Financial Highlights

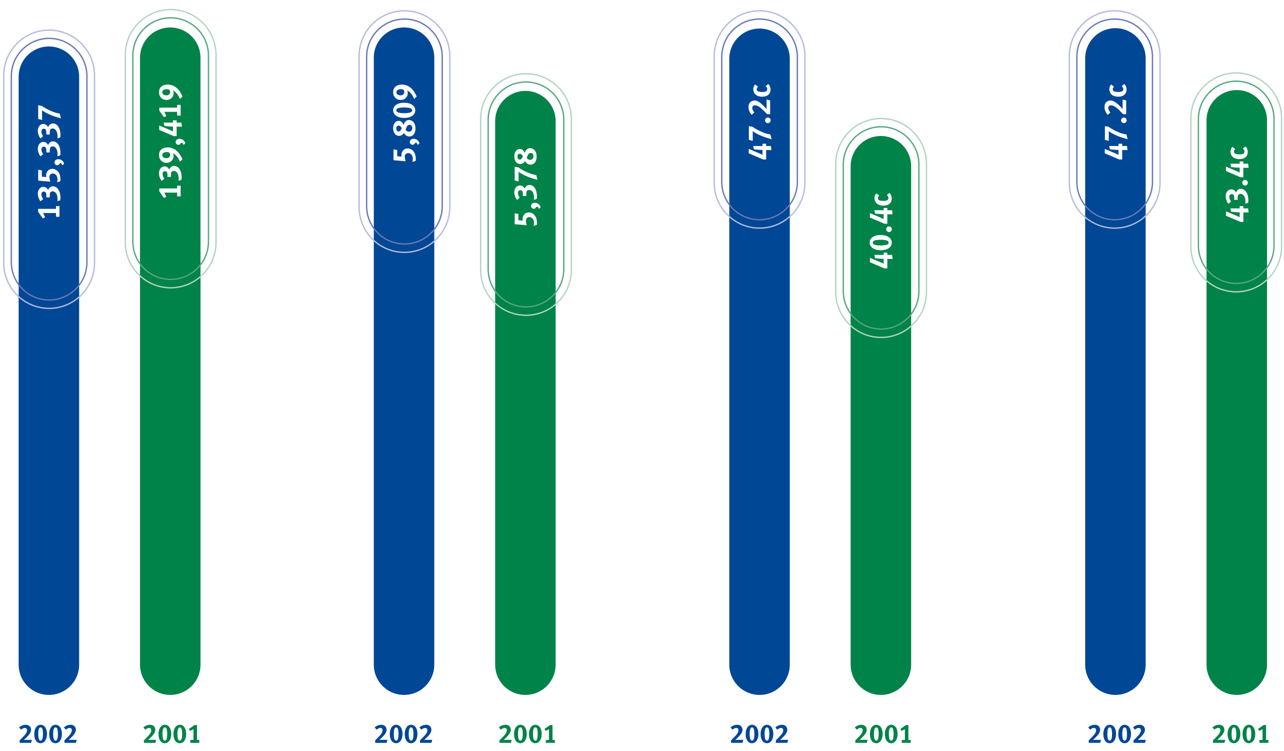
	2002 €'000	2001 €'000	Increase/ (Decrease)
Turnover (includes joint ventures)	135,337	139,419	-2.9%
Operating profit	5,144	4,393	17.1%
Profit before tax and exceptional items	5,809	5,378	8.0%
Profit before tax	5,809	5,074	14.5%
Profit after tax	4,888	4,102	19.2%
Cash flow (PBT + depreciation + amortisation)	8,534	7,348	16.1%
Earnings per share (basic)	47.2c	40.4c	16.8%
Earnings per share (adjusted)	47.2c	43.4c	8.8%
Dividend per share	11.4c	10.8c	5.6%
Net asset value per share (excluding minority interest)	€3.57	€3.23	10.5%

Turnover

Profit
Before Exceptional Items & Tax

Earnings per share
(Basic)

Earnings per share
(Adjusted)



Directors & Other Information


Lexie Tinney (1) (2) (3) (4)
Chairman


Ivan Grier (1) (2) (3) (4)
Vice Chairman


John Keon (1) (4)
Managing Director


Dominic Kelly (1) (4)
Finance Director


Francis Devenny (1) (2) (4)


Patrick Kelly (1) (2) (4)


Matt McNulty (1) (2) (4)


Charles Tindal (1) (2) (4)

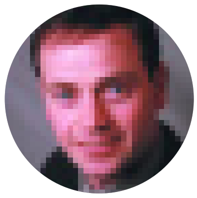

Geoffrey Vance (1) (2) (4)


Ivan Bates


Frank Browne


Brian Byrne


Donal Callaghan


Joseph Carlin


Sean Gallagher


Eamon Kerr


Geoffrey McClay


John Moody


Ernest Moore


Robin Rankin


Marshall Robinson


Ronnie Russell


Fredrick Scott


Daniel Sweeney


Michael Reid

(1) Members of the Executive Committee
(2) Members of the Audit Committee
(3) Members of the Remuneration Committee
(4) Members of the Nomination Committee

Directors & Other Information continued

BOARD OF DIRECTORS
The Board of Directors of Donegal Creameries plc comprises twenty four non-executive directors and two executive directors.

NON-EXECUTIVE DIRECTORS

Lexie Tinney (aged 64) is Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a council member of ICOS and a non-executive director of Carbury Mushrooms Limited.

Ivan Grier (aged 58) is Vice Chairman of Donegal Creameries plc. He has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is also a member of the committee of management of the North Western Cattle Breeding Society.

Francis Devenny (aged 57) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer and has significant residential and other property interests in the Letterkenny area.

Patrick Kelly (aged 58) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer and is a member of the committee of management of the North Western Cattle Breeding Society.

Matt McNulty (aged 57) was appointed to the Board on 19 August 1998. He has experience spanning over 35 years in the tourism and travel industries. He was most recently Director General of Bord Fáilte and has served on many Government bodies and committees dealing with tourism, transport, education, urban renewal, conservation, heritage and taxation policies. He was also a co-founder of the People in Need Trust Charity.

Charles Tindal (aged 66) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. He is a farmer and is a director of Donegal Carpets Limited. He is also a milk agent for Donegal Creameries plc.

Geoffrey Vance (aged 51) has served on the Board of Donegal Creameries plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the committee of management of Donegal Co-operative Creameries Limited. He is a farmer.

The following non-executive directors are farmers:
I Bates, F Browne, B Byrne, D Callaghan, J Carlin, S Gallagher, E Kerr, G McClay, J Moody, E Moore, R Rankin, M Robinson, R Russell, M Reid, F Scott and D Sweeney.

EXECUTIVE DIRECTORS

John Keon, Dip Dy Science (aged 64) joined Donegal Co-operative Creameries Limited in 1973 and held a number of positions in the Group prior to his appointment as Chief Executive in late 1991. He was appointed to the Board of the Company in November 1997, at which time he became Managing Director. Prior to joining the group, he worked within the dairy industry in Co Donegal. He is a non-executive director of Carbury Mushrooms Limited, Erne Enterprise Limited and Camden Court Hotel Limited.

Dominic Kelly, FCCA (aged 46) joined Donegal Creameries plc in 1995 as Chief Accountant. Prior to joining Donegal Creameries plc, he was Finance Manager in Saehan Media Ireland Limited for a period of four years and prior to that he held a number of positions within the finance and accounting department of Abbott Ireland Limited. He was appointed to the Board of the Company in November 1997, at which time he became Finance Director. He is a non-executive director of Carbury Mushrooms Limited.

BOARD COMMITTEES
Executive Committee
L Tinney, I Grier, J Keon, D Kelly, F Devenny, P Kelly, M McNulty, C Tindal and G Vance.

Audit Committee
L Tinney, I Grier, F Devenny, P Kelly, M McNulty, C Tindal and G Vance.

Remuneration Committee
L Tinney and I Grier.

Nomination Committee
L Tinney, I Grier, J Keon, D Kelly, F Devenny, P Kelly, M McNulty, C Tindal and G Vance.

SECRETARY AND REGISTERED OFFICE
D Kelly, Ballyraine, Letterkenny, Co Donegal.

REGISTRARS
Computershare Investor Services (Ireland) Limited, Heron House, Carrig Road, Sandyford Industrial Estate, Dublin 18.

AUDITORS
PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, George's Place, Dublin 2.

BANKERS
Ulster Bank Limited, Letterkenny, Co Donegal.

SOLICITORS
VP McMullin & Son, Letterkenny, Co Donegal.

Arthur Cox, Arthur Cox Building, Earlsfort Terrace, Dublin 2.

Matheson Ormbsy Prentice, 30 Herbert Street, Dublin 2.

STOCKBROKERS AND FINANCIAL ADVISORS
NCB Group Limited, 3 George's Dock, International Financial Services Centre, Dublin 1.

Chairman's Statement

Once again I am pleased to report on a year in which Donegal Creameries (the "Group") can announce that profitability has reached record levels.

During the year under review the Group turnover fell to €135.3 million (including Joint Ventures of €22.5 million), a decrease of 2.9% on turnover of €139.4 million generated in the year ended 31 December 2001 (Joint Venture Turnover €24.8 million). This was primarily due to lower commodity prices in the dairy division.

The Group's operating profit increased to €5.1 million in the year under review, an increase of 17.1% on the 2001 figure of €4.4 million.

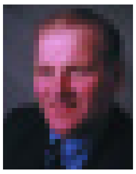
Profit before tax and exceptional items increased by 8.0% to €5.8 million in the year under review from €5.4 million in 2001.

Profit before tax (after exceptional items) increased by 14.5% from €5.1 million in 2001 to €5.8 million in 2002. There are no exceptional items in 2002 whilst the Group's results in 2001 were impacted by exceptional losses of €0.3 million.

Adjusted earnings per share (before exceptional items) increased by 8.8% to 47.2 cent (2001: 43.4 cent). Basic earnings per share (after exceptional items) increased by 16.8% to 47.2 cent (2001: 40.4 cent). Net asset value per share increased by 10.5% to €3.57 at the end of 2002.

Dividends
The directors are recommending a final dividend of 6.4 cent per share for the year ended 31 December 2002. If approved the total dividend for the year ended 31 December 2002 will be 11.4 cent compared to a total dividend for the year ended 31 December 2001 of 10.8 cent, an increase of 5.6%. Subject to shareholder approval the final dividend will be paid on 1 September 2003 to shareholders on the register on 1 August 2003.

David Gregg



David Gregg who was a member of the board since we changed to PLC status in 1989 and who for many years before that served on the board of Donegal Cooperative Creameries, died on 10/05/03. David made a huge contribution to the development of the company both as a member of the main board and also as a member of the Executive, Audit and Nomination committees. He also took a major responsibility for the running of the Grianan farm since we acquired it in 1996. He will be sorely missed.

Staff
Once again, I would like to thank staff at all levels and across all our business units for their continued dedication and commitment throughout 2002.

Lexie Tinney
Chairman

Managing Director's Review

OPERATIONS REVIEW

Dairy
Turnover in the Dairy division for the year ended 31 December 2002 was €43.6 million, a decrease of 8.3% on the 2001 figure of €47.6 million, mainly due to lower commodity dairy prices during the year.

Sales to other processors continue to account for a large proportion of the division's turnover. The contribution to profits from this business was down on 2001 due to weaker commodity markets in the year.

Profitability in the liquid milk area was up on 2001 primarily due to increased margins achieved and also reflecting increased volumes as the Group continues to grow its business outside the northwest region.

Sales volumes of the Group's UHT and extended shelf life products also increased and this lead to an increased contribution to profitability from this area. Margins also increased.

Agricultural and Other Trading
Turnover in the Agri Trading division decreased slightly from €91.8 million in 2001 to €91.7 million in 2002, a decrease of 0.2%.

Turnover from the Group's 14 agri retail stores was in line with last year. Profitability was up, primarily due to purchasing efficiencies.

Turnover in the Group's animal feed mill increased in the period. However the contribution to profitability decreased as a result of higher commodity prices during the year and also due to short-term costs incurred as a result of delays in the capacity expansion project.

Turnover and profitability at the Group's potato operations at Irish Potato Marketing (IPM) and Donegal Potatoes (DPL) was in line with last year.

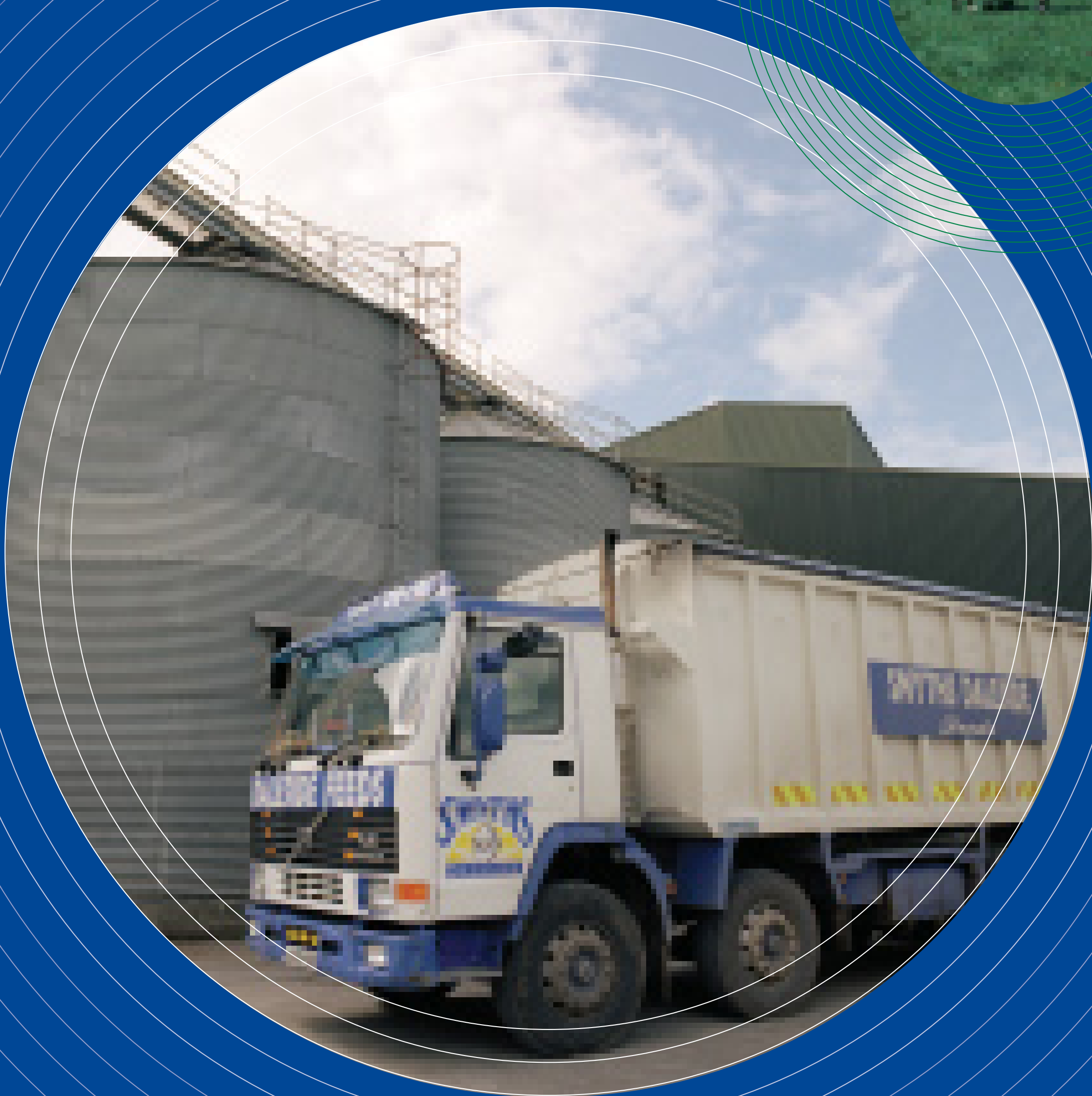
Income from the rental of the Group's land and facilities at An Grianan was up on last year.

Profitability from Oatfield was down on last year due to increased competitive pressures in export markets due to the strengthening of the Euro.

The Group again had a significant contribution to profits from the sale of surplus assets and investments in 2002 and this was up on last year.

Profits from the Group's mushroom operations were down on last year. Significant problems were encountered in yields from the Group's compost manufacturing operation and the multiples continued to apply pressure for price reductions.

The Group had a significant contribution to profitability from its stevedoring operations in Derry for the first time due to significant increases in tonnage handled during the year.



Managing Director's Review Continued

OUTLOOK

Based on information available to date the Directors believe that the Group's performance for the current fiscal year will be satisfactory.

Dairy
Commodity dairy markets have improved somewhat though remaining difficult.

The Group will continue to develop its liquid milk business, particularly outside Co Donegal, and continues to look at acquisition opportunities in this area.
The Group also continues to seek additional growth opportunities for its UHT and related products.

Agricultural and Other Trading
Agri input sales levels are in line with last year. Animal feed, in particular, should make a significantly increased contribution to profits during the coming year due to the full benefits of the capacity expansion project coming on stream.

The Group's land at an Grianan continues to be let for satisfactory rentals. The Group will continue to sell selected sites from the estate which will not impinge on the rentals achieved. It will continue to seek opportunities to develop the tourism potential of the estate, though initial submissions in this area to the relevant state agencies have not been successful.
The Group's proposal to develop a joint venture Section 50 development for student accommodation is at present going through the planning process and should be commenced shortly.

Oatfield has traded in line with last year for the year to date. Export markets in particular remain difficult. The Group has looked at various options for transferring the Oatfield operation to a better location but none have proved suitable so far. The Group also continues to look at acquisition opportunities in this area which would add to the scale and economies of the operation.

On potatoes the outlook for the coming season looks positive at the moment. Prices are anticipated to increase and the Group volumes should also increase due to the strength of its varieties.

The Group's mushroom operations should make an increased contribution to profitability during the current year. Although trading conditions with multiples remain tough the Group problems with low yielding compost seem to have been overcome. The Group is also considering how best the Irish mushroom industry can be consolidated to deal with the increasing competitive threat from mainland Europe.

Board and Staff
Once again, I would like to thank the Chairman and Board for their support and wise counsel during the year. Thanks also to a dedicated and loyal workforce and to our various support agencies and advisors.

John Keon
Managing Director


DONEGAL
CREAMERIES
P.L.C.

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2002.

Principal activities

The company and its subsidiaries and joint venture are engaged in the intake and processing of milk, the manufacture of milk products, the development and sale of seed potatoes, the manufacture, sale and distribution of farm inputs, the leasing of land and milk quota, the manufacturing of confectionery, the manufacturing of mushroom compost and the growing and marketing of mushrooms.

Review of the business

Turnover decreased by 3% to €135 million (2001: €139 million). The chairman's statement and managing director's review include a comprehensive review of the group's businesses.

Profits, dividends and reserves

Profit for the financial year amounted to €4,690,000 (2001: €4,006,000). An interim dividend of 5 cents per share was paid on 6 December 2002. It is proposed to pay a final dividend of 6.4 cents per share on 1 September 2003 to shareholders on the register at the close of business on 1 August 2003. The total dividend of 11.4 cents compares with 10.8 cents in 2001.

The retained profit for the year amounted to €3,557,000.

The results for the financial year ended 31 December 2002 are set out in detail on pages 20 to 54.

Share capital

At the Annual General Meeting of the company held on 26 July 1995, the shareholders sanctioned requisite alteration to the Articles of Association of the company to enable the group to purchase treasury shares and authorised the group to make market purchases (as defined by Section 212 of the Companies Act, 1990). The aggregate nominal value of shares authorised to be so acquired was not to exceed 10% of the aggregate nominal value of the issued share capital of the company. This authority was renewed at subsequent Annual General Meetings.

Throughout the year ending 31 December 2002, 107,828 ordinary shares of 13 cents each were held as treasury shares by Donegal Creameries plc. This represented 1.1% of the called up share capital of the company. These shares were acquired at a cost of €129,110.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 6 to 9.

Events since the year end

There have been no significant events effecting the group since the year end.

Directors

The directors of the company on 29 May 2003 are listed on pages 2 and 3.

M Reid and Eamon Kerr were appointed to the board at 3 July 2002. Edward Kerr and N Witherow retired from the board at 3 July 2002.

Except as noted above, each of the directors served for the entire year. D Callaghan, F Devenny, B Byrne, P Kelly, L Tinney, J Moody, F Scott and D Sweeney retire by rotation. D Callaghan, F Devenney, B Byrne, P Kelly, L Tinney, J Moody, F Scott, D Sweeney and N Witherow have been chosen at the area electoral meetings for election as directors at the Annual General Meeting.

None of the directors offering themselves for re-election has a service contract with the company or any of its subsidiaries.

Corporate governance

The directors support the Principles of Good Governance set out in the Combined Code, derived by the Committee on Corporate Governance from the Committee's final report and from the Cadbury and Greenbury Reports.

It is the practice of the company that a majority of the Board comprises non-executive directors and that the chairman be non-executive. The board meets regularly throughout the year. There is a formal schedule of matters reserved to the board for consideration and decision.

The group has both an audit committee and a remuneration committee, membership of which is comprised of non-executive directors only, and a nomination committee, membership of which is comprised of a majority of non-executive directors. The audit committee met with the external auditors to review the range and findings of their work and the financial statements prior to their submission to the board.

The directors have adopted a code governing dealings by the directors and certain employees in the company's shares. This code contains terms no less exacting than those of the model code contained in the Irish Stock Exchange's Listing Rules.

The directors confirm that except in relation to the matters referred to below, the company has complied with all of the provisions of the Combined Code, throughout the accounting period.

a) The majority of the non-executive directors, as farmers, have a business relationship with the group; and

b) The company has not nominated a senior independent director.

The report of the remuneration committee on behalf of the board is set out on pages 14 to 17.

Internal control

The directors have overall responsibility for the group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors confirm that the group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the guidance in "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance), issued in September 1999. The process has been in place throughout the year and up to the date of approval of the annual report and financial statements and is subject to regular review by the board.

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

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

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

The audit committee, a formally constituted sub-committee of the board, comprising only non-executive directors, meets on a regular basis with the external auditors and satisfies itself as to the adequacy of the group's internal control systems.

The directors confirm that they have conducted an annual review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements. This had regard to the processes for identifying the principal business risks, the controls that are in place to contain them and the procedures to monitor them.

Directors' Report continued

Going concern
After making enquiries, the directors have a reasonable expectation that the company, and the group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Substantial holdings
As at 13 May 2003, the company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Bank of Ireland Nominees Limited	881,623	8.79

Bank of Ireland Nominees Limited state that these shares are not beneficially owned by them.

Save for the interests referred to above, the company is not aware of any person who is, directly or indirectly, interested in 3% or more of the issued ordinary share capital of the company.

Employee welfare
It is the policy of the group to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy which was applied throughout the year, is based on the requirements of the Safety, Health and Welfare at Work Act, 1989.

Statement of directors' responsibilities
Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. 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

• Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Irish Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books of account
The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Ballyraine, Letterkenny, Co Donegal.

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

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

Group companies
Information relating to subsidiary and associated undertakings is included in note 33 to the financial statements.

Political contributions
There were no political contributions which require disclosure under the Electoral Act, 1997.

AGM

The Company's Annual General Meeting will take place at the Mount Errigal Hotel, Letterkenny, Co. Donegal on 2 July 2003. Your attention is drawn to the separate circular enclosed with the annual report and financial statements containing the notice of meeting and an explanatory statement which sets out details of the matters to be considered at the Annual General Meeting.

On behalf of the board:

Lexie Tinney	Chairman
John Keon	Managing Director

29 May 2003

Report of the Remuneration Committee on behalf of the Board

Composition of board and remuneration committee
It is the practice of the company that a majority of the board comprises non-executive directors and that the chairman be non-executive. The remuneration committee consists solely of non-executive directors. The managing director is fully consulted about remuneration proposals and outside advice is sought when necessary. The members of the remuneration committee are L Tinney and I Grier.

The terms of reference for the committee are to determine the group's policy on executive remuneration and to consider and approve salaries and other terms of the remuneration package for the executive directors.

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

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

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

Executive directors' basic salary and benefits
The basic salaries of executive directors are reviewed annually having regard to personal performance, company performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a company car. No fees are payable to executive directors.

Incentive plan
The managing director is entitled to receive bonus payments as the remuneration committee may decide at their absolute discretion, subject to a maximum bonus of €50,790 per annum. The committee's decision shall be based on the managing director's performance on the basis that he does not have a contractual right to receive a payment.

Share option scheme
The two executive directors hold options as set out on page 16 together with the attaching performance conditions.

Directors' service contracts
The managing director has a service agreement appointing him as managing director for three years commencing on 1 December 1997 and continuing thereafter unless and until terminated by either party, giving not less than six months notice. This agreement automatically terminates on the managing director obtaining the age of sixty five years.

None of the other directors has a service contract with any member of the group.

Directors' remuneration and interests in share capital
Details of directors' remuneration is given on pages 15 and 16, details of directors' share options and shareholdings are given on pages 16 and 17 and details of directors pensions are set out below.

Pensions
The two executive directors are entitled to benefits under defined benefit scheme pension arrangements. The aggregate amount of the increase in accrued pension entitlement (excluding inflation) for such directors amounted to €6,353, the aggregate amount of the transfer value of this increase in accrued pension entitlement (excluding inflation) in the period from 1 January 2002 to 31 December 2002 amounted to €73,893 and the aggregate amount of the total accrued benefit entitlement to such directors at 31 December 2002 amounted to €100,639.

Directors' remuneration

Notes	Executive directors	2002 €	2001 €
	Salaries and benefits		
	Basic salary	219,664	229,187
1	Benefits	28,741	25,556
		248,405	254,743
	Performance related		
2	Annual incentives	50,790	50,790
3	Pension charge	99,785	132,768
	Total executive directors' remuneration	398,980	438,301
	Average number of executive directors	2	2
	Average annual basic salary per executive director	109,832	114,594
	Non executive directors		
	Fees and other emoluments		
4	Fees	27,000	25,394
	Other emoluments and benefits	-	-
		27,000	25,394
	Other remuneration	-	-
	Total non-executive directors' remuneration	27,000	25,394
	Average number of non-executive directors	24	24
	Total directors' remuneration	425,980	463,695

Notes to directors' remuneration

1. Benefits principally relate to use of a company car.

2. The incentive plan is outlined on page 14.

3. The pension charge represents payments made to pension funds as advised by independent actuaries.

4. Two non-executive directors received a fee in 2002 (2001: Two).

Report of the Remuneration Committee continued

Individual remuneration for the year ended 31 December 2002

	Basic salary	Fees	Incentive bonus	Benefits	Total 2002	Total 2001
	€	€	€	€	€	€
Executive directors						
J Keon	124,434	-	50,790	18,928	194,152	191,117
D Kelly	95,230	-	-	9,813	105,043	114,416
	219,664	-	50,790	28,741	299,195	305,533
Non-executive directors						
L Tinney	-	14,000	-	-	14,000	12,697
M McNulty	-	13,000	-	-	13,000	12,697
	-	27,000	-	-	27,000	25,394

Pension entitlements

Pension benefits earned by the directors during the year and the accumulated total accrued pension at 31 December 2002 were as follows:

	Increased in accrued pension during 2002	Transfer value of increase	Total accrued pension at year - end
	€	€	€
J Keon	4,158	59,470	90,640
D Kelly	2,195	14,423	9,999
	6,353	73,893	100,639

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2001	Granted in 2002	Exercised in 2002	At 31 December 2002	Option Price
D Kelly	25,000	-	-	25,000	(b) €2.10
J Keon	30,000	-	-	30,000	(a) €0.83
	30,000	-	-	30,000	(a) €1.14
	150,000	-	-	150,000	(b) €2.10
	235,000	-	-	235,000	

No options lapsed during the year. The market price of the company's shares at 31 December 2002 was €2.16 (2001: €2.40) and the range during 2002 was €1.80 to €2.50 (2001: €1.70 to €2.40).

(a) There is no time limit for the exercise of these options, which are exercisable after 1 May 1995.

(b) These options are only exercisable when earnings per share (EPS) growth exceeds the growth of the Irish Consumer Price Index plus 2% over a period of at least three years subsequent to the granting of the options. These options may only be exercised between November 2000 and November 2007.

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2002 in the ordinary shares of the company at 31 December 2001 (or date of appointment, if later) and 31 December 2002 are set out below:

		Ordinary 13 cents shares
	31 December 2002	31 December 2001
Directors:		
L Tinney	95,812	95,812
I Grier	45,243	45,243
J Keon	180,151	173,909
D Kelly (Secretary)	8,925	8,614
F Devenny	44,853	44,178
D Gregg	202,813	202,813
P Kelly	124,932	124,860
M McNulty	-	-
C Tindal	30,974	30,974
G Vance	171,939	171,939
I Bates	67,044	67,044
F Browne	5,345	5,158
B Byrne	19,806	19,115
D Callaghan	12,898	12,898
J Carlin	7,793	7,521
S Gallagher	14,510	14,004
E Kerr	23,682	22,856
G McClay	9,172	8,852
J Moody	54,997	54,997
E Moore	12,050	12,050
R Rankin	12,961	12,961
M Robinson	32,996	31,845
R Russell	47,560	47,560
F Scott	24,266	24,266
D Sweeney	9,470	9,140
M Reid	5,932	5,725

The directors and secretary and their families had no other interests in the shares of the company or its subsidiary and associated undertakings at 31 December 2002.

Between 31 December 2002 and 13 May 2003, the directors listed below acquired the number of shares listed below.

	Number of shares
D Kelly	153
F Browne	91
B Byrne	339
J Carlin	133
S Gallagher	249
E Kerr	406
M Robinson	565
D Sweeney	162
G McClay	157
P Kelly	36
M Reid	101

Independent auditors' report to the shareholders of Donegal Creameries Plc

We have audited the financial statements on pages 20 to 54 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 12 in the statement of directors responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, auditing standards issued by the Auditing Practices Board applicable in Ireland and the Listing Rules of the Irish Stock Exchange. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2001, and the European Communities (Companies: Group Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to hold an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement and the managing director's review.

We review whether the corporate governance statement on page 11 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the company's or the group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

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 company. The company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 10 to 13 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 24, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2002 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

29 May 2003

Accounting Policies

The significant accounting policies adopted by the group are as follows:

Basis of preparation
The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are presented in euro.

Basis of consolidation
The group financial statements include the financial statements of the holding company and its subsidiary undertakings made up to the end of the financial year and the group's share of results and net assets, including premium on acquisition, of its joint venture and associated undertakings. Where a subsidiary, joint venture or an associate is acquired during the financial year, the group financial statements include the attributable results from the date of acquisition up to the end of the financial year.

Goodwill
Goodwill arising on the acquisition of shares in subsidiary companies prior to 1 January 1998, being the excess of cost over the fair value of the group's share of net assets acquired, was written off against the profit and loss account in the year of acquisition and negative goodwill, being the excess of the fair value of the group's share of net assets acquired over the cost of acquisition, was credited to a reserve on acquisition. As a result of the implementation of Financial Reporting Standard No. 10 - Goodwill and Intangible Assets, goodwill on acquisitions after 1 January 1998 is capitalised in the year of acquisition and amortised to the profit and loss account over its expected useful life.

Goodwill arising on the acquisition of milk runs, being the consideration paid to acquire the liquid milk business of small dairies, is charged to the profit and loss account in the year in which it is incurred.

Investment property
Investment property is stated at cost, less provision for any permanent diminution in value.

Disposal of houses and sites off the Grianán estate are deemed to have no cost as, in the opinion of the directors, such transactions do not have a material impact on the value of the estate.

Tangible fixed assets
Freehold land and buildings are stated at cost or valuation less accumulated depreciation on buildings.

Other tangible assets are stated at cost less accumulated depreciation.

Depreciation is calculated in order to write off the cost or valuation of tangible assets other than land over their estimated useful lives by equal annual instalments.

The group does not adopt a policy of revaluation. Under the transitional provisions of Financial Reporting Standard No 15 - Tangible Fixed Assets, the group has retained the book amounts of land and buildings which were revalued in 1988 and has not updated that valuation.

Subsidiary undertakings
Interests in subsidiary undertakings are stated in the holding company's balance sheet at cost less provision for any permanent diminution in value.

Associated undertakings
Interests in associated undertakings are stated in the group balance sheet at the group's share of the net assets of the companies together with the premiums paid on the acquisition of the interest in associated undertakings.

Trade investments
Trade investments are stated at cost less provision for any permanent diminution in value.

Pensions
The group makes contributions to independently administered pension funds and the contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. The amount of such contributions are determined following consultations with independent actuaries. The disclosures required under the transitional arrangements of Financial Reporting Standard 17 'Retirement Benefits' for the year ended 31 December 2002 are shown in note 26.

Stocks
Stocks are stated at the lower of cost and net realisable value.

Cost comprises purchase price, including transport costs where appropriate.

Net realisable value comprises the actual or estimated selling price (before settlement discounts), less all costs to be incurred in marketing, selling and distribution.

Deferred taxation
The group adopted Financial Reporting Standard 19 "Deferred Tax" during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or, where appropriate, at the rates of exchange in related forward exchange contracts. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transactions or, where appropriate, at the rates of exchange in related forward exchange contracts. Trading results of foreign subsidiaries are translated into Euro at the rates ruling at the balance sheet date. Exchange adjustments arising from the restatement of opening balance sheets of foreign subsidiaries are dealt with through reserves.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss account.

Monetary assets are monies held and amounts to be received in money; all other assets are non-monetary assets.

Derivative instruments
Derivative instruments such as forward foreign exchange contracts are used in hedging transactions. Profits and losses are recognised in accordance with the underlying transactions.

Leasing
An asset acquired under a lease that transfers substantially all the risks and rewards of ownership to the group (finance lease) is capitalised as a tangible asset and depreciated over the shorter of the lease term or the estimated useful life. The corresponding obligations (net of finance charges) are included in creditors. Finance charges are allocated to accounting periods over the primary period of the lease and represent a constant proportion of the balance of capital payments outstanding.

Government grants
Government grants received for the purpose of purchasing fixed assets are credited to the profit and loss account in the same period as the related assets are depreciated.

Research and development
Research and development expenditure is written off as incurred.

Group Profit and Loss Account

Year ended 31 December 2002

	Notes	2002 €'000	2001 €'000
Turnover : group and share of joint ventures	1	135,337	139,419
Less : share of joint venture's turnover		(22,495)	(24,847)
Group turnover		112,842	114,572
Cost of sales		(94,526)	(96,670)
Gross profit		18,316	17,902
Distribution costs		(6,387)	(6,846)
Administration expenses		(6,269)	(5,209)
Other operating income/(costs)		(516)	(1,454)
Operating profit		5,144	4,393
Profit on disposal of fixed assets		55	85
Profit on disposal of investments		699	601
Share of results of joint venture		549	862
Share of joint venture's exceptional losses	2	-	(304)
Share of results of associated undertakings		-	79
Income from financial assets	3	800	846
Profit on ordinary activities before interest		7,247	6,562
Interest receivable		29	14
Interest payable:			
- Group	4	(920)	(916)
- Joint venture	4	(547)	(586)
Profit on ordinary activities before taxation	5	5,809	5,074
Taxation	6	(921)	(972)
Profit on ordinary activities after taxation		4,888	4,102
Minority interest		(198)	(96)
Profit for the financial year		4,690	4,006
Dividends: Paid	7	(496)	(471)
: Proposed	7	(637)	(603)
Profit retained in year		3,557	2,932
Earnings per share			
- basic	8	47.2c	40.4c
- diluted	8	46.7c	40.0c
Excluding exceptional items			
- basic	8	47.2c	43.4c
- diluted	8	46.7c	43.0c

See note 19 for movements on reserves.

Turnover and operating profit arose solely from continuing operations.

The notes on pages 27 to 54 form part of these financial statements.

On behalf of the board:

Lexie Tinney Chairman
John Keon Managing Director

Group Balance Sheet
31 December 2002

	Notes	2002 €'000	2001 €'000
Fixed assets			
Tangible assets	9	21,124	21,553
Financial assets	10	10,568	10,102
Investments in joint venture			
- Share of gross assets	10	13,987	14,259
- Share of gross liabilities	10	(14,023)	(14,246)
Intangible assets	11	1,918	2,082
		33,574	33,750
Current assets			
Stocks	12	10,748	8,760
Debtors	13	31,588	33,681
Cash at bank and in hand		1,555	683
		43,891	43,124
Creditors - Amounts falling due within one year	14	(32,202)	(34,990)
Net current assets		11,689	8,134
Total assets less current liabilities		45,263	41,884
Creditors - Amounts falling due after one year	15	(7,677)	(7,808)
Provisions for liabilities and charges	16	(608)	(645)
		36,978	33,431
Capital and reserves			
Called up share capital	17	1,304	1,304
Share premium	18	2,546	2,546
Revaluation reserve	19	312	312
Reserve on acquisition	19	293	293
Other reserves	19	189	189
Profit and loss account	19	30,786	27,419
Shareholders' funds - equity	20	35,430	32,063
Minority interest in subsidiaries	21	1,548	1,368
		36,978	33,431

The notes on pages 27 to 54 form part of these financial statements.

On behalf of the board:

Lexie Tinney Chairman
John Keon Managing Director

Company Balance Sheet
31 December 2002

	Notes	2002 €'000	2001 €'000
Fixed assets			
Tangible assets	9	1,800	1,849
Financial assets	10	16,544	15,927
		18,344	17,776
Current assets			
Stocks	12	5,414	3,582
Debtors	13	20,440	16,803
Cash at bank and in hand		1,528	16,816
		27,382	37,201
Creditors - Amounts falling due within one year	14	(32,506)	(42,168)
Net current liabilities		(5,124)	(4,967)
Total assets less current liabilities		13,220	12,809
Creditors - Amounts falling due after one year	15	(7,618)	(7,739)
Provision for liabilities and charges	16	-	(64)
		5,602	5,006
Capital and reserves			
Called up share capital	17	1,304	1,304
Share premium	18	2,546	2,546
Revaluation reserve	19	155	155
Other reserves	19	189	189
Profit and loss account	19	1,408	812
Shareholders' funds - equity		5,602	5,006

The notes on pages 27 to 54 form part of these financial statements.

On behalf of the board:

Lexie Tinney Chairman
John Keon Managing Director

Statement of Total Recognised Gains and Losses
Year ended 31 December 2002

	2002 €'000	2001 €'000
Profit for the financial year	4,690	4,006
Translation adjustment	(190)	(23)
Total recognised gains and losses for the year	4,500	3,983

Note of Historical Cost Profits and Losses
Year ended 31 December 2002

	2002 €'000	2001 €'000
Reported profit on ordinary activities before taxation	5,809	5,074
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	10	10
Historical cost profit on ordinary activities before taxation	5,819	5,084
Historical cost profit for the year retained after taxation, minority interests and dividends	3,567	2,942

Group Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 €'000	2002 €'000	2001 €'000	2001 €'000
Net cash inflow from operating activities	27		5,527		4,292
Return on investments and servicing of finance					
Property and milk quota leasing receipts		555		456	
Dividends paid to minority interests		-		(2)	
Interest received		38		14	
Interest paid		(826)		(815)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(233)		(347)
Taxation paid			(555)		(970)
Capital expenditure and financial investment					
Sale of tangible assets		210		599	
Receipt of insurance proceeds		1,905		-	
Purchase of tangible assets		(2,433)		(7,363)	
Purchase of financial assets		(118)		-	
Sale of financial assets		1,197		209	
Additions to investment property		(68)		(60)	
Net cash (outflow)/inflow from capital expenditure and financial investment			693		(6,615)
Acquisitions					
Acquisition of loan stock/payment of deferred consideration in Carbury Mushrooms Limited		(636)		(122)	
Acquisition of stores from Lakeland Agricare		-		(65)	
Acquisition of Wm McKinney & Sons Limited	15	(121)		(182)	
Acquisition of Robert Smyth & Sons		-		(197)	
Acquisition of trade of Winston Patterson Limited		-		(1,015)	
Acquisition of McCorkell Holdings Limited		-		(547)	
Net cash outflow from acquisitions			(757)		(2,128)
Equity dividends paid			(1,105)		(1,010)
Net cash outflow before financing			3,570		(6,778)
Financing					
Increase in bank loans		-		11,428	
Repayment of BES funding		(666)		-	
Finance lease payments		(18)		(28)	
Net cash inflow/(outflow) from financing			(684)		11,400
Increase in cash	30		2,886		4,622

The notes on pages 27 to 54 form part of these financial statements.

Notes to the Financial Statements

1 Turnover

	2002 €'000	2001 €'000
a) By class of business:		
Group turnover:		
Dairy products	43,648	47,585
Farm inputs	43,147	42,724
Potatoes	14,173	14,467
Confectionery	7,694	7,684
Sacks	1,832	1,755
Stevedoring	2,348	357
	112,842	114,572
Share of joint venture's turnover:		
Mushrooms and mushroom compost	22,495	24,847
Turnover: group and share of joint ventures	135,337	139,419
b) By geographical market:		
Group turnover:		
Republic of Ireland	80,633	77,606
Northern Ireland	17,301	22,892
Great Britain	3,498	3,694
Continental Europe	3,878	3,381
Rest of world	7,532	6,999
	112,842	114,572
Share of joint venture's turnover:		
Republic of Ireland	5,234	4,522
Northern Ireland	288	505
Great Britain	16,973	19,820
	22,495	24,847
Turnover: group and share of joint ventures		
Republic of Ireland	85,867	82,128
Northern Ireland	17,589	23,397
Great Britain	20,471	23,514
Continental Europe	3,878	3,381
Rest of world	7,532	6,999
	135,337	139,419

The disclosure of segmental information in respect of profits and net assets as required by Statement of Standard Accounting Practice No. 25, "Segmental Reporting" (SSAP25) would, in the opinion of the directors, be prejudicial to the interests of the group and accordingly has not been disclosed as permitted by SSAP25.

Notes to the Financial Statements continued

2 Share of joint venture's exceptional losses

The group has a 52.5% interest in Carbury Mushrooms Limited ("Carbury"). The group's share of Carbury's exceptional losses relate to:

	2002 €'000	2001 €'000
Overprovision for loss on liquidation of Shepherd's Grove Limited in prior year	-	(153)
Provision against investment in William Lords (Leeds) Limited	-	287
Redundancy costs	-	170
	-	304

3 Income from financial assets

	2002 €'000	2001 €'000
Income from financial assets comprises:		
Lease of property	482	440
Lease of milk quota	11	43
Dividends receivable from listed investments	12	1
Income receivable on loan stock issued by joint venture company	295	362
	800	846

4 Interest payable

	2002 €'000	2001 €'000
This interest was in respect of:		
Borrowings wholly repayable within five years		
- bank overdraft and loans	824	811
- finance lease	2	3
- other borrowings	-	14
Other interest	94	88
	920	916
Share of interest payable by joint venture	547	586
	1,467	1,502

5 Profit before taxation

	2002 €'000	2001 €'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	2,615	2,161
Auditors' remuneration	68	65
Amortisation of goodwill on acquisition of subsidiaries	110	112
Provision for bad and doubtful debts	990	1,516
Provisions against investments	259	239
Amortisation of capital grants	(5)	(15)

6 Tax on profits on ordinary activities

	2002 €'000	2001 €'000
Current tax:		
Irish corporation tax	757	385
United Kingdom corporation tax	168	50
Share of tax of joint venture	33	226
Current tax charge for year	958	661
Deferred tax:		
Origination and reversal of timing differences	(37)	311
Deferred tax charge/(credit) for the year	(37)	311
	921	972

The current tax charge for the year is higher than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:

	2002 €'000	2001 €'000
Profit on ordinary activities before tax	5,809	5,074
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 16% (2001: 20%)	929	1,015
Effects of:		
Permanent differences	74	50
Net disallowable/(allowable) expenses	69	(99)
Differences in effective tax rate on Sterling earnings	78	16
Base cost and inflation relief on land disposals	(56)	(84)
Distributions receivable from Irish companies	(50)	(73)
Manufacturing relief	(128)	(121)
Other adjustments	42	(43)
Current tax charge for the year	958	661

7 Dividends

	2002 €'000	2001 €'000
Interim ordinary dividend paid of 5 cents per share (2001: 4.75 cents)	496	471
Final dividend proposed of 6.4 cents per share (2001: 6.05 cents)	637	603
	1,133	1,074

8 Earnings per share

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

	2002	2001
Numerator:		
For basic and diluted earnings per share		
Profit for the financial year (€'000)	4,690	4,006
For earnings per share excluding exceptional items:		
Profit for the financial year	4,690	4,006
Share of joint venture's loss on termination of subsidiary	-	304
Numerator for earnings per share excluding exceptional items (€'000)	4,690	4,310
Denominator:		
Weighted average number of ordinary shares in issue for the year	10,034,990	10,034,990
Average number of treasury shares	(107,828)	(107,828)
Denominator for basic earnings per share	9,927,162	9,927,162
Effect of dilutive potential Ordinary Shares (share options)	108,937	92,438
Denominator for diluted earnings per share	10,036,099	10,019,600
Basic earnings per Ordinary Share	47.2c	40.4 c
Diluted earnings per Ordinary Share	46.7c	40.0 c
Excluding exceptional items		
- basic	47.2c	43.4 c
- diluted	46.7c	43.0 c

9 Tangible assets

Group	Freehold and leasehold land and buildings €'000	Plant €'000	Fixtures and fittings €'000	Motor vehicles €'000	Tankers and trailers €'000	Total €'000
Cost or valuation						
At 31 December 2001						
- Valuation	775	-	-	-	-	775
- Cost	10,364	18,457	2,055	2,766	943	34,585
Additions	281	1,587	139	433	1	2,441
Disposals	(20)	(49)	(9)	(403)	(33)	(514)
Reclassification	101	(101)	-	-	-	-
Translation adjustment	(70)	(75)	(47)	(9)	-	(201)
At 31 December 2002	11,431	19,819	2,138	2,787	911	37,086
Accumulated depreciation						
At 31 December 2001	1,764	8,567	1,314	1,411	751	13,807
Charge for year	272	1,546	275	462	60	2,615
Disposals	(6)	(12)	(5)	(295)	(33)	(351)
Reclassification	20	(20)	-	-	-	-
Translation adjustment	(4)	(56)	(45)	(4)	-	(109)
At 31 December 2002	2,046	10,025	1,539	1,574	778	15,962
Net book amounts						
At 31 December 2001	9,375	9,890	741	1,355	192	21,553
At 31 December 2002						
- valuation	775	-	-	-	-	775
- cost	10,656	19,819	2,138	2,787	911	36,311
- accumulated depreciation	(2,046)	(10,025)	(1,539)	(1,574)	(778)	(15,962)
	9,385	9,794	599	1,213	133	21,124

Notes to the Financial Statements continued

9 Tangible assets - continued

	2002 €'000	2001 €'000
Group - continued		
Included above are the following amounts in respect of assets held under finance leases:		
Net book amount	41	56
Depreciation charge for year	12	13

	Freehold land and buildings €'000	Plant €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Company					
Cost or valuation					
At 31 December 2001					
- valuation	775	-	-	-	775
- cost	1,307	412	856	555	3,130
Additions	59	23	17	178	277
Disposals	-	-	(5)	(144)	(149)
At 31 December 2002	2,141	435	868	589	4,033
Accumulated depreciation					
At 31 December 2001	750	355	629	322	2,056
Charge for year	79	11	101	101	292
Disposals	-	-	(4)	(111)	(115)
At 31 December 2002	829	366	726	312	2,233
Net book amounts					
At 31 December 2001	1,332	57	227	233	1,849
At 31 December 2002					
- valuation	775	-	-	-	775
- cost	1,366	435	868	589	3,258
- accumulated depreciation	(829)	(366)	(726)	(312)	(2,233)
	1,312	69	142	277	1,800

Land and buildings of the parent company were revalued on an existing use basis (except for certain land which was valued at open market value) by D Rainey & Sons M.I.A.V.I. at 31 December 1988. The surplus arising on the revaluation has been taken to revaluation reserve (note 19).

9 Tangible assets - continued

The estimated useful lives of tangible assets by reference to which depreciation has been calculated are as follows:

Buildings	4 - 20 years
Plant	10 years
Fixtures and fittings	4 - 10 years
Motor vehicles	4 years
Tankers and trailers	6 years

Freehold land and buildings would have been stated as follows under the historical cost convention:

	Group	Company
	€'000	€'000
At 31 December 2002		
Cost	11,670	2,373
Accumulated depreciation	(2,317)	(1,175)
	9,353	1,198

10 Financial assets

	Other investments €'000	Loan stock in joint venture €'000	Joint ventures €'000	Listed shares €'000	Unlisted shares €'000	Prize bonds €'000	Investment property €'000	Other milk quota €'000	Total €'000
Group									
At 31 December 2001	-	5,217	13	30	98	100	4,458	199	10,115
Additions	10	538	-	-	120	-	69	-	737
Translation adjustment	-	-	-	-	-	-	-	(12)	(12)
Provision made during year	-	-	-	-	(120)	-	-	(139)	(259)
Share of increase/(decrease) in net assets	-	-	(49)	-	-	-	-	-	(49)
Disposals	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
At 31 December 2002	10	5,755	(36)	30	98	100	4,527	48	10,532

Cost	12,779
Provision	(2,186)
Share of decrease in net assets of Carbury Mushrooms Limited	(49)
Translation adjustment	(12)
	10,532

The group's share of net assets, together with goodwill, arising on its investment in Carbury Mushrooms Limited was as follows:

	€'000
Goodwill on acquisition	2,088
Tangible fixed assets	6,029
Financial assets	-
Current assets	5,870
Liabilities due within one year	(7,916)
Liabilities due after one year	(6,107)
	(36)

			Unlisted shares						
	Subsidiary companies €'000	Listed shares €'000	Associate under-takings €'000	Joint ventures €'000	Other interests €'000	Loan stock in joint venture €'000	Prize bonds €'000	Investment property €'000	Total €'000
Company									
At 31 December 2001	4,244	22	-	1,834	52	5,217	100	4,458	15,927
Additions	-	-	-	-	130	538	-	69	737
Provision made during year	-	-	-	-	(120)	-	-	-	(120)
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2002	4,244	22	-	1,834	62	5,755	100	4,527	16,544

Cost	19,950
Provision	(3,406)
	16,544

10 Financial assets - continued

Group

The cumulative provision against financial assets at 31 December 2002 of €2,186,000 (2001: €1,927,000) is against the carrying value of unlisted shares, €1,920,000 (2001: €1,800,000) and milk quotas €266,000 (2001: €127,000).

The market value of the listed shares at 31 December 2002 was €30,000 (2001: €32,000). In the opinion of the directors, the value to Donegal Creameries plc of the unlisted shares is not less than the value shown above. The listed shares are listed on recognised stock exchanges.

Group and company

The investment property represents a farm, An Grianán, acquired by the company in 1996.

Company

The cumulative provision at 31 December 2002 of €3,406,000 (2001: €3,286,000) is against the carrying value of subsidiaries, €1,486,000 (2001: €1,486,000) and unlisted shares, €1,920,000 (2001: €1,800,000).

11 Intangible assets

	Positive goodwill €'000	Negative goodwill €'000	Total €'000
Group			
Goodwill arising on acquisitions:			
At 31 December 2001	3,118	(922)	2,196
Translation adjustment	(59)	-	(59)
At 31 December 2002	3,059	(922)	2,137
Released to profit and loss account:			
At 31 December 2001	241	(127)	114
Translation adjustment	(6)	-	(6)
Amortised during the year	153	(42)	111
At 31 December 2002	388	(169)	219
Net book amount:			
At 31 December 2001	2,877	(795)	2,082
At 31 December 2002	2,671	(753)	1,918

Goodwill is amortised to the profit and loss account over 20 years.

12 Stocks

	2002 €'000	2001 €'000
Group		
Dairy	47	-
Store, including animal feeds	7,699	5,557
Confectionery	429	447
Packaging and other stocks	2,573	2,756
	10,748	8,760
Company		
Store	5,380	3,554
Expense stocks	34	28
	5,414	3,582

The estimated replacement cost of stocks is not materially different from the above amounts.

13 Debtors

	2002 €'000	2001 €'000
Group		
Trade debtors	27,794	27,204
Other debtors	538	566
Prepayments and accrued income	2,080	4,169
Value added tax	611	586
Amounts owed by associated undertakings	565	1,156
	31,588	33,681
Corporation tax recoverable	-	-
	31,588	33,681
Amount falling due after more than one year included above:	-	-
Company		
Trade debtors	9,502	8,490
Other debtors	46	64
Prepayments and accrued income	1,125	680
Value added tax	408	341
Amounts owed by subsidiary undertakings	8,794	6,073
Amounts owed by associated undertakings	565	1,155
	20,440	16,803
Amount falling due after more than one year included above:	-	-

14 **Creditors** - Amounts falling due within one year

	2002	2001
	€'000	€'000
Group		
Trade creditors	17,311	17,258
Other creditors and accruals	4,097	4,549
Income tax deducted under PAYE	93	80
Pay-related social insurance	71	87
Value added tax	242	329
	21,814	22,303
Deferred consideration on acquisition of subsidiaries and joint venture (note 15 [1])	1,956	1,960
Capital grants deferred	2	5
Finance leases	13	19
Bank loans and overdrafts	6,604	8,622
Dividends proposed	849	821
Share capital in subsidiary undertaking [1]	-	666
Corporation tax	964	594
	32,202	34,990
Creditors for taxation and social welfare included above	1,370	1,089

[1] The share capital in subsidiary undertaking was issued on 6 March 1997 and was repurchased by the subsidiary on 6 March 2002. The amount paid by the subsidiary for the repurchase of these shares was €666,612.

	2002	2001
	€'000	€'000
Company		
Trade creditors	6,389	5,472
Bank loans	3,809	3,810
Amounts due to subsidiary undertakings	17,856	28,738
Other creditors and accruals	1,162	1,237
Deferred consideration on acquisition of subsidiaries and joint venture (note 15 [1])	1,956	1,960
Dividends proposed	847	820
Income tax deducted under PAYE	34	35
Pay-related social insurance	41	42
Corporation tax	412	54
	32,506	42,168
Creditors for taxation and social welfare included above	487	131

The bank loans are secured by cross guarantees from other group companies.

15 Creditors - Amounts falling due after one year

	2002 €'000	2001 €'000
Group		
Bank loans	7,618	7,618
Deferred consideration on acquisition of subsidiaries and joint venture [1]	-	121
Capital grants deferred	45	43
Finance leases	14	26
	7,677	7,808
Company		
Bank loans	7,618	7,618
Deferred consideration on acquisition of subsidiaries and joint venture [1]	-	121
	7,618	7,739

[1] On 12 February 1999, the company entered into an agreement for the purchase of 76% of the ordinary share capital of Wm McKinney and Sons Limited. €151,000 of the purchase consideration was unpaid at 31 December 2002 and was due for payment as follows:

	2002 €'000	2001 €'000
Due within one year	151	121
Due between one and two years	-	151
Due between two and five years	-	-
	151	272

On 10 September 1999, the company entered into an agreement for the purchase of a 52.5% interest in Carbury Mushrooms Limited (formerly Bendory Limited). 40% of the shares were purchased on that date and the sale agreement provides for the purchase of the remaining 12.5% interest between three and five years from the date of the agreement. The consideration payable in respect of the 12.5% interest is fixed at €1,904,607. €97,500 was paid by the group during the year.

16 Provisions for liabilities and charges

	2002 €'000	2001 €'000
Group		
Deferred taxation		
On accelerated capital allowances	608	645

16 Provisions for liabilities and charges - continued

Group - continued

	€'000
At 31 December 2001	645
Transfer to profit and loss account (note 6)	(37)
At 31 December 2002	608

Company

	2002 €'000	2001 €'000
Deferred taxation		
On accelerated capital allowances	-	64

Full provision has been made for deferred taxation as it is expected that the relevant corporation tax will become payable in the foreseeable future.

17 Share capital

	2002 €'000	2001 €'000
Authorised 50,000,000 (2001: 50,000,000) ordinary shares of 13 cents (2001: 13 cents) each	6,500	6,500
Allotted and fully paid 10,034,990 (2001: 10,034,990) ordinary shares of 13 cents (2001: 13 cents) each	1,304	1,304

There are options outstanding in respect of 366,590 ordinary shares of 13 cents each at 31 December 2002 (2001: 366,590). This figure includes options over 240,000 shares which can only be exercised after the expiration of three years from the date of grant of the options and after specific EPS growth targets have been achieved.

The option prices range from 13 cents to €2.10 per ordinary share.

18 Share premium

Group and company

	€'000
At 31 December 2001 and 31 December 2002	2,546

19 Reserves

	Revaluation reserve €'000	Reserve on acquisition €'000	Other reserves €'000	Profit and loss account €'000
Group				
At 31 December 2001	312	293	189	27,419
Profit for year	-	-	-	4,690
Dividends	-	-	-	(1,133)
Translation adjustment	-	-	-	(190)
At 31 December 2002	312	293	189	30,786
Company				
At 31 December 2001	155	-	189	812
Profit for year	-	-	-	1,729
Dividends	-	-	-	(1,133)
At 31 December 2002	155	-	189	1,408

The revaluation reserve arises from the revaluation of land and buildings. No provision has been made for any tax liability that may arise if these assets were disposed of at their revalued amount.

Other reserves of €188,749 are non distributable as they are not available for distribution until such time as the contingent liability (see note 23) to repay capital grants, received from the Industrial Development Authority, has expired.

Profits available for distribution are restricted by €129,110 (2001: €129,110), being the cost of shares in Donegal Creameries plc held by the group.

As permitted by Section 3(2) of the Companies (Amendment) Act, 1986 a profit and loss account in respect of the parent company is not shown. A profit after tax of €1,729,000 (2001: profit after tax of €469,000) relating to the parent company is included in the group profit and loss account.

20 Reconciliation of movements in equity shareholders' funds

	2002 €'000	2001 €'000
Profit for the financial year	4,690	4,006
Dividends	(1,133)	(1,074)
	3,557	2,932
Translation adjustment	(190)	(23)
Net addition to shareholders' funds	3,367	2,909
Opening shareholders' funds	32,063	29,154
Closing shareholders' funds	35,430	32,063

21 Minority interests in subsidiaries

	2002 €'000	2001 €'000
Equity:		
At 31 December 2001	1,368	730
Share of profit for the year	198	96
Less share of minority interest in joint venture	(18)	(18)
Acquisition of McCorkell Holdings Limited	-	560
At 31 December 2002	1,548	1,368

22 Financial instruments

The board is conscious of the financial risks inherent in the group's activities denominated in foreign currencies, principally sterling, and the interest rate risk associated with the group's borrowings. The foreign exchange risks are considered in consultation with the group's treasury providers and forward currency contracts are sometimes used. While the interest rate risk is considered in consultation with the group's treasury providers, the group has maintained its bank borrowings at floating rates in the past.

The group has taken advantage of the exemption provided by Financial Reporting Standard 13 and has not included short term debtors and creditors within notes (a), (c) and (e) below.

(a) Interest rate risk profile of financial assets and liabilities

	2002 €'000	2001 €'000
The Group's financial assets, as defined by Financial Reporting Standard 13, comprise:		
Listed shares	30	30
Unlisted shares	98	98
	128	128

The interest rate profile of these financial assets was as follows:

Currency	2002 Total €'000	2002 Equity shares €'000	2001 Total €'000	2001 Equity shares €'000
Euro	128	128	128	128

The Group's financial liabilities, as defined by Financial Reporting Standard 13, comprise:

	Notes	2002 €'000	2001 €'000
Finance leases	14, 15	27	45
Share capital in subsidiary undertaking	14, 15	-	666
Bank loans and overdrafts	14, 15	14,222	16,240
Deferred consideration on acquisition of subsidiaries and joint venture	14, 15	1,956	2,081
Total		16,205	19,032

22 Financial instruments - continued

(a) Interest rate risk profile of financial assets and liabilities - continued

After taking account of forward currency contracts, the interest rate profile of these financial liabilities was as follows:

31 December 2002:

	Total €'000	Floating rate financial liabilities €'000	Fixed rate financial liabilities €'000	Financial liabilities on which no interest is paid €'000
Currency				
Euro	13,761	11,778	177	1,806
Sterling	2,444	2,444	-	-
Total	16,205	14,222	177	1,806

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Period for which rate is fixed Years	Weighted average period until maturity Years
Currency			
Euro	4.31	1.03	-

31 December 2001:

	Total €'000	Floating rate financial liabilities €'000	Fixed rate financial liabilities €'000	Financial liabilities on which no interest is paid €'000
Currency				
Euro	15,814	13,022	2,792	-
Sterling	3,218	3,218	-	-
Total	19,032	16,240	2,792	-

22 Financial instruments - continued

(a) Interest rate risk profile of financial assets and liabilities - continued

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Period for which rate is fixed Years	Weighted average period until maturity Years
Currency			
Euro	4.33	0.58	N/A

The floating rate financial liabilities comprise:

- Euro denominated overdrafts that bear interest at EURIBOR rates.
- Sterling denominated overdrafts that bear interest at UK base rates.

(b) Currency exposures

The table below shows the Group's currency exposures; i.e. those transactional (or non-structural) exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved. The table includes the effect of forward currency contracts taken out to manage these currency exposures. As at 31 December 2002 these exposures were as follows:

	Net foreign currency monetary assets/(liabilities)				
	Euro €'000	Sterling €'000	US Dollar €'000	Other €'000	Total €'000
Functional currency of group operation					
Euro	-	4,468	111	240	4,819
Sterling	(4,070)	-	-	-	(4,070)
Total	(4,070)	4,468	111	240	749

	Net foreign currency monetary assets/(liabilities)				
31 December 2001	Euro €'000	Sterling €'000	US Dollar €'000	Other €'000	Total €'000
Functional currency of group operation					
Euro	-	(376)	70	-	(306)
Sterling	(2,419)	-	-	-	(2,419)
Total	(2,419)	(376)	70	-	(2,725)

22 Financial instruments - continued

(c) Maturity of financial liabilities

The maturity profile of the group's financial liabilities, other than short term creditors such as trade creditors and accruals, at 31 December 2002 was as follows:

	2002 €'000	2001 €'000
In one year or less or on demand	8,573	11,267
In more than one year but not more than two years	14	147
In more than two years but not more than five years	7,618	7,618
	16,205	19,032

(d) Borrowing facilities

There were no undrawn committed borrowing facilities at 31 December 2002 (2001: None).

(e) Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31 December 2002:

	2002		2001	
	Book value €'000	Fair value €'000	Book value €'000	Fair value €'000
Primary financial instruments held or issued to finance the Group's operations:				
Listed and unlisted shares (note 10)	128	128	128	130
Overdrafts and short-term borrowings (note 14)	(6,604)	(6,604)	(8,622)	(8,622)
Long-term borrowings (note 15)	(7,618)	(7,618)	(7,618)	(7,618)
Finance leases (notes 14 and 15)	(27)	(27)	(45)	(45)
Deferred consideration on acquisition of subsidiaries and joint venture (notes 14 and 15)	(1,956)	(1,956)	(2,081)	(2,081)
Share capital in subsidiary undertaking (notes 14 and 15)	-	-	(666)	(666)
Derivative financial instruments held to hedge the currency exposure on sales				
Forward currency contracts	-	44	-	(135)

As a result of their short maturity there is no material difference between the book and fair value of overdrafts and short term borrowings. The fair values of all other items are their market values, where appropriate, or have been calculated by discounting future cash flows at prevailing interest rates.

22 Financial instruments - continued

(f) Gains and losses on hedging contracts

Gains and losses on hedging instruments which were unrecognised at 31 December 2002 are set out below:

	Gains €'000	Losses €'000	Total net gains/(losses) €'000
Unrecognised gains and losses on hedges at 1 January 2002	-	(135)	(135)
Gains and losses arising in previous years that were recognised in 2002	-	69	69
Gains and losses arising in previous years that were not recognised in 2002	-	(66)	(66)
Gains and losses arising in 2002 that were not recognised in 2002	57	53	110
Unrecognised gains and losses on hedges at 31 December 2002	57	(13)	44
Of which:			
Gains and losses expected to be recognised in 2003	57	(13)	44
Gains and losses expected to be recognised in 2004 or later	-	-	-

	Gains €'000	Losses €'000	Total net gains/(losses) €'000
Unrecognised gains and losses on hedges at 1 January 2001	-	(75)	(75)
Gains and losses arising in previous years that were recognised in 2001	-	(75)	(75)
	-	-	-
Gains and losses arising in 2001 that were not recognised in 2001	-	(135)	(135)
Unrecognised gains and losses on hedges at 31 December 2001	-	(135)	(135)
Of which:			
Gains and losses expected to be recognised in 2002	-	(69)	(69)
Gains and losses expected to be recognised in 2003 or later	-	(66)	(66)

23 Contingent liabilities

Group and company

Under agreements between the group and the Industrial Development Authority, capital grants up to a maximum of €730,000 (2001: €730,000) could become repayable in certain circumstances as set out in the agreements.

Company

The company has guaranteed bank borrowings of Carbury Mushrooms Limited of €448,000 (2001: €1,271,000).

The company has guaranteed the bank borrowings of certain subsidiaries. At 31 December 2002 these borrowings amounted to €5,546,000 (2001: €23,812,000).

24 Directors' remuneration and interests in shares

Directors' remuneration (including pensions) and interests in shares (including share options) are listed on pages 15 to 17 in the report of the remuneration committee.

25 Employees

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

	2002 Number	2001 Number
Production	145	129
Stores	95	99
Transport	29	41
Administration	78	66
	347	335

	2002 €'000	2001 €'000
Staff costs are comprised of:		
- wages and salaries	8,722	7,923
- social welfare costs	849	817
- other pension costs	492	492
	10,063	9,232

26 Pensions

The pension entitlements of most employees arise under defined benefit pension schemes and are secured by contributions by the group to separately administered pension funds. Annual contributions are based on the advice of a professionally qualified actuary on the basis of triennial valuations using the attained age method and are charged to the profit and loss account on an accruals basis.

On the basis of the latest actuarial valuations prior to the year end, which were carried out as at 1 February 2002, 1 January 2000, 1 April 2000 and 1 April 2001, the market value of the schemes' assets was €6,859,000 (2001: €6,601,000) and the actuarial value of those assets represented in aggregate 112% (2001: 110%) of the benefits that had accrued to members allowing for future increases in pensionable earnings. The principal actuarial assumption adopted in the valuations was that, over the long term, the annual rate of return on investments would be 2% higher than the annual increase in pensionable remuneration. The pension cost charged to the profit and loss account in respect of defined benefit pension schemes was €389,000 (2001: €418,000). The actuarial reports are not available for public inspection.

Contributions to the schemes will continue at the actuary's recommended rate, and the variation from regular cost will be charged over the average expected remaining service lives of employees as a fixed percentage of expected future pay.

The pension entitlements of employees of three of the subsidiaries arise under defined contribution schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and totalled €103,000 (2001: €74,000).

At 31 December 2002 €59,000 (2001: €37,000) was included within creditors in respect of pension liabilities.

Financial Reporting Standard 17 – Retirement Benefits

A new accounting standard, Financial Reporting Standard 17 – Retirement Benefits (FRS 17) was issued by the Accounting Standards Board in November 2000 which represents a significant change in the method of accounting for pension costs compared with the previous rules as set out in SSAP 24. The new accounting rules prescribed by FRS 17 do not become mandatory for the group until 2005 and, while early adoption is permitted, the group has elected to avail of the transitional provisions outlined in the standard, which for 2002, permit the use of SSAP 24 regulations for determining pension cost but require additional disclosure of the balance sheet and profit and loss impact of the adoption of FRS 17 as at 31 December 2002.

The group operates several defined benefit schemes. The full actuarial valuations carried out as outlined above were updated to 31 December 2002 for FRS 17 disclosure purposes by a qualified independent actuary. The main financial assumptions used in the valuations were:

	2002	2001
Rate of increase in salaries	4.00% - 4.25%	3.75% - 4.5%
Rate of increase in pensions in payment	3.00% - 5.00%	3.00% - 5.00%
Discount rate	5.00% - 5.5%	5.75% - 6.00%
Inflation assumption	2.00% - 3.00%	2.00% - 4.00%

26 Pensions - continued

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

	Long-term rate of return expected at 31 December 2002	Market value at 31 December 2002 €'000	Long-term rate of return expected at 31 December 2001	Market value at 31 December 2001 €'000
Equities and property	7.3%	2,499	7.5%	3,157
Bonds	4.5%	1,905	5.5%	1,714
Managed funds	7.0%	2,798	8.0%	3,384
Other	4.3%	318	4.7%	298
		7,520		8,553

The following amounts at 31 December 2002 and 31 December 2001 were measured in accordance with the requirements of FRS 17:

	2002 €'000	2001 €'000
Total market value of assets	7,520	8,553
Present value of scheme liabilities	(8,853)	(7,864)
(Deficit)/surplus in the scheme	(1,333)	689
Related deferred tax (liability)/asset	167	(86)
Net pension (liability)/asset	(1,166)	603

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2002 and 31 December 2001 would be as follows:

	2002 €'000	2001 €'000
Net assets excluding pension (liability)/asset	36,978	33,431
Pension (liability)/asset	(1,166)	603
Net assets including pension (liability)/asset	35,812	34,034
Profit and loss reserve excluding pension (liability)/asset	30,786	27,419
Pension (liability)/asset	(1,166)	603
Profit and loss reserve including pension (liability)/asset	29,620	28,022

26 Pensions - continued

The following amounts would have been recognised in the performance statements for the year ended 31 December 2002 under the requirements of FRS 17.

	2002 €'000
Operating profit	
Current service cost	309
Other finance income	
Expected rate of return on pension schemes' assets	557
Interest on pension schemes' liabilities	(420)
	137
Statement of recognised gains and losses	
Actual return less expected return on pension schemes' assets	(1,655)
Experience gains and losses arising on the schemes' liabilities	76
Changes in assumptions underlying the present value of the schemes' liabilities	(664)
Actuarial loss recognised in the statement of total recognised gains and losses	(2,243)
Movement in surplus during the year	
Surplus in schemes at 1 January 2002	689
Movement in year:	
Current service cost	(309)
Contributions paid	393
Other finance income	137
Actuarial loss	(2,243)
Deficit in schemes at 31 December 2002	(1,333)

	31 December 2002 €'000
Experience gains and losses for the year ended 31 December 2002	
Difference between the expected and actual return on scheme's assets	(1,655)
Percentage of schemes' assets	(22%)
Experience gains and losses on schemes' liabilities	76
Percentage of schemes' assets	0.9%
Total recognised in statement of total recognised gains and losses	(1,579)
Percentage of the present value of the schemes' liabilities	17.8%

Notes to the Financial Statements continued

27 Reconciliation of operating profit to net cash inflow from operating activities

	2002 €'000	2001 €'000
Operating profit	5,144	4,393
Depreciation	2,615	2,161
Amortisation of goodwill	111	112
Provision against financial assets	259	239
Capital grants amortised	(5)	(15)
Increase in working capital (note 28)	(2,748)	(2,409)
Exchange rate movements	151	(189)
Net cash inflow from operating activities	5,527	4,292

28 Changes in working capital

	Stocks €'000	Debtors €'000	Creditors €'000	Total €'000
At 31 December 2001	8,760	33,681	(22,303)	20,138
Capital debtors/creditors	-	(498)	31	(467)
Interest receivable	-	309	-	309
Insurance proceeds received	-	(1,905)	-	(1,905)
Foreign exchange	(57)	(42)	(86)	(185)
Deferred income	-	-	(116)	(116)
Increase in working capital	2,045	43	660	2,748
At 31 December 2002	10,748	31,588	(21,814)	20,522
Prior year movement	467	2,266	(324)	2,409

29 Reconciliation of net cash flow to movement in net cash/(debt)

	2002 €'000	2001 €'000
Increase/(decrease) in cash	2,886	4,622
Cash (inflow)/outflow from (increase)/decrease in debt	18	(11,400)
Change in net cash resulting from cash flows	2,904	(6,778)
Acquisition of subsidiary	-	290
Redemption of share capital	666	-
Non-cash changes	-	(51)
Exchange rate movements	4	(82)
Movement in net debt in the year	3,574	(6,621)
Net debt at beginning of year	(16,268)	(9,647)
Net debt at end of year	(12,694)	(16,268)

30 Analysis of net debt

	At 1 December 2001 €'000	Redemption of share capital of subsidiary €'000	Cash flow €'000	Foreign Exchange €'000	At 31 December 2002 €'000
Cash at bank and in hand	683	-	825	47	1,555
Overdrafts	(4,812)	-	2,061	(43)	(2,794)
	(4,129)	-	2,886	4	(1,239)
Bank loans due within 1 year	(3,810)	-	-	-	(3,810)
Bank loans due after 1 year	(7,618)	-	-	-	(7,618)
	(11,428)	-	-	-	(11,428)
Share capital in subsidiary undertaking	(666)	666	-	-	-
Finance leases	(45)	-	18	-	(27)
	(16,268)	666	2,904	4	(12,694)

31 Related party transactions

In the ordinary course of their business as farmers, directors have traded on standard commercial terms with the group. Aggregate purchases from, and sales to, these directors amounted to €1,762,000 (2001: €2,752,000) and €939,000 (2001: €1,002,000), respectively.

The aggregate amounts owed to the directors, and by the directors, in respect of these transactions at 31 December 2002 was €73,000 (2001: €103,000) and €437,000 (2001: €359,000) respectively.

The group holds loan stock of €5,755,000 (2001: €5,217,000) in Carbury Mushrooms Limited, formerly Bendory Limited, a joint venture undertaking between Donegal Creameries Plc and Connacht Gold Co-Operative Society Limited. Income of €295,000 (2001: €362,000) was receivable on this loan stock during the year.

Donra Dairies Limited, an associate undertaking, purchased goods on standard commercial terms from the group during the year amounting to €2,216,000 (2001: €2,241,000).

32 Future capital expenditure not provided for

At the year end capital commitments authorised by the directors and not provided for in the financial statements were as follows:-

	2002 €'000	2001 €'000
Authorised but not contracted for	-	-
Contracted but not provided for	34	212

33 Principal interests in subsidiary and associated undertakings

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Subsidiary undertakings			
Incorporated in the Republic of Ireland:			
Glenveagh Agricultural Co-Operative Society Limited	Intake and processing of milk	99.5%	100,500 ordinary shares of €1.26973 each (477 unpaid)
Robert Smyth & Sons (Strabane & Donegal) Limited Ballindrait Lifford Co Donegal	Manufacture of animal feed compounds	100%	324,168 ordinary shares of €1.26973 each
Comharchuman Gaeltacht Lár Tír Chonaill Teoranta	Selling of agricultural and dairy products	54.1%	47,073 ordinary shares of €1.26973 each
Donegal Dairy Products Limited	Non-trading	100%	384,996 ordinary shares of €1.26973 each
Asian Paneer (Ireland) Limited (through Donegal Dairy Products Limited)	Non-trading	75%	29,915 ordinary shares of €1.26973 each
North Donegal Co-Operative Enterprises Limited	Non-trading	56.6%	26,500 ordinary shares of €1.26973 each
Irish Potato Marketing Limited Unit 1, Loughlinstown Centre Loughlinstown, Dun Laoire, Co. Dublin	Development, marketing and sale of seed potatoes	100%	8 "A" Ordinary shares of €1.26973 each
Donegal Potatoes Limited (through Irish Potato Marketing Limited) Colehill, Newtowncunningham, Co Donegal	Grading and storage of potatoes and sack printing	100%	120,000 ordinary shares of €1.26973 each
Wm Mc Kinney and Sons Limited Ramelton Road, Letterkenny, Co Donegal	Confectionery manufacture	76%	323,750 ordinary shares of €1.26973 each
		0%	15,000 preference shares of €1.26973 each

The registered office of the above companies is Ballyraine, Letterkenny, Co Donegal, except where otherwise stated.

33 Principal interests in subsidiary and associated undertakings - continued

Subsidiary undertakings - continued

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in Northern Ireland:			
Maybrook Dairy Limited	Non-trading	100%	683,655 ordinary 'A' shares of Stg£1 each
		100%	227,885 ordinary 'B' shares of Stg£1 each
Euro-Agri Limited	Selling of agricultural inputs	100%	50,000 ordinary shares of Stg£1 each
Estuary Trading Limited	Agent for Donegal Creameries plc in Northern Ireland	100%	1,000 ordinary shares of Stg£1 each
Maybrook Dairy (Omagh) Limited	Selling of agricultural and dairy products	100%	1,000 ordinary shares of Stg£1 each
McCorkell Holdings Limited Fanum House 108 Great Victoria Street Belfast BT2 7AX	Stevedoring	75%	923,652 ordinary shares of Stg£1 each

The registered office of the above companies is 14A Dromore Road, Omagh, Co. Tyrone, except where otherwise stated.

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in the United Kingdom:			
IPM Perth Limited East Den Brae, Letham, Angus DD8 2PJ, Scotland	Non-trading	100%	2 ordinary shares of Stg£1 each

Joint venture undertakings

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in the Republic of Ireland:			
Carbury Mushrooms Limited (formerly Bendory Limited) 30 Herbert Street Dublin 2	Mushroom marketing and compost production	100%	40,000 'A' ordinary shares of €1.90461 each
		0%	26,300 'B' ordinary shares of €1.90461 each
		100%	12,500 'C' ordinary shares of €1.90461 each
		0%	12,500 'D' ordinary shares of €1.90461 each
		0%	8,700 'E' ordinary shares of €1.90461 each

33 Principal interests in subsidiary and associated undertakings - continued

Associated undertakings:

Name and registered office	Principal activity	Holding	Issued and fully paid up capital
Incorporated in the Republic of Ireland:			
Donra Dairies Limited Ballyraine Letterkenny Co Donegal	Distribution of long life milk	50%	2 ordinary shares of €1.26973 each

The results of all subsidiary, joint venture and associated undertakings have been included within the group financial statements. All companies operate primarily in their country of incorporation. The percentage shareholdings stated above also reflect the group's voting rights for each class of share except in the case of Glenveagh Agricultural Co-Operative Society Limited, where the group and each of the other 500 shareholders have one vote each and Carbury Mushrooms Limited where the group holds 0% of the voting rights on the 'C' ordinary shares. Donegal Creameries plc has call options, exercisable at its absolute discretion, over the ordinary shares in Glenveagh Agricultural Co-Operative Society Limited not already owned by it.

34 Approval of financial statements

The directors approved the financial statements on 29 May 2003.

Group Financial Summary

	2002 €'000	2001 €'000	2000 €'000	1999 €'000	1998 €'000
Profit and loss account					
Turnover	135,337	139,419	125,930	99,982	73,763
Operating profit	5,144	4,393	3,315	2,837	2,683
Profit on disposal of fixed assets	55	85	223	344	84
Profit on disposal of investments	699	601	580	102	658
Share of results of joint venture	549	862	1,152	606	-
Share of results of associates	-	79	42	89	(273)
Income from financial assets	800	846	834	753	721
Interest receivable	29	14	53	37	159
Interest payable	(1,467)	(1,502)	(1,146)	(377)	(77)
Profit before exceptional items and tax	5,809	5,378	5,053	4,391	3,955
Profit on disposal of fixed assets destroyed by fire	-	-	3,244	-	-
Share of joint venture's exceptional losses	-	(304)	(2,082)	-	-
Profit before tax	5,809	5,074	6,215	4,391	3,955
Tax	(921)	(972)	(1,273)	(630)	(660)
Profit after tax	4,888	4,102	4,942	3,761	3,295
Minority interest	(198)	(96)	(74)	(66)	-
Dividends	(1,133)	(1,074)	(1,010)	(879)	(681)
Profit retained	3,557	2,932	3,858	2,816	2,614
Balance sheet					
Tangible fixed assets	21,124	21,553	15,423	9,747	7,733
Financial fixed assets	10,568	10,102	10,822	11,560	7,034
Investments in joint venture	(36)	13	286	2,057	-
Intangible assets	1,918	2,082	2,105	(128)	-
Net current assets	11,689	8,134	4,158	5,812	9,368
	45,263	41,884	32,794	29,048	24,135
Creditors due after one year	(7,677)	(7,808)	(2,576)	(2,819)	(1,271)
Deferred tax	(608)	(645)	(334)	(74)	(86)
Minority interests	(1,548)	(1,368)	(730)	(674)	(1)
Shareholders' funds	35,430	32,063	29,154	25,481	22,777
Depreciation (€'000)	2,615	2,161	1,707	1,489	1,185
Earnings per share (cents)	47.2	40.4	49.0	37.2	33.3
Earnings per share excluding exceptional items (cents)	47.2	43.4	41.7	37.2	33.3
Dividends per share (cents)	11.4	10.8	10.2	8.9	6.9
Dividend cover (times)	4.1	3.7	4.8	4.2	4.9