Donegal

Donegal Creameries plc
Interim results for the six months ended 30 June 2011

1 September, **2011**: Donegal Creameries plc reports results for the six months ended 30 June 2011 impacted by a fall in Dairy profits, a reduced contribution from Associates and adverse FX movements

Financial Performance		H1 2011	H1 2010	Change
Revenue	€'000	68,749	60,556	Up 13.5%
Adjusted operating profit *	€'000	857	1,396	Down €0.54m
Profit before tax – continuing operations	€'000	805	4,033	Down €3.23m
Profit for period after tax	€'000	862	3,629	Down €2.77m
Operating cash flow before interest	€'000	1,436	1,401	Up €0.04m
EPS	Cent	8.5	35.7	Down 27.2 cent
EPS (Adjusted)**	Cent	12.9	34.9	Down 22.0 cent
Dividend per share (declared)	Cent	7.0	7.0	-
Net debt	€'000	24,570	20,135	Up €4.44m
Net asset value per share ***	€	6.07	6.07	-

** Adjusted operating profit before the impact of change in fair value of investment properties*
*** Adjusted earnings before the impact of change in fair value of investment properties in group & associates and the related deferred tax*
****Net assets are total equity attributable to equity holders of the Company*

H1 2011 Summary

- Group turnover increased by 13.5% to €68.7m from €60.6m reflecting increases across all our businesses, including Dairy up 12.2%, Agri-Inputs up 11.9% and Produce up 21.6%
- Operating Profit, before net finance costs, changes in fair value of investment properties, contribution from Associates and tax, declined from €1.4m to €0.9m, a reduction of 38.6%. Operating profits in Agri-inputs increased by 91.1% from €0.6m to €1.1m and in Produce by 50.9% from €0.4m to €0.6m. In contrast our Dairy Division recorded an operating loss of €0.98m in comparison with an operating profit of €0.35m in the first half of 2010
- The strong performance in Agri-inputs has been maintained from 2010 following its turnaround after a disappointing 2009. Margins also increased during the first half of 2011
- The significant increase in Produce turnover can be largely attributed to export shipments carried over from December 2010
  A strong full year performance is expected from this division
- Despite growth in volumes from new customer accounts our Dairy Division's Liquid Milk business operated in a challenging environment during the first half of 2011 in terms of recovering cost increases in the market and in particular from the competitive retail sector. Progress has now been made in this area, albeit later than anticipated, and with increased volumes the Liquid Milk business is positioned to benefit from the lag in recovery of cost increases through increased selling prices, typically associated with this business
- Contribution from our associate company investment, Monaghan Middlebrook Mushrooms, is down €1.0m in comparison with the first half of 2010, although we consider this to be temporary in nature and the outlook for what is now Europe's leading producer is positive going forward
- In comparison with net finance income of €0.3m in 2010, a net finance expense of €1.0m was incurred in the first half of 2011. This was mainly due to a €0.5m loss from sterling euro exchange rate movements, in comparison with a €1.0m gain in the first half of 2010
- Net debt increased slightly from €23.2m at 31 December 2010 to €24.6m at the half year with acquisition costs of €1.1m and capital expenditure of €1.4m in the period
- Adjusted earnings per share have reduced from 34.9 cent to 12.9 cent for the half year due to the performance of the Dairy Division, a reduced contribution from Monaghan Middlebrook Mushrooms and adverse foreign exchange

movements. Performance in the second half of 2011 is expected to be in line or marginally ahead on 2010 due to expected further growth in produce and recovery in dairy. Arising from this we currently expect full year adjusted earnings of €5.1m or 50 cent per share, a reduction of 32% on 2010
- Interim dividend of 7 cent per share has been maintained

H1 2011 Performance Overview
Donegal Creameries reports its first half results for the six months ended June 2011. The overall result reflects the challenging domestic market conditions experienced since the second half of 2010, and in particular the market for Liquid Milk. This is due to the significant time lag in recovering cost increases within a very competitive market. Overall, there was a good performance in both the Produce and Agri-inputs divisions. Turnover increased by 13.5% to €68.7m with profit before tax down from €3.63m to €0.86m.

The Group balance sheet remains strong with total assets of €115.7m, net asset value per share of €6.07 and shareholder's equity of €62.5m. Basic earnings per share for the period were 8.5 cent (2010: 35.7cent and 2009: 6.8cent).

An interim dividend of 7 cent per share will be paid on 2 December 2011 to shareholders on the register on 11 November 2011.

Summary Operations Review

Dairy
Turnover in the Dairy Division was €31.6m, an increase of 12.2% from the period ended June 2010. This produced a segmental result of a loss of €0.97m. The poor performance of the Dairy Division is due to the significant time lag in recovering increased producer prices from the market. Dairy volumes are growing and it is expected that the division will return to more normal levels of profitability in 2012, consistent with previous years. In January, the Dairy Division acquired a controlling stake in Bio Green Foods Limited, a premium niche dairy business in London.

Agri-inputs
Turnover from the Agri-inputs business was up by 11.9% to €24.5m. The segmental result was €1.1m, up from €0.58m. The restructuring work completed in 2010 has had a positive impact and the Division continues to perform well. This has been helped by the improved situation at farm level following increases in many agricultural commodity prices.

Produce
Turnover in the Produce division increased by 21.6% to €12.1m, delivering a segmental result of €0.57m, an increase of 50.9%. We expect a strong full year performance from this division particularly from the Group's seed potato operations and work continues to establish this as a dynamic global business. Significant investment is being made in the development of new potato varieties and extending our global footprint beyond the 30 key markets already served.

Property and Investments
There have been no acquisitions or disposals in the period. In line with policy, all investment properties were independently valued at the 30 June 2011 resulting in a downward revaluation of €0.34m (2010: Nil). The rental income yield continues to be satisfactory.

Associates
The Group's share of Associate profits for the period was €1.3m, a reduction of €1.0m, mainly due to a fall in contribution from Monaghan Middlebrook Mushrooms, which we consider to be temporary in nature. The outlook for Monaghan Middlebrook Mushrooms is favourable going forward given the near completion of its €100m capital investment programme, its recently acquired Canadian business and other organic and acquisition opportunities available to it as Europe's leading producer.

Finance
The interim results were also impacted by €0.99m of net finance costs (2010: €0.34m net finance gain) mainly driven by foreign exchange movement and increased borrowing costs.

The Group is close to successfully completing the re-negotiation of all its bank facilities and this is expected to be completed by the end of September 2011. These facilities, together with cash flow from operations, ensure the Group has sufficient funding in place to finance its plans for the business.

Outlook

The Board expects a good full year performance from its Produce and Agri-inputs businesses, and believes that progress can be made on the recovery of cost price increases in its Dairy Division. The Board remains confident of progress in its key strategic areas of produce, niche dairy, associate investments and expects further acquisitions this year.

Geoffrey Vance
Chairman

For reference:

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Unaudited condensed consolidated interim statement of comprehensive income
For the six months ended 30 June 2011

	Note	**2011**	2010
		Unaudited	Unaudited
		€'000	€'000
Continuing operations			
Revenue	5	**68,749**	60,556
Cost of sales		**(58,689)**	(50,549)
Gross profit		**10,060**	10,007
Other income		**339**	299
Distribution expenses		**(4,185)**	(3,894)
Administrative expenses		**(5,693)**	(5,016)
Results from operating activities		**521**	1,396
Finance income		**746**	1,964
Finance expenses		**(1,733)**	(1,626)
Net finance (expense)/income		**(987)**	338
Share of profit of associates (net of tax)		**1,271**	2,299
Profit before income tax		**805**	4,033
Income tax credit/(expense)		**57**	(404)
Profit for the period		**862**	3,629
Other comprehensive income			
Foreign exchange translation differences for foreign operations		**43**	(190)
Revaluation of property on reclassification to investment property – net of tax		**-**	259
Defined benefit plans actuarial losses - net of tax		**(79)**	(925)
Reclassification of previous gain on fair value of available for sale financial asset – transfer to finance expense		**-**	(347)
Other comprehensive income for period, net of income tax		**(36)**	(1,203)
Total comprehensive income for the period		**826**	2,426
Profit attributable to:			
Equity holders of the Company		**858**	3,625
Non controlling interest		**4**	4
Profit for the period from continuing operations		**862**	3,629
Total comprehensive income attributable to:			
Equity holders of the parent		**840**	2,382
Non controlling interest		**(14)**	44
Total comprehensive income for the period		**826**	2,426
Earnings per share			
Basic earnings per share (euro cent)	6	**8.5**	35.7
Diluted earnings per share (euro cent)	6	**8.4**	35.5

Unaudited condensed consolidated interim statement of financial position
As at 30 June 2011

	Note	30 June 2011 Unaudited €'000	31 Dec 2010 Audited €'000	30 June 2010 Unaudited €'000
Assets				
Property, plant and equipment	8	**18,412**	18,094	18,075
Goodwill		**4,063**	2,236	2,196
Intangible assets		**678**	424	423
Investment property	9	**30,692**	31,053	35,217
Investments in associates		**18,443**	17,685	16,123
Other investments		**1,671**	1,671	1,921
Trade and other receivables		**193**	194	195
Total non-current assets		**74,152**	71,357	74,150
Inventories		**8,074**	6,579	5,727
Biological assets		**150**	-	97
Trade and other receivables		**33,346**	36,397	31,697
Total current assets		**41,570**	42,976	37,521
Total assets		**115,722**	114,333	111,671
Equity				
Issued capital		**1,337**	1,337	1,337
Share premium		**2,975**	2,975	2,975
Other reserves		**830**	750	411
Retained earnings		**56,446**	55,667	56,790
Total equity attributable to equity holders of the company		**61,588**	60,729	61,513
Minority interest		**900**	914	967
Total equity		**62,488**	61,643	62,480
Liabilities				
Loans and other borrowings		**2,648**	3,709	15,753
Employee benefits		**592**	528	1,771
Derivatives		**1,343**	1,343	1,282
Trade & other payables		**919**	-	145
Deferred tax liabilities		**5,180**	5,394	5,934
Total non-current liabilities		**10,682**	10,974	24,885
Loans and other borrowings		**13,102**	13,108	3,349
Current tax		**393**	238	599
Trade and other payables		**20,237**	21,988	19,325
Bank overdraft		**8,820**	6,382	1,033
Total current liabilities		**42,552**	41,716	24,306
Total liabilities		**53,234**	52,690	49,191
Total equity and liabilities		**115,722**	114,333	111,671

Unaudited condensed consolidated statement of changes in equity

		Attributable to equity holders of the Group										
	Note	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	Minority 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												
Profit		-	-	-	-	-	-	-	858	858	4	862
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	61	-	-	-	-	-	61	(18)	43
Defined benefit plan actuarial losses, net of tax		-	-	-	-	-	-	-	(79)	(79)	-	(79)
Other comprehensive income		-	-	61	-	-	-	-	(79)	(18)	(18)	(36)
Total comprehensive income for the year		-	-	61	-	-	-	-	779	840	(14)	826
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Shared based payments		-	-	-	-	-	-	19	-	19	-	19
Total contributions by and distributions to owners		-	-	-	-	-	-	19	-	19	-	19
Balance at 30 June 2011		**1,337**	**2,975**	**(2,936)**	**(348)**	**3,570**	**190**	**354**	**56,446**	**61,588**	**900**	**62,488**

Unaudited condensed consolidated statement of changes in equity

	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Minority Interest €'000	Total Equity €'000
		Attributable to equity holders of the Group										
Balance at 1 January 2010		1,337	2,975	(3,064)	(348)	3,279	547	277	54,090	59,093	923	60,016
Total comprehensive income for the year												
Profit		-	-	-	-	-	-	-	3,625	3,625	4	3,629
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(230)	-	-	-	-	-	(230)	40	(190)
Revaluation of property on reclassification to investment property , net of tax		-	-	-	-	259	-	-	-	259	-	259
Reclassification of previous gain on fair value of available for sale financial asset, net of tax		-	-	-	-	-	(347)	-	-	(347)	-	(347)
Defined benefit plan actuarial losses, net of tax		-	-	-	-	-	-	-	(925)	(925)	-	(925)
Other comprehensive income		-	-	(230)	-	259	(347)	-	(925)	(1,243)	40	(1,203)
Total comprehensive income for the year		-	-	(230)	-	259	(347)	-	2,700	2,382	44	2,426
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Shared based payments		-	-	-	-	-	-	38	-	38	-	38
Total contributions by and distributions to owners		-	-	-	-	-	-	38	-	38	-	38
Balance at 30 June 2010		**1,337**	**2,975**	**(3,294)**	**(348)**	**3,538**	**200**	**315**	**56,790**	**61,513**	**967**	**62,480**

Condensed consolidated interim statement of cash flows
For the six months ended 30 June 2011

	Note	**2011 Unaudited €'000**	**2010 Unaudited €'000**
Operating activities			
Profit for the period		**862**	3,629
Adjusted for			
Depreciation		**1,116**	1,154
Amortisation of Intangible Assets		**81**	96
Changes in fair value of investment property		**336**	-
Defined benefit pension charge		**102**	109
Net finance costs		**987**	338
Share of profit of associates		**(1,271)**	(2,299)
Gain on sale of property, plant and equipment		**(11)**	(27)
Income tax expense		**57**	404
		2,259	3,404
Change in inventories		**(1,602)**	(72)
Change in trade and other receivables		**3,456**	(2,756)
Change in trade and other payables		**(2,549)**	1,080
Equity settled share-based payment transactions		**19**	38
		1,583	1,694
Interest paid		**(525)**	(324)
Defined benefit pension contributions paid		**(147)**	(157)
Income tax paid		**-**	(136)
Net cash from operating activities		**911**	1,077
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**44**	42
Acquisition of other investments		**-**	(354)
Acquisition of controlling interest		**(1,102)**	-
Acquisition of property, plant and equipment		**(1,407)**	(1,020)
Interest received		**64**	62
Dividends received		**5**	1
Acquisition of intangibles		**(60)**	(48)
Repayment of loan by associate		**390**	455
Net cash from investing activities		**(2,066)**	(862)
Cash flows from financing activities			
Payment of finance lease liabilities		**(9)**	(2)
Repayment of borrowings		**(1,051)**	(1,051)
Net cash from financing activities		**(1,060)**	(1,053)
Net decrease in cash and cash equivalents	11	**(2,215)**	(838)
Cash and cash equivalents at 1 January		**(6,382)**	(339)
Effect of exchange rate fluctuations on cash held		**(223)**	144
Cash and cash equivalents at 30 June		**(8,820)**	(1,033)

Notes to the condensed consolidated interim financial statements

(1) Reporting entity

Donegal Creameries Plc (the "Company") is a company domiciled in Ireland. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The consolidated financial statements of the Group as at and for the year ended 31 December 2010 are available upon request from the Company's registered office at Ballyraine, Letterkenny, County Donegal.

(2) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standard (IFRS) IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2010, which were audited and received an unqualified audit opinion.

The financial statements are presented in euro, which is the company's functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property. These condensed consolidated interim financial statements were approved by the Board of Directors on 31 August 2011.

(3) Accounting policies

The accounting policies and methods of computation adopted in the preparation of the Group Condensed Interim Financial Statements are consistent, except as noted below, with those applied in the Annual Report for the financial year ended 31 December 2010 and are described in those financial statements.

Except as described below, the Group did not adopt any new International Financial Reporting Standards (IFRS) or interpretations in the period that have had a material impact on the Group Condensed Interim Financial Statements for the half year.

(a) Change in accounting policy

As of 1 January 2011, the Group has changed its accounting policies in the following areas which do not have a material effect on the results or financial position of the Group:

- IFRIC 19, " Extinguishing Financial Liabilities with Equity Instruments";
- Amendments to IFRIC 14, " Prepayments of a Minimum Funding Requirement";
- Amendments to IAS 32, "Financial instruments: Presentation on classification of rights issues"
- Amendments to IAS 24, "Related Party Disclosures"; and
- The IASB's third annual improvement project, "Improvements to IFAS (Issued 2010).

(4) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 20010.

During the six months ended 30 June 2011, management, in consultation with an independent actuary, reassessed its estimates in respect of employee benefits. The valuation of the defined benefit pension obligation has been updated to reflect current market discount rates and rates of increases in salaries and inflation. The significant changes in estimates are discount rate 5.6% (31 December 2010: 5.5%), inflation 2.25% (31 December 2010: 2.00%) and salary increases 3.5% (31 December 2010: 3.25%).

(5) Segment Information

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

The Group comprises the following reportable business segments:

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

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.

(5) Segment Information *(continued)*

Business segments
For the six months ended 30 June 2011

	Dairy		Agri-Inputs		Produce		Property/Investments		Other		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment revenue	**31,591**	28,150	**24,462**	21,862	**12,074**	9,928	**5**	4	**617**	612	**68,749**	60,556
Segment result	**(972)**	349	**1,099**	575	**569**	377	**(272)**	107	**218**	134	**642**	1,542
Net finance (expense)/income											**(987)**	338
Share of profit of associates											**1,271**	2,299
Income tax credit/(expense)											**57**	(404)
Share option benefits											**(19)**	(38)
Current pension service costs											**(102)**	(108)
Profit for the period											**862**	3,629

There were no inter-segment transactions in the period (2010: nil)

(5) Segment Information *(continued)*

Business segments *(continued)*

	Dairy		Agri-inputs		Produce		Property / Other Investments		Other		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	€’000	€’000	**€’000**	€’000	**€’000**	€’000	**€’000**	€’000	**€’000**	€’000	**€’000**	€’000
Segment assets	**25,047**	19,793	**25,985**	24,700	**12,909**	12,900	**32,459**	37,244	**879**	911	**97,279**	95,548
Investments in associates											**18,443**	16,123
Total assets	**25,047**	19,793	**25,985**	24,700	**12,909**	12,900	**32,459**	37,244	**879**	911	**115,722**	111,671
Segment liabilities	**10,000**	9,165	**9,739**	10,463	**3,512**	3,115	**28**	121	**205**	268	**23,484**	23,132
Loans and borrowings (unallocated)		-		-		-		-		-	**24,570**	20,125
Deferred tax (unallocated)		-		-		-		-		-	**5,180**	5,934
Total liabilities	**10,000**	9,165	**9,739**	10,463	**3,512**	3,115	**29**	121	**206**	268	**53,234**	49,191
Capital expenditure	**888**	767	**270**	218	**149**	57	**-**	-	**160**	26	**1,467**	1,068
Depreciation and amortisation	**521**	464	**535**	675	**123**	95	-	-	**18**	16	**1,197**	1,250
Impairment of investment property and other assets		-		-		-	**336**	543		-	**336**	543

	Island of Ireland		Europe		Rest of World		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	€’000	€’000	**€’000**	€’000	**€’000**	€’000	**€’000**	€’000
Revenue from external customers	**66,762**	58,852	**1,877**	1,592	**110**	112	**68,749**	60,556
Segment assets	**112,695**	110,308	**2,061**	923	**966**	440	**115,722**	111,671
Capital expenditure	**979**	1,006	**488**	14	**-**	48	**1,467**	1,068

(5) Segment Information *(continued)*

Entity-wide disclosures

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

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

Seasonality

The Group's produce and agri-input divisions are second half weighted. This weighting is primarily driven by weather and global buying patterns.

(6) Earnings per share

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

Profit attributable to ordinary shareholders

	2011 Continuing operations €'000	2010 Continuing operations €'000
Profit for the period	**862**	3,629
Profit attributable to ordinary shareholders	**858**	3,625

Weighted average number of ordinary shares
In thousands of shares

	2011	2010
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	**75**	67
Weighted average number of ordinary shares (diluted) at 30 June	**10,217**	10,209

Earnings per share	**2011**	2010
Continuing operations		
Basic earnings per share (euro cent)	**8.5**	35.7
Diluted earnings per share (euro cent)	**8.4**	35.5

(7) Dividends

No dividends were paid in either the 6 months ended 30 June 2011 or the 6 months ended 30 June 2010. The Board has proposed the payment of an interim dividend of 7.0 cent per share on 2 December 2011 (7.0 cent per share in 2010) to holders of shares on 11 November 2011.

(8) Property, plant and equipment

Acquisitions and disposals
During the six months ended 30 June 2011, the Group acquired assets with a cost of €1,407,000 (six months ended 30 June 2010: €1,020,000). Assets with a net book value of €33,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: €15,000), resulting in a gain on disposal of €11,000 (six months ended 30 June 2010: gain of €27,000).

(9) Investment Property

Investment property	**2011**	**2010**
	€'000	**€'000**
Balance at 1 January	**31,053**	36,885
Change in fair value	**(336)**	-
Reclassification to property, plant and equipment	**-**	(2,628)
Reclassification from property, plant and equipment	**-**	817
Effect of movement in exchange rates	**(25)**	143
Balance at 31 June	**30,692**	35,217

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

Acquisitions and disposals
During the six months ended 30 June 2011, the Group did not acquire any investment properties (six months ended 30 June 2010: €Nil). During the period ended 30 June 2010, total investment land valued at €2,628,000 was transferred to property, plant and equipment as it is now used by the Group for its organic produce. A Group premises included in property, plant and equipment at 31 December 2009 was revalued to €817,313 and transferred to investment property on 30 June 2010 as it is no longer used by the Group for its own activity and is leased to third parties.

(10) Related parties

Transactions with key management personnel
Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €305,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: €315,000). Total remuneration is included in "administration expenses."

Other related party transactions

	Transaction value Period ended 30 June		Balance outstanding As at 30 June	
	2011	**2010**	**2011**	2010
	€'000	€'000	**€'000**	€'000
Sale of goods and services				
Sales by group to directors	**358**	301	**212**	110
Purchases by group from directors	**(768)**	(648)	**(178)**	(176)
By parent to associates	**-**	-	**-**	-

(11) Net debt

	€
Balance at 31 December 2010	(6,382)
Net decrease in cash and cash equivalents	(1,155)
Effect of exchange rate fluctuations	(223)
Repayment of borrowings	(1,051)
Repayment of finance Leases	(9)
Balance at 30 June 2011	(8,820)

(12) Capital Commitments

At 30 June 2011 there were capital commitments of €215,000 (2010: €268,000) authorised by the directors but not provided for in the financial statements.

(13) Acquisition of undertakings

On 5 January 2011, the Group acquired a controlling interest in Bio Green Foods Limited, a boutique yogurt business based in London for €1.96m including deferred consideration of €0.92m. This acquisition provides an additional revenue stream and complements our existing value added dairy business.

Total net assets acquired were €132,000 including intangible assets of €272,000. The fair values of the assets acquired have been determined provisionally as at 30 June 2011 and may be subject to change in the Group Financial Statements for the year ended 31 December 2011 as the Group has yet to finalise the fair value of all net identifiable assets acquired. Total amount of goodwill recognised as a result of the acquisition is €1.83m.

The post impact of Bio Green Foods Limited was to increase Group revenue for the financial period by €0.6m. The impact on the Group profit for the financial period was not material.

The principal intangible assets acquired were brand and customer related intangible assets.