



# Connacht Gold

*Co-operative Society Ltd*

## Annual Report and Accounts 2011





# Connacht Gold

## Table of Contents

Co-operative Information . . . . .	2
Chairman's Report . . . . .	4
Chief Executive's Review . . . . .	6
Board of Directors . . . . .	10
Board Committees . . . . .	11
Corporate Social Responsibility Policy . . . . .	12
Directors' Responsibility Statement . . . . .	14
Independent Auditor's Report . . . . .	15
Consolidated Profit and Loss Account . . . . .	17
Consolidated Statement of Total Recognised Gains & Losses . . . . .	18
Consolidated Reconciliation of Movement in Shareholders Funds . . . . .	19
Consolidated Balance Sheet . . . . .	20
Consolidated Cash Flow Statement . . . . .	21
Notes to the Financial Statements . . . . .	22

## CO-OPERATIVE INFORMATION

### Registered Office

Ballina Road, Tubbercurry, Co Sligo

### Bankers

Bank of Ireland  
AIB Bank  
Ulster Bank

### Solicitors

Rochford Gallagher & Co,  
Tubbercurry, Co. Sligo

Mc Cann Fitzgerald,  
Riverside One, Sir John Rogerson's Quay,  
Dublin 2

### Auditors

KPMG, 1 Stokes Place, St Stephens Green,  
Dublin 2



### Executive Team

Aaron Forde  
Chief Executive

Dr Sean Brady  
General Manager Consumer Foods

John Daly  
General Manager Dairy Ingredients

Mary Fox  
General Manager Group Strategic Development

Michael Guilfoyle  
General Manager Agri Business

Brian Kelly  
Secretary

Donal Tierney  
Chief Financial Officer

Martin Walsh  
General Manager Marts & Property Services/Head  
of Public Relations





## CHAIRMAN'S REPORT



### Introduction

As ever it is a privilege to present you with the annual report and accounts for your Society. We will look back on 2011 as a positive time for agriculture. In Connacht Gold it was a year of continued development capped by the acquisition of the milk and store activities in January 2012, of Donegal Creameries Plc. This represents the most ambitious expansion project undertaken by your Society.

It is a good time to be involved at any level in Agriculture and the value of the industry to our economy is now being recognised after years of precedence being given to higher profile activities. Our industry is clearly a source of hope for the whole economy as farming activity influences thousands of incomes and builds wealth across so many activities. Young people are embracing farming careers and Connacht Gold continues to provide support through its advisory services, the Teagasc dairying program, seminars and open days.

### Financial Results for 2011

Turnover in 2011 reached €345m. This represents an increase of 16% in revenues, driven by strong dairy and beef returns which benefited from a sustained buoyancy of international markets over the year. These prices prompted volume and all businesses

benefitted. Increased volume brings greater cost efficiencies and this allowed the business deliver a group operating profit of €3.29m. Our results also include the benefit of exceptional profits of €4.96m, which includes a profit from share sales used to partially fund the Donegal acquisition. In the current difficult economic climate any profit is most welcome and provides a stable base on which business can develop in future years.

Shareholders' funds increased to €39.5m in the year adding to the confidence Members can have in their Society's Balance Sheet. In the modern world, every business must have a close focus on working capital management and Connacht Gold is no exception. The challenge is to achieve the twin objectives of minimising investment in stocks and debtors without impacting on our high customer service level. Connacht Gold has a strong reinvestment commitment and capital expenditure amounted to €7.2m in the year.

### Developing Connacht Gold

We have entered an important phase in the positioning of your Society to ensure sustainability for the many people involved in agriculture in the region. This will comprise of a combination of internal investment and expansion through acquisition.

We take great pride in our facilities, and ensure these are maintained to the highest standard. During 2011, the main areas of investment comprised the new stores in Swinford and Westport, the upgrading of Balla mart and the addition of a planing line in the timber processing plant in ECC. Each investment enhanced our customer offering, and we continued our policy of using local contractors on each project. Connacht Gold was honoured that An Taoiseach, Enda Kenny, took time out of his busy schedule to perform the official reopening of Balla mart. Investment continues across the businesses and already in 2012 we have opened our latest store development in Westport.

Scale is a vital consideration to ensure processing efficiency and customer relevance. I am delighted that we have availed of the opportunity to acquire the milk and store businesses of Donegal Creameries and welcome incoming milk suppliers and other



farmers, staff and customers to the Connacht Gold family. This transaction will bring added strength and tremendous opportunity for 3 of our core businesses. Consumer Foods will benefit through doubling the size of our liquid milk operations, Dairy Ingredients will gain from added volume and the 11 stores that are added to our Agribusiness network will extend our geographic reach and buying power.

### Board and Management

We are fortunate to have a strong and dedicated Board overseeing the purpose and direction of Connacht Gold. I would express my thanks to each Board Member for the manner by which they carry out their duties on behalf of the Society. A special mention to the Vice-Chairman, Pat Duffy, for his dedication and support.

The Advisory structure is an important element in the governance of Connacht Gold. This comprises 24 committees over the area covered by the Society. Each elects a Member to the Board and this helps promote a full range of views and opinions. It is encouraging to see the many young people commencing a career in agriculture and I would strongly recommend each considers participation on a local Advisory Committee. We have a dedicated staff and I express my gratitude to management and other

employees for the commitment they display to Connacht Gold. The Society is dependent on our milk and other suppliers, and to our many customers, and I acknowledge and thank each individual. I always emphasise the importance of every purchase made through Connacht Gold and the benefit it brings to the local economies throughout the region, and this year is no exception.

### Conclusion and Outlook for 2012

It is a positive period for Agriculture. Prices for livestock and milk have reached and stayed at peak levels. The New Year has commenced positively and while we can anticipate some decline from the highs of the last 18 months, agricultural prices will still be very attractive.

Your Society will continue a developmental focus that will seek new markets, revenue expansion and manage the cost base to the best advantage of everyone involved in Connacht Gold. In this way the long term goal of continuing the strength and viability of the Society and to those depending on it will be achieved

*Padraig Gibbons*

Padraig Gibbons



L-R; Martin Walsh of *Connacht Gold*, An Taoiseach Enda Kenny and Michael Murphy, *Connacht Gold*

## CHIEF EXECUTIVE'S REVIEW



The 2011 year has been another one of progress for your business.

The Co-operative had a modest profit, which is good in the current business environment, and the business grew significantly through the acquisition of the Donegal Creameries Milk and Retail Store Business in January 2012. A strong investment programme has continued through 2011 and into 2012.

### Summary

Sales grew to €345m, a record level for the business, we processed 20% more milk, and had a good milk price performance.

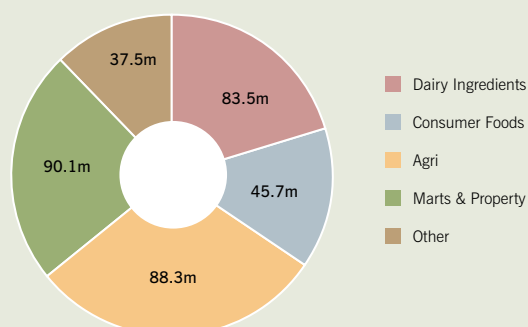
Group operating profit at €3.29m remains modest for our size but reflects our commitment to maximising returns to our members. Net debt was down to €7.8m, benefitting from the share proceeds of €8.2m. Capital expenditure amounted to €7.2m.

Bonus shares of €114,000 were issued to purchasers of feed and fertiliser under our bonus share scheme and dividends of €120,000 are proposed.

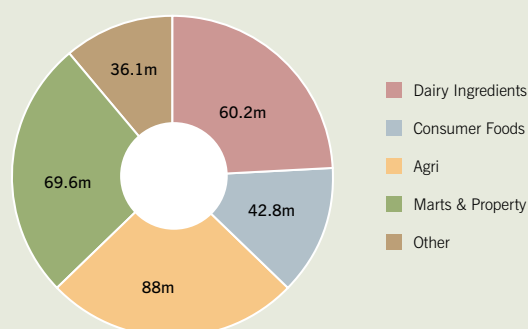
2011 was an extremely challenging year for most businesses as consumer confidence continued to be very poor, unemployment records at a high level and general global economic conditions remain difficult.

As part of our work on customer focus we carried out an extensive customer and brand survey during 2011. Using professional advisors we have identified right across the business our customer's perceptions of us and established a plan of work for the future. One of the outputs of this work were useful views on our brands and our management of them. We are currently following up on this in a branding and naming review.

### Turnover 2011 - €345.1m



### Turnover 2010 - €296.7m



### Agribusiness

Sales in this business remained solid at €88m. Transaction numbers remained solid also, giving confidence in the business model, and the average spend per transaction held up well.

Fertiliser sales were back in volume following a very strong year in 2010.

Feed sales were in line with national trends and back somewhat on 2010. Our feed range has been simplified and relaunched under a "good, better, best" model. The standard range offers a low cost supplementary feed, the hi-yield/gain range will boost production and performance and the excel range works for



very high performance requirements. Initial performance results have been very positive.

During the year our Swinford Store was rebuilt and opened in February 2011. It has traded very well in its first year of operation. Work also commenced on a new store in Westport adjacent to the existing store. It officially opened on 24th March 2012 and has had an excellent start to trading. Our Longford store is moving to a new premises in response to strong growth in sales. It is expected to open in April 2012. Our programme of investment in people continued through the year with many of our customer facing staff completing training programmes.

Further progress has been made on the working capital front for Agribusiness and this will continue.

The Donegal acquisition in January 2012 adds another 11 stores bringing total store numbers to 41 from Creeslough in the north to Athleague in the south. This undoubtedly brings opportunity to expand our model and leverage the scale that Donegal brings.

### Marts & Property Services

This business had an excellent year with record sales of €90.1m, on the back of very strong prices for stock and a large increase in numbers.

Cattle numbers grew by 4.7% and sheep numbers by 17% while the average price of cattle increased by €171 or 23% and sheep prices increased by €14 or 14%.

The development programme across our four marts continued with a major re-organisation of our facility in Balla. New intake systems, parking and customer facilities were completed and opened in September 2011 by An Taoiseach Enda Kenny. The improvement in efficiency and customer care since the completion has been exceptionally well recognised and is a tribute to the team in Balla and the Marts Business.

The market environment and prices were driven by a supply demand gap for beef worldwide. With the global economic situation there is some evidence of "trading down" by consumers to cheaper forms of protein i.e. chicken, pork etc and this may

bring some softening to prices. Cash was exceptionally well managed and costs remained in good shape in the mart business.

The property office in Castlebar traded as expected.

### Consumer Foods

Sales in the Consumer Foods business climbed to €45.7m with increased volumes being recorded.

The market backdrop is one of recession and of consumers looking for value. Total grocery sales as measured in value terms have been in decline for some time. Milk is obviously affected by this and average selling prices are at their lowest for a number of years.

Excellent volume growth was recorded in the butter and yellow fats area, with the launch of "Connacht Gold Spreadable" and "Spreadable Light" contributing to this success. Connacht Gold as a brand has very strong dairy heritage and the brand will be focussed on dairy as we move forward.



The acquisition of Donegal's milk business in January 2012 doubles our scale in milk and makes us the leading specialist producer. The milk business will operate for the present from its two sites in Sligo and Killygordon while strong support will be in place for our two regional milk brands "Connacht Gold" and "Donegal Creameries".

The market environment will remain tough but it is important that a sustainable position is established for all participants in the supply chain.

We expect another year of growth for our enlarged Consumer Foods business with a focus of our Connacht Gold brand on dairy and growth with retailer brands.

### Dairy Ingredients

Sales in Dairy Ingredients climbed to €83.5m on the back of higher volumes of milk processed and stronger prices for products.

Early 2011 was marked by strong demand for dairy ingredients around the globe leading to good sales volumes and good prices. Higher prices of raw milk could be absorbed by the market, in the early part of the year but a steady decline has taken place since quarter 2 of 2011.



Milk supply has grown strongly around the world as 2011 progressed and at the close of the year supply was running ahead of demand. Combined with the global economic situation product prices have responded to that increased supply.

The business continued its development journey in 2011 with steady volume growth in key markets with existing and new products. New markets were entered with new products designed off the existing technology platform. These offer exciting development opportunities for the future.

Operationally a lean programme was established in the business and delivered fantastic gains. This way of working is part of the business now and will underpin a culture of continuous improvement into the future. This has created significant capacity availability in our system and will allow us to process our larger milk pool without capital expenditure.

Milk quality remained good through 2011 with further improvements in TBC and SCC. Milk solids dropped slightly due to a fall off in protein levels, on the back of an exceptionally poor weather year. Our milk price at 32.46cpl is our strongest average of the last decade, surpassing the previous peak average of 2007.

Our longer term view of dairying and its potential has not changed and we are confident of a strong outlook based on growth in population and GDP in developing economies driving demand growth. This growth will have a certain element of volatility and it is with this in mind we have developed a Fixed Milk Price Model for farmers. The purpose is to help manage volatility for customers, the co-op and farmers by fixing the milk price for a period at a level that can work for all. Information on the scheme is currently going out to farmers and we will review its operation in early 2013.

As we move closer to 2015 the business is preparing for a world without quotas and an expected growth in milk supply. A body of work is ongoing to plan for that era and deal with all the issues of markets, capacity, finance, capability and we will communicate with our supply base as required throughout this process.

## Joint Ventures & Investments

### ECC

This business operated in a very tough environment in a market where demand was challenged and the price of its raw material - logs - did not reflect market returns. Nonetheless our confidence in the long term future of the business was underpinned by the completion of a capital investment in finishing technology to bring new products to our U.K. customers.

### Kent Foods

Kent performed strongly growing sales to £147m with strong operating profits. Difficulties in supply and contract fulfilment continued in the sugar market. A strategic review of this business is underway.



## Property

No significant transactions took place in 2011 as the property market continued to decline.

## Our People

2011 was the commencement of a revised phase of our strategy and as such was an important one for our people and our business. Our focus is on growth with the supporting pillars being, people and performance, operational excellence, innovation and customer focus. Ultimately the goal for our people is to deliver a stronger more sustainable business for the members in the coming years.

Our people are characterised by high levels of commitment, energy and focus and we have the systems in place to develop and reward that commitment.

Thank you to all our people for their valued contribution during 2011.

## Outlook

In the fragile economic environment which is expected to persist for 2012 we expect a steady performance from the enlarged business.

Dairy prices have softened and this will need to be reflected in milk prices during the year.

The Consumer Foods business performance is expected to improve based on a range of initiatives and a general margin improvement.

A major focus is the continuing integration of the Donegal acquisition into the Connacht Gold business. This work is ongoing and will bring benefits for the enlarged business.

Myself and the team are grateful to all those who supported us during the year, customers, advisory committees, state agencies and our suppliers.

Aaron Forde



## BOARD OF DIRECTORS

The 24 Members of the Board of Directors as at 31st December 2011 are listed below with the Advisory Committees they represent shown in brackets.

The Members whose names are preceded by an asterisk (\*) 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.



### BOARD MEMBERS

**Back Row (left to right):** Kevin Cryan (Ballymote), Jim Egan (Claremorris), Eamon Carey (Belmullet), Michael Kenny (Castlerea), Donal Kerins (North Sligo), John A F Thompson (Mohill), Tom Cuniffe (Castlebar), TJ Tuffy (Tireragh).

**Middle Row (left to right):** \*Brendan Reilly (Killala), Michael Burke (Employees), \*Martin Gallagher (Rathscanlon), James Gallagher (Kinlough/Kilbarron), Liam Duignan (Kiltogher), \*Stephen Finn (Ballyhaunis), Gerry O'Brien (Ballinrobe), \*Seamus Killoran (Croghan).

**Front Row (left to right):** \*Ernest Monson (Gurteen), Tommy Shryane (Ballaghaderreen), Pat Collery (Achonry), \*Padraig Gibbons (Westport), Patrick Duffy (Bornacoola), Michael Brennan (Athleague), Henry Graham (Riverstown), Gerard Mullaney (Kilmaotranny).



## 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 Chief Financial Officer, 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 therein.
- 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.

## 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:

### 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 spirit and intent.

#### 1. Trust

We are committed to the highest standards of business and ethical behaviour and to fulfilling our obligations to the communities we operate in.

#### 2. Value

We exist to create value for all our stakeholders. By understanding our consumers and customers we will continue to provide products to meet changing needs and deliver a service to delight our customers.

#### 3. Team

We will work as one team for the common purpose we share. We will develop our talent, building pride in the team and maintain an environment of open and honest communications across the business.

#### 4. Will to win

We will exhibit a strong will to win in the market place and in every aspect of our business.

### 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.

### Mission

*“To enhance the lives of our members, customers, colleagues and the communities in which we operate in a sustainable way”*

## Community

Connacht Gold operates in numerous communities throughout the region in a diverse range of business activities. The company employs 580 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.

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 2011 was Cancer Care West. The nominated charity for 2012 is Our Lady's Children's Hospital, Crumlin.

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. During 2011 our employees raised €15,500 from a variety of fundraising events for our Charity of the Year.

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 are to always select the best 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



L-R; Aaron Forde - Chief Executive and Padraig Gibbons - Chairman



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

We have audited the Connacht Gold Co-operative Society Limited ('the Society') group financial statements ('the financial statements') for the year ended 31 December 2011 which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of movement in shareholder funds, balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Directors and Auditor

The directors are responsible for preparing the Annual Report and the Society's 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), as set out in the Directors' Responsibility Statement on page 14. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1893 to 1978. We also report to you whether, in our opinion, proper books of account have been kept by the Society and whether the information given in the Annual Report is

consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Society's financial statements are in agreement with the books of account.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Report and the Chief Executive's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of Audit Opinion

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

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

## Opinion

In our opinion:

- the 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 31 December 2011 and of the Society's profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1893 to 1978.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Society. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Chairmans' Report and Chief Executives' Review, is consistent with the financial statements. In accordance with Section 13 of the Industrial and Provident Societies Acts, 1893 to 1978, we now sign the same as found to be correct, duly vouched and in accordance with law.

**Roger Gillespie**

**For and on behalf of**

**KPMG**

Chartered Accountants, Statutory Audit Firm

1 Stokes Place

St. Stephens Green

Dublin 2

22 March 2012

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2011

	Notes	2011 €(000)	2010 €(000) <i>Restated - note 2</i>
<b>Turnover – continuing operations</b>	3	345,192	296,664
Cost of sales		(277,578)	(234,015)
		<hr/>	<hr/>
<b>Gross profit</b>		67,614	62,649
Net operating costs	4	(64,323)	(59,402)
		<hr/>	<hr/>
<b>Group operating profit – continuing operations</b>		3,291	3,247
Share of operating profit of associate	10(ii)	1,365	1,024
		<hr/>	<hr/>
<b>Total operating profit</b>		4,656	4,271
Exceptional items	7	4,964	1,644
		<hr/>	<hr/>
<b>Profit before interest and taxation</b>		9,620	5,915
Net interest payable and similar charges	6	(1,307)	(1,600)
Investment income		256	294
		<hr/>	<hr/>
<b>Profit before taxation</b>		8,569	4,609
Taxation	8	(1,915)	(1,149)
		<hr/>	<hr/>
<b>Profit after taxation</b>		6,654	3,460
Minority interests	22	908	(735)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	20	7,562	2,725
		<hr/>	<hr/>

**Padraig Gibbons**  
Chairman

**Aaron Forde**  
Chief Executive

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2011

	Notes	2011 €(000)	2010 €(000) <i>Restated - note 2</i>
<b>Profit for the financial year</b>		7,562	2,725
Exchange rate adjustment		131	39
Pension fund actuarial (loss)/gain	27	(3,137)	1,562
Revaluation of investment properties transferred to capital reserves	19	551	(1,525)
<b>Total recognised gains and losses for the financial year</b>		<u>5,107</u>	<u>2,801</u>
Effect of prior year adjustment	2	(859)	(458)
<b>Total recognised gains and losses since last annual report</b>		<u>4,248</u>	<u>2,343</u>

**Padraig Gibbons**  
Chairman

**Aaron Forde**  
Chief Executive



## CONSOLIDATED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

for the year ended 31 December 2011

	Notes	2011 €(000)	2010 €(000) <i>Restated - note 2</i>
Opening shareholders' funds as originally stated		35,461	32,462
Prior year adjustment	2	(859)	(458)
		<hr/>	<hr/>
Opening shareholders' funds as restated		34,602	32,004
<b>Profit for the financial year</b>		7,562	2,725
Dividends on shares	20	(120)	(120)
		<hr/>	<hr/>
<b>Retained profit</b>		7,442	2,605
Other recognised gains and losses relating to the year (net)		(2,455)	76
New share capital subscribed	18	18	8
Share redemptions	18	(73)	(91)
		<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>		4,932	2,598
		<hr/>	<hr/>
<b>Closing shareholders' funds</b>		39,534	34,602
		<hr/>	<hr/>

**CONSOLIDATED BALANCE SHEET**

as at 31 December 2011

	Notes	2011 €(000)	2010 €(000) <i>Restated - note 2</i>
<b>Fixed assets</b>			
Tangible assets	9	34,767	33,035
Financial fixed assets			
Investment properties	10(i)	2,300	7,850
Investment in associate	10(ii)	7,281	6,193
Goodwill	10(iii)	-	(3,196)
Other investments	10(iv)	5,916	6,093
		<hr/> 50,264	<hr/> 49,975
<b>Current assets</b>			
Stocks	11	15,533	13,687
Debtors	12	33,459	33,699
Bank and cash		9,013	10,168
		<hr/> 58,005	<hr/> 57,554
<b>Creditors:</b> amounts falling due within one year	13	(51,154)	(46,702)
		<hr/> 6,851	<hr/> 10,852
<b>Net current assets</b>			
		<hr/> 57,115	<hr/> 60,827
<b>Total assets less current liabilities</b>			
		<hr/>	<hr/>
<b>Creditors:</b> amounts falling due after more than one year	14	(3,606)	(11,693)
<b>Provisions for liabilities and charges</b>	16	(1,432)	(1,061)
<b>Capital grants</b>	17	(367)	(380)
		<hr/> 51,710	<hr/> 47,693
<b>Net assets excluding net pension liability</b>			
		<hr/>	<hr/>
<b>Net pension liability</b>	27	(7,395)	(6,252)
		<hr/>	<hr/>
<b>Net assets including net pension liability</b>		44,315	41,441
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	18	5,982	5,923
Capital reserves	19	3,144	2,593
Revenue reserves	20	30,066	25,780
Bonus reserve	21	342	306
		<hr/>	<hr/>
<b>Shareholders' funds</b>		39,534	34,602
		<hr/>	<hr/>
<b>Minority interests</b>	22	4,781	6,839
		<hr/>	<hr/>
<b>Equity</b>		44,315	41,441
		<hr/>	<hr/>

**Padraig Gibbons**  
Chairman

**Aaron Forde**  
Chief Executive

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

	Notes	2011 €(000)	2010 €(000) <i>Restated - note 2</i>
<b>Net cash inflow from operating activities</b>	23(i)	11,176	10,019
Dividends received from associate		-	348
Returns on investments and servicing of finance	23(ii)	(2,208)	(1,181)
Taxation paid		(292)	(851)
Capital expenditure and financial investment	23(iii)	1,725	(1,971)
Dividends paid		(120)	(120)
<b>Net cash inflow before financing</b>		10,281	6,244
Financing	23(iv)	(5,208)	(7,454)
<b>Increase/(decrease) in cash in the year</b>		5,073	(1,210)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

<b>Increase/(decrease) in cash in the year</b>		5,073	(1,210)
Bank loans	24	3,491	5,370
Finance leases	24	1,662	2,001
<b>Movement in net debt in year</b>		10,226	6,161
Effect of exchange rate fluctuations		(9)	(27)
<b>Net debt at 1 January</b>		(18,066)	(24,200)
<b>Net debt at 31 December</b>	24	(7,849)	(18,066)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### (a) Accounting Convention

The Financial Statements have been prepared in accordance with the historical cost accounting convention as modified by the revaluation of investment properties and have been prepared in accordance with accounting standards generally accepted in Ireland as issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

#### (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 fair value of goods and services supplied to third parties exclusive of trade discounts and value added tax. 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. Goods are deemed to have been delivered and related revenue recognised when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in these benefits.

#### (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. Net realisable value is based on contracted or estimated selling prices less selling and distribution expenses and administration 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 & Equipment	10% - 33 <sup>1</sup> / <sub>3</sub> %
Motor Vehicles	20%-25%

Provision is made for any permanent impairment.

#### (f) Financial Fixed Assets

##### *Associate undertakings*

Associated undertakings (associates) are those undertakings in which the Society has a participating interest in the equity capital and over which it is able to exercise significant influence.

Associates are accounted for using the equity method. The Society's share of the profits less losses of associates are included in the consolidated profit and loss account. The Society's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the Society's share of the fair values of the net assets at acquisition plus the Society's share of post acquisition retained profits or losses. Goodwill arising on the acquisition of associates is dealt with as stated below.

The amounts included in the consolidated financial statements in respect of the post acquisition profits of associates are taken from their latest audited financial statements made up to the balance sheet date.

##### *Investment properties*

Investment properties are revalued annually and are not depreciated or amortised. Where the valuation indicates a permanent diminution in the value of the property, the permanent diminution is charged to the profit and loss account. All other fluctuations in value are transferred to a revaluation reserve.



*Convertible loan stock*

Convertible loan stock has been issued by the Irish Dairy Board Co operative Limited (IDB) to the Society. The allocation of Convertible loan stock is based on the level of trading with the IDB. The Loan stock is convertible into cash over a six year period which starts five years from the date of issue.

*Other investments*

Financial fixed assets other than investment properties are shown at cost less provisions for permanent impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

**(g) Capital Grants**

Capital Grants received by the Society 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 Euro 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) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is provided on the Society's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise

from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are only recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

**(j) Goodwill**

Purchased goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Purchased goodwill arising on acquisitions prior to 1 January 2005 was eliminated against reserves on acquisition and negative goodwill arising on such acquisitions was credited directly to reserves as a matter of accounting policy. On disposal of the business, any goodwill so treated is written back through the profit and loss account and included in determining the profit or loss on sale of the business. Purchased goodwill arising on acquisitions after 1 January 2005 is capitalised in the balance sheet and amortised over the estimated economic life of the goodwill (20 years).

Negative goodwill arising on such acquisitions is also capitalised and shown separately in the balance sheet and credited to the profit and loss account to match the periods in which the acquired non-monetary assets are recovered, currently 10 years.

Goodwill arising on the acquisition of associates is included in the carrying amount of the investment.

**(k) 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 Society 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.

#### (l) Pensions

The Society makes pension contributions for a substantial number of employees.

In relation the Society's defined contribution pension scheme, the assets of the scheme are held separately from those of the Society in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Society operates a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Society. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension schemes surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the schemes surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The Society participates in the Irish Co-operative Societies (ICOS) pension scheme which is a multi-employer defined benefit pension scheme, but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the parent's profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### (m) Research and Development Expenditure

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

#### (n) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## 2. PRIOR YEAR ADJUSTMENT

The prior year comparatives have been restated due to an accounting error in the Consumer Foods business. The accounting error resulted in the overstatement of sales in 2010 and 2009 in the amount of €401,000 and €458,000 respectively with a corresponding overstatement of net assets at 31 December 2009 of €458,000 and of €859,000 at 31 December 2010.

## 3. SALES BY MARKET

	<b>2011 €(000)</b>	<b>2010 €(000)</b> <i>Restated - note 2</i>
Ireland	325,451	272,049
United Kingdom	18,871	19,012
Other	870	5,603
	<u>345,192</u>	<u>296,664</u>

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

The amount of turnover by business unit is as follows:

Consumer Foods	45,736	42,771
Dairy Ingredients	83,480	60,178
Agri Business	88,277	88,025
Marts & Property Services	90,142	69,627
Other Activities	37,557	36,063
	<u>345,192</u>	<u>296,664</u>

Segmental disclosure of profit before taxation and net assets by geographical area and by class of business are not provided, as in the opinion of the Directors, such information would be prejudicial to the interests of the Society. Accordingly this information has not been disclosed as permitted by SSAP 25 "Segmental Reporting".

## 4. NET OPERATING COSTS

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Staff costs	25,179	24,836
Other external charges	33,713	28,833
Auditors remuneration	115	105
Depreciation	5,430	5,789
Amortisation of government grants	(104)	(143)
Profit on disposal of tangible assets	(10)	(18)
	<u>64,323</u>	<u>59,402</u>

**5. EMPLOYEES AND REMUNERATION**

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Wages and salaries	22,323	20,660
Social welfare costs	2,268	2,247
Pension costs	588	1,929
	<hr/>	<hr/>
Charged to profit and loss account	25,179	24,836
Actuarial (loss)/gain on defined pension schemes	(3,137)	1,562
	<hr/>	<hr/>
Total	<u>22,042</u>	<u>26,398</u>

The weekly average number of persons employed by the Society was 580 (2010: 559).

**6. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Bank interest and charges	1,213	1,185
Lease charges	101	190
Pension finance (net)	(7)	225
	<hr/>	<hr/>
	<u>1,307</u>	<u>1,600</u>

**7. EXCEPTIONAL ITEMS**

	<b>Notes</b>	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Surplus on asset movements	(a)	-	2,194
Profit on disposal of financial assets	(b)	8,260	-
Write-down of investment property	(c)	(2,708)	-
Restructuring	(d)	(588)	(550)
		<hr/>	<hr/>
		<u>4,964</u>	<u>1,644</u>

- (a) Surplus on asset movements arose in 2010 on the sale of a surplus property, realising a profit of €2,344,000 and the write-down of an investment of €150,000.
- (b) The profit on disposal of financial assets arose on the sale of quoted investments which were held at a nominal base cost.
- (c) At 31 December 2011, land held as investment property was revalued, resulting in an impairment of €5,550,000. Negative goodwill relating to the acquisition of this investment property was released against it, resulting in an overall net loss of €2,708,000.
- (d) The restructuring provision relates to the cost of restructuring announced during 2011 and consists primarily of redundancy costs.

## 8. TAXATION

	2011 €(000)	2010 €(000)
<b>Current Taxation:</b>		
Parent Society & Subsidiaries	1,561	873
Associate	417	348
	<hr/>	<hr/>
	1,978	1,221
<b>Deferred Taxation:</b>		
Parent Society & Subsidiaries	(63)	(72)
	<hr/>	<hr/>
	1,915	1,149
	<hr/>	<hr/>
<b>Factors affecting current tax charge of Parent Society &amp; Subsidiaries for the year:</b>		
Profit before taxation	8,569	4,609
	<hr/>	<hr/>
Tax on profit before taxation at the standard rate of corporation tax for the year of 12.5% (2010:12.5%)	1,071	576
Additional tax on profit liable at other than standard rate	1,278	451
Dividend income not liable to corporation tax	(32)	(37)
Excess of depreciation over capital allowances and other timing differences	268	72
Tax losses forward	-	42
Permanent differences and adjustments in respect of prior years	(607)	117
	<hr/>	<hr/>
Group current tax charge for the year	1,978	1,221
	<hr/>	<hr/>

Deferred tax assets amounting to €851,000 in respect of tax losses forward and other timing differences have not been recognised. These items have not been recognised because it is not probable that future taxable profits or tax liabilities, of the type which would absorb these losses and other timing differences, will be available.



## 9. TANGIBLE ASSETS

	Land & Buildings €(000)	Plant Machinery & Equipment €(000)	Motor Vehicles €(000)	Total €(000)
<b>Cost/Revaluation</b>				
At 1 January 2011	40,713	114,783	5,162	160,658
Additions	3,427	3,733	39	7,199
Disposals	-	(72)	(143)	(215)
At 31 December 2011	44,140	118,444	5,058	167,642
<b>Depreciation</b>				
At 1 January 2011	24,611	98,370	4,642	127,623
Charge for Year	1,410	3,828	192	5,430
Disposals	-	(40)	(138)	(178)
At 31 December 2011	26,021	102,158	4,696	132,875
<b>Net Book Value</b>				
At 31 December 2011	18,119	16,286	362	34,767
At 31 December 2010	16,102	16,413	520	33,035

Included in the net book values of plant, machinery and equipment are assets acquired under finance lease agreements with a net book value of €6,076,119 (2010: €7,474,992). The depreciation charged in respect of these leased assets and included in the total depreciation charge was €1,398,873 (2010: €1,925,799).

## 10. FINANCIAL ASSETS

## (i) Investment Properties:

	2011 €(000)	2010 €(000)
At 1 January 2011	7,850	10,000
Revaluation of Investment Properties	(5,550)	(2,150)
At 31 December 2011	2,300	7,850

At 31 December 2011, land held as investment property by a subsidiary company North Western Livestock Holdings Limited, in which the Society has a 70.91% shareholding was re-valued by DNG Flanagan Ford, an independent professional valuer, resulting in an impairment of €5,550,000 (2010: €2,150,000).

## (ii) Investment in Associate:

	Share of net assets	Goodwill	Total	Total
	2011	2011	2011	2010
	€(000)	€(000)	€(000)	€(000)
At 1 January 2011	2,805	3,388	6,193	5,799
Share of profit of associate	1,593	-	1,593	1,252
Amortisation of goodwill	-	(228)	(228)	(228)
Share of taxation of associate	(417)	-	(417)	(348)
Dividends received	-	-	-	(348)
Translation adjustment	140	-	140	66
At 31 December 2011	4,121	3,160	7,281	6,193

In accordance with FRS 9 “Associates and Joint Ventures”, the Society’s share of its associate is set out below.

	2011 €(000)	2010 €(000)
Share of turnover	67,963	52,416
Share of fixed assets	285	321
Share of current assets	9,371	7,500
Share of gross assets	9,656	7,821
Share of liabilities due within one year	(5,535)	(5,016)
Share of gross liabilities	(5,535)	(5,016)
Share of net assets	4,121	2,805

## (iii) Goodwill:

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
At 1 January 2011	(3,196)	(3,196)
Reclassification	551	-
Movement during the year	2,645	-
	<hr/>	<hr/>
At 31 December 2011	-	(3,196)
	<hr/>	<hr/>

Negative goodwill arose on the consolidation of North Western Livestock Holdings Limited a company in which the Society has a 70.91% shareholding. The negative goodwill related to the investment properties held by the subsidiary. The negative goodwill of €2,645,000 was offset against the impairment of the investment properties in the profit and loss account.

## (iv) Other Investments:

	<b>Quoted Investments 2011 €(000)</b>	<b>Unquoted Investments 2011 €(000)</b>	<b>Convertible Loan Stock 2011 €(000)</b>	<b>Total 2011 €(000)</b>	<b>Total 2010 €(000)</b>
At 1 January 2011	811	2,542	2,740	6,093	6,694
Loan stock granted	-	-	300	300	149
Loan stock redeemed	-	-	(475)	(475)	(600)
Disposals	(2)	-	-	(2)	-
Writedown of investment	-	-	-	-	(150)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	809	2,542	2,565	5,916	6,093
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The market value of the quoted investments at the date of the approval of the financial statements was €10,624,679.

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

Convertible loan stock has been issued by the Irish Dairy Board Co operative Limited (IDB) to the Society. During the year €475,000 of loan notes were redeemed (2010: €600,000) and loan notes of €300,000 were granted (2010: €149,000).

## 11. STOCKS

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Raw materials	2,655	504
Finished goods and goods for resale	11,159	11,865
Expense stock	1,719	1,318
	<hr/>	<hr/>
	15,533	13,687
	<hr/>	<hr/>

The replacement cost of stocks is not materially different from the carrying value as stated above.

**12. DEBTORS**

	<b>2011</b>	<b>2010</b>
	<b>€(000)</b>	<b>€(000)</b>
Trade debtors	29,056	28,722
Other debtors and prepayments	2,472	3,562
V.A.T.	1,931	1,415
	<u>33,459</u>	<u>33,699</u>

Trade Debtors included an amount of €417,000 at 31 December 2010 in respect of which finance has been provided to the Society by a financial institution by way of debt factoring. There were no funds drawn down under debt factoring arrangements at 31 December 2011.

**13. CREDITORS: amounts falling due within one year**

	<b>2011</b>	<b>2010</b>
	<b>€(000)</b>	<b>€(000)</b>
		<i>Restated - note 2</i>
Trade Creditors and Accruals	34,683	28,481
Bank Overdrafts and Loans	12,644	15,439
Finance Leases	1,191	1,681
PAYE/PRSI	867	601
Corporation Tax	1,769	500
	<u>51,154</u>	<u>46,702</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.

**14. CREDITORS: amounts falling due after more than one year**

	<b>2011</b>	<b>2010</b>
	<b>€(000)</b>	<b>€(000)</b>
Bank loans	3,000	9,915
Finance leases	27	1,199
Minority shareholders loans	579	579
	<u>3,606</u>	<u>11,693</u>

Bank borrowings are secured on the assets of the Society and its subsidiaries. The maturity of bank loans and finance leases is analysed in Note 15.

## 15. DETAILS OF BORROWINGS

## Maturity Analysis

	Within 1 year €(000)	Between 1 to 2 years €(000)	Between 2 to 5 years €(000)	Greater than 5 years €(000)	Total €(000)
<i>Repayable other than by instalment:</i>					
Bank overdrafts	3,718	-	-	-	3,718
Bank loans	6,842	-	-	-	6,842
<i>Repayable by instalment:</i>					
Bank loans	2,084	1,500	1,500	-	5,084
Finance leases	1,191	27	-	-	1,218
	<u>13,835</u>	<u>1,527</u>	<u>1,500</u>	<u>-</u>	<u>16,862</u>

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring €(000)	Deferred Taxation €(000)	Total €(000)
At 1 January 2011	829	232	1,061
Profit and loss account	588	(63)	525
Paid during year	(154)	-	(154)
At 31 December 2011	<u>1,263</u>	<u>169</u>	<u>1,432</u>

The restructuring provision relates to the cost of restructuring announced during 2011 and previous years and relates primarily to redundancy costs.

## 17. CAPITAL GRANTS

	2011 €(000)	2010 €(000)
At 1 January 2011	380	279
Amortised during the year	(104)	(143)
Received during year	91	244
At 31 December 2011	<u>367</u>	<u>380</u>

Grants received by the Society from Enterprise Ireland and Udaras na Gaeltachta and the Department of Agriculture, Fisheries and Food may be repayable in certain circumstances as outlined in the Grant Agreements.



**18. SHARE CAPITAL**

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
At 1 January 2011	5,923	5,892
Share applications	18	8
Shares redeemed	(73)	(91)
Transfer from bonus reserve	114	114
	<hr/>	<hr/>
At 31 December 2011	<b>5,982</b>	<b>5,923</b>
	<hr/>	<hr/>

The issued share capital of the Society consists of 5,982,326 ordinary shares of €1 each. In common with organisations registered under the Industrial and Provident Societies Acts, 1893 to 1978, the Society does not have any authorised share capital.

**19. CAPITAL RESERVES**

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
At 1 January 2011	2,593	4,118
Revaluation of Investment Properties	-	(1,525)
Reclassification	551	-
	<hr/>	<hr/>
At 31 December 2011	<b>3,144</b>	<b>2,593</b>
	<hr/>	<hr/>

**20. REVENUE RESERVES**

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
		<i>Restated - note 2</i>
At 1 January 2011	25,780	21,724
Profit for year	7,562	2,725
Dividends paid	(120)	(120)
Bonus reserve	(150)	(150)
Exchange rate adjustment	131	39
Pension funds actuarial (loss)/gain	(3,137)	1,562
	<hr/>	<hr/>
At 31 December 2011	<b>30,066</b>	<b>25,780</b>
	<hr/>	<hr/>
Revenue reserves excluding net pension liability	37,461	32,032
Net pension liability	(7,395)	(6,252)
	<hr/>	<hr/>
Revenue reserves including net pension liability	<b>30,066</b>	<b>25,780</b>
	<hr/>	<hr/>

Dividends proposed at 31 December 2011 amounted to €120,000 and in accordance with Financial Reporting Standards are not recognised in the financial statements until approved.

**21. BONUS RESERVE**

	<b>2011</b> <b>€(000)</b>	<b>2010</b> <b>€(000)</b>
At 1 January 2011	306	270
Transfer from Revenue Reserves	150	150
Transfer to share capital	(114)	(114)
	<hr/>	<hr/>
At 31 December 2011	<b>342</b>	<b>306</b>

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.

**22. MINORITY INTERESTS**

	<b>2011</b> <b>€(000)</b>	<b>2010</b> <b>€(000)</b>
At 1 January 2011	6,839	6,829
Share of (loss)/profit	(908)	735
Revaluation reserve	-	(625)
Dividend paid to minority interest	(1,150)	(100)
	<hr/>	<hr/>
At 31 December 2011	<b>4,781</b>	<b>6,839</b>

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

**23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(i) Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2011</b> <b>€(000)</b>	<b>2010</b> <b>€(000)</b>
		<i>Restated - note 2</i>
Group operating profit	3,291	3,247
Depreciation charge	5,430	5,789
Government grants amortised	(104)	(143)
Contributions to pension schemes in excess of current service cost	(1,987)	(1,082)
Profit on sale of tangible fixed assets	(10)	(18)
(Increase)/decrease in stocks	(1,846)	817
Decrease/(increase) in debtors	240	(398)
Increase in creditors	6,162	1,807
	<hr/>	<hr/>
	<b>11,176</b>	<b>10,019</b>

## (ii) Returns on investments and servicing of finance

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
		<i>Restated - note 2</i>
Interest paid	(1,213)	(1,185)
Interest element of finance leases	(101)	(190)
Dividend paid to minority interests	(1,150)	(100)
Dividend received	256	294
	<u>(2,208)</u>	<u>(1,181)</u>

## (iii) Capital expenditure and financial investment

Purchase of tangible fixed assets	(6,850)	(5,453)
Purchase of financial assets	(300)	(149)
Sale of tangible fixed assets	47	2,787
Sale of financial assets	8,737	600
Grant received	91	244
	<u>1,725</u>	<u>(1,971)</u>

## (iv) Financing

Share capital issued (net)	(55)	(83)
Bank loans	(3,491)	(5,370)
Finance leases	(1,662)	(2,001)
	<u>(5,208)</u>	<u>(7,454)</u>

## 24. ANALYSIS OF CHANGES IN NET DEBT

	<b>Opening Balance €(000)</b>	<b>Cash Flows €(000)</b>	<b>Closing Balance €(000)</b>
	<i>Restated - note 2</i>		
<b>CASH AT BANK AND IN HAND</b>	10,168	(1,155)	9,013
<b>OVERDRAFTS</b>	(9,937)	6,219	(3,718)
	<u>231</u>	<u>5,064</u>	<u>5,295</u>
<b>BANK LOANS</b>	(15,417)	3,491	(11,926)
<b>FINANCE LEASES</b>	(2,880)	1,662	(1,218)
	<u>(18,066)</u>	<u>10,217</u>	<u>(7,849)</u>

## 25. 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 2011 amounted to €1,841,000 (2010: €1,406,000) and €754,000 (2010: €564,000) respectively. The net trading balances outstanding to the Society at the year end were €90,000 (2010: €94,000).

## 26. COMMITMENTS

(a) Capital commitments were €1,350,000 at 31st December 2011 (2010: €2,296,000).

(b) Annual commitments exist under non cancellable operating leases at 31 December 2011 as follows:

Expiring:	€'000
Within one year	16
Between two and five years	254
More than five years	-
	<hr/>
Total	270
	<hr/>

(c) At the year end purchase commitments on forward contracts for certain raw materials not yet provided for in the financial statements amounted to €8,268,000.

(d) The Society enters into forward foreign exchange contracts in the normal course of business to reduce transactional exposures arising from purchases or sales, predominantly in sterling. It is the Society's policy that no trading in financial instruments is undertaken. At the year end, the Society was committed to buying sterling with an equivalent euro nominal value of €6,994,000.

## 27. PENSION SCHEMES

The Society 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. There is a credit to the profit and loss account of the Society in the current year of €714,000 in respect of this scheme and a charge of €791,000 in 2010.

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

The Society 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 1 January 2009 and subsequently updated to 31 December 2011 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 1 January 2009, updated to 31 December 2011. The financial assumptions used in the valuations were:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of inflation	2.00	2.00	2.00
Rate of increase in salaries	3.00	3.00	3.00
Discount rate	5.25	5.50	5.60

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

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Expected Rate</b>	<b>Market</b>	<b>Expected Rate</b>	<b>Market</b>	<b>Expected Rate</b>	<b>Market</b>
	<b>of Return</b>	<b>Value</b>	<b>of Return</b>	<b>Value</b>	<b>of Return</b>	<b>Value</b>
	<b>%</b>	<b>€(000)</b>	<b>%</b>	<b>€(000)</b>	<b>%</b>	<b>€(000)</b>
Equities	8.38	17,380	7.80	21,463	7.80	17,851
Fixed interest/ cash	1.00 to 3.95	9,973	1.00 to 3.80	9,022	2.00 to 5.80	8,604
Property	6.38	559	6.80	754	6.80	974
		<u>27,912</u>		<u>31,239</u>		<u>27,429</u>

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>€(000)</b>	<b>€(000)</b>	<b>€(000)</b>
Total market value of schemes' assets	27,912	31,239	27,429
Actuarial value of schemes' liabilities	(35,307)	(37,491)	(36,100)
Net pension liability	<u>(7,395)</u>	<u>(6,252)</u>	<u>(8,671)</u>
Attributable to Society	(7,395)	(6,252)	(8,671)
Attributable to minority interests	-	-	-
	<u>(7,395)</u>	<u>(6,252)</u>	<u>(8,671)</u>

No deferred tax asset has been recognised in respect of 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:

	<b>2011 €(000)</b>	<b>2010 €(000)</b>
Charged/(credited) to operating profit:		
Current service cost	598	566
Settlement cost	169	-
Past service credit	(1,474)	-
	<u>(707)</u>	<u>566</u>
Other finance (income)/charge:		
Expected rate of return on pension schemes' assets	(2,059)	(1,769)
Interest on pension schemes' liabilities	2,052	1,994
	<u>(7)</u>	<u>225</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	(2,489)	1,693
Experience gains and losses	133	442
Changes in assumptions	(781)	(573)
	<u>(3,137)</u>	<u>1,562</u>

Movement in deficit during the year:

Deficit at 1 January 2011	(6,252)	(8,671)
Current service cost	(598)	(566)
Contributions	1,280	1,648
Past service credit/(cost)	1,474	-
Settlement cost	(169)	-
Other finance income/(charge)	7	(225)
Actuarial (loss)/ gain	(3,137)	1,562
	<u>(7,395)</u>	<u>(6,252)</u>

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

	<b>2011 €(000)</b>	<b>2010 €(000)</b>	<b>2009 €(000)</b>
Actual return less expected return on schemes assets	(2,489)	1,693	2,917
% of scheme assets	(8.92%)	5.40%	10.6%
Experience gains and losses	133	442	1,842
% of present value of scheme liabilities	(0.38%)	1.2%	5.13%
Changes in assumptions	(781)	(573)	(808)
% of present value of scheme liabilities	2.2%	(1.5%)	2.2%
Actuarial (loss)/gain recognised in the consolidated statement of total recognised gains and losses	<u>(3,137)</u>	<u>1,562</u>	<u>3,951</u>

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

The Society participates in the Irish Co-operative Societies (ICOS) 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 Society 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 1 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, at its annual review date of 1 July 2011 the Scheme did not meet the minimum funding standard. An actuary's statement to this effect has been included in the 2011 trustee annual report. Where a scheme fails to meet the minimum funding standard, the trustees (ICOS) are required to develop a Funding Proposal to the Pensions Board in conjunction with participating employers, employee representatives and the scheme actuary.

**28. POST BALANCE SHEET EVENT**

On 13 January 2012, the Society acquired the Milk and Stores business of Donegal Creameries plc through the purchase of the entire share capital of Glenveagh Agricultural Co-operative Society Limited and Maybrook Dairy (Omagh) Limited, and the purchase of the trade and assets of its nine Southern Agri stores for a cash consideration of €16.05 million plus expenses associated with the acquisition.

**29. COMPARATIVE AMOUNTS**

Comparative amounts have been restated, where necessary, on the same basis as those for the current year.

**30. SUBSIDIARIES AND ASSOCIATE**

<b>Subsidiaries - Republic of Ireland</b>	<b>Holding</b>	<b>Activity</b>
Sligo Dairies Ltd	100%	Non Trading
Ballina Milk Co Ltd (Purefresh Dairies)	100%	Non Trading
Shannonside Milk Products Ltd	100%	Manufacture of Dairy Products
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
Connacht Gold Properties Ltd	100%	Auctioneering
CG Training Limited	75%	Training services
<b>Subsidiaries - Northern Ireland</b>		
Connacht Gold (Northern Ireland) Ltd	100%	Milk Trading
<b>Associate – Scotland</b>		
Kent Foods Ltd	40%	Food Ingredients

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.

**31. APPROVAL OF BOARD OF DIRECTORS**

The Financial Statements were approved by the Board of Directors on 22 March 2012.





**Connacht Gold**  
*Co-operative Society Ltd*

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Tubbercurry, Co. Sligo  
Tel.: 071 9186500 | Fax: 071 9185239  
Email: [info@cgold.ie](mailto:info@cgold.ie)

Visit: [www.connachtgold.ie](http://www.connachtgold.ie)