controlling interest		(31)	(30)
Dividends paid	24	(1,623)	(1,623)
Net cashflow from financing activities		(5,631)	2,198
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		(12,200)	(6,382)
Effect of exchange rate fluctuations on cash held		(41)	188
Cash and cash equivalents at 31 December		(4,318)	(12,200)

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Cash flows from operating activities			
Profit for the year		6,949	2,843
Adjustments for:			
Depreciation	14	66	316
Amortisation	15	9	37
Non-cash defined benefit scheme settlement gain	27	(153)	(576)
Change in fair value of investment property	16	149	5,201
Net finance expense/(income)		3,204	(10,765)
Equity-settled share-based payment transactions	28	15	39
Income tax expense/(benefit)		173	(973)
Defined benefit pension scheme charge		18	176
Gain on disposal of discontinued operations		(10,930)	-
Change in inventories		1,703	497
Change in trade and other receivables		(2,746)	2,268
Change in trade and other payables		2,520	(18,290)
		977	(19,227)
Interest paid		(835)	(1,029)
Defined benefit pension scheme contribution		(46)	(271)
Income tax paid		(2)	(2)
Net cash from operating activities		94	(20,529)
Cash flows from investing activities			
Interest received		118	96
Dividend received		563	12,024
Proceeds from repayment of loan in associate	17	780	780
Acquisition of property, plant and equipment		(5)	(57)
Proceeds from disposals of discontinued operations		12,933	-
Net cash used in investing activities		14,389	12,843
Cash flows from financing activities			
Drawdown of borrowings		-	6,000
Repayment of borrowings		(3,902)	(2,102)
Dividends paid	24	(1,623)	(1,623)
Net cashflow from financing activities		(5,525)	2,275
Net increase/(decrease) in cash and cash equivalents		8,958	(5,411)
Cash and cash equivalents at 1 January		(8,332)	(2,921)
Cash and cash equivalents at 31 December	22	626	(8,332)

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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1. Reporting entity

Donegal Creameries plc (the "Company") is a Company incorporated and tax resident in the Republic of Ireland. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 consolidate the financial statements of the Company and its subsidiaries (together referred to as the "Group") and include the Group's interest in associates using the equity method of accounting. The Company financial statements deal with the Company as a single entity. The Group is primarily involved in the management and distribution of farm inputs and dairy products (the liquid and trade milk and agri-stores business were disposed on 13 January 2012), the development and sale of produce and the sale of property.

The consolidated and Company financial statements were authorised for issuance on 11 April 2013.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union ('EU IFRS'). The Company financial statements have been prepared in accordance with EU IFRS, as applied in accordance with the Companies Acts 1963 to 2012, which permits a Company that publishes its consolidated and Company financial statements together to take advantage of the exemption in Section 148(8) of the Companies Act, 1963 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The Standards and Interpretations applied were those that were effective for accounting periods ending on or before 31 December 2012.

(b) Basis of preparation

The financial statements are presented in euro, which is the Group'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, defined benefit obligation 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.

Notes to the consolidated financial statements (continued)

(d) Changes in accounting policies

As of 1 January 2012, the Group changed its accounting policies in the following areas which did not have a material effect on the financial results or financial position of the Group:

- Amendments to IFRS 1 'First time adoption on fixed dates and hyperinflation';
- Amendments to IFRS 7 'Financial Instruments: Disclosures on transfers of assets';
- Amendments to IAS 12 'Income Taxes' – 'Deferred Tax: Recovery of Underlying Assets'.

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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(a) Basis of consolidation continued

(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 change in net assets of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

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

(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 other comprehensive income and presented in the translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

Cash and cash equivalents

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

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

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)), are recognised in other comprehensive income and presented in the fair value reserve 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.

3. Significant accounting policies continued

(c) Financial instruments continued

(ii) Derivative financial instruments

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in other comprehensive income and presented in the revaluation reserve in equity.

Any loss is recognised immediately in profit or loss.

(iii) Leased assets

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

(iv) Subsequent costs

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

(v) Depreciation

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

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(e) Property, plant and equipment continued

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Intangible assets

(i) Goodwill

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as follows:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for in equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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 to 31 December 2009

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, a bargain purchase gain is recognised immediately in profit or loss.

Subsequent measurement

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

(ii) Other intangible assets

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

3. Significant accounting policies continued

(f) Intangible assets continued

(iii) Subsequent expenditure

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

(iv) Amortisation

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

- computer software 4 years
- licenses 50 years

(g) Investment property

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

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

(h) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is reclassified 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 in other comprehensive income.

(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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(h) Impairment continued

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

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

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(iii) Equity settled share-based payment transactions

The grant date fair value of equity settled options granted to employees 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 as a result of failure to meet the related service and non-market conditions.

(j) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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 the risks specific to the liability.

(k) Revenue

(i) Goods sold

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

3. Significant accounting policies continued

(k) Revenue continued

(ii) Rental income

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

(iii) Government grants

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

(l) Lease payments

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

Finance lease payments

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

(m) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale debt securities), dividend income, the expected return on defined benefit pension assets, interest charged on trade receivable balances, gains on the disposal of available-for-sale financial assets and net foreign exchange gains. 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, net foreign exchange losses, interest on defined benefit pension scheme liabilities and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

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

(n) Income tax

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

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(o) Segment reporting

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

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

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

(p) Discontinued operations

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

(q) Earnings per share

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

(r) Inventories

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

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

(s) Exceptional Items

Exceptional items are those that are separately disclosed by virtue of their nature or amount in order to highlight such items within the Statement of Comprehensive Income and results for the year. Examples of such items may include significant restructuring programmes, profits or losses on termination of operations, litigation costs and settlements and significant impairments of assets. Group management exercises judgement in assessing each particular item which, by virtue of their scale or nature, should be highlighted and disclosed in the Statement of Comprehensive Income and notes to the Group Financial Statements as exceptional items. Exceptional items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

(t) New standards and interpretations not yet adopted

We have considered all EU endorsed IFRS standards, amendments to these standards, IFRIC interpretations that have been issued, but which are not yet effective, and have not been early adopted in these financial statements, as follows:

IAS 19, "Employee benefits", was amended in June 2011 to require the recognition of changes in the net defined benefit liability or asset including immediate recognition of defined benefit cost, and eliminating the corridor approach permitted by the existing IAS 19. The amendment also enhanced disclosures about defined benefit plans and modifies the accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment. The amendment is effective for financial years beginning on or after 1 January 2013. The impact on the Group will be as follows: to recognise all actuarial gains and losses in other comprehensive income (OCI)

3. Significant accounting policies continued

(t) New standards and interpretations not yet adopted continued

as they occur and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. We are currently assessing the full impact of the amendments on the Group.

IAS 1, "Presentation of Financial Statements", was amended in June 2011 to revise the presentation of OCI by requiring entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently and by requiring tax associated with items presented before tax to be shown separately for each of the two groups of OCI items. The amendment is effective for financial years beginning on or after 1 July 2012. We expect that the adoption of the amendment will impact upon the presentation of items in OCI only.

IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and U.S. GAAP, do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards within IFRS. We are currently assessing the full impact of the amendments on the Group.

Amendment to IFRS 7, "Financial instruments: Disclosures on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate consistency between those entities that prepare IFRS financial statements and those that prepare U.S. GAAP financial statements. We expect that the disclosures required by this amendment are not applicable to the Group.

Amendment to IAS 32, "Financial instruments: Presentation on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, "Financial instruments: Presentation", to clarify some of the requirements for offsetting financial assets and financial liabilities. We do not expect the adoption of the amendment to this standard to impact our financial position or results from operations.

IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2014, with early adoption permitted. The standard builds on existing consolidation principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. We are currently assessing the full impact of the amendments on the Group.

IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2014, with early adoption permitted. This standard accounts for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed. We are currently assessing the full impact of the amendments on the Group.

IFRS 12, "Disclosures of interests in other entities", is effective, for annual periods beginning on or after 1 January 2014, with early adoption permitted. This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries joint arrangements, associates and unconsolidated structured entities. We are currently assessing the full impact of the amendments on the Group.

IAS 27 (revised 2011) "Separate financial statements", is effective for annual periods beginning on or after 1 January 2014, with early adoption permitted. This standard includes the provisions on separate financial statements that are left after the guidance on consolidated financial statements has been included in the new IFRS 10. We are currently assessing the full impact of the amendments on the Parent Company.

IAS 28 (revised 2011) "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2014. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. We are currently assessing the full impact of the amendments on the Group.

Notes to the consolidated financial statements continued

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.

(ii) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing 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 other information available at the reporting date.

(iii) Trade and other receivables and trade and other payables

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

(iv) Derivatives

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

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

(v) Non-derivative financial liabilities

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

(vi) Share-based payment transactions

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

5. Financial risk management

Overview

The Group has exposure to the following risks:

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

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

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

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

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

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 arrangements or letters of credit are in place before dealing with new customers outside Ireland and the UK.

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

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

Liquidity risk

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

At 31 December 2012 the Group had committed bank facilities of €24.4 million, including an overdraft facility of €7 million for working capital requirements.

Market risk

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

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

Notes to the consolidated financial statements continued

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.

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

Commodity risk

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

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

Capital management

The Group considers that its capital comprises share capital, share premium, retained earnings and other reserves (excluding the translation, fair value, non-controlling interest and share options reserves) which amounted to €60.6 million at 31 December 2012 (2011: €54.1 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 non-controlling 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 awarding shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the executive directors based on criteria set by the Board of Directors. The Group does not have a defined share buy-back plan.

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

6. Segment reporting

Business segments

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

Following the sale of our agri-stores and liquid milk business, the Group comprises the following reportable business segments:

- Produce: The future growth, sales and distribution of seed potatoes and organic produce.
- Food – Agri: The manufacture, sale and distribution of farm inputs and dairy products and rental and sale of food-agri property assets.
- Associates: Associates is comprised of our existing investments in Monaghan Middlebrook Mushrooms, North Western Livestock Holdings and Leapgrange.

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 business segments. Segment assets are based on the geographical location of the assets.

6. Segment reporting continued

Business segments continued

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

Group

	Produce		Food-Agri		Associates		Total - Group	
	2012 €'000	2011 €'000	2012 €'000	2011* €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Total revenues	33,958	32,294	48,073	105,765	150,085	101,683	232,116	239,742
Less: Revenue for associates	-	-	-	-	(150,085)	(101,683)	(150,085)	(101,683)
Less: Revenue from discontinued operations (note 13)	-	-	(1,497)	(69,152)	-	-	(1,497)	(69,152)
Revenue – continuing operations	33,958	32,294	46,576	36,613	-	-	80,534	68,907
Inter-segment revenue	-	-	-	-	-	-	-	-
Segment result before exceptional items	939	3,415	70	(11,778)	4,515	1,656	5,524	(6,707)
Inter-segment charges	-	-	239	-	(239)	-	-	-
Add: segmental loss from discontinued operations (note 13)	-	-	636	5,865	-	-	636	5,865
Segmental result from continuing operations before exceptional items	939	3,415	945	(5,913)	4,276	1,656	6,160	(842)
Exceptional items							(3,019)	(901)
Net finance costs							(1,477)	(1,733)
Income tax (expense)/benefit							(304)	1,129
Share option expense							(15)	(39)
Current pension service cost							(18)	(176)
Profit/(loss) for the year – continuing operations							1,327	(2,562)

* As restated to reflect the effect of discontinued operations.

Notes to the consolidated financial statements continued

6. Segment reporting continued

Business segments continued

	Produce		Food-Agri		Associates		Total - Group	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Segment assets	27,331	26,547	63,407	57,668	-	-	90,738	84,215
Investments in associates	-	-	-	-	21,549	18,503	21,549	18,503
Assets held for sale	-	-	-	-	-	-	-	16,705
Total assets as reported in Group Balance Sheet	27,331	26,547	63,407	57,668	21,549	18,503	112,287	119,423
Segment liabilities	12,494	12,467	10,646	7,826	-	-	23,140	20,293
Liabilities held for sale (unallocated)							-	7,369
Bank overdraft (unallocated)							4,318	12,200
Derivatives (unallocated)							3,856	1,709
Loans and borrowings (unallocated)							17,689	21,017
Deferred tax (unallocated)							4,316	4,087
Employee benefits (unallocated)							-	257
Total liabilities as reported in Group Balance Sheet							53,319	66,932

Other segment information

Capital expenditure	363	470	641	1,334	-	-	1,004	1,804
Depreciation and amortisation	521	290	960	939	-	-	1,481	1,229
Change in fair value of investment property and other assets	-	-	970	7,108	-	-	970	7,108

Discontinued operations

Capital expenditure	-	-	-	936	-	-	-	936
Depreciation and amortisation	-	-	137	1,126	-	-	137	1,126

	Island of Ireland		Europe		Rest of world		Total - Group	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Total revenue from external customers	70,655	63,940	9,528	4,811	351	156	80,534	68,907
Segment assets as reported in Group Balance Sheet	103,005	109,849	8,802	8,540	480	1,034	112,287	119,423
Capital expenditure	542	1,916	459	808	3	16	1,004	2,740

The Group is not reliant on any single customer for greater than 10% of its revenues.

7. Other income/(expenses) - continuing operations

	2012 €'000	2011 €'000
Income from investment property rentals	804	665
Profit on disposal of property, plant and equipment	42	23
Change in fair value of investment property	846 (169)	688 (6,738)
	677	(6,050)

8. Exceptional items

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Such items are included in the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

The Group reports the following exceptional items:

		2012 €'000	2011 €'000
Restructuring costs	a	(174)	(344)
Cost of disposal of discontinued operations	b	-	(458)
Non-cash defined benefit scheme settlement gain	c	-	576
Costs of acquisition	d	-	(99)
Associate exceptional costs	e	(698)	-
Net gain on disposal of operations	f	7,284	-
Change in fair value of option granted over investments	g	(2,147)	-
		4,265	(325)

- a) Restructuring costs include redundancy costs, legal, accounting and taxation advice in respect of costs associated with restructuring the Group.
- b) Costs of disposal of discontinued operations include legal, accounting & taxation advice and broker fees in respect of the sale of the liquid & trade milk business and agri-stores business.
- c) A curtailment gain of €0.58m was recognised in discontinued activities in respect of the Group's defined benefit pension scheme which relates to the employees who became deferred members at the year end as a result of the sale of the liquid & trade milk business and agri-stores business.
- d) Costs of acquisition include legal advice in respect of the purchase of business combinations during 2011.
- e) Associate exceptional costs include redundancy costs and cost in respect of company acquisitions during 2012.
- f) The gain on disposal of operations is described in detail in note 23.
- g) This relates to an exceptional once off charge in respect of fair value of option due to business acquisitions (see note 29).

9. Personnel expenses

Group

Employees

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

	2012 Number	2011 Number
Production	109	160
Stores	16	66
Transport	11	38
Administration	89	86
	225	350

Included in total employees in 2011 are employees who were employed in discontinued activities totalling 153.

The staff costs for the year for the above employees were:

	2012 €'000	2011 €'000
Wages and salaries	7,594	11,179
Social welfare costs	793	1,296
Pension costs (note 27)	451	484
Share option benefits (note 28)	15	39
	8,853	12,998

Included in total staff costs figures in 2012 are staff costs for discontinued activities totalling €0.2m (2011:€5.6m).

Notes to the consolidated financial statements continued

9. Personnel expenses continued

Company

Employees

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

	2012 Number	2011 Number
Stores (discontinued)	-	45
Administration	17	20
	17	65

Included in total employees in 2011 are employees who were employed in discontinued activities totalling 48.

The staff costs for the year for the above employees were:

	2012 €'000	2011 €'000
Wages and salaries	1,020	2,009
Social welfare costs	130	385
Pension costs	134	308
Share option benefits	15	39
	1,299	2,741

Included in total staff costs figures in 2011 are staff costs for discontinued activities totalling €1.06m.

10. Statutory and other information

	2012 €'000	2011 €'000
The profit/(loss) for the year has been arrived at after charging/(crediting) the following amounts:		
Grant income	(40)	-
Depreciation	1,378	2,345
Auditor's remuneration - group:		
- audit fees	85	108
- taxation services	35	39
- other non audit services	10	110
Auditor's remuneration - company:		
- audit fees	30	45
- taxation services	10	10
- other non audit services	10	110
Amortisation of prepayments	1	1
Amortisation of intangible assets	103	81
Impairment of loan to associate	185	379
Impairment of available for sale investment	757	370

Amounts paid to directors are disclosed in the report of the Remuneration Committee on pages 21 to 24.

11. Finance income and expense – continuing operations

Recognised in profit or loss	2012 €'000	2011 €'000
Interest income on bank deposits	103	65
Interest income on associate loan stock	15	40
Net foreign exchange gain	104	209
Expected rate of return on pension scheme assets	83	197
Dividends received	3	26
Finance income	308	537
Interest expense on bank loans and overdraft	(824)	(1,106)
Impairment of loan to associate	(185)	(379)
Change in fair value of option granted over investments	-	(366)
Interest on pension scheme liabilities	(93)	(195)
Impairment loss on trade receivables	(49)	(125)
Reclassification of previous gain on fair value of available for sale financial asset – transfer from other comprehensive income	-	271
Impairment of available for sale investment	(634)	(370)
Finance expense – pre exceptional	(1,785)	(2,270)
Exceptional expense (note 8)	(2,147)	-
Net finance expense recognised in profit or loss	(3,624)	(1,733)
Recognised directly in other comprehensive income		
	2012 €'000	2011 €'000
Foreign currency translation differences for foreign operations	(101)	(60)
Reclassification of previous gain on fair value of available for sale financial asset – transfer to finance expense	-	(271)
Income tax on finance income and expense recognised directly in other comprehensive income	-	81
Finance expense recognised in other comprehensive income, net of tax	(101)	(250)
Finance income recognised in other comprehensive income, net of tax		
Recognised in:		
Fair value reserve	-	(190)
Translation reserve	(101)	(60)
	(101)	(250)

Notes to the consolidated financial statements continued

12. Income tax expense/(benefit) – continuing operations

	2012 €'000	2011 €'000
Current tax expense/(benefit)		
Current year	155	11
Adjustment for prior years	(69)	70
	86	81
Deferred tax expense		
Origination and reversal of temporary differences	(64)	(1,690)
Change in tax rate	282	480
	218	(1,210)
Income tax expense/(benefit) excluding share of income tax of associates	304	(1,129)

In the Republic of Ireland, the CGT rate applicable to the disposal of certain capital assets increased from 30% to 33% with effect from 6 December 2012. As this rate is enacted at the balance sheet date, the deferred tax assets and liabilities relating to certain assets have been calculated using this rate.

The UK Budget in 2012 announced that the UK corporation tax rate was to reduce to 21% over a period of three years from 2012. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted in July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted in March 2011 and July 2011 respectively. The Finance Act 2012, which was substantively enacted on 17 July 2012, amended the main rate of corporation tax to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. This will reduce the group's future current tax charge accordingly. UK deferred tax balances have been calculated based on the rate of 23% substantively enacted at the reporting date.

	2012 €'000	2011 €'000
Tax reconciliation		
Profit/(loss) for year before tax – continuing activities	1,327	(3,691)
Adjustment for share of profit of associates	(3,817)	(1,601)
Loss for year before tax, excluding share of profit of associates	(2,490)	(5,292)
Tax at 12.5% (2011: 12.5%)	(311)	(662)
Depreciation in excess of capital allowances	40	60
Expenses not allowable for tax purposes	634	857
Passive income taxed at higher rate	1	40
Adjustment for capital gains tax	-	15
Deductions allowable for tax	(129)	(1,399)
Profit on sale of assets	-	(23)
Adjustment for prior periods	69	(70)
Origination and reversal of temporary differences	-	53
Income tax expense/(benefit)	304	(1,129)

12. Income tax expense/(benefit) – continuing operations continued**Income tax recognised directly in other comprehensive income**

	2012 €'000	2011 €'000
Revaluation of property, plant and equipment before transfer to investment property	-	257
Available-for-sale financial assets	-	(81)
Actuarial gains/(losses)	11	(34)
Total income tax recognised directly in other comprehensive income	19	142

13. Discontinued operations

On 13 January 2012 and upon receipt of Competition Authority approval, the Group completed a sale agreement to dispose of its liquid and trade milk business and agri-stores business. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal was completed on 13 January 2012, on which date control of the liquid and trade milk business and agri-stores business passed to the acquirer. This was reflected as a discontinued operation in 2011.

On 31 December 2012, the Group disposed of its Organic-for-us business on which date control was passed to the acquirer.

Details of the assets and liabilities disposed of and the profit on disposal, are disclosed in note 23.

Notes to the consolidated financial statements continued

13. Discontinued operations continued

The revenue, results and cashflows of the Group's discontinued operations were as follows:

	2012 €'000	2011 €'000
Revenue	1,497	69,152
Cost of sales	(1,732)	(65,540)
Gross profit	(235)	3,612
Distribution expenses	(67)	(2,570)
Administration expenses	(334)	(4,505)
Other expenses	-	2
Loss from operating activities	(636)	(3,461)
Finance income	-	254
Finance expenses	-	(2,839)
Net finance expense	(636)	(2,585)
Loss before income tax	(636)	(6,046)
Income tax credit	-	181
Loss for the year from discontinued activities	(636)	(5,865)
Loss for the year	(636)	(5,865)
Adjustments for:		
Depreciation	137	1,214
Amortisation of intangibles	-	34
Net finance expense	-	2,585
Gain on sale of property, plant & Equipment	-	(2)
Income tax credit	-	(181)
Changes in inventory	20	798
Changes in trade & other receivables	(25)	19,809
Changes in trade & other payables	50	(5,880)
Defined benefit pension contributions paid	-	(223)
Net cash from operating activities	(454)	12,289
Cashflows from investing activities		
Proceeds from sale of property, plant & equipment	-	2
Acquisition of property, plant & equipment	(75)	(852)
Net cash used in investing activities	(75)	(850)
Net increase in cash & cash equivalents	(529)	11,439

14. Property, plant and equipment

Group	Land and buildings €'000	Plant and equip- ment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Cost or deemed cost					
Balance at 1 January 2011	16,600	21,608	3,217	4,033	45,458
Additions	479	1,080	821	261	2,641
On acquisition (note 31)	1,311	1,266	29	49	2,655
Reclassification to investment property	(2,879)	-	-	-	(2,879)
Revaluation on reclassification to investment property	856	-	-	-	856
Group reorganisation	(154)	(1,962)	(5)	(10)	(2,131)
Disposals	(690)	(76)	(40)	(323)	(1,129)
Effect of movements in exchange rates	50	75	6	-	131
To assets held for sale (note 23)	(2,838)	(9,419)	(1,602)	(2,554)	(16,413)
Balance at 31 December 2011	12,735	12,572	2,426	1,456	29,189
Balance at 1 January 2012	12,735	12,572	2,426	1,456	29,189
Additions	11	504	95	223	833
Disposals	-	(122)	(2)	(143)	(267)
Effect of movements in exchange rates	46	68	23	(2)	135
Balance at 31 December 2012	12,792	13,022	2,542	1,534	29,890
Depreciation and impairment losses					
Balance at 1 January 2011	4,839	16,843	2,554	3,128	27,364
Depreciation for the year	486	1,126	367	366	2,345
Disposals	(539)	(76)	(15)	(264)	(894)
Group reorganisation	(154)	(1,962)	(5)	(10)	(2,131)
Reclassification to investment property	(1,373)	-	-	-	(1,373)
Effect of movements in exchange rates	5	14	7	3	29
To assets held for sale (note 23)	(1,312)	(7,717)	(1,403)	(2,276)	(12,708)
Balance at 31 December 2011	1,952	8,228	1,505	947	12,632
Balance at 1 January 2012	1,952	8,228	1,505	947	12,632
Depreciation for the year	273	710	129	266	1,378
Disposals	-	(74)	(2)	(121)	(197)
Effect of movements in exchange rates	-	41	11	-	52
Balance at 31 December 2012	2,225	8,905	1,643	1,092	13,865
Carrying amounts					
At 1 January 2011	11,761	4,765	663	905	18,094
At 31 December 2011	10,783	4,344	921	509	16,557
At 1 January 2012	10,783	4,344	921	509	16,557
At 31 December 2012	10,567	4,117	899	442	16,025

Notes to the consolidated financial statements continued

14. 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 26). At 31 December 2012 the net carrying amount of leased plant and machinery was €418,000 (2011: €448,000). Depreciation charged on leased plant and machinery was €30,000 (2011: €30,000).

Land assets

The carrying value of land not subject to depreciation at 31 December 2012 was €4.8 million (2011: €4.8 million).

Transfer to investment property - 2011

On foot of the disposal of businesses, see note 13, nine properties included in property, plant and equipment at 31 December 2010 were revalued to €1,506,000 and transferred to investment property at 31 December 2011.

Transfer to assets held for sale - 2011

As a result of the post year end sale of liquid and trade milk business and agri-stores business, property, plant & equipment totalling €3,708,000 was transferred to assets held for sale at the year end 2011.

Group reorganisation - 2011

Group reorganisation represents transfer of assets between group companies at net book value in advance of disposal of group operations in 2011.

14. Property, plant and equipment continued

	Land and buildings €'000	Plant and equip- ment €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Company					
Cost or deemed cost					
Balance at 1 January 2011	5,423	596	1,771	556	8,346
Additions	3	11	-	4	18
Reclassification to investment property	(2,386)	-	-	-	(2,386)
Revaluation on reclassification to investment property	719	-	-	-	719
To assets held for sale	-	(161)	(613)	(356)	(1,130)
Disposals	-	-	-	(29)	(29)
Balance at 31 December 2011	3,759	446	1,158	175	5,538
Balance at 1 January 2012	3,759	446	1,158	175	5,538
Additions	-	-	5	-	5
Balance at 31 December 2012	3,759	446	1,163	175	5,543
Depreciation and impairment losses					
Balance at 1 January 2011	1,573	487	1,558	462	4,080
Depreciation for the year	160	15	112	29	316
Reclassification to investment property	(1,148)	-	-	-	(1,148)
To assets held for sale	-	(139)	(512)	(336)	(987)
Disposals	-	-	-	(22)	(22)
Balance at 31 December 2011	585	363	1,158	133	2,239
Balance at 1 January 2012	585	363	1,158	133	2,239
Depreciation for the year	46	7	5	8	66
Balance at 31 December 2012	631	370	1,163	141	2,305
Carrying amounts					
At 1 January 2011	3,850	109	213	94	4,266
At 31 December 2011	3,174	83	-	42	3,299
At 1 January 2012	3,174	83	-	42	3,299
At 31 December 2012	3,128	76	-	34	3,238

The carrying value of land not subject to depreciation at 31 December 2012 was €2.8million (2011: €2.8 million). The Company holds no finance leases (2011: Nil).

Notes to the consolidated financial statements continued

15. Intangible assets – Group

	Goodwill €'000	Software €'000	Acquisition related intangibles €'000	Total €'000
Cost				
Balance at 1 January 2011	3,418	666	39	4,123
Additions	-	99	-	99
Arising on acquisition	2,272	-	272	2,544
To assets held for sale (note 23)	(875)	(478)	-	(1,353)
Translation adjustment	-	(1)	-	(1)
Balance at 31 December 2011	4,815	286	311	5,412
Balance at 1 January 2012	4,815	286	311	5,412
Additions	-	171	-	171
Translation adjustment	-	(6)	-	(6)
Balance at 31 December 2012	4,815	451	311	5,577
Amortisation and impairment losses				
Balance at 1 January 2011	1,182	280	1	1,463
Amortisation for the year	-	80	1	81
To assets held for sale (note 23)	-	(237)	-	(237)
Balance at 31 December 2011	1,182	123	2	1,307
Balance at 1 January 2012	1,182	123	2	1,307
Amortisation for the year	-	99	4	103
Balance at 31 December 2012	1,182	222	6	1,410
Carrying amounts				
At 1 January 2011	2,236	386	38	2,660
At 31 December 2011	3,633	163	309	4,105
At 1 January 2012	3,633	163	309	4,105
At 31 December 2012	3,633	229	305	4,167

Intangible assets are amortised to the statement of comprehensive income over their estimated useful lives as follows:
Software - 4 years; Acquisition related intangibles - 50 years.

Acquisition related intangibles include licenses and customer and brand related intangibles.

Impairment testing for cash generating units containing goodwill

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

	2012		2011	
	Food-Agri €'000	Produce €'000	Food-Agri €'000	Produce €'000
Goodwill at 1 January	3,069	564	2,172	64
Additions	-	-	1,772	500
To assets held for sale	-	-	(875)	-
Goodwill at 31 December	3,069	564	3,069	564

15. Intangible assets – Group continued

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

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

- Forecasted sales and cashflows are based on management approved budgets for 2013 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 9%, 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 lead to any impairment. The business risk is included in the determination of the cashflows.

No impairment of goodwill was identified in 2012 as a result of this review (2011: Nil).

	Software €'000
Cost	
Balance at 1 January 2011	280
Additions	39
To assets held for sale	(244)
<hr/>	
Balance at 31 December 2011	75
<hr/>	
Balance at 1 January 2012	75
Additions	-
<hr/>	
Balance at 31 December 2012	75
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Amortisation and impairment losses	
Balance at 1 January 2011	135
Amortisation for the year	37
To assets held for sale	(125)
<hr/>	
Balance at 31 December 2011	47
<hr/>	
Balance at 1 January 2012	47
Amortisation for the year	9
<hr/>	
Balance at 31 December 2012	56
<hr/>	
Carrying amounts	
At 1 January 2011	145
At 31 December 2011	28
<hr/>	
At 1 January 2012	28
At 31 December 2012	19

Notes to the consolidated financial statements continued

16. Investment property

Group	Note	2012 €'000	2011 €'000
Balance at 1 January		25,833	31,053
Change in fair value		(169)	(6,738)
Reclassification from property, plant and equipment	14	-	1,506
Effect of movement in exchange rates		11	12
Balance at 31 December		25,675	25,833

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

Company		2012 €'000	2011 €'000
Balance at 1 January		22,280	26,243
Change in fair value		(149)	(5,201)
Reclassification from property, plant and equipment	14	-	1,238
Balance at 31 December		22,131	22,280

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.

	2012 Yields	2011 Yields
Land	1%-2%	1%-2%
Student residences	11-12%	9%-10%

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

Valuations reflect, when appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

17. Investment in associates

Group

The Group's share of after tax profits in its associates for the year was €3,979,000 (2011: €1,937,000).

	2012 Interest in associate €'000	2012 Loans to associate €'000	2012 Total €'000	2011 Interest in associate €'000	2011 Loans to associate €'000	2011 Total €'000
Balance at 1 January	16,378	2,125	18,503	14,441	3,244	17,685
Share of increase in net assets after tax	3,979	-	3,979	1,937	-	1,937
Interest charged	-	32	32	-	40	40
Repayment of loan stock in associate	-	(780)	(780)	-	(780)	(780)
Impairment	-	(185)	(185)	-	(379)	(379)
Balance at 31 December	20,357	1,192	21,549	16,378	2,125	18,503

Investments in associates comprises primarily of Monaghan Middlebrook Mushrooms and also include North Western Livestock Holdings Limited and Leapgrange Limited.

Monaghan Middlebrook Mushrooms (MMM) 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 2012 are included in the Group's interest in associates in the statement of financial position. The total loan notes and interest outstanding from MMM at 31 December 2012 is €0.4million (2011: €1.2million).

In 2007, the Group granted an option over 5% of Monaghan Middlebrook Mushrooms to the majority shareholder and a member of key management personnel of Monaghan Middlebrook Mushrooms exercisable if the company achieves certain performance criteria during the five year period to 31 December 2012. This option has been accounted for as a cash settled derivative and a liability of €3,856,000 (2011: €1,709,000) is recognised in derivatives in this regard.

During 2012, the Group recognised an impairment of €185,000 (2011: €379,000) to the carrying value of loans to associates following a review of the recoverability of those assets. The impairment is included within finance income and expenses.

The total loan notes and interest outstanding from North Western Livestock Holdings Limited at 31 December 2012 is €0.352m (2011: €0.345m). An impairment of €0.15m was recognised in respect of the loan in 2011.

At 31 December 2012, land held as investment property by associated companies was re-valued by an independent professional valuer, resulting in an impairment of €35,000 (2011: €1,164,000) attributable to the Group, which is included in the share of profit of associate in the statement of comprehensive income.

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

2012	Total assets €'000	Total liabilities €'000	Profit/ (loss) €'000
Investments in associates	264,095	184,898	10,970
2011	Total assets €'000	Total liabilities €'000	Profit/ (loss) €'000
Investments in associates	181,215	130,590	8,102

Notes to the consolidated financial statements continued

17. Investment in associates continued

Company	2012 Interest in associate €'000	2012 Loans to associate €'000	2012 Total €'000	2011 Interest in associate €'000	2011 Loans to associate €'000	2011 Total €'000
Balance at 1 January	5,263	2,125	7,388	5,263	3,244	8,507
Interest charged	-	32	32	-	40	40
Repayment of loan stock in associate	-	(780)	(780)	-	(780)	(780)
Impairment	-	(185)	(185)	-	(379)	(379)
Balance at 31 December	5,263	1,192	6,455	5,263	2,125	7,388

The movements in the Company balance are explained above.

18. Other investments

Group	2012 €'000	2011 €'000
Non-current investments		
Available-for-sale equity investments	667	1,301

Available-for-sale equity investments include €48,700 quoted shares (2011: €48,700), prize bonds held of €100,000 (2011: €100,000) and €517,600 unquoted shares (2011: €1,152,300). 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 €517,600 (2011: €1,152,300) 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.

	2012 €'000	2011 €'000
<i>Movement during the year</i>		
Balance at 1 January	1,301	1,671
Impairment of available for sale financial assets	(634)	(370)
Balance at 31 December	667	1,301

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

Company	2012 €'000	2011 €'000
Non-current investments		
Available-for-sale financial assets	517	1,274
Investments in subsidiaries	3,548	4,498
Balance at 31 December	4,065	5,772

18. Other investments continued

	2012 Available- for-sale investments €'000	2012 Investments in subsidiaries €'000	2012 Total €'000	2011 Available- for-sale investments €'000	2011 Investments in subsidiaries €'000	2011 Total €'000
<i>Movement during the year</i>						
Balance at 1 January	1,274	4,498	5,772	287	4,690	4,977
Addition of available - for-sale financial assets	-	-	-	1,357	-	1,357
Revaluation of available - for-sale financial assets	(757)	-	(757)	(370)	-	(370)
Impairment	-	(20)	(20)	-	(65)	(65)
To assets held for sale	-	-	-	-	(127)	(127)
Disposal	-	(930)	(930)	-	-	-
Balance at 31 December	517	3,548	4,065	1,274	4,498	5,772

Available-for-sale equity investments include €49,000 quoted shares (2011: €49,000), prize bonds held of €100,000 (2011: €100,000) and €368,000 unquoted shares (2011: €1,125,000). Additions in the current year reflect a purchase from a group company. Quoted shares have been stated at market value in the manner stated in Note 4. The director's estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

19. Deferred tax assets and liabilities**Group****Unrecognised deferred tax assets**

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

	2012 €'000	2011 €'000
Tax losses	1,785	1,793

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	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Property, plant and equipment	-	-	(1,059)	(997)	(1,059)	(997)
Investment property	-	-	(3,666)	(3,342)	(3,666)	(3,342)
Available-for-sale financial assets	361	105	-	-	361	105
Employee benefit plans	-	100	-	-	-	100
Share-based payments	48	47	-	-	48	47
Deferred tax assets/(liabilities)	409	252	(4,725)	(4,339)	(4,316)	(4,087)
Set off of tax	(409)	(252)	409	252	-	-
Net deferred tax liabilities	-	-	(4,316)	(4,087)	(4,316)	(4,087)

Notes to the consolidated financial statements continued

19. Deferred tax assets and liabilities continued

Company

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 December 2012 (2011: €Nil).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Property, plant and equipment	-	-	(717)	(628)	(717)	(628)
Investment property	-	-	(2,791)	(2,632)	(2,791)	(2,632)
Available for sale financial asset	361	102	-	-	361	102
Employee benefits	-	100	-	-	-	100
Share-based payments	48	47	-	-	48	47
Deferred tax assets/(liabilities)	409	249	(3,508)	(3,260)	(3,099)	(3,011)
Set off of tax	(409)	(249)	409	249	-	-
Net tax liabilities	-	-	(3,099)	(3,011)	(3,099)	(3,011)

Group	Balance 1 Jan 11	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Dec 11	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Dec 12
Investment property	(4,139)	1,054	(257)	(3,342)	(324)	-	(3,666)
Available-for-sale financial assets	(93)	117	81	105	256	-	361
Employee benefit plans	66	-	34	100	(89)	(11)	-
Share based payment	42	5	-	47	1	-	48
Tax losses carried forward	-	-	-	-	-	-	-
	(5,394)	1,449	(142)	(4,087)	(218)	(11)	(4,316)

Company	Balance 1 Jan 11	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Dec 11	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Dec 12
Investment property	(3,245)	870	(257)	(2,632)	(159)	-	(2,791)
Available for sale financial asset	(3)	105	-	102	259	-	361
Employee benefit plans	66	-	34	100	(89)	(11)	-
Share based payment	42	5	-	47	1	-	48
	(3,750)	962	(223)	(3,011)	(77)	(11)	(3,099)

20. Inventories

Group	2012	2011
	€'000	€'000
Dairy	48	62
Animal feeds	2,880	1,931
Packaging and other stocks	1,696	2,304
Biological assets	785	772
Balance at 31 December	5,409	5,069

Inventories impairment	2012	2011
	€'000	€'000
Balance at 1 January	100	345
Impairment reversal	(100)	-
To assets held for sale	-	(245)
Balance at 31 December	-	100

In 2012, the impairment of inventories to net realisable value amounted to €Nil (2011: €Nil). The impairment is included in cost of sales. Total inventory costs of €63,303,000 (2011: €113,991,000) were charged to the statement of comprehensive income.

21. Trade and other receivables

Group	2012	2011
	€'000	€'000
<i>Current trade and other receivables</i>		
Trade receivables	33,210	28,522
Other receivables due from related parties	105	113
Value added tax	873	830
Other receivables	3,099	886
Prepayments	1,316	760
	38,603	31,111
<i>Non-current trade and other receivables</i>		
Long leasehold interest prepaid	192	193
	38,795	31,304
	2012	2011
	€'000	€'000
Company		
Trade receivables	2,529	2,311
Other receivables due from related parties	10,244	9,456
Other receivables	2,500	-
Prepayments	335	224
	15,608	11,991

The Group and Company exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

Notes to the consolidated financial statements continued

22. Cash and cash equivalents

	2012 €'000	2011 €'000
Group		
Bank balances, loans and overdrafts due within one year, net	(4,318)	(12,200)
Cash and cash equivalents at 31 December	(4,318)	(12,200)
	2012 €'000	2011 €'000
Company		
Bank balances, loans and overdrafts due within one year, net	626	(8,332)

There is a Group facility with our bank which allows for legal 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 30.

23. Disposal of discontinued operations

On 13 January 2012, the Group disposed of its interest in the liquid and trade milk business by way of a sale of its shareholding in Glenveagh Agricultural Co-Operative Society Limited. On the same date, the Group also disposed of its agri-stores business by way of a sale of the business operated by Donegal Creameries Plc and the sale of its shareholding in Maybrook Dairy (Omagh) Limited. On 31 December 2012 the Group disposed of its interest in the Organic-for-Us brand. As the Organic-for-Us retail brand disposal process was conducted in 2012, it was not included in the assets held for sale as at 31 December 2011. The respective losses for the year ended 31 December 2012 and 2011 are disclosed within discontinued operations in the income statement (see note 13). The following is a breakdown of disposal of operations in the year:

	2012 €'000
Redundancy costs	(194)
Gain on disposal of operations ⁽ⁱ⁾	7,478
Net gain on disposal of operations	7,284
(i) Gain on disposal of operations	
The gain on the transactions arose as follows:	
Net assets transferred	€'000
Intangible assets	1,116
Property, plant & equipment	3,705
Working capital	4,672
Deferred tax	(96)
Total net assets	9,397
Consideration including contingent consideration receivable, net of transaction costs incurred	(16,875)
Gain on disposal of operations in year	7,478

Deferred contingent consideration receivable is based on the operating and financial performance of the liquid and trade milk businesses during the year to 31 December 2012 and has been paid subsequent to the year end.

Transaction costs of €0.46m associated with the disposal are presented as an exceptional charge within administration costs during the year ended 31 December 2011.

23. Disposal of discontinued operations continued

The net assets of the businesses disposed of which were included in assets held for sale as at 31 December 2011, are as follows:

Assets held for sale as at 31 December 2011	€'000
Intangible assets	1,116
Property, plant & equipment	3,705
Working capital	4,611
Deferred tax	(96)
Total assets	9,336

24. Capital and reserves**Share capital and share premium**

	Ordinary shares	
	2012 Number	2011 Number
On issue at 1 January - Ordinary shares of 13 cent each	10,285,590	10,285,590
On issue at 31 December - Ordinary shares of 13 cent each	10,285,590	10,285,590

The Group also has issued share options (see note 28).

At 31 December 2012, the authorised share capital comprised 50,000,000 ordinary shares of 13 cent each. (2011: 50,000,000). All issued shares are fully paid.

Translation reserve

The translation reserve comprises cumulative foreign currency differences arising from the translation of the net assets of foreign operations until the investments are derecognised.

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 to 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 2012, the Group held 143,835 of the Company's shares (2011: 143,835). This represented 1.4% (2011: 1.4%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

Share option reserve

The share option reserve reflects charges relating to granting of both shares and options.

Dividends

The following dividends were declared and paid by the Group:

	2012 €'000	2011 €'000
€0.16 per qualifying ordinary share (2011: €0.16)	1,623	1,623

A final dividend for 2011 of €0.09 cent per share was paid on 24 August 2012. An interim dividend for 2012 of €0.07 per share was paid on 7 December 2012.

After 31 December 2012 dividends of €0.09 per qualifying share were proposed by the directors for 2012. The proposed dividends have not been provided for and there are no income tax consequences.

Notes to the consolidated financial statements continued

25. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is set out below:

Profit attributable to ordinary shareholders

	2012 €'000	2011 €'000
Profit/(loss) for the year – continuing operations	1,327	(2,562)
Profit/(loss) for the year – discontinued operations	6,648	(5,289)
Profit/(loss) for the year	7,975	(7,851)
Profit/(loss) attributable to ordinary shareholders	8,087	(7,785)
<i>Weighted average number of ordinary shares In thousands of shares</i>		
	2012 €'000	2011 €'000
Weighted average number of ordinary shares in issue for the year	10,286	10,286
Weighted average number of treasury shares	(144)	(144)
Denominator for basic earnings per share	10,142	10,142
Effect of share options in issue	87	65
Weighted average number of ordinary shares (diluted) at 31 December	10,229	10,207
Earnings/(loss) per share	2012	2011
Basic earnings/(loss) per share (euro cent):		
Continuing	14.2	(24.5)
Discontinued	65.5	(52.3)
	79.7	(76.8)
Diluted earnings/(loss) per share (euro cent):		
Continuing	14.1	(24.5)
Discontinued	65.0	(51.7)
	79.1	(76.2)

26. 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 30.

	2012 €'000	2011 €'000
Non-current liabilities		
Secured bank loans	14,600	17,396
Finance lease liabilities	184	197
	14,784	17,593
Current liabilities		
Secured bank loans	2,797	3,302
Finance lease liabilities	108	122
	2,905	3,424
Total	17,689	21,017

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2012		31 Dec 2011	
				Face value €'000	Carrying amount €'000	Face value €'000	Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	1,597	1,597	3,698	3,698
Secured bank loan	eur	Euribor+1.50%	2013	-	-	11,000	11,000
Secured bank loan	eur	Euribor+1.50%	2015	11,000	11,000	-	-
Secured bank loan	eur	Euribor+2.25%	2016	2,400	2,400	3,000	3,000
Secured bank loan	eur	Euribor+3.00%	2016	2,400	2,400	3,000	3,000
Finance lease liabilities	eur	6%	2015	315	292	348	319
Total interest-bearing liabilities				17,712	17,689	21,046	21,017

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2012 €'000	2012 €'000	2012 €'000	2011 €'000	2011 €'000	2011 €'000
Less than one year	116	8	108	130	8	122
Between one and five years	199	15	184	218	21	197
	315	23	292	348	29	319

Notes to the consolidated financial statements continued

26. Loans and borrowings continued

Company

	2012 €'000	2011 €'000
Non-current liabilities		
Secured bank loans	14,600	17,396
Current liabilities		
Secured bank loans	2,797	3,302
Total	17,397	20,698

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	Face value €'000	31 Dec 2012 Carrying amount €'000	Face value €'000	31 Dec 2011 Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	1,597	1,597	3,698	3,698
Secured bank loan	eur	Euribor+1.50%	2013	-	-	11,000	11,000
Secured bank loan	eur	Euribor+1.50%	2015	11,000	11,000	-	-
Secured bank loan	eur	Euribor+2.25%	2016	2,400	2,400	3,000	3,000
Secured bank loan	eur	Euribor+3.00%	2016	2,400	2,400	3,000	3,000
Total interest-bearing liabilities				17,397	17,397	20,698	20,698

27. Employee benefits

The Group operated one defined benefit scheme during the year. This scheme has been wound up with effect from 31 July 2012.

The pension entitlements of certain employees of the Group arise under a defined benefit pension scheme and are secured by contributions by the Group to separately administered pension funds. Annual contributions are based on the advice of professionally qualified actuaries on the basis of triennial valuations and are charged to profit or loss on an accruals basis.

On the basis of the latest actuarial valuation, which was carried out at 1 January 2011 the market value of the schemes assets represented 79% of the benefits that have accrued to members allowing for future increases in pensionable earnings. The report recommended an increase in the employer contribution rate as at 1 January 2011 which was adopted by the group prior to the scheme's wind up.

The principal actuarial assumption adopted in the valuation was that, over the long term, the annual rate of return on scheme assets would be 4% higher than the annual increase in pensionable remuneration. The pension income credited to the income statement in respect of defined benefit pension schemes was €125,000 (2011: €402,000 income). The actuarial report is not available for public inspection.

The full actuarial valuation carried out as outlined above was updated to 31 December 2010 for IAS 19 disclosure purposes by qualified independent actuaries under the projected unit credit method.

The Group also operates four defined contributions schemes, one in the Company and three in subsidiaries. The assets of the schemes are held separately from those of the Companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and totalled €433,000 (2011: €308,000). At 31 December 2012, €19,400 (2011: €19,400) was included within creditors in respect of defined contribution pension liabilities.

27. Employee benefits continued

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

	2012 €'000	2011 €'000
Defined benefit scheme costs	18	176
Defined contribution scheme costs	433	308
Total	451	484

Group and Company

	2012 €'000	2011 €'000
Present value of funded obligations	(663)	(2,885)
Fair value of plan assets	663	2,628
Recognised liability for defined benefit obligations	-	(257)

Up to date of wind up, the Group made contributions to a non-contributory defined benefit plan that provides pension 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:	2012 €'000	2011 €'000
Equity securities	-	1,742
Government bonds	-	811
Property	-	3
Cash	663	72
	663	2,628

Notes to the consolidated financial statements continued

27. Employee benefits continued

Movement in the present value of the defined benefit obligations

	2012 €'000	2011 €'000
Defined benefit obligations at 1 January	2,885	3,651
Benefits paid by the plan	(2,236)	(640)
Current service costs	18	176
Interest on obligation	93	195
Employee contributions	6	50
Administration fees	(55)	-
Actuarial gains recognised in other comprehensive income	105	29
Settlement gain	(153)	(576)
	<hr/>	<hr/>
Defined benefit obligations at 31 December	663	2,885

Movement in the present value of plan assets

Fair value of plan assets at 1 January	2,628	3,123
Contributions paid into the plan	46	270
Benefits paid by the plan	(2,236)	(640)
Expected return on plan assets	82	197
Actuarial gains/losses recognised in other comprehensive income	198	(322)
Administration fees	(55)	-
	<hr/>	<hr/>
Fair value of plan assets at 31 December	663	2,628

Expense recognised in profit or loss

Current service costs	18	176
Interest on obligation	93	195
Expected return on plan assets	(83)	(197)
Settlement gain	(153)	(576)
	<hr/>	<hr/>
	(125)	402

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

Cost of sales	(13)	(132)
Finance income/(expense)	(11)	2
Administrative expenses	149	532
	<hr/>	<hr/>
	125	402
	<hr/>	<hr/>
Actual return on plan assets	281	(125)

Actuarial gains and losses recognised directly in other comprehensive income

Cumulative gain at 1 January	(703)	(352)
Recognised during the year	91	(351)
	<hr/>	<hr/>
Cumulative gain at 31 December	(612)	(703)

27. Employee benefits continued

Actuarial assumptions

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

	2012	2011
Discount rate at 31 December	n/a	5.30%
Expected return on plan assets at 1 January	n/a	5.50%
Future salary increases	n/a	3.25%
Future pension increases	n/a	n/a
Inflation	n/a	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring in 2011 at age 65 is 22.30 for males and 23.70 for females. The average life expectancy of an individual retiring at age 65, 20 years from now, is 24.90 for males and 25.90 for females.

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

Historical information

	2012 €'000	2011 €'000	2010 €'000	2009 €'000	2008 €'000
Present value of the defined benefit obligation	(663)	(2,885)	(3,651)	(3,331)	(3,053)
Fair value of plan assets	663	2,628	3,123	2,595	1,980
Deficit in the plan	-	(257)	(528)	(736)	(1,073)
Experience (losses)/gains arising on plan liabilities	(106)	97	12	176	(125)
Experience adjustments arising on plan assets	198	(322)	160	318	(1,310)

The Group expects €Nil (2011: €71,000) in contributions to be paid to the defined benefit scheme in 2013 as the scheme has been wound up with effect from 31 July 2012.

28. Share-based payments

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

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

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

At 31 December 2012 there were 67,000 (2011: 67,000) options outstanding with a grant date pre 7 November 2002.

Notes to the consolidated financial statements continued

28. Share-based payments continued

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

In thousands of options	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at 1 January:				
- Pre 2002 options	€0.13	67	€0.13	67
- Options issued in 2006	€4.35	150	€4.35	150
- Options issued in 2007	€6.90	90	€6.90	90
- Options issued in 2009	€3.00	215	€3.00	215
Outstanding at 31 December	€4.22	522	€4.22	522
Exercisable at 31 December:				
	€0.13	67	€0.13	67
	€4.35	150	€4.35	150
	€6.90	90	€6.90	90
	€3.00	215	€3.00	215

The options outstanding at 31 December 2012 have an exercise price in the range of €0.13 to €6.90 and a weighted average contractual life of 2.41 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model. There were no grants in 2012 or 2011.

Employee expenses

	2012 €'000	2011 €'000
Share options granted in 2009	15	39
Total expense recognised as employee costs	15	39

29. Trade and other payables

Group	2012 €'000	2011 €'000
Trade payables due to related parties	-	101
Other trade payables	16,267	14,824
PAYE	228	205
PRSI	93	93
Accrued expenses	5,292	4,026
Value added tax	-	52
	21,880	19,301
<i>Deferred income</i>		
Capital grant	157	129
<i>Derivatives</i>		
Deferred consideration	863	863
Fair value of option granted over investment in associate	3,856	1,709
	26,756	22,002

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

29. Trade and other payables continued

	2012 €'000	2011 €'000
Company		
Trade payables due to related parties	6,466	6,099
Other trade payables	216	298
PAYE	87	109
PRSI	16	38
Accrued expenses	2,158	1,776
Value added tax	-	43
	8,943	8,363
<i>Deferred income</i>		
Capital grant	3	4
<i>Derivatives</i>		
Fair value of option granted over investment in associate	3,856	1,709
	12,802	10,076

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

30. Financial instruments

The Group's financial instruments at 31 December 2012 were classified as follows:

31 December 2012	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	667	-	-
Loan to associates	1,192	-	-	-
Trade receivables due from related parties	105	-	-	-
Trade receivables	33,210	-	-	-
Other receivables	3,099	-	-	-
Loans and borrowings	-	-	-	(17,397)
Bank overdraft	-	-	-	(4,318)
Trade and other payables	-	-	-	(21,880)
Option over financial asset	-	-	(3,856)	-
Deferred consideration	-	-	(863)	-
	37,606	667	(4,719)	(43,595)

Notes to the consolidated financial statements continued

30. Financial instruments continued

31 December 2011	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	1,301	-	-
Loan to associates	2,125	-	-	-
Trade receivables due from related parties	113	-	-	-
Trade receivables	28,522	-	-	-
Other receivables	886	-	-	-
Assets held for sale	9,123	-	-	-
Loans and borrowings	-	-	-	(20,698)
Bank overdraft	-	-	-	(12,200)
Trade and other payables	-	-	-	(19,301)
Option over financial asset	-	-	(1,709)	-
Deferred consideration	-	-	(863)	-
Liabilities held for sale	-	-	-	(7,273)
	40,769	1,301	(2,572)	(59,472)

Company

31 December 2012	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	517	-	-
Loan to associates	1,192	-	-	-
Trade receivables due from related parties	10,244	-	-	-
Other trade receivables	2,529	-	-	-
Other receivables	2,835	-	-	-
Cash at bank	668	-	-	-
Loans and borrowings	-	-	-	(17,397)
Payables due to related parties	-	-	-	(6,466)
Trade and other payables	-	-	-	(2,477)
Option over financial asset	-	-	(3,856)	-
	17,468	517	(3,856)	(26,340)

30. Financial instruments continued

Company

31 December 2011	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	1,274	-	-
Loan to associates	2,125	-	-	-
Trade receivables due from related parties	9,456	-	-	-
Other trade receivables	2,311	-	-	-
Other receivables	224	-	-	-
Assets held for sale	2,288	-	-	-
Loans and borrowings	-	-	-	(20,698)
Bank overdraft	-	-	-	(8,332)
Payables due to related parties	-	-	-	(6,099)
Trade and other payables	-	-	-	(2,264)
Option over financial asset	-	-	(1,709)	-
Liabilities held for sale	-	-	-	(1,252)
	16,404	1,274	(1,709)	(38,645)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group and Company.

Assets held for sale are recovered through the sale of the liquid and trade milk and stores business on 13 January 2012.

The maximum exposure to credit risk at the reporting date was:

Group	Note	Carrying amount	
		2012 €'000	2011 €'000
Loans due from associates	17	1,192	2,125
Available-for-sale equity investments	18	667	1,301
Trade receivables from related parties		105	113
Trade and other receivables		33,210	28,522
Other receivables		3,099	886
Assets held for sale		-	9,123
		38,273	42,070
Company	Note	2012 €'000	2011 €'000
Loans due from associates	17	1,192	2,125
Available-for-sale financial assets	18	517	1,274
Trade receivables from related parties		10,343	9,456
Trade and other receivables		2,835	2,535
Assets held for sale		-	2,288
		14,887	17,678

Notes to the consolidated financial statements continued

30. Financial instruments continued

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

Group	Carrying amount	
	2012 €'000	2011 €'000
Domestic	11,705	8,229
Euro-zone countries	1,903	840
United Kingdom	6,751	6,652
Other regions	12,851	12,801
	33,210	28,522

All receivables from related parties arise in 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	
	2012 €'000	2011 €'000
Domestic	2,529	2,311

All receivables from related parties arise in 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	
	2012 €'000	2011 €'000
Wholesale customers	15,256	15,146
Retail customers	17,954	13,376
	33,210	28,522

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	
	2012 €'000	2011 €'000
Wholesale customers	2,529	2,311

The ageing of trade receivables at the reporting date was:

Group	Gross	Impairment	Gross	Impairment
	2012 €'000	2012 €'000	2011 €'000	2011 €'000
Not past due	23,342	1	20,677	75
Past due < 30 days	2,873	1	1,515	5
Past due 30 – 365 days	4,134	199	3,659	575
Past due > 365 days	9,863	6,801	9,193	5,867
	40,212	7,002	35,044	6,522

30. Financial instruments continued

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

	2012 €'000	2011 €'000
Balance at 1 January	6,522	6,121
Fully impaired debts written off	-	-
Debts recovered	-	-
Impairment	480	401
Balance at 31 December	7,002	6,522

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 30 days except for €1,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided for 0% of the balance past due less than 30 days being a category of customers suffering from poor market conditions 3% of the balance past due from 30 to 365 days and 69% of balances past due in excess of 365 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. An impairment of €0.19m was recognised in respect of associate loans in 2012 (2011: €0.38m).

Company	Gross 2012 €'000	Impairment 2012 €'000	Gross 2011 €'000	Impairment 2011 €'000
	Not past due	203	-	742
Past due < 30 days	11	-	158	-
Past due 30 – 365 days	48	-	1,062	28
Past due > 365 days	7,819	5,552	5,701	5,322
	8,081	5,552	7,663	5,352

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

	2012 €'000	2011 €'000
Balance at 1 January	5,352	244
Fully impaired debts written off	-	(44)
Transfer of debts from subsidiary	200	5,152
Balance at 31 December	5,552	5,352

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables up to 30 days. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided of 0% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 0% of the balance past due from 30 to 365 days and 71% of balances past due in excess of 365 days for which security has not been received over the amount receivable.

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. An impairment of €0.19m was recognised in respect of associate loans in 2012 (2011: €0.38m).

Liquidity risk

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

Notes to the consolidated financial statements continued

30. Financial instruments continued

31 December 2012

	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	17,397	(18,162)	(1,652)	(1,543)	(1,567)	(13,400)	-
Finance lease liabilities	292	(292)	(38)	(38)	(76)	(140)	-
Trade and other payables	21,880	(21,880)	(21,880)	-	-	-	-
Option over financial asset	3,856	(4,319)	-	-	(4,319)	-	-
Bank overdraft	4,318	(4,318)	(4,318)	-	-	-	-
Deferred consideration	863	(863)	-	-	(863)	-	-
	48,606	(49,834)	(27,888)	(1,581)	(6,825)	(13,540)	-

31 December 2011

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Group							
Secured bank loans	20,698	(21,738)	(1,911)	(1,911)	(14,044)	(3,872)	-
Finance lease liabilities	319	(319)	(38)	(38)	(76)	(167)	-
Trade and other payables	19,301	(19,301)	(19,301)	-	-	-	-
Option over financial asset	1,709	(1,914)	-	-	(1,914)	-	-
Bank overdraft	12,200	(12,200)	(12,200)	-	-	-	-
Deferred consideration	863	(863)	-	-	(863)	-	-
	55,090	(56,335)	(33,450)	(1,949)	(16,897)	(4,039)	-

31 December 2012

	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	17,397	(18,162)	(1,652)	(1,543)	(1,567)	(13,400)	-
Payables due to related parties	6,466	(6,466)	(6,466)	-	-	-	-
Trade and other payables	2,477	(2,477)	(2,477)	-	-	-	-
Option over financial asset	3,856	(4,319)	-	-	(4,319)	-	-
	30,196	(31,424)	(10,595)	(1,543)	(5,886)	(13,400)	-

31 December 2011

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6- 12 mths €'000	1 - 2 years €'000	2 - 5 years €'000	More than 5 years €'000
Company							
Secured bank loans	20,698	(21,738)	(1,911)	(1,911)	(14,044)	(3,872)	-
Payables due to related parties	6,099	(6,099)	(6,099)	-	-	-	-
Trade and other payables	2,264	(2,264)	(2,264)	-	-	-	-
Option over financial asset	1,709	(1,914)	-	-	(1,914)	-	-
Bank overdraft	8,332	(8,332)	(8,332)	-	-	-	-
	39,102	(40,347)	(18,606)	(1,911)	(15,958)	(3,872)	-

30. Financial instruments continued

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 2012 €'000	GBP 31 December 2012 €'000	euro 31 December 2011 €'000	GBP 31 December 2011 €'000
Trade receivables	-	12,463	13	12,297
Loans and overdrafts	-	2,769	(493)	(169)
Trade payables	-	(6,742)	(130)	(5,218)
Gross balance sheet exposure	-	8,490	(610)	6,910

Currency risk

Exposure to currency risk continued

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
euro	2012	2011	2012	2011
GBP	1.22	1.19	1.22	1.19

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 2011.

	Equity €'000	Profit or loss €'000
31 December 2012		
GBP	(64)	(50)
31 December 2011	(266)	(176)

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 2011.

Notes to the consolidated financial statements continued

30. Financial instruments continued

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2012				
Cash flow sensitivity (net)	217	(217)	217	(217)
31 December 2011				
Cash flow sensitivity (net)	329	(329)	329	(329)

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 2012 would have increased equity and profit or loss by €17,300 (2011: €45,000). 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 2012		31 December 2011	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
Available-for-sale financial assets	667	667	1,301	1,301
Loans and receivables	37,606	37,606	31,646	31,646
Assets held for sale	-	-	9,123	9,123
Secured bank loans	(17,396)	(17,396)	(20,698)	(21,034)
Finance lease liabilities	(292)	(292)	(319)	(319)
Trade and other payables	(21,880)	(21,880)	(19,301)	(19,301)
Liabilities held for sale	-	-	(7,273)	(7,273)
Derivatives - option over financial asset	(3,856)	(3,856)	(1,709)	(1,709)
Bank overdraft	(4,318)	(4,318)	(12,200)	(12,200)
Deferred consideration	(863)	(863)	(863)	(863)
	(10,332)	(10,332)	(20,293)	(20,629)

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

Fair Value Hierarchy

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

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

30. Financial instruments continued

Fair values continued

Fair value hierarchy continued

At 31 December 2012 and 31 December 2011, the Group recognised and measured the following financial instruments at fair value:

	2012 Total €'000	2012 Level 1 €'000	2012 Level 2 €'000	2012 Level 3 €'000
<i>Available-for-sale financial assets</i>				
Unquoted equity investments	667	-	-	667
Derivatives – option granted over investment in associate	(3,856)	-	-	(3,856)
Derivatives – deferred consideration	(550)	-	-	(550)
	2011 Total €'000	2011 Level 1 €'000	2011 Level 2 €'000	2011 Level 3 €'000
<i>Available-for-sale financial assets</i>				
Unquoted equity investments	1,301	-	-	1,301
Derivatives – option granted over investment in associate	(1,709)	-	-	(1,709)
Derivatives – deferred consideration	(550)	-	-	(550)

Additional disclosures for level 3 fair value measurements

	2012 €'000	2011 €'000
Derivatives – option granted over investment in associate		
At beginning of year	1,709	1,343
Expense recognised in the income statement	2,147	366
At the end of the year	3,856	1,709
Unquoted equity investments		
At beginning of year	1,301	1,671
Additions	-	-
Loss recognised in the income statement	(634)	(370)
At the end of the year	667	1,301

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

Interest rates used for determining fair value

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

	2012	2011
Derivatives	3.1%	3.1%
Loans and borrowings 2.7%	2.7%	2.7%
Leases	6.0%	6.0%

Notes to the consolidated financial statements continued

31. Business combinations

There were no business acquisitions during 2012.

On 6 January 2011, the Group acquired a controlling interest in Biogreen Foods Limited, a boutique yogurt business based in London. This acquisition provides an additional revenue stream and complements the groups existing value added dairy business.

On 11 November 2011, the Group acquired 100% of AJ Allan (Potato Merchant Limited) and AJ Allan (Brechin) Limited. The acquisition of AJ Allan (Potato Merchant Limited) and AJ Allan (Brechin) Limited has significantly increased the Group's potato business.

The fair value of the assets acquired, determined in accordance with IFRS, were as follows:

	On acquisition €'000	Fair value adjustment €'000	Total €'000
Assets:			
Intangible assets	-	272	272
Plant and equipment	1,344	-	1,344
Property	981	330	1,311
Inventories	852	100	952
Trade and other receivables	138	-	138
Total assets	3,315	702	4,017
Liabilities:			
Trade and other payables	(970)	-	(970)
Bank overdraft	(356)	-	(356)
Other liabilities	(8)	-	(8)
Total liabilities	(1,334)	-	(1,334)
Total enterprise value	1,981	702	2,683
Satisfied by:			
Cash payment			4,092
Overdraft acquired			356
Net cash outflow			4,448
Consideration payable			863
Total consideration			5,311
Goodwill on acquisition			2,272

Biogreen Foods Limited

The principal factors contributing to the recognition of goodwill on the acquisition of Biogreen is the expected realisation of operational synergies through the combination of activities of Biogreen Foods Limited with existing operations in the Group, together with the assembled workforce and knowledge and experience of employees. Total amount of goodwill recognised of €1.8m is not expected to be deductible for tax purposes.

The principal intangible assets acquired were brand and customer related intangible amounting to €0.27m.

The deferred contingent consideration is turnover based and is payable ending 36 months following the acquisition date, but subject to extension up to a maximum of 60 months after the completion date.

Transactions costs of €0.02m associated with the acquisition of Biogreen Foods Limited are presented as an exceptional charge within administration costs as set out in Note 8.

The post acquisition impact of Biogreen Foods Limited was to increase revenue for the financial period by €1.4m. The post acquisition impact of the business combination on Group profit for the financial period was a loss of €0.25m.

31. Business combinations continued

AJ Allan (Potato Merchants) Limited and AJ Allan (Brechin) Limited

The principal factors contributing to the recognition of goodwill on the acquisition of AJ Allan (Potato Merchants) Limited and AJ Allan (Brechin) Limited is the expected realisation of operational synergies through the combination of activities of both companies with existing operations in the Group, together with the assembled workforce and knowledge and experience of employees. Total amount of goodwill recognised of €0.5m is not expected to be deductible for tax purposes.

The consideration payable was paid in full at completion.

Transactions costs of €0.06m associated with the acquisition of the AJ Allan companies are presented as an exceptional charge within administration costs as set out in Note 8.

The post acquisition impact of the business combination on Group turnover and loss for the financial period was not material.

If the acquisition date of AJ Allan (Potato Merchants) Limited and AJ Allan (Brechin) Limited was at the beginning of the period, total group revenue for the financial period would have been €141.5m. In addition, the loss of the Group in respect of continuing operations would have been €3m.

32. Operating leases

Leases as lessor

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

	2012 €'000	2011 €'000
Less than one year	334	474
Between one and five years	2,135	2,120
	2,469	2,594

During the year ended 31 December 2012 €1,311,000 was recognised as rental income in the income statement (2011: €1,133,000). Expense charges against this income was as follows: maintenance costs €88,000 (2011: €52,000), management expenses €292,000 (2011: €232,000) and depreciation €127,000 (2011: €164,000).

The Group and Company had no operating lease commitments as lessee at 31 December 2012 (2011: €Nil).

33. Capital commitments

At the year end there were no capital commitments authorised by the Directors at the year end and not provided for in the financial statements (2011: €Nil).

34. Contingencies

Capital grants up to a maximum of €188,000 (2011: €148,000) could become repayable in certain circumstances as set out in the agreements.

35. 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 pension plan on their behalf.

Executive officers also participate in the Group's share option programme see note 28.

Notes to the consolidated financial statements continued

35. Related parties continued

Key management personnel compensation comprised:

	2012 €'000	2011 €'000
Short-term employee benefits	630,697	445,240
Post-employment benefits	66,830	68,144
Share-based payments	4,530	10,800
	702,057	524,184

Key management personnel and director transactions

Directors of the Company control 5.17 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 €Nil (2011: €1,379,641) and €438,863 (2011: €620,381), respectively. Directors receive a dividend per qualifying share held at dividend date.

Related party transactions – Group

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Sale of goods and services				
Sales by Group to directors	439	621	105	113
Purchases by Group from directors	-	(1,380)	-	(101)
By parent to associates	-	-	-	-

Other related party transactions – Company

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Sale of goods and services				
Sales by parent to directors	-	298	-	67
By parent to subsidiaries	855	738	10,244	9,389
Parent from subsidiaries	-	(2,596)	6,466	6,099
By parent to associates	-	-	-	-

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

36. Group entities

Subsidiaries	Country of incorporation	Ownership interest	
		2012 %	2011 %
Robert Smyth & Sons (Strabane & Donegal) Limited <i>Registered office: Millsessiagh, Ballindrait, Lifford, Co Donegal</i>	Ireland	100	100
Zopitar Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	83	83
Milburn Dairy Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	100	100
Irish Potato Marketing Limited <i>Registered office: 412 Q House, Furze Rd, Sandyford Industrial Estate, Dublin 18</i>	Ireland	100	100
Donegal Potatoes Limited <i>Registered office: Colehill, Newtoncunningham, Co Donegal</i>	Ireland	100	100
The Different Dairy Company Limited <i>Registered office: Crossroads, Killygordon, Co Donegal</i>	Ireland	100	100
McCorkell Holdings Limited <i>Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL</i>	Northern Ireland	75	75
Maybrook Dairy Limited <i>Registered office: 14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ</i>	Northern Ireland	100	100
Euro-Agri Limited <i>Registered office: 14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ:</i>	Northern Ireland	100	100
Estuary Trading Limited <i>Registered office: 14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ</i>	Northern Ireland	100	100
IPM Holland B.V. <i>Registered office: Marssumerdyk 1, 9033 WD Deinum, The Netherlands</i>	Holland	100	100
MPCO Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	100	100
High Meadow Patents Limited <i>Registered office: Crossroads, Killygordon, Co Donegal</i>	Ireland	100	100
An Grianan Grain Company Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	100	100
Aisheco Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	100	100
Donra Dairies Limited <i>Registered office: Ballyraine, Letterkenny, Co Donegal</i>	Ireland	100	100
Chef in a Box Limited <i>Registered office: 762A/763A Henley Rd, Slough Trading Estate, Slough, Berks, SL1 4JW</i>	UK	100	100
Biogreen Foods Limited <i>Registered office: 65 Cavendish Street, London, W1G 7LS</i>	UK	45	-
AJ Allan (Brechin) Limited <i>Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ</i>	UK	100	-
AJ Allan (Potato Merchants) Limited <i>Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ</i>	UK	100	-
Solanex Limited <i>Registered office: Rua Samuel Hahnemann n°17, Jardim Santo Andre, São João da Boa - SP, CEP 13872 - 029, Brazil</i>	Brazil	85	85

Notes to the consolidated financial statements continued

36. Group entities continued

Subsidiaries	Country of incorporation	Ownership interest	
		2012 %	2011 %
IPM Brazil <i>Registered office: Avenida Dr José Bonifácio Coutinho Nogueira no. 214, Sala 232, Jardim Madalena, CEP 13091-611, Campinas-SP, Brazil.</i>	Brazil	100	-
IPM France <i>Registered office: 1 Rue de Bellonne 62490 Noyelles Sous Bellonne, France</i>	France	100	-
Associated undertakings:			
Monaghan Middlebrook Mushrooms <i>Registered office: Tyholland, Monaghan, Co Monaghan</i>	Ireland	35	35
North Western Livestock Holdings Limited <i>Registered office: Tubbercurry, Co Sligo</i>	Ireland	22.4	22.4
Leapgrange Limited <i>Registered office: The Mall, Ballyshannon, Co Donegal</i>	Ireland	42.7	42.7

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

37. Post balance sheet events

There have been no significant events subsequent to the year end, which would require adjustment to, or disclosure in, the financial statements.

38. Approval of consolidated financial statements

The consolidated financial statements were approved by the directors on 11 April 2013.



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