

## CHAIRMAN'S REPORT



*Padraig Gibbons*

The Connacht Gold Accounts can be a good barometer for the state of the economy in this region, and the reality of 2009 is quickly seen in the decline in revenue during the year. Every area of our business has been affected. We responded in the only way possible, implementing tight cost control to offset the decline in margin, keep the scale of activity and

survive the difficulties. It is a testament to all involved that your Society ended the year in a profitable position.

Hard decisions had to be taken by the Board and Management which were not easy but very necessary. At least it is comforting that these actions have proven successful and we have a solid base heading into the new Season.

There was a heightened emphasis on Working Capital management in the year. I need not remind you that businesses fail by running out of cash, and there needs to be a continued focus on keeping money in the system by prompt cash collections and stock control. It is impossible to ignore hardship at farm level and it is disappointing that the banks have not been as supportive as they should be in many cases. There is a role for our Government in ensuring that farming incomes are maintained and any repeat of decisions such as the deferral of Farm Waste Management Grant payments should be avoided. Agriculture has always been the backbone of the Irish economy, and in recent years it has been ignored. Agriculture can play an important part in helping Ireland regain stability, but only where favourable conditions are supported by Government policy.

I can not write my report without referring to the weather, which made the year even more difficult, and kept a final sting for us with the freezing conditions over the New Year. Many people worked tirelessly to ensure the least disruption to farmers and customers, and my thanks to each of you for your dedication. This year, farmers need a period of favourable weather to allow land to recover and support grass growth. Any reserves brought into 2009 are exhausted, and financial strength will take time to be rebuilt.

### *Common Purpose*

Connacht Gold as a Co-operative is owned by and run for people who participate in its trading activities. Every single transaction builds economic activity which generates income for this region and surplus monies are used to develop activity to further benefit the region. We have received the results of a study commissioned through NUIG and this shows buying milk originating from this region is 5 times more beneficial than milk coming from outside the region. Without doubt this can be

extended to all the Society's activities and I would ask everyone associated with the Society, whether Members, farmers, employees or those who derive benefit from trading with Connacht Gold to lead by example and ensure that the maximum trade is carried out with the Society.

### *Financial Outcome for 2009*

Turnover in 2009 reduced to €264M reflecting difficult underlying conditions in the economy. All areas were affected, and Gross Profit fell to €59M. A series of projects to reduce costs were implemented across the Society and these helped take €6M out of our cost base, offsetting the impact of turnover declines, and leaving the Society reporting a marginal but highly commendable profit of €615K. Whilst any profit is welcome in a difficult year, this level of annual profitability will not be sufficient over the longer term to fund a business of Connacht Gold's scale.

### *Board and Management*

I thank my fellow Directors on the Board, with special mention for the Vice-Chairman Pat Duffy, for their resolve and willingness to take tough and often times unpopular decisions for the long term benefit of the business. I thank our management and staff in carrying out their duties with unfailing commitment. My deep appreciation goes to our milk and other suppliers and our customers, without whom we could not have success in the Society.

Our Advisory Membership represents the grassroots of our Society and is vital to our future. My gratitude to every person involved. I would encourage people to consider involvement with their local committee and help promote Connacht Gold with a vibrant local presence. Sadly 2 of the stalwarts of the Society passed away in 2009, Paddy Hennigan of Athleague and Pat McCarrick from Achonry. Both were legends in their lifetimes and tireless workers for the Society and their communities. Their influence in the development of this Society can not be understated. My sympathies to their families and indeed to all who lost loved ones during the year.

### *Outlook*

It is hard to see how Connacht Gold could have come through such a difficult year without a strong team focus at every level within the businesses operated by the Society.

Profitable performance and sensible cash flow management helped strengthen the Balance Sheet at 31 December 2009, but funds for capital investment are scarce. In regard to 2010, it will be more of the same seeking to be profitable by trying to maintain turnover, cost control and tight working capital in a distressed Irish economy.

We will continue to seek business development opportunities, and already this year have been successful in gaining new contracts with national retailers and have opened our latest store in Athlone

**Padraig Gibbons**  
**Chairman**

## CHIEF EXECUTIVE'S REVIEW



*Aaron Forde*

Your Co-Operative has finished 2009 stronger in all respects than 12 months previously. This is a tribute to the efforts and commitment of our team who delivered good results in what can only be described as an extremely difficult trading year.

## Results and Trading Environment

Group turnover came in at €264m, down from €310m in 2008 and was reflected in lower sales values in all of the business. In many areas sales volumes were increased but transaction values were lower impacting on revenue and margin.

Despite this challenge the Co-Operative recorded an operating profit and was very active in cost reduction programmes across the business. These cost reductions resulted in savings in our main cost areas of €6m.

A good operational performance supported cash flow of €7.3m and a tight focus on working capital management enabled debt to be reduced to €23.7m. Capital expenditure amounted to €3.4m across the Group somewhat lower than the previous years.

Under the Bonus Share Scheme approved by the Board €107,000 in bonus shares were issued for feed and fertiliser purchases by shareholders. Dividends proposed amounted to €119,000 similar to previous years.

The trading environment surrounding the business during 2009 was very tough. Much of our markets remained in recession, credit availability was tight, consumer confidence was poor and consequently demand was down across the globe. The financial crisis has continued now for some 18 months and as we write shows no sign of early improvement. The consequent lack of credit availability is a huge negative factor in the customer base of all our businesses.

Nonetheless we are thankfully in an environment of low inflation which has enabled our cost reduction programmes. A further positive lies in the forecasted GDP growth in many of our markets which should make 2010 a better year for all. While for much of 2009 the key exchange rates on which we depend to trade successfully were adverse there has been some correction and it is to be hoped that this will continue.

## Agribusiness

Sales came in at €92m a drop of €16m on 2008 which was mostly value related. The prices of key farm inputs declined affording welcome relief to farmers whose income and cash flow were under pressure. Sales volumes of feed were steady and fertiliser volumes increased reflecting the value offered during the year. The pressure on farm incomes and cash flow meant that discretionary expenditure was postponed and value was sought in every purchase. Value is a key part of the store offer, and we recorded a significant increase in store transactions in the year as a result. While the profitability declined in the year the underlying trends are positive and we are confident that we have a robust business model for the future.

2009 saw the conclusion of our investment in Sligo Store which had an excellent trading year showing strong shop sales increases. Coupled with this investment in physical facilities we have continued our development programme for our people and are bringing our retailing skills to new levels. This will continue in the coming years. A key focus for the division is on customer retention and loyalty and a pilot loyalty card scheme has been introduced.

Cost reductions have taken place as part of our Group wide initiative and working capital management will continue to be a focus. Across the Group we are looking for growth opportunities and in early 2010 we extended our store network to Athlone opening our 30th outlet. It has been trading since mid February and we are delighted so far with the level of support from our customers there.

## Marts & Property Services

The marts business had a good year with numbers of cattle and sheep handled rising and your business gaining market share in the region. The value of those sales fell, however reflecting lower sales values of stock in a tough year for beef producers.

Finished cattle numbers to the factories were up marginally at 1.6m from 1.58m but the value of beef and live cattle exports fell 9% to €2.25bn. The weakness of sterling had a major impact on market returns for beef exporters and as a result trade shifted somewhat to other markets.

Live exports increased significantly more than offsetting the drop in meat exports and keeping a floor in cattle prices to farmers. The numbers of live cattle exported grew to 286,000 at a value of €157m – a 70% increase. Growth in shipment of calves to the Netherlands, and a strong finished and store cattle trade to the UK were key, with feedlot demand growing in Spain and Italy.

The reputation of our regional marts for quality stock underpinned the business alongside the service offered and the confidence sellers have in the Co-op.

## Annual Report & Accounts 2009

Lower selling prices make the margin more difficult for everyone and costs were well managed in this division. Planning is continuing for the next investment phase in the division which will be grant aided when completed.

The Property Office had a reasonable year in the circumstances from its location at the Castlebar Store.

### Dairy Ingredients

In 2009 demand for dairy products at business customer level decreased, driven by the financial and economic crisis and its impact on consumer demand.

Demand patterns differed across the globe with emerging markets faring relatively better than developed economies. Across Europe demand for and consumption of dairy products decreased and while growth was evident in some markets it was lower. A strong Euro and a weak Dollar meant that exports of product outside the EU were very difficult as competitive quotations were much lower from Southern Hemisphere sellers. Selling prices of all dairy products were under severe pressure during the first half of 2009.

The EU Commission in the depth of the extreme market difficulties were forced to support the market by introducing intervention and export refunds. PSA for butter took place earlier than usual and was open for longer. As stability returned to the market the level of refunds was reduced to zero in the latter part of 2009.

How the intervention stocks, that built during 2009, are handled in the current year will have a big bearing on the strength of any recovery. While the Commission has stated its desire to eliminate stocks before the 2011 season it will be vital that this is done with care and its effects monitored.

Milk supply in the EU was down 0.6% to 133.7bn kg. Ireland was down significantly in milk supply and our milk supply followed this pattern.

Milk prices throughout the EU fell significantly on the back of a year of intervention level pricing and very poor demand. Our average price for the year was 22.58cpl incl VAT the maximum possible price given the market circumstances. From the farmer and processor viewpoint these pricing levels are inadequate to support the family farm structure that is the basis of our milk supply in the region and indeed across the EU.

Sales revenue in the division amounted to €41.7m a drop of 26%. Total volume of milk processed dropped slightly.

A twin focus on cost reduction and innovation was beneficial in minimising the impact of the revenue drop. The divisional cost reduction programme was very successful in achieving a better result, while several new initiatives were brought to a marketable stage and should prove beneficial for 2010. As we commence 2010 we are seeing reasonable demand for our Fat Filled Milk Powders with our various business partners.

### Consumer Foods

As with all our businesses Consumer Foods recorded a drop in turnover to €40m.

The market environment was extremely difficult as consumers shopped for value and trade shifted from traditional strong retailers to the discounters and indeed the UK retailers took 2.5% of the Irish grocery market with no stores in the Republic - Northern Ireland shopping. Currency

also meant that competitors from Northern Ireland had a cost advantage with milk in our region and margins were challenged. Our brand has withstood the test well but the Northern processors now have a significant share of our market, making the relevance of some of our structures questionable.

During the year we invested in repackaging our milk range with easy open facility on the cartons. This has been well received as has our adoption of the NDC logo "farmed and processed in the Republic of Ireland". In addition we ran a very successful "heart of the community" campaign on pack, in the press and the media. This has been a key part of our successful defence of our brand and has been very successful. The campaign will be developed and re-run during 2010.



In the butter category, Connacht Gold continues its growth and in the market conditions we are very pleased with progress. Our range was extended during the year with the addition of Connacht Gold spreadable which has enjoyed good volumes in its early days. The packaging on our butter range has been refreshed and clear ranging adopted



Investment was made in packaging technology to bring butter dishes or blister packs to market. This technology coupled with our strong flavoured butter position is a key selling point for us in many of our markets. Our flavoured butters continue to perform well and new market positions are being trialled.

Towards the end of 2009 the division tendered for and won a significant volume of own label business with a major trading partner. In addition the business will bring several new product lines to us on an exclusive basis. Our quality and anticipation of market needs were central in securing this business.



## *Investments & Joint Ventures*

### *ECC*



Our timber joint venture ECC had a reasonable year. Demand for all timber products fell significantly but our sales volume was maintained in difficult circumstances. The economic and financial crisis on the home market meant a serious drop in demand and ECC successfully developed its customer base in the UK to maintain volumes. Costs were driven down and a flexible working approach delivered a

positive result. Log costs followed the market during the year, however as we enter 2010 the prices of logs do not reflect market reality. This needs to correct for the industry to maintain a margin in this capital intensive business. Following some years of modest capital investment ECC is planning an investment in easy edge technology to bring new products to the UK market. During the year the company invested in world class systems to leave it at the forefront of the global sawmilling industry.

### *Kent Foods*

The Kent Foods business had a good year in difficult market circumstances. Sales rose to £86m from £83m and its operating profit rose accordingly. Our share of profit also rose but was negatively impacted by a weaker £stg on translation. Kent is the largest non refining sugar distributor in the UK, handles significant volumes of dairy product as well as fats and specialty oils. The business currently operates from 3 distribution and sales locations in Glasgow, Leeds and Bristol. It is currently planning a location in the south east to cope with sales growth and customer needs. Sales capability has also been extended in geographic and product terms during the year.

### *Property*

Our Hazlewood site part of North Western Livestock Holdings has been granted a 10 year planning following appeal to An Bord Pleanála. This should enable the development of the site in that timeframe.

Our Swinford site has received planning for a supermarket development and we expect the sale of the site to conclude in the coming weeks. Construction of the supermarket will start without delay and it is expected to be operational by year end.

Other sites are at various stages in the planning process with a view to adding value to them.

### *People*

Once again our people together ensured another successful year for the Co Operative. The recognition of what was required, the will to succeed and a unique team spirit were the ingredients

that enabled the delivery of a good result in a difficult year. Every cost line was tackled and people showed that the needs of the team were put before everything. The same approach ensured success when growth opportunities presented themselves. I thank each member of our team for their valuable contribution.

It is with sadness I note the passing of our colleague of 37 years May Carney, who managed our shop in Kinlough, after a long illness borne with great courage and dignity. May was a first class Connacht Gold person and she is much missed.

### *Outlook*

The financial and economic crisis is still very much with us from an Irish point of view and that will be the case for some time, however as we look beyond Ireland there are positive signs in the Global economy. GDP growth is forecast to return to many of the larger trading blocks and we remain in a low inflation environment, however many developed economies are still forecasting unemployment increases, which will act as a brake on consumer confidence. The availability of credit in our own economy needs to improve and indeed it is a key ingredient in maintaining Global trade.

In dairy there are signs that demand is stronger and with supply restraint in most milk producing regions, this should mean a better year for processors and farmers. Farmers badly need improvement in returns, as reserves at farm level have been eroded in the last year and processors can ill afford to continue supporting milk price.

The ICOS led milk testing initiative had the potential to deliver benefits to all participants. Following the demise of this initiative your Co-op is focussed on undergoing independent accreditation for its Laboratory in order to underpin farmer confidence. All options to improve our service and benefit the supply base will be explored.

As a dairy industry we have been examining greater co-operation at national level through the ICOS "milk Ireland" discussions. All that can be said at this time is that your Co-op will remain open to and explore possibilities that benefit its supply base.

The rest of your business in Agribusiness, Marts & Property Services and Consumer Foods is in a good position to take advantage of any upturn in the economy and consumer confidence. You can take pride in a well invested and well managed business on your behalf. I would encourage all milk suppliers and those who trade with us to become members of a strong business.

In conclusion I want to thank our Chairman and Board for their support and guidance during 2009. Thanks to all our customers, suppliers, government agencies and our advisory committees for your continuing support.

**Aaron Forde**  
**Chief Executive**

## FORUM ON FARMING

A record attendance of almost 800 farmers attended the Forum on Farming run by Connacht Gold Co-op in Claremorris on 27 January 2010, reflecting the appetite for realistic, factual information on trends in international food markets and on the future of the Single Farm Payment and other crucial farm schemes. The forum on 'Ireland West Agriculture – its role in economic recovery' heard the views of some of the country's leading experts, farm leaders and economists on the prospects for farming and the economy.

Connacht Gold Chairman, Padraig Gibbons, told the capacity audience the event was taking place against the background of an extraordinarily difficult year in 2009 for both farming and the economy. "The economy contracted by 10%, the highest decline on record. Unemployment was three times that of 2007 and the consumer price index fell by 5%, the steepest fall in almost 80 years. Average farm income fell by 30% and one in every three farmers lost their off-farm job."

Aaron Forde, Chief Executive of Connacht Gold, said the turbulent times in farming are set to continue and only the fittest will survive. "Without the protection of the traditional tools of intervention and refunds, we are exposed to the volatility of world markets, changes in supply/demand balance, currency fluctuations and climate or food scare events. The only way we can protect ourselves as businesses and farmers is by having a relentless focus on doing things better."

### Quotes from the Contributors

*"Long-term, dairying is a winner for Ireland. If we are to get out of our difficulties, we will do it by exporting containers of quality products at good prices."* Dr Sean Brady, Irish Dairy Board.

*"The key contribution that policy makers can make is to continue to push the competitiveness agenda. The reality is that the cost of doing business in Ireland is still way out of line with our main international competitors."* Jim Power, Chief Economist, Friends First.

*"A fully-funded CAP post-2013 is crucial for farm families in a region such as Connacht. The importance of the Single Farm Payment cannot be overstated and any reduction would have serious implications for this region. We must retain the Single Farm Payment for active farmers."* John Bryan, IFA President.



*Speakers at the Forum on Farming, from left: Jim Power, Chief Economist, Friends First; Aaron Forde, Chief Executive, Connacht Gold; Prof Gerry Boyle, Director Teagasc and John Horgan, Managing Director, Kepak*

*"Without the Single Farm Payment, farmers would have had an income loss of €600m in 2009. Given the income situation and price volatility, we would not have a viable farming sector without the payment."* Prof Gerry Boyle, Director Teagasc.

*"The new Quality Price Grid for beef is grounded in science and based on payment for meat yield. Let's work together and make it a success, for the long-term good of our industry."* John Horgan, Managing Director, Kepak.

*"We can not believe the EU will support an unlimited volume of milk in the future. I feel there will be some form of supply management and contracts. Without EU supports, milk price could have been 16c a litre in 2009."* Jackie Cahill, ICMSA President.

*"Low prices have affected cash in farming. A place can be profitable and still run out of cash."* Cathal Garvey, dairy farmer and Connacht Gold supplier.

*"With over 10,000 farmers in the five counties of Connacht being forced out of REPS over the next two years, the region will suffer a drain of €60m a year. It is vital that this income gap is breached through an effective REPS replacement scheme, which at present looks to be seriously inadequate."* Aaron Forde, Chief Executive, Connacht Gold



*A section of the capacity attendance at the Forum on Farming in Claremorris*



## *BOARD OF DIRECTORS*

The 24 Members of the Board of Directors as at 31st December 2009 are listed below with the Advisory Committees they represent shown in brackets.

The Members whose names are preceded by an asterick (\*) retire in accordance with Rule 47(A) (xi) and are subject to re-election subject to Rules 47(B), 48(E), 48(G) and 49.



*Back Row (left to right):* Tom Cuniffe (Castlebar), Stephen Finn (Ballyhaunis), Ernest Monson (Gurteen), John A F Thompson (Mohill), Michael Burke (Employees), \*Donal Kerins (North Sligo), Jim Egan (Claremorris), \*Eamon Carey (Belmullet), Brendan Reilly (Killala).

*Middle Row (left to right):* \*TJ Tuffy (Tireragh), Martin Gallagher (Rathscanlon), Michael Brennan (Athleague), \*Kevin Cryan (Ballymote), Liam Duignan (Kiltoghert), Henry Graham (Riverstown), Seamus Killoran (Croghan), James Gallagher (Kinlough/Kilbarron).

*Front Row (left to right):* Gerry O'Brien (Ballinrobe), \*Pat Collery (Achonry), Patrick Duffy (Bornacoola), Padraig Gibbons (Westport), \*John Conry (Castlerea), Gerard Mullaney (Kilmactranny), Tommy Shryane (Ballaghaderreen).

## COMPANY INFORMATION

<b>Registered Office</b>	Ballina Road, Tubbercurry, Co Sligo	
<b>Bankers</b>	Bank of Ireland AIB Ulster Bank	
<b>Solicitors</b>	Rochford Gallagher & Co, Tubbercurry, Co Sligo	
<b>Auditors</b>	Gilroy Gannon, Stephen Street, Sligo	
<b>Executive Team</b>	Aaron Forde	Chief Executive
	John Daly	General Manager Dairy Ingredients
	Tom Farrell	Deputy Chief Executive/General Manager Group Development
	Mary Fox	General Manager Consumer Foods
	Michael Guilfoyle	General Manager Agri Business
	Brian Kelly	Secretary/Head of Finance & Services
	Martin Walsh	General Manager Marts & Property Services/Head of Public Relations

## *BOARD COMMITTEES*

The Board has an established committee structure in order to assist it in the discharge of its responsibilities on a number of specific matters as it is committed to maintaining high standards of corporate governance. The committees and their membership are detailed below.

### *Audit Committee*

The Audit Committee comprises of TJ Tuffy (Chairman), Padraig Gibbons, Patrick Duffy, Ernest Monson and Gerard Mullaney. The Chief Executive, the Head of Finance, Senior Management and representatives of the external auditors may be invited to attend all or part of any meeting.

The role and responsibilities of the Audit Committee include:

- Reviewing the annual financial statements before submission to the Board, with a recommendation whether or not to approve. This review focuses on but is not limited to, monitoring the integrity of the financial statements of the Society and reviewing significant financial reporting judgements contained in them.
- Considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors, and the terms of engagement of the external auditors.
- Reviewing the external audit plan and the findings from the audit of the financial statements.
- Assessing annually the independence of the external auditors, which includes monitoring the nature and extent of services provided by the external auditors to the Society.

- Monitoring and reviewing the operation and effectiveness of the internal audit function and progress on resolving any weaknesses identified in accounting systems or controls.
- Reporting to the Board on the operation of the Society's system of internal control and risk management, making any recommendations to the Board thereon.
- Reviewing the arrangements in place to ensure that appropriate investigation and follow up action is taken on any concerns raised about possible improprieties in financial reporting or other matters.
- Reviewing its own effectiveness as a committee and making any necessary recommendations for change to the Board.

### *Other Committees*

The Society operates a number of other sub committees in order to assist the review and operations of divisional activities and particular functions. These include:

- Agri Business
- Marts and Property Services
- Dairy
- Rules /Membership
- Remuneration

All Board Members sit on at least one sub committee of the Board. The Chairman and Vice Chairman of the Society sit on all the sub committees of the Board. The Secretary of the Society acts as Secretary to each of these committees.



*Suckler welfare information evening*



*Milk testing facility*



## CORPORATE SOCIAL RESPONSIBILITY POLICY

### INTRODUCTION

Corporate Social Responsibility (CSR) highlights the role business plays in contributing to a better society by actively engaging and consulting with all stakeholders in a manner that goes beyond its financial and legal commitments.

Connacht Gold recognises this obligation and that it is an integral part of the communities in which it operates. As a result of its diversified operations the company generates economic and social vibrancy in both urban and rural areas and is committed to being a responsible corporate citizen in these communities.

The company is sensitive to any impact its operations may have on its stakeholders and is committed to ensuring that the needs, views and interests of all stakeholders are taken into consideration where appropriate.

This objective will be achieved by strict adherence to the following principles:

### MISSION STATEMENT

To maximise the return to our Shareholders by adding value:

- In the processing and marketing of their farm produce and
- Engaging in commercial activities that will generate income for the Organisation.

### VALUES

Our core values represent the fundamental beliefs that direct us in our daily business activities. Connacht Gold embraces these values and conducts its day-to-day business in accordance with their intended spirit.

#### 1. Honesty and Integrity

Trust is a cornerstone of the Society and we will conduct our business relationships, both internal and external, with integrity and professionalism. Everyone is entitled to be treated with respect and fairness.

#### 2. Teamwork

We will work in a spirit of harmony, be loyal to and assist fellow employees and work together towards the common purpose expressed in our Mission Statement. We will encourage individual development and continuous improvement where each person has pride in belonging to a successful organisation.

#### 3. Creating Value

The Society exists to create value for its Shareholders, employees and customers. We are committed to winning in today's competitive environment by ensuring that all our individual operations are viable and profitable. We will embrace change and avail of any suitable opportunities for growth that present themselves.

#### 4. Our Customers

We are driven by the demands and expectations of our customers and consumers. We will endeavour to provide products of the highest possible quality and provide a superior service that will promote customer loyalty.

#### 5. Communications

In recognising the importance of open and honest communication for each individual in the performance of their role in the Society, we will create an environment where ideas are encouraged and information is distributed effectively.

#### 6. Corporate Responsibility

We recognise our responsibility to operate our business in compliance with all statutory regulations, respect the environment and thereby maintain a positive public perception of the Society.

### ENVIRONMENT

Compliance with environmental and health and safety regulatory requirements is considered a minimum standard for all Group businesses. All Connacht Gold businesses strive to implement best practice in their operations and operate comprehensive environmental, health and safety and quality management systems.

Across the group, we also operate programmes to ensure the responsible disposal of packaging, including the re-use and recycling of all packaging types and the use of licensed contractors to safely dispose of non-recyclable waste packaging.

Plans are being put in place to ensure that we meet the required standards within a reasonable timeframe.

### COMMUNITY

Connacht Gold operates in numerous communities throughout Connacht, South Donegal and North Galway in a diverse range of business activities. The company employs 560 people directly and provides jobs for many others in transport, distribution and forestry. The need to support and play an active role in the development and social fabric of the areas in which the company operates and at a national level is a clearly defined organisational objective.

The company has traditionally supported a large number of charitable and general social activities in the areas in which it operates.

The company will target to donate 1.5% of retained profits for the previous year ( a minimum of €10,000) and disburse this amount to local and national charities that are community based and provide support and services which benefit employees and other stakeholders in the company's areas of operation.

To this end the company will nominate a Charity of the Year each calendar year and make a substantial contribution to it. The nominated Charity for 2009 is Cystic Fibrosis (Castlebar Building Project).

Within this amount other local charities and causes will receive consideration for funding on a case by case basis. Each application will be assessed on its own merits and decided on accordingly. This local dimension will be administered through the Managers of our local outlets and will be in the form of vouchers for use in the Stores.

Staff involvement in charitable fundraising projects is also encouraged. Connacht Gold gives consideration to supporting Staff who partake in such projects.

Connacht Gold also actively encourages its employees to get involved in community activities and representative organisations and to use their expertise to assist those organisations in providing much needed community support and benefit.

### *WORKPLACE*

Connacht Gold's employees are the lifeblood of the organisation and are fundamental to the success of the business. The company provides challenging and meaningful employment together with opportunity for development and encourages employees to embrace the concept of lifelong learning. Employees who wish to pursue a course of Training / Education relevant to the business, in their own time, in order to further their career prospects are given maximum support at all times where appropriate. This involves payment / partial payment of fees, paid time off prior to and for examinations and other assistance as appropriate.

Connacht Gold encourages all employees to learn and develop new skills and to take an active role in planning their career progression in the group by taking on new roles and increased responsibilities as the opportunities arise.

While Connacht Gold's policy is to promote from within the organisation where possible, the underlying objectives is to always select the best possible candidate for any vacant position and consequently promotional vacancies may also be advertised externally. In this context casual applications are also welcome and the company is committed to ensuring that every applicant receives full and equitable consideration for vacant positions that suits their skills and experience.

The commitment and dedication of its employees gives the company a competitive edge and it is through the efforts of its workforce that Connacht Gold has become one of the employers of choice in the region.

## *DIRECTORS' RESPONSIBILITY STATEMENT*

The Industrial and Provident Societies Acts, 1893 to 1978, require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for ensuring that the Society keeps proper books of account which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements are prepared in accordance with applicable accounting standards and comply with the Industrial and Provident Societies Acts, 1893 to 1978. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

***Padraig Gibbons*** – Chairman  
***Aaron Forde*** – Chief Executive



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNACHT GOLD CO-OPERATIVE SOCIETY LIMITED

I have audited the consolidated financial statements on pages 13 to 28 which have been prepared under the accounting policies set out on page 17.

This report is made solely to the Society's members, as a body, in accordance with the provisions of the Industrial and Provident Societies Acts, 1893 to 1978. My audit work has been undertaken so that I might state to the Society's members those matters I am required to state to them in my Auditor's Report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for my audit work, for this report, or for the opinions I have formed.

### *Respective responsibilities of directors and auditor*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Directors' Responsibility Statement on page 11.

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

I report to you my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with the provisions of the Industrial and Provident Societies Acts, 1893 to 1978. I state whether I have obtained all the information and explanations I consider necessary for the purposes of my audit and whether the financial statements are in agreement with the books of account. I also report to you my opinion as to whether the Society has kept proper books of account.

I read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

### *Basis of audit opinion*

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Society's circumstances consistently applied and adequately disclosed.

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

### *Opinion*

In my opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Society as at 31st December 2009 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Industrial and Provident Societies Acts, 1893 to 1978.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion proper books of account have been kept by the Society. The financial statements are in agreement with the books of account.

### **Joseph T Gannon**

*Gilroy Gannon*

*Chartered Accountants*

*& Registered Auditor*

*Stephen Street*

*Sligo*

*Date: 25 March 2010*

## Annual Report & Accounts 2009

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2009

	Notes	2009 €(000)	2008 €(000)
<b>TURNOVER</b>	<b>1</b>		
Consumer Foods		40,059	44,088
Dairy Ingredients		41,729	59,853
Agri Business		91,913	107,447
Marts & Property Services		64,007	68,142
Other Activities		26,564	31,317
		<hr/>	<hr/>
		264,272	310,847
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>59,128</b>	<b>61,771</b>
		<hr/>	<hr/>
Personnel Costs	2	24,939	26,699
Operating Costs		25,498	29,793
Interest Payable and Similar Charges	3	2,066	1,881
Depreciation	4	6,010	6,018
		<hr/>	<hr/>
		58,513	64,391
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS)</b>		<b>615</b>	<b>(2,620)</b>
Exceptional Items	5	0	(248)
Dividends Receivable		289	236
Share of Profit of Associate	8	966	880
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>1,870</b>	<b>(1,752)</b>
Taxation	6	(559)	(595)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>1,311</b>	<b>(2,347)</b>
Minority Interests		(551)	(103)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) FOR YEAR</b>	<b>16</b>	<b>760</b>	<b>(2,450)</b>
		<hr/>	<hr/>

**Padraig Gibbons** – Chairman  
**Aaron Forde** – Chief Executive

**CONSOLIDATED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

	Notes	2009 €(000)	2008 €(000)
PROFIT/(LOSS) FOR YEAR		760	(2,450)
Exchange Rate Adjustment		24	(53)
Pension Fund Actuarial Gain/(Loss)	24	3,951	(12,612)
Revaluation of Investment Properties Transferred to Capital Reserves	15	(496)	1,470
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR YEAR</b>		<b>4,239</b>	<b>(13,645)</b>

**Padraig Gibbons** – Chairman  
**Aaron Forde** – Chief Executive



# CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2009

	Notes	2009 €(000)	2008 €(000)
<b>ASSETS EMPLOYED</b>			
<b>FIXED ASSETS</b>			
Tangible Assets	7	33,701	36,583
Financial Assets	8	19,297	19,912
		<hr/>	<hr/>
		52,998	56,495
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Stocks	9	14,504	18,694
Debtors	10	33,301	30,684
Bank and Cash		8,862	9,643
		<hr/>	<hr/>
		56,667	59,021
<b>CREDITORS</b>			
falling due within one year	11	44,683	54,082
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		11,984	4,939
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		64,982	61,434
		<hr/>	<hr/>
<b>CREDITORS</b>			
falling due after more than one year	12	16,083	9,513
		<hr/>	<hr/>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	13	658	880
		<hr/>	<hr/>
		16,741	10,393
		<hr/>	<hr/>
<b>NET ASSETS EXCLUDING NET PENSION LIABILITY</b>		48,241	51,041
		<hr/>	<hr/>
<b>NET PENSION LIABILITY</b>	24	8,671	14,731
		<hr/>	<hr/>
<b>NET ASSETS INCLUDING NET PENSION LIABILITY</b>		39,570	36,310
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share Capital	14	5,892	5,858
Capital Reserves	15	4,118	4,614
Revenue Reserves	16	22,182	17,716
Bonus Reserve	17	270	227
		<hr/>	<hr/>
<b>SHAREHOLDERS FUNDS</b>		32,462	28,415
		<hr/>	<hr/>
<b>MINORITY INTERESTS</b>	18	6,829	7,482
		<hr/>	<hr/>
<b>CAPITAL GRANTS</b>	19	279	413
		<hr/>	<hr/>
		39,570	36,310
		<hr/>	<hr/>

*Padraig Gibbons – Chairman*  
*Aaron Forde – Chief Executive*

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

	Notes	2009 €(000)	2008 €(000)
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating Profit/(Loss)		615	(2,620)
Interest payable and similar charges		1,571	2,252
Other finance income		495	(371)
Depreciation charge		6,264	6,447
Government grants amortised		(134)	(188)
Contributions to pension schemes in excess of current service cost		(2,604)	(1,043)
Profit on sale of tangible fixed assets		(120)	(241)
Decrease in stocks		4,190	958
(Increase)/Decrease in debtors		(2,617)	7,848
(Decrease) in creditors		(234)	(5,750)
Exceptional Items		(149)	(429)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>7,277</b>	<b>6,863</b>
<b>CASH FLOW STATEMENT</b>			
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>7,277</b>	<b>6,863</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	20	<b>(1,775)</b>	<b>(2,407)</b>
<b>TAXATION PAID</b>		<b>(369)</b>	<b>(467)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	20	<b>(3,389)</b>	<b>(7,941)</b>
<b>DIVIDENDS PAID</b>		<b>(119)</b>	<b>(118)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>1,625</b>	<b>(4,070)</b>
<b>FINANCING</b>	20	<b>7,826</b>	<b>1,737</b>
<b>INCREASE/( DECREASE) IN CASH IN THE YEAR</b>		<b>9,451</b>	<b>(2,333)</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>	21	<b>9,451</b>	<b>(2,333)</b>
Bank loans	21	(8,513)	(745)
Finance leases	21	614	(197)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>		<b>1,552</b>	<b>(3,275)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS</b>		<b>(103)</b>	<b>573</b>
<b>NET DEBT AT 1ST JANUARY</b>		<b>(25,191)</b>	<b>(22,489)</b>
<b>NET DEBT AT 31ST DECEMBER</b>		<b>(23,742)</b>	<b>(25,191)</b>

## ACCOUNTING POLICIES

### STATEMENT OF ACCOUNTING POLICIES – 2009

#### (a) Accounting Convention

The Financial Statements have been prepared in accordance with the historical cost accounting convention as modified by the revaluation of certain tangible fixed assets.

#### (b) Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of Connacht Gold Co-operative Society Limited its subsidiaries and associate.

#### (c) Turnover

Turnover is shown net of value added tax and represents the invoiced value of goods and services supplied to third parties. Some sales to the Irish Dairy Board Co-Operative Limited are based on "on Account" prices and can be subject to adjustment when the prices are finally agreed.

#### (d) Stocks

Stocks have been valued at the lower of cost and net realisable value on the first-in, first-out basis consistent with prior years. Cost in the case of products manufactured consists of direct material and labour costs together with the relevant production overheads.

#### (e) Tangible Fixed Assets and Depreciation

Tangible Fixed Assets are stated at cost or revalued amount less accumulated depreciation.

Depreciation is calculated on the straight line basis by reference to the expected useful lives of the tangible fixed assets. The rates used are as follows:

	Per Annum
Land	Nil
Buildings	5%
Plant, Machinery and Equipment	10% - 33 1/3%
Motor Vehicles	20%-25%

#### (f) Financial Fixed Assets Investment Properties

Investment properties are revalued annually and are not depreciated or amortised. Investment properties are not held for consumption but for investment and the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties and changes to that current value are of prime importance rather than the calculation of annual depreciation.

Increases in value are transferred to a revaluation reserve and are taken to the statement of total recognised gains or losses. Where the valuation indicates an impairment in the value of the property, the impairment is transferred to the statement of total recognised gains and losses to a maximum of the sum of the previous revaluation gains. The remainder is charged to the profit and loss account.

#### (g) Capital Grants

Capital Grants received by the Group are treated as deferred credits and released to the profit and loss account over the expected useful lives of the assets to which they relate.

#### (h) Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Euros at the rate ruling at the Balance Sheet date. Profits and losses resulting from foreign currency transactions are dealt with in the profit and loss account as they arise.

#### (i) Current Taxation

Current Taxation is calculated on the profit for the year after taking account of manufacturing relief and capital allowances.

#### (j) Deferred Taxation

Deferred Taxation is calculated on the differences between the Society's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

#### (k) Goodwill

Goodwill represents any difference between the amounts attributable to net tangible assets acquired and the cost of acquisition. Goodwill is capitalised in the year of purchase and written off to the profit and loss account over its useful economic life.

#### (l) Leasing

Rights to the use of fixed assets acquired under a lease which transfers substantially all of the risks and rewards of ownership to the Group are capitalised as a fixed asset.

Amounts payable under such finance leases, net of finance charges are shown as falling due within one year or after more than one year as appropriate. Finance charges in respect of finance leases are charged to the profit and loss account over the term of the lease on an actuarial basis. All other leases are operating leases and the annual rentals are charged to the profit and loss account.

#### (m) Pensions

The retirement benefit and mortality schemes for employees which are established under trusts are actuarially valued every three years. Contributions made at the recommended rates to cover current service cost are charged to the profit and loss account.

#### (n) Research and Development Expenditure

Research and Development Expenditure is written off in the year in which it is incurred.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. SALES BY MARKET

	2009 €(000)	2008 €(000)
Ireland	241,389	288,401
United Kingdom	12,083	18,488
Other	10,800	3,958
	<u>264,272</u>	<u>310,847</u>

Sales in Ireland includes sales to The Irish Dairy Board Co-operative Limited for export both inside and outside the E.U.

### 2. PERSONNEL COSTS

	2009 €(000)	2008 €(000)
Wages & Salaries	20,838	22,665
Employer P.R.S.I.	2,244	2,381
Employer Pension Contributions	1,857	1,653
	<u>24,939</u>	<u>26,699</u>

The weekly average number of persons employed by the Group was 560 (2008– 564).

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 €(000)	2008 €(000)
Bank Interest & Charges	1,305	1,955
Lease Charges	266	297
Pension Finance	495	(371)
	<u>2,066</u>	<u>1,881</u>

### 4. DEPRECIATION

	2009 €(000)	2008 €(000)
Depreciation Charge	6,264	6,447
Capital Grants released to Profit and Loss Account	(134)	(188)
Profit on Disposal of Fixed Assets	(120)	(241)
	<u>6,010</u>	<u>6,018</u>

### 5. EXCEPTIONAL ITEMS

	2009 €(000)	2008 €(000)
Restructuring	<u>0</u>	<u>(248)</u>

## Annual Report & Accounts 2009

### 6. TAXATION

	2009 € (000)	2008 € (000)
Current Taxation:		
Parent Society & Subsidiaries	288	383
Associate	344	321
	<u>632</u>	<u>704</u>
Deferred Taxation:		
Parent Society & Subsidiaries	(73)	(109)
	<u>559</u>	<u>595</u>
<b>Factors affecting current tax charge of Parent Society &amp; Subsidiaries for the year:</b>		
Profit/(loss) before share of associate	904	(2,632)
Tax on profit/(loss) before share of associate at the standard rate of corporation tax for the year of 12.5% (2008:12.5%)	113	(329)
Additional tax on profit liable at other than standard rate	22	64
Dividend income not liable to corporation tax	(36)	(30)
Excess depreciation over capital allowances and other timing differences	73	109
Tax losses forward	75	401
Permanent differences and adjustments in respect of prior years	41	168
Current tax charge for the year	<u>288</u>	<u>383</u>

### 7. TANGIBLE ASSETS

	Land & Buildings € (000)	Plant Machinery & Equipment € (000)	Motor Vehicles € (000)	Total € (000)
<b>Cost/Revaluation</b>				
At 1st January 2009	39,508	108,298	4,634	152,440
Additions	636	2,357	389	3,382
Disposals	0	(130)	(34)	(164)
At 31st December 2009	<u>40,144</u>	<u>110,525</u>	<u>4,989</u>	<u>155,658</u>
<b>Depreciation</b>				
At 1st January 2009	21,834	90,066	3,957	115,857
Charge for Year	1,412	4,392	460	6,264
Disposals	0	(130)	(34)	(164)
At 31st December 2009	<u>23,246</u>	<u>94,328</u>	<u>4,383</u>	<u>121,957</u>
<b>Net Book Value</b>				
At 31st December 2009	<u>16,898</u>	<u>16,197</u>	<u>606</u>	<u>33,701</u>
At 31st December 2008	<u>17,674</u>	<u>18,232</u>	<u>677</u>	<u>36,583</u>

Included in the net book values of plant, machinery and equipment are assets acquired under lease agreements with a net book value of €9,381,531 (€ 10,237,573 at 31.12.2008). The depreciation charged in respect of these leased assets and included in the total depreciation charge was €2,349,783 (2008 – €2,379,633).

## 8. FINANCIAL ASSETS

### (i) Associate:

	Share of net assets	Goodwill	Total	Total
	2009	2009	2009	2008
	€(000)	€(000)	€(000)	€(000)
At 1st January 2009	1,713	3,844	5,557	6,233
Share of profit of associate	1,194	0	1,194	1,108
Amortisation of goodwill	0	(228)	(228)	(228)
Share of taxation of associate	(344)	0	(344)	(321)
Dividends received	(507)	0	(507)	(609)
Translation adjustment	127	0	127	(626)
At 31st December 2009	<u>2,183</u>	<u>3,616</u>	<u>5,799</u>	<u>5,557</u>

In accordance with FRS 9 "Associates and Joint Ventures", the Group's share of its associate is set out below.

	2009	2008
	€(000)	€(000)
Share of turnover	38,446	47,580
Share of fixed assets	195	153
Share of intangible assets	0	5
Share of current assets	6,299	3,517
Share of gross assets	6,494	3,675
Share of liabilities due within one year	(4,311)	(1,957)
Share of provision for liabilities	0	(5)
Share of gross liabilities	(4,311)	(1,962)
Share of net assets	<u>2,183</u>	<u>1,713</u>

### (ii) Goodwill:

	2009	2008
	€(000)	€(000)
At 1st January 2009	(3,196)	(2,479)
Movement during the year	0	(717)
At 31st December 2009	<u>(3,196)</u>	<u>(3,196)</u>

Negative goodwill of €3,196,000 arises on the consolidation of North Western Livestock Holdings Ltd a company in which the Society has a 70.91% shareholding. The negative goodwill relates to investment properties held by the subsidiary at a valuation of €10,000,000 and in respect of which depreciation is not being charged.

Should the subsidiary dispose of the investment properties at the revalued amount of €10,000,000, the related taxation which has not been provided for would amount to €2,500,000 approximately.



## Annual Report & Accounts 2009

### (iii) Unquoted:

	2009 € (000)	2008 € (000)
At 1st January 2009	2,547	2,545
Additions	145	2
At 31st December 2009	<u>2,692</u>	<u>2,547</u>
Convertible Loan Stock	<u>3,191</u>	<u>3,493</u>

In the opinion of the directors the value of the unquoted investments is not less than as shown above.

### (iv) Quoted:

	2009 € (000)	2008 € (000)
At 1st January 2009 shares at cost	811	811
Additions	0	0
At 31st December 2009 shares at cost	<u>811</u>	<u>811</u>

The market value of the quoted investments at the date of the approval of the financial statements was €16,447,021.

### (v) Investment Properties:

	2009 € (000)	2008 € (000)
At 1st January 2009	10,700	0
Transfer from Tangible Fixed Assets	0	7,625
Revaluation of Investment Properties	(496)	1,470
Movement in Negative Goodwill	0	717
Minority Interest	(204)	888
At 31st December 2009	<u>10,000</u>	<u>10,700</u>
Financial Assets at 31st December 2009	<u>19,297</u>	<u>19,912</u>

## 9. STOCKS

	2009 € (000)	2008 € (000)
Raw Materials	903	733
Finished Goods and Goods for resale	12,191	16,748
Expense	1,410	1,213
	<u>14,504</u>	<u>18,694</u>

The replacement cost of stocks would not be materially different from the amounts stated above.

## 10. DEBTORS

	2009 €(000)	2008 €(000)
Trade and Other Debtors	29,980	28,002
Prepayments	2,302	1,679
V.A.T.	1,019	1,003
	<u>33,301</u>	<u>30,684</u>

Trade Debtors include an amount of €4,128,000 ( 2008 – Nil) in respect of which finance has been provided to the Society by a financial institution by way of debt factoring.

## 11. CREDITORS falling due within one year

	2009 €(000)	2008 €(000)
Trade Creditors and Accruals	26,757	27,078
Bank Overdrafts and Loans	15,076	23,730
Finance Leases	2,024	2,170
PAYE/PRSI	348	545
Corporation Tax	478	559
	<u>44,683</u>	<u>54,082</u>

Trade creditors include amounts owing to suppliers who have a reservation of title clause in their contracts of sale.

Bank borrowings are secured on the assets of the Society and its subsidiaries.

## 12. CREDITORS falling due after more than one year

	2009 €(000)	2008 €(000)
Bank Loans	12,647	5,609
Finance Leases	2,857	3,325
Minority Shareholders Loans	579	579
	<u>16,083</u>	<u>9,513</u>

Bank borrowings are secured on the assets of the Society and its subsidiaries.

## 13. PROVISION FOR LIABILITIES AND CHARGES

	Restructuring €(000)	Deferred Taxation €(000)	Total €(000)
At 1st January 2009	503	377	880
Profit and Loss Account	0	(73)	(73)
Paid	(149)	0	(149)
At 31st December 2009	<u>354</u>	<u>304</u>	<u>658</u>

## Annual Report & Accounts 2009

### 14. SHARE CAPITAL

	2009 € (000)	2008 € (000)
At 1st January 2009	5,858	5,843
Share Applications	2	11
Shares Redeemed	(75)	(84)
Transfer from Bonus Reserve	107	88
At 31st December 2009	<u>5,892</u>	<u>5,858</u>

### 15. CAPITAL RESERVES

	2009 € (000)	2008 € (000)
At 1st January 2009	4,614	3,144
Revaluation of Investment Properties	(496)	1,470
At 31st December 2009	<u>4,118</u>	<u>4,614</u>

### 16. REVENUE RESERVES

	2009 € (000)	2008 € (000)
At 1st January 2009	17,716	33,099
Profit/(Loss) for year	760	(2,450)
Dividends paid	(119)	(118)
Bonus reserve	(150)	(150)
Exchange rate adjustment	24	(53)
Pension funds actuarial gain/(loss)	3,951	(12,612)
At 31st December 2009	<u>22,182</u>	<u>17,716</u>
Revenue reserves excluding net pension liability	<u>30,853</u>	<u>31,947</u>
Net pension liability	<u>(8,671)</u>	<u>(14,231)</u>
Revenue reserves including net pension liability	<u>22,182</u>	<u>17,716</u>

Dividends proposed at the 31st December 2009 amounted to €119,000 and in accordance with Financial Reporting Standards are not recognised in the financial statements until approved.

### 17. BONUS RESERVE

	2009 € (000)	2008 € (000)
At 1st January 2009	227	165
Transfer from Revenue Reserves	150	150
Transfer to share capital	(107)	(88)
At 31st December 2009	<u>270</u>	<u>227</u>

The transfer from Revenue Reserves is in accordance with Rules 73 and 74 of the Society which allows for the establishment of a Reserve from which allocations of fully paid-up bonus shares in the Society may be made.

### 18. MINORITY INTERESTS

This represents the holding of equity in Earrai Coillte Chonnacht Teoranta (ECC Teo), North Western Livestock Holdings Ltd and CG Training Limited by minority interests.

**19. CAPITAL GRANTS**

	2009 €(000)	2008 €(000)
At 1st January 2009	413	601
Profit and Loss Account	(134)	(188)
At 31st December 2009	<u>279</u>	<u>413</u>

Grants received by the Group from Enterprise Ireland and Udaras na Gaeltachta may be repayable in certain circumstances as outlined in the Grant Agreements.

**20. GROSS CASH FLOWS**

	2009 €(000)	2008 €(000)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest paid	(1,305)	(1,955)
Interest element of finance leases	(266)	(297)
Dividend paid to minority interests	(1,000)	(1,000)
Dividend received from Associate	507	609
Dividends receivable	289	236
	<u>(1,775)</u>	<u>(2,407)</u>
 <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	(3,666)	(8,438)
Purchase of financial assets	(408)	(261)
Sale of tangible fixed assets	120	249
Sale of financial assets	565	509
	<u>(3,389)</u>	<u>(7,941)</u>
 <b>FINANCING</b>		
Share capital	(73)	(73)
Bank loans	8,513	745
Finance leases	(614)	197
Minority shareholders equity and loan contributions	0	868
	<u>7,826</u>	<u>(1,737)</u>

**21. ANALYSIS OF CHANGES IN NET DEBT**

	Opening Balance €(000)	Cash Flows €(000)	Closing Balance €(000)
<b>CASH AT BANK AND IN HAND OVERDRAFTS</b>	9,643 (16,648)	(781) 10,129	8,862 (6,519)
	<u>(7,005)</u>	<u>9,348</u>	<u>2,343</u>
 <b>BANK LOANS FINANCE LEASES</b>	(12,691) (5,495)	(8,513) 614	(21,204) (4,881)
	<u>(25,191)</u>	<u>1,449</u>	<u>(23,742)</u>



## 22. RELATED PARTY TRANSACTIONS

In the ordinary course of their business, as farmers, the Directors trade with the Society on standard commercial terms. The level of purchases from and sales to the Directors during 2009 amounted to €1,104,000 and €607,000 respectively. The trading balances outstanding to the Society at the year end were €125,000 (2008 – €91,000 ).

## 23. CAPITAL COMMITMENTS

There are no capital commitments anticipated at 31st December 2009 (€1,140,000 at 31.12.2008).

## 24. PENSION SCHEMES

The Group operates a number of defined benefit pension schemes for employees and is also a member of the Irish Co-operative Societies pension scheme.

FRS 17 "Retirement Benefits" has been fully adopted in respect of Connacht Gold Co-operative Society defined benefit pension schemes resulting in an increase in the operating profit of the Group in the current year of €2,109,000 (2008: €1,414,000).

### (i) Connacht Gold Co-operative Society defined benefit pension schemes

The Group operates a number of defined benefit pension schemes for employees with assets held in separately administered funds. Annual contributions to the pension schemes are based on the advice of qualified independent actuaries obtained every three years. The latest actuarial valuations in respect of these schemes were carried out at 1st January 2009 and subsequently updated to 31st December 2009 for FRS 17 "Retirement Benefits" purposes. The actuarial reports are available for inspection by members of the schemes but not for public inspection.

The valuations and related disclosures required under FRS 17 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 1st January 2009, updated to 31st December 2009. The financial assumptions used in the valuations were:

	2009	2008	2007
	%	%	%
Rate of Inflation	2.00	2.25	2.25
Rate of increase in salaries	3.00	3.00	4.00
Discount rate	5.60	5.60	5.50

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

	2009	2009	2008	2008	2007	2007
	Expected	Market	Expected	Market	Expected	Market
	Rate of	Value	Rate of	Value	Rate of	Value
	Return	€(000)	Return	€(000)	Return	€(000)
	%		%		%	
Equities	7.80	17,851	7.90	13,873	7.80	24,078
Fixed Interest/Cash	2.00 to 5.80	8,604	3.00 to 6.90	6,891	4.00 to 4.30	6,467
Property	6.80	974	6.90	1,167	7.30	1,747
		<u>27,429</u>		<u>21,931</u>		<u>32,292</u>

The amounts recognised in the consolidated balance sheet are determined as follows:

	2009 € (000)	2008 € (000)	2007 € (000)
Total market value of schemes' assets	27,429	21,931	32,292
Actuarial value of schemes' liabilities	(36,100)	(36,662)	(35,825)
Net pension liability	<u>(8,671)</u>	<u>(14,731)</u>	<u>(3,533)</u>
Attributable to group	(8,671)	(14,231)	(3,282)
Attributable to minority interests	0	(500)	(251)
	<u>(8,671)</u>	<u>(14,731)</u>	<u>(3,533)</u>

No deferred tax asset has been recognised with respect to the pension liability due to the level of uncertainty over the recoverability of such an asset.

The amounts recognised in the consolidated profit and loss account are as follows:

	2009 € (000)	2008 € (000)
Charged to operating profit:		
Current service cost	530	585
Past service cost	0	0
	<u>530</u>	<u>585</u>
Other finance income:		
Expected rate of return on pension schemes' assets	(1,468)	(2,264)
Interest on pension schemes' liabilities	1,963	1,893
	<u>495</u>	<u>(371)</u>

The amounts recognised in the consolidated statement of total recognised gains and losses are as follows:

Actual return less expected return on schemes' assets	2,917	(13,951)
Experience gains and losses	1,842	830
Changes in assumptions	(808)	509
Actuarial gain/(loss)	<u>3,951</u>	<u>(12,612)</u>
Movement in deficit during the year		
Deficit 1st January 2009	(14,731)	(3,533)
Current service cost	(530)	(585)
Contributions	3,134	1,628
Past service cost	0	0
Other finance income	(495)	371
Actuarial gain/(loss)	3,951	(12,612)
Deficit 31st December 2009	<u>(8,671)</u>	<u>(14,731)</u>

## Annual Report & Accounts 2009

Analysis of the amount recognised in the consolidated statement of total recognised gains and losses:

	2009 € (000)	2008 € (000)	2007 € (000)
Actual return less expected return on schemes assets % of scheme assets	2,917 10.6%	(13,951) (63.6%)	(3,191) (9.9%)
Experience gains and losses % of present value of scheme liabilities	1,842 5.1%	830 2.3%	(1,134) (3.2%)
Changes in assumptions % of present value of scheme liabilities	(808) (2.2%)	509 1.4%	4,700 13.1%
Actuarial gain/(loss) recognised in the consolidated statement of total recognised gains and losses	<u>3,951</u>	<u>(12,612)</u>	<u>375</u>

### (ii) The Irish Co-operative Societies Pension Scheme

The Society participates in the Irish Co-operative Societies pension scheme which is a multi-employer defined benefit pension scheme. However as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Group is accounting for the pension scheme as if it were a defined contribution scheme in accordance with FRS 17.

The most recent actuarial valuation of the scheme was carried out at 1st July 2008. The actuarial report is available for inspection by members of the scheme but not for public inspection.

Whilst at the date of the most recent actuarial valuation the value of the assets of the scheme was sufficient to cover 100% of the benefits that had accrued to members after allowing for expected future increases in earnings and discretionary pension increases, at its annual review date of 1st July 2009 the Scheme did not meet the minimum funding standard. An actuary's statement to this effect has been included in the 2009 trustee annual report. Where a scheme fails to meet the minimum funding standard, the trustees are required to develop a Funding Proposal in conjunction with participating employers and the scheme actuary.

## 25. SUBSIDIARIES AND ASSOCIATE

### Subsidiaries – Republic of Ireland

	Holding	Activity
Sligo Dairies Ltd	100%	Non Trading
Ballina Milk Co Ltd (Purefresh Dairies)	100%	Non Trading
Shannonside Milk Products Ltd	100%	Manufacture of Dairy Products
Wigmar Ltd	100%	Non Trading
Palmar Ltd	100%	Non Trading
Connacht Gold Ltd	100%	Non Trading
Earrai Coillte Chonnacht Teoranta (E.C.C. Teo)	66.67%	Timber Production
North Western Livestock Holdings Ltd	70.91%	Holding company
Moy Valley Seed Potato Company Ltd	100%	Non Trading
Troghill Ltd	100%	Non Trading
Mish Mash Ltd	100%	Non Trading
Tarvegate Ltd	100%	Non Trading
Ballymacelligott Food Products Ltd	100%	Non Trading
Connacht Gold Properties Ltd	100%	Auctioneering
CG Training Limited	75%	Training services

### Subsidiaries – Northern Ireland

Connacht Gold (Northern Ireland) Ltd	100%	Milk Trading
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### Associate – Scotland

Kent Foods Ltd	40%	Food Ingredients
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All Subsidiaries and Associate operate in the Republic of Ireland and the United Kingdom. The addresses of the Registered Offices of the Subsidiaries and Associate are available at Connacht Gold Co-operative Society Limited, Tubbercurry, Co Sligo.

All of the Subsidiaries incorporated under the Companies Acts 1963 to 2009 Republic of Ireland with the exception of North Western Livestock Holdings Ltd and CG Training Limited have availed of the exemption available under Section 17 of the Companies (Amendment) Act 1986 and will file these Group Financial Statements with their annual returns instead of their own Financial Statements. The Society has guaranteed the liabilities of the Subsidiaries availing of this exemption.

## **26. APPROVAL OF BOARD OF DIRECTORS**

The Financial Statements were approved by the Board of Directors on 25 March 2010.