

# Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2005.

## Principal activities and review of the business

United Dairy Farmers Limited is a members' voluntary co-operative registered under the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. The principal activities of the group include the transport and processing of milk, the marketing of milk and a wide range of dairy products, laboratory services, research and development and the provision of services to dairy farmers.

A total of 1,034 million litres of milk were marketed by the society during the year to 31 March 2005.

The monthly base price paid to members for milk supplies of standard quality ranged from 16.00ppl in May 2004 to 20.50ppl in September, October and November 2004.

## Results and dividends

The profit after taxation for the year amounted to £2,207,000 (2004 - £1,733,000) which, after making provision for a dividend of £526,000 (2004 - £540,000) and the issue of additional shares of £515,000 (2004 - £493,000) leaves a profit of £1,166,000 (2004 - £700,000) to be transferred to reserves.

## Future developments

The outlook for 2005/06 is for milk prices similar to those in 2004/05 with reduced milk supply offsetting the effect of lower support.

## Fixed assets

The changes in fixed assets during the period are summarised in notes 9 to 11 to the financial statements.

## Directors

For the year ended 31 March 2005 the directors of the society were:

Elected by	- Area 1	David McNeill, James Walker
	- Area 2	William Hanna, Brian McCracken
	- Area 3	John Dunlop, Harold Hamilton
	- Area 4	Bertie Kelso, Albert Wallace
Elected by Conference of Area Councils		Billy Morton, Will Taylor
Appointed		Frank Ledwidge, John B McGuckian

Frank Ledwidge retired as a director at 31 March 2005 and Ian Doherty was appointed as a director from 1 April 2005. The term of office of the two elected directors of Area 1 ended on 31 March 2005; David McNeill and James Walker were re-elected as the directors of this Area for a two year and a four year term respectively, commencing 1 April 2005.

All elected directors are required to be members of United Dairy Farmers Limited.

On 11 April 2005 Harold Hamilton and James Walker were re-elected as Chairman and Vice-Chairman of the society.

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## Directors' report

### **Employment policy**

The group fully supports and complies with all the legislation which is designed to promote equality of opportunity within Northern Ireland.

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the group who become disabled to continue their employment, or to be trained for other positions in the group.

Safety awareness is promoted and information on pension matters is provided to staff.

### **Employee involvement**

The group is committed to involve all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations. The policy of employee involvement includes performance improvement groups, personnel surveys and a programme of continuous improvement. Discussions also take place regularly with trade unions representing employees on a wide range of issues.

### **Research and development**

The group maintains an ongoing programme of development for branded and own-label dairy products and has also widened its portfolio of products offered.

### **Charitable contributions**

During the year donations totalling £450, together with small contributions of product, were given to various local charities.

### **Creditor payment policy and practice**

It is the society's policy that payments to producers and suppliers are made in accordance with those terms and conditions agreed between the society and its producers and suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2005 the society had an average of 30 days purchases outstanding in trade creditors.

### **Environmental policy**

United Dairy Farmers is committed to protecting the environment in which we conduct our business activities and has a group environmental policy in place.

### **Auditors**

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board

S. A. Agnew

Secretary  
6 June 2005

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## Statement of directors' responsibilities in respect of the financial statements

Industrial and Provident Society 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 society and of the group and of the profit or loss of the group for that year. In preparation of these 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditors' report

to the members of United Dairy Farmers Limited

We have audited the group's financial statements for the year ended 31 March 2005, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 29. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the group's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 society and the group as at 31 March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976.

Ernst & Young LLP

Registered Auditor, Belfast  
6 June 2005

## Group profit and loss account

for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Turnover: Group and share of joint venture		300,601	281,781
Less: Share of joint venture's turnover		(12,619)	(12,508)
<b>Group turnover</b>	2	<b>287,982</b>	<b>269,273</b>
Cost of sales		(263,021)	(246,283)
<b>Gross profit</b>		<b>24,961</b>	<b>22,990</b>
Selling and distribution costs		(16,725)	(15,025)
Operating and administration costs		(5,718)	(5,257)
<b>Group operating profit</b>		<b>2,518</b>	<b>2,708</b>
Share of operating profit in joint venture – United Feeds		174	328
<b>Group operating profit before exceptional items</b>	3	<b>2,692</b>	<b>3,036</b>
Exceptional items	4	558	(329)
<b>Group operating profit after exceptional items</b>		<b>3,250</b>	<b>2,707</b>
Bank interest receivable		188	136
Interest payable and similar charges	7	(1,422)	(1,051)
<b>Profit on ordinary activities before taxation</b>		<b>2,016</b>	<b>1,792</b>
Taxation credit/(charge)	8	191	(59)
<b>Profit for the financial year</b>		<b>2,207</b>	<b>1,733</b>
Issue of additional shares	23	(515)	(493)
Dividend	23	(526)	(540)
<b>Retained profit for the financial year</b>		<b>1,166</b>	<b>700</b>

## Group statement of total recognised gains and losses

for the year ended 31 March 2005

	2005 £'000	2004 £'000
Profit for the financial year excluding share of results of associate and issue of additional shares	2,126	1,465
Share of joint venture's profit for the year	81	268
Issue of additional shares	(515)	(493)
<b>Total recognised gains and losses relating to the year</b>	<b>1,692</b>	<b>1,240</b>

# Group balance sheet

at 31 March 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Intangible assets	9	3,760	3,774
Tangible assets	10	39,588	35,145
Investments	11	1,506	1,424
		<u>44,854</u>	<u>40,343</u>
<b>Current assets</b>			
Properties held for disposal		350	3,323
Stocks	12	8,241	9,510
Debtors	13	36,122	38,731
Cash at bank and in hand		2,481	2,674
Sinking fund account		79	79
		<u>47,273</u>	<u>54,317</u>
<b>Creditors: amounts due within one year</b>			
Producer accounts		15,871	15,640
Trade creditors	15	10,745	12,383
Other creditors and accruals	16	20,883	21,731
Corporation tax		(156)	(99)
		<u>47,343</u>	<u>49,655</u>
<b>Net current (liabilities)/assets</b>		<u>(70)</u>	<u>4,662</u>
<b>Total assets less current liabilities</b>		<u>44,784</u>	<u>45,005</u>
<b>Creditors: amounts due after more than one year</b>	17	9,838	12,463
Provisions for liabilities and charges - deferred tax	19	2,208	2,316
Deferred income - capital grants	20	2,309	1,130
		<u>14,355</u>	<u>15,909</u>
		<u>30,429</u>	<u>29,096</u>
<b>Capital and reserves</b>			
Called up share capital	21	13,844	13,694
Share capital to be allotted	22	517	500
Profit and loss account	23	16,068	14,902
<b>Shareholders' Funds</b>		<u>30,429</u>	<u>29,096</u>

J R H Hamilton, Chairman  
 D McAleese, Financial Director  
 6 June 2005

J A Walker, Vice- Chairman  
 S A Agnew, Secretary

# Balance sheet

at 31 March 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	10	4,871	5,455
Investments	11	12,333	12,333
		<u>17,204</u>	<u>17,788</u>
<b>Current assets</b>			
Stocks	12	288	180
Debtors	13	35,197	36,004
Cash at bank and in hand		69	53
Sinking fund account		79	79
		<u>35,633</u>	<u>36,316</u>
<b>Creditors: amounts due within one year</b>			
Producer accounts		15,871	15,640
Trade creditors	15	2,495	3,986
Other creditors and accruals	16	11,756	12,041
Corporation tax		(6)	(23)
		<u>30,116</u>	<u>31,644</u>
<b>Net current assets</b>		<u>5,517</u>	<u>4,672</u>
<b>Total assets less current liabilities</b>		<u>22,721</u>	<u>22,460</u>
<b>Creditors: amounts due after more than one year</b>			
Provisions for liabilities and charges - deferred tax	17	247	506
Deferred income - capital grants	19	283	76
	20	263	273
		<u>793</u>	<u>855</u>
		<u>21,928</u>	<u>21,605</u>
<b>Capital and reserves</b>			
Called up share capital	21	13,844	13,694
Share capital to be allotted	22	517	500
Profit and loss account	23	7,567	7,411
<b>Shareholders' Funds</b>		<u>21,928</u>	<u>21,605</u>

J R H Hamilton, Chairman  
 D McAleese, Financial Director  
 6 June 2005

J A Walker, Vice- Chairman  
 S A Agnew, Secretary

# Group statement of cash flows

for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	14(a)	9,520	8,835
<b>Returns on investments and servicing of finance</b>			
Bank interest received		188	136
Bank interest paid	7	(1,243)	(941)
Interest element of finance lease rental payments		(106)	(28)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(1,161)</b>	<b>(833)</b>
<b>Corporation tax</b>			
UK corporation tax paid		26	(251)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(9,306)	(10,528)
Receipts from sales of tangible fixed assets		1,045	4,386
Payments to acquire intangible fixed assets		-	(33)
Receipt of government grants		1,373	463
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(6,888)</b>	<b>(5,712)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	14(c)	-	(4,175)
Group restructuring costs		(71)	(2,412)
<b>Net cash outflow from acquisitions and disposals</b>		<b>(71)</b>	<b>(6,587)</b>
<b>Dividends paid</b>		<b>(540)</b>	<b>(509)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>886</b>	<b>(5,057)</b>
<b>Financing</b>			
Bank loan		-	4,040
Repayment of bank loan	14(b)	(1,725)	(2,300)
Issue of preference share capital		116	144
Repayment of ordinary share capital	23	(465)	(394)
New finance leases and hire purchase contracts	14(b)	206	2,292
Capital element of finance lease rental payments	14(b)	(1,335)	(310)
Convertible loan stock issued	18	16	23
Transfer out of sinking fund for repayment of loan stock		-	12
Repayment of loan stock		-	(12)
<b>Net cash (outflow)/inflow from financing</b>		<b>(3,187)</b>	<b>3,495</b>
<b>Decrease in cash</b>	14(b)	<b>(2,301)</b>	<b>(1,562)</b>

## Group statement of cash flows (cont'd)

for the year ended 31 March 2005

### Reconciliation of net cash flow to movement in net debt

		2005 £'000	2004 £'000
Decrease in cash		(2,301)	(1,562)
Repayment of capital element of finance lease contracts	24	1,335	303
New finance leases and hire purchase contracts	24	(206)	(2,292)
Bank loan		-	(4,040)
Repayment of bank loan	14(b)	1,725	2,300
Transfer out of sinking fund for repayment of loan stock		-	(12)
Repayment of loan stock		-	12
Convertible loan stock issued		(16)	(23)
		-----	-----
Movement in net debt in the year		537	(5,314)
Net debt at 1 April	14(b)	(20,496)	(15,182)
		-----	-----
Net debt at 31 March	14(b)	(19,959)	(20,496)
		=====	=====

# Notes to the financial statements

at 31 March 2005

## 1. Accounting policies

### Definitions

(i) 'United' is a co-operative society whose activities include marketing and transport of milk, sales promotion, central laboratory services, and all other services to dairy farmers.

(ii) 'Dale Farm Limited' is a limited company which, as a wholly owned subsidiary of United, carries out manufacturing, processing, distribution and marketing activities. It has three trading subsidiaries, Rowan Glen Dairy Products Limited which produces and markets yoghurt and related cultured products, Dale Farm Ice Cream Limited which is involved in the sale and distribution of a range of ice cream and frozen products and Dale Farm (Kendal) Limited which produces and markets yoghurts, desserts and cottage cheese.

(iii) 'United Feeds' is a limited company which operates as a joint venture carrying out manufacturing, distribution and marketing activities in the animal feed sector.

### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### Basis of consolidation

The group financial statements consolidate the financial statements of United Dairy Farmers Limited and all its subsidiary undertakings made up to 31 March each year. No profit and loss account is presented for United Dairy Farmers Limited as permitted by the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976.

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as joint ventures. In the group accounts, joint ventures are accounted for using the equity method.

### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, or fair value in the case of acquisitions, of each asset evenly over its expected useful life.

Rates vary according to the class of asset but are typically:

Buildings freehold	-	50 years
Buildings leasehold	-	over the period of the lease
Plant, equipment and furniture	-	3 to 15 years
Vehicles	-	4 to 10 years
Land is not depreciated		

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the years of the leases where these are shorter.

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

### Capital grants

Capital grants are credited to a deferral account and are released to revenue on the same basis as the related assets are depreciated.

### Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is capitalised and released to the profit and loss account as the related assets are realised.

If a subsidiary or a business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

### Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Properties

Land and buildings are stated at cost or fair value in the case of acquisitions.

### Stocks

Stock is valued at the lower of cost or net realisable value. Cost includes an appropriate element of overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred for disposal.

# Notes to the financial statements

at 31 March 2005

## 1. Accounting policies (continued)

### Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Group relief

It is the group's policy to pay for group relief at the fiscal rate of tax on losses utilised during the period.

### Pensions

The group operates for the majority of its eligible employees four defined contribution schemes – the United Dairy Farmers Group Scheme, the Dale Farm Limited Scheme, the Rowan Glen Dairy Products Limited Scheme and the Dale Farm Ice Cream Limited Scheme. Contributions to the four defined contribution schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

The group also participates in, for eligible employees, one final salary pension scheme being the NILGOSC final salary pension scheme which provides benefits based on final pensionable pay and the scheme requires contributions to be made to independently administered funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost over the working lives of employees within the group. The regular cost is attributed to individual years using the attained age method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Any significant differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

### Research and development

Research and development expenditure is written off as incurred.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

### Lease commitments

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

### Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

# Notes to the financial statements

at 31 March 2005

## 2. Turnover and segmental reporting

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities. Turnover is attributable to the marketing and transporting of milk and the processing and sale of dairy products.

## 3. Operating profit

This is stated after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation of owned tangible fixed assets	3,577	3,236
Depreciation of tangible fixed assets held under finance leases	675	657
Release of goodwill	(55)	(461)
Profit on sale of fixed assets	(7)	(3)
Finance lease charges	150	73
Capital grant release	(194)	(109)
Revenue grants	(476)	(343)
Research and development costs	392	451
Auditors' remuneration		
- audit services	85	79
- non-audit services	74	56
Operating lease rentals		
- land and buildings	455	242
- plant and equipment	1,367	531
	=====	=====

## 4. Exceptional items

Recognised below operating profit:

	2005 £'000	2004 £'000
Group Restructuring costs		
- Cost of redundancy payments etc	(71)	(2,412)
- Profit on disposal of fixed assets	629	2,083
	-----	-----
	558	(329)
	=====	=====

The tax effect in the profit and loss account relating to these exceptional items is a credit of £21,000 represented by a reduction in the deferred tax provision. The tax effect in the profit and loss account relating to the exceptional items in 2004 was a credit of £567,000 represented by a reduction in the deferred tax provision of £372,000 and the elimination of corporation tax payable in respect of ordinary activities of £195,000.

## 5. Directors' remuneration

	2005 £'000	2004 £'000
Fees and other emoluments	131	128
	=====	=====

## 6. Staff costs

	2005 £'000	2004 £'000
Wages and salaries	20,215	16,567
Social security costs	1,706	1,504
Other pension costs	505	549
	-----	-----
	22,426	18,620
	=====	=====

# Notes to the financial statements

at 31 March 2005

## 6. Staff costs (continued)

The average number of group employees during the year was:

	2005 No.	2004 No.
Processing	369	271
Selling and distribution	193	95
Operations and administration	244	307
Milk recording (part-time)	108	98
	<u>914</u>	<u>771</u>
	=====	=====

The number of employees at 31 March 2005 was 852 (2004 – 943)

## 7. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	1,243	941
Finance charges payable under finance and hire purchase contracts	106	28
	<u>1,349</u>	<u>969</u>
Group interest payable	73	82
Share of joint venture's interest payable		
	<u>1,422</u>	<u>1,051</u>
	=====	=====

## 8. Taxation

(a) The taxation charge is made up as follows:

	2005 £'000	2004 £'000
Based on profit for the year:		
<b>Current Tax</b>		
UK Corporation tax at 30% (2004 – 30%)	-	(11)
Adjustment in respect of previous periods	(100)	(123)
	<u>(100)</u>	<u>(134)</u>
<b>Group current tax</b>	19	(22)
Share of joint venture's current tax		
	<u>(81)</u>	<u>(156)</u>
<b>Deferred tax</b>		
Originating and reversal of timing differences	150	66
Adjustments in respect of previous periods	(260)	149
	<u>(191)</u>	<u>59</u>
<b>Total</b>	=====	=====

# Notes to the financial statements

at 31 March 2005

## 8. Taxation (continued)

### (b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	2,016	1,792
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004– 30%)	605	537
Effect of:		
Disallowed expenses and non-taxable income	116	78
Depreciation in excess of capital allowances	(170)	(215)
Indexation on capital gains	(257)	(522)
Short term timing differences	(224)	117
Non-qualifying depreciation/amortisation	155	84
Non-qualifying goodwill amortisation	104	231
Unrelieved losses carried forward	117	103
Utilisation of tax losses brought forward	(60)	(96)
Dividends allowed for taxation	(161)	(162)
Share issue allowed for taxation	(150)	(150)
Adjustments in respect of previous periods	(100)	(123)
Research and development tax credit	(25)	(30)
Capital grant release	(31)	(8)
	(81)	(156)

## 9. Intangible fixed assets

### Group

	Goodwill £'000
Costs:	
At 1 April 2004	4,218
Adjustment to provisional goodwill	(69)
At 31 March 2005	4,149
Amortisation:	
At 1 April 2004	444
Provided for during the year	(55)
At 31 March 2005	389
Net book value at 31 March 2005	3,760
Net book value at 31 March 2004	3,774
The net book value at 31 March 2005 is analysed below:	
	£'000
Purchased goodwill	2,330
Goodwill arising on consolidation	1,430
	3,760

# Notes to the financial statements

at 31 March 2005

## 10. Tangible fixed assets

### Group

	Land and buildings	Plant and equipment	Vehicles and associated equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 April 2004	12,856	43,900	11,498	68,254
Additions	4,219	4,875	212	9,306
Disposals	(435)	(1,840)	(237)	(2,512)
Reclassification	(90)	(65)	155	-
<b>At 31 March 2005</b>	<b>16,550</b>	<b>46,870</b>	<b>11,628</b>	<b>75,048</b>
<b>Depreciation:</b>				
At 1 April 2004	2,317	22,449	8,343	33,109
Provided during the year	370	3,498	384	4,252
Relating to disposals	(202)	(1,471)	(228)	(1,901)
Reclassification	-	(149)	149	-
<b>At 31 March 2005</b>	<b>2,485</b>	<b>24,327</b>	<b>8,648</b>	<b>35,460</b>
<b>Net book value:</b>				
At 31 March 2005	14,065	22,543	2,980	39,588
At 31 March 2004	10,539	21,451	3,155	35,145

The net book value of plant and equipment and vehicles and associated equipment includes amounts of £3,334,000 (2004 - £3,925,000) relating to assets held under finance leases and hire purchase contracts.

The net book value of land and buildings comprises:

	2005 £'000	2004 £'000
Freehold	9,945	8,162
Long leasehold	3,541	2,041
Short leasehold	579	336
	<b>14,065</b>	<b>10,539</b>

# Notes to the financial statements

at 31 March 2005

## 10. Tangible fixed assets (continued)

### Society

	Land and buildings	Plant and equipment	Vehicles and associated equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 April 2004	2,038	3,288	10,793	16,119
Additions	208	361	54	623
Disposals	-	(230)	(74)	(304)
<b>At 31 March 2005</b>	<b>2,246</b>	<b>3,419</b>	<b>10,773</b>	<b>16,438</b>
<b>Depreciation</b>				
At 1 April 2004	121	2,400	8,143	10,664
Provided during the year	49	900	258	1,207
Relating to disposals	-	(230)	(74)	(304)
<b>At 31 March 2005</b>	<b>170</b>	<b>3,070</b>	<b>8,327</b>	<b>11,567</b>
<b>Net book value:</b>				
At 31 March 2005	2,076	349	2,446	4,871
At 1 April 2004	1,917	888	2,650	5,455

The net book value of vehicles and associated equipment includes an amount of £715,330 (2004 - £1,096,000) relating to assets held under finance leases and hire purchase contracts.

The net book value of land and buildings comprises:

	2005 £'000	2004 £'000
Freehold	-	-
Long leasehold	1,691	1,581
Short leasehold	385	336
	<b>2,076</b>	<b>1,917</b>

## 11. Investments

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Shares at cost				
Subsidiary undertakings	-	-	10,764	10,764
Joint venture	1,491	1,409	1,556	1,556
Trade investment	15	15	13	13
	<b>1,506</b>	<b>1,424</b>	<b>12,333</b>	<b>12,333</b>

# Notes to the financial statements

at 31 March 2005

## 11. Investments (continued)

### Joint Venture

Additional disclosures are given in respect of United Feeds Limited, which exceeds certain thresholds under Financial Reporting Standard No 9 Associates and Joint Ventures, as follows:

	2005 £'000	2004 £'000
Share of fixed assets	1,209	1,280
Share of current assets	2,946	3,690
Share of gross assets	<u>4,155</u>	<u>4,970</u>
Share of gross liabilities	<u>(2,501)</u>	<u>(3,398)</u>
Share of net assets	<u>1,654</u>	<u>1,572</u>

The balance sheet figures for United Feeds Limited are based on that company's unaudited management accounts at 31 March 2005.

	£'000
At 1 April 2004	1,409
Share of joint venture's	
- operating profit	174
- interest charge	(73)
- taxation charge	(19)
At 31 March 2005	<u>1,491</u>

### Society

	Subsidiary Undertakings £'000	Joint Venture £'000	Trade investment £'000	Total £'000
Cost and net book value:				
At 1 April 2004 and 31 March 2005	<u>10,764</u>	<u>1,556</u>	<u>13</u>	<u>12,333</u>

# Notes to the financial statements

at 31 March 2005

## 11. Investments (continued)

At 31 March 2005 the principal subsidiary undertakings and joint venture shareholdings were:

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of business
Dale Farm Limited	Ordinary shares	100%	Manufacture and distribution of milk and a comprehensive range of dairy products
Rowan Glen Dairy Products Limited	Ordinary shares	100%*	Production of yoghurt and related cultured products
Dale Farm Ice Cream Limited	Ordinary shares	100%*	Sale and distribution of ice cream and frozen products
Dale Farm (Kendal) Limited	Ordinary shares	100%*	Manufacture and sale of yoghurts, desserts and cottage cheese
<b>Joint venture undertaking</b> United Feeds Limited	Ordinary shares	50%	Manufacture and sale of animal feeds

\* Held by Dale Farm Limited.

The above undertakings are incorporated and operate in Northern Ireland, with the exception of Rowan Glen Dairy Products Limited, which is incorporated and operates in Scotland, and Dale Farm (Kendal) Limited, which is incorporated and operates in England.

The joint venture undertaking, United Feeds Limited, prepares its annual financial statements accounts to 30 September, the latest available financial statements were drawn up to 30 September 2004.

## 12. Stocks

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials and consumables	2,215	2,645	127	120
Finished goods and goods for resale	6,026	6,865	161	60
	<u>8,241</u>	<u>9,510</u>	<u>288</u>	<u>180</u>

The replacement cost of stocks does not exceed the balance sheet value by a material amount.

## 13. Debtors

		Group		Society	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors		33,051	35,405	13,058	11,932
Amounts due from subsidiary undertakings	- loans	-	-	12,376	12,782
	- trading	-	-	7,611	8,797
Other debtors		1,976	2,661	1,231	2,180
Prepayments and accrued income		1,095	665	737	313
Group relief receivable		-	-	184	-
		<u>36,122</u>	<u>38,731</u>	<u>35,197</u>	<u>36,004</u>

# Notes to the financial statements

at 31 March 2005

## 14. Notes to the group statement of cashflows

### (a) Reconciliation of operating profit to net cash inflow from operating activities:

	2005 £'000	2004 £'000
Operating profit	2,518	2,708
Depreciation of tangible fixed assets	4,252	3,893
Release of goodwill	(55)	(461)
Increase in intangible fixed assets	69	-
Written off tangible fixed assets	195	-
Proceeds from sale of properties held for disposal	2,973	-
Decrease/(increase) in stocks	1,269	(2,073)
Decrease/(increase) in debtors	2,609	(4,287)
(Decrease)/increase in creditors	(4,116)	9,164
Capital grant release	(194)	(109)
	<u>9,520</u>	<u>8,835</u>
Net cash inflow from operating activities	<u><u>9,520</u></u>	<u><u>8,835</u></u>

### (b) Analysis of net debt

	At 31 March 2004 £'000	Cash flow £'000	At 31 March 2005 £'000
Cash at bank and in hand	2,674	(193)	2,481
Overdrafts	(7,945)	(2,108)	(10,053)
	<u>(5,271)</u>	<u>(2,301)</u>	<u>(7,572)</u>
Bank loan	(10,990)	1,725	(9,265)
Finance lease obligations	(4,212)	1,129	(3,083)
Loan stock	(102)	(16)	(118)
Sinking fund account	79	-	79
	<u>(20,496)</u>	<u>537</u>	<u>(19,959)</u>
	<u><u>(20,496)</u></u>	<u><u>537</u></u>	<u><u>(19,959)</u></u>

### (c) Purchase of subsidiary

	2005 £'000	2004 £'000
Tangible fixed assets	-	(3,700)
Working capital and provisions	-	(3,472)
	<u>-</u>	<u>(7,172)</u>
Goodwill	-	2,997
Net cash outflow	<u>-</u>	<u>(4,175)</u>
	<u><u>-</u></u>	<u><u>(4,175)</u></u>

## 15. Trade creditors

Trade creditors include some £296,000 (2004 - £576,000) for the group and £79,000 (2004 - £134,000) for the society owing to suppliers who include reservation of ownership clauses in their conditions of sale.

# Notes to the financial statements

at 31 March 2005

## 16. Other creditors and accruals

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank overdrafts	10,053	7,945	6,403	5,011
Bank loan	2,300	2,300	-	-
Obligations under finance leases and hire purchase contracts (note 24)	710	939	351	526
Amounts due to subsidiary undertakings	-	-	1,842	3,058
Other taxes and social security	472	576	418	453
Other creditors	920	685	584	371
Accruals	5,773	8,633	1,496	1,580
Group relief payable	-	-	7	389
Loan stock (see note 18)	118	102	118	102
Dividend payable	537	551	537	551
	<u>20,883</u>	<u>21,731</u>	<u>11,756</u>	<u>12,041</u>

The bank loan is repayable in quarterly instalments of £575,000. Both the bank loan and overdrafts are interest bearing at a variable rate based on First Trust Bank base rates. They are secured by way of unlimited intra-group guarantees and a negative pledge, which does not permit the group to create any mortgage or charge over any of its assets in favour of any other financial institution.

## 17. Creditors: amounts due after more than one year

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Obligations under finance leases and hire purchase contracts (note 24)	2,373	3,273	247	506
Bank loan (note 16)	6,965	8,690	-	-
Deferred consideration	500	500	-	-
	<u>9,838</u>	<u>12,463</u>	<u>247</u>	<u>506</u>

## 18. Loan stock and convertible loan stock

### (a) Loan stock:

	Group and Society	
	2005 £'000	2004 £'000
At 1 April	79	91
Loan stock repaid	-	(12)
At 31 March	<u>79</u>	<u>79</u>

The loan stock was due for repayment on 29 February 2000. The balance of £79,000 still outstanding is awaiting the completion of the appropriate formalities by the relevant loan stock holders.

# Notes to the financial statements

at 31 March 2005

## 18. Loan stock and convertible loan stock (continued)

### (b) Convertible loan stock:

	Group and Society	
	2005 £'000	2004 £'000
At 1 April	23	-
Loan stock issued	16	23
At 31 March	39	23

Loan stock is convertible on the basis of £1 of loan stock to £1 of ordinary shares held, subject to current legal limits on the maximum number of shares being raised.

## 19. Provisions for liabilities and charges

The movements in deferred taxation during the current year are as follows:

	Group	Society
	£'000	£'000
At 1 April 2004	2,316	76
(Credit)/charge in the current year	(108)	207
At 31 March 2005	2,208	283

Deferred taxation provided in the financial statements is as follows:

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Capital allowances in advance of depreciation	2,629	2,704	51	113
Other timing differences	(330)	(285)	156	(37)
Unutilised losses	(91)	(103)	-	-
	2,208	2,316	207	76

## 20. Deferred income - capital grants

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
At 1 April 2004	1,130	776	273	115
Arising on new capital grants	1,373	463	14	244
Release for the year	(194)	(109)	(24)	(86)
At 31 March 2005	2,309	1,130	263	273

# Notes to the financial statements

at 31 March 2005

## 21. Share capital

### Group and Society

	Allotted, called-up and fully paid			
	2005 No.	2004 No.	2005 £'000	2004 £'000
Ordinary shares of £1 each	13,524,000	13,490,600	13,524	13,490
Redeemable preference shares	320,070	202,950	320	204
<b>Total</b>	<b>13,844,070</b>	<b>13,693,550</b>	<b>13,844</b>	<b>13,694</b>
			2005 £'000	2004 £'000
Ordinary shares:				
At 1 April			13,490	12,902
Issued during the period			495	958
Cancelled during the period			(461)	(370)
At 31 March			13,524	13,490

United is a co-operative society established under the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976. It is governed by its rules which require all members to have a minimum shareholding of 200 £1 ordinary shares, fully paid up.

	2005 £'000
Preference shares:	
At 1 April 2004	204
Issued during the year	117
Cancelled during the year	(1)
At 31 March 2005	320

£117,000 in preference shares were issued in lieu of ordinary shares to the members leaving the society who were retiring from milk production. Interest on the preference shares is paid at bank base rate less 1% and is payable annually.

## 22. Share capital to be allotted

### Group and Society

	Fully paid, to be allotted	
	2005 £'000	2004 £'000
Ordinary shares of £1 each	517	500

# Notes to the financial statements

at 31 March 2005

## 23. Reconciliation of shareholders' funds and movements on reserves

Group	Share capital allotted	Share capital to be allotted	Preference share capital allotted	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	12,902	982	60	14,202	28,146
Profit for the financial year	-	-	-	1,240	1,240
Dividends	-	-	-	(540)	(540)
Ordinary shares issued	958	(952)	-	-	6
Preference shares issued	-	-	144	-	144
Convertible loan stock issued	-	(23)	-	-	(23)
Shares cancelled	(370)	-	-	-	(370)
Additional shares to be issued	-	493	-	-	493
At 31 March 2004	13,490	500	204	14,902	29,096
Profit for the financial year	-	-	-	1,692	1,692
Dividends	-	-	-	(526)	(526)
Ordinary shares issued	496	(482)	-	-	14
Preference shares issued	-	-	117	-	117
Convertible loan stock issued	-	(16)	-	-	(16)
Shares cancelled	(462)	-	(1)	-	(463)
Additional shares to be issued	-	515	-	-	515
At 31 March 2005	13,524	517	320	16,068	30,429

  

Society	Share capital allotted	Share capital to be allotted	Preference share capital allotted	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	12,902	982	60	5,040	18,984
Profit for the financial year	-	-	-	2,911	2,911
Dividends	-	-	-	(540)	(540)
Ordinary shares issued	958	(952)	-	-	6
Preference shares issued	-	-	144	-	144
Convertible loan stock issued	-	(23)	-	-	(23)
Shares cancelled	(370)	-	-	-	(370)
Additional shares to be issued	-	493	-	-	493
At 31 March 2004	13,490	500	204	7,411	21,605
Profit for the financial year	-	-	-	682	682
Dividends	-	-	-	(526)	(526)
Ordinary shares issued	496	(482)	-	-	14
Preference shares issued	-	-	117	-	117
Convertible loan stock issued	-	(16)	-	-	(16)
Shares cancelled	(462)	-	(1)	-	(463)
Additional shares to be issued	-	515	-	-	515
At 31 March 2005	13,524	517	320	7,567	21,928

The profit dealt with in the accounts of the society was £682,000 (2004 £2,911,000).

# Notes to the financial statements

at 31 March 2005

## 24. Obligations under finance leases and hire purchase contracts

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts payable:				
Within one year	808	1,445	367	566
In two to five years	1,848	1,690	273	533
Over five years	869	1,562	-	-
	<u>3,525</u>	<u>4,697</u>	<u>640</u>	<u>1,099</u>
Less: finance charges allocated to future periods	(442)	(485)	(42)	(67)
	<u>3,083</u>	<u>4,212</u>	<u>598</u>	<u>1,032</u>
	=====	=====	=====	=====
Finance leases and hire purchase contracts are analysed as follows:				
Current obligations	710	939	351	526
Non-current obligations	2,373	3,273	247	506
	<u>3,083</u>	<u>4,212</u>	<u>598</u>	<u>1,032</u>
	=====	=====	=====	=====
Analysis of changes in finance leases and hire purchase contracts:				
At 1 April 2004	4,212	2,223	1,032	1,680
Capital element of lease rental payments	(1,335)	(303)	(529)	(648)
New finance leases and hire purchase contracts	206	2,292	95	-
	<u>3,083</u>	<u>4,212</u>	<u>598</u>	<u>1,032</u>
	=====	=====	=====	=====

## 25. Pension scheme information

### United Dairy Farmers Limited and Dale Farm Limited

United Dairy Farmers Limited and Dale Farm Limited operate two types of pension schemes for the benefit of their employees and the total pension charge to the group for the period amounted to £0.7m (2004 - £0.5m).

The details of these schemes are set out below:

#### (a) Defined Contribution Schemes

The group operates for the majority of its eligible employees four defined contribution schemes – the United Dairy Farmers Group Scheme, the Dale Farm Limited Scheme, the Rowan Glen Limited Scheme, and the Dale Farm Ice Cream Limited Scheme. The assets of the schemes are held in independently administered funds. Contributions to the four defined contribution schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

The unpaid contributions outstanding at the year end, included in 'Other Creditors', are £15,007 (2004 - £16,145).

# Notes to the financial statements

at 31 March 2005

## 25. Pension scheme information (continued)

### b) Northern Ireland Local Government Officers' Superannuation Committee Scheme

140 employees participate in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This scheme is a 'multi-employer' pension scheme with some 65,000 members. It provides a final salary (ie. defined benefits) pension scheme for eligible group employees and other members of the scheme. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. Membership of this scheme closed to other employees of the group on 1 March 1995.

Participating employers pay contributions at rates recommended by the scheme's professionally qualified actuaries, based on regular actuarial reviews of the financial position of the scheme. Contributions to the scheme are based on an actuarial valuation made as at 31 March 2004. Based on the most recent valuation, the employer's contribution rate from 1 April 2005 will be 11.5% and 17.5% from 1 April 2006.

### SSAP 24 information

The United Dairy Farmers Limited part of the Scheme is closed to new entrants and the annual cost may be expected to increase in future.

At 31 March 2005 the market value of United Dairy Farmers Limited's share of the assets of the whole fund amounted to £47m with accrued liabilities of £51m.

The company contributions to the scheme were determined with the advice of an independent qualified actuary on the basis of actuarial valuations using the Attained Age method. The last actuarial assessment of the assets and liabilities of the scheme was carried out as at 31 March 2004. The overall fund has a funding level of 85%. The main actuarial assumptions used were increases in salary rates of 4.4% pa, of pension rates of 2.9% pa and a discount rate of 6.3%. These have been derived by considering the difference in gross redemption yields of traditional and index linked gilt-edged securities as at 31 March 2004.

### FRS 17 disclosures

The company is required to comply fully with FRS17 in its financial statements for the year ended 31 March 2006 which will lead to the net pension deficit being included in the balance sheet at that date.

The transitional arrangements allowed under FRS17 require additional disclosures to be made in these financial statements in preparation for this change in accounting policy. The latest actuarial valuation took place on 31 March 2004. The principle assumptions used by the independent qualified actuaries in updating the valuation to 31 March 2005 for FRS 17 purposes were:

	2005	2004
	%	%
Rate of salary increases	3.90	3.90
Discount rate	5.40	5.50
Inflation assumption	2.90	2.90
Pension increases	2.90	2.90

# Notes to the financial statements

at 31 March 2005

## 25. Pension scheme information (continued)

The group's share of assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 Mar 2005	Value at 31 Mar 2005	Long-term rate of return expected at 31 Mar 2004	Value at 31 Mar 2004
	%	£'000	%	£'000
Equities	7.7	36,042	7.7	35,977
Bonds	4.8	8,545	5.1	7,587
Property	5.7	4,713	6.5	3,446
Cash	4.8	754	4.0	521
		-----		-----
Total Market Value of Assets		50,054		47,531
Present Value of Scheme Liabilities		59,323		57,134
		-----		-----
Deficit in the Scheme		(9,269)		(9,603)
		-----		-----
Net pension deficit		(9,269)		(9,603)
		=====		=====

## Reconciliations of net assets and reserves under FRS 17

### Net assets

	At 31 Mar 2005 £'000
Net assets as stated in the balance sheet	30,429
SSAP 24 balance	267
	-----
Net assets excluding pension liability	30,696
FRS 17 Pension liability	(9,269)
Related deferred tax asset	2,781
	-----
Net assets including pension liability	24,208
	=====

### Reserves

	At 31 Mar 2005 £'000
Profit and loss reserve as stated in the balance sheet	16,068
SSAP 24 balance	267
	-----
Profit and loss reserve excluding pension liability	16,335
FRS 17 Pension liability	(9,269)
Related deferred tax asset	2,781
	-----
Profit and loss reserve	9,847
	=====

# Notes to the financial statements

at 31 March 2005

## 25. Pension scheme information (continued)

### Analysis of amount charged to operating profit

	Year to 31 Mar 2005 £'000
Current service cost	518
Past service cost	-
(Gains)/Losses on settlements and curtailments	101
	-----
Total operating charge	619
	=====

### Analysis of the amount credited to other finance income

	Year to 31 Mar 2005 £'000
Expected return on pension scheme assets	3,316
Interest on pension scheme liabilities	(3,094)
	-----
Total other finance income	222
	=====

### Analysis of the amount recognised in the statement of total recognised gains and losses

	Year to 31 Mar 2005 £'000
Actual return less expected return on pension scheme assets	1,282
Experience losses arising on scheme liabilities	1
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(890)
	-----
Actuarial gain recognised in the statement of total recognised gains and losses	393
	=====

### History of the amount recognised in the statement of total recognised gains and losses

	Year to 31 Mar 2005 %
Actual return less expected return on pension scheme assets	2.6
Experience gain arising on scheme liabilities	0.0
Actuarial gain recognised in the statement of recognised gains and losses	0.7

# Notes to the financial statements

at 31 March 2005

## 25. Pension scheme information (continued)

Analysis of movements in deficit during the year

	Year to 31 Mar 2005 £'000
At beginning of period	(9,603)
Current service cost	(518)
Employers' contributions	338
Impact of settlements and curtailments	(101)
Net return on assets	222
Actuarial gain	393
	-----
At end of period	(9,269)
	=====

## 26. Future capital commitments

At 31 March 2005 the directors have authorised future capital expenditure which, without taking account of government grants, amounts to:

	Group		Society	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Contracted	1,556	2,577	279	-
	=====	=====	=====	=====

## 27. Other financial commitments

At 31 March 2005 the group and society's annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant and equipment	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Group</b>				
Leases expiring:				
Within one year	20	-	267	328
Within two to five years	93	13	1,272	532
After more than five years	344	188	271	59
	-----	-----	-----	-----
	457	201	1,810	919
	=====	=====	=====	=====
<b>Society</b>				
Leases expiring:				
Within one year	-	-	13	28
Within two to five years	27	13	226	41
After more than five years	171	175	26	-
	-----	-----	-----	-----
	198	188	265	69
	=====	=====	=====	=====

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# Notes to the financial statements

at 31 March 2005

## 28. Related party transactions

The directors, with the exception of the appointed directors, are all engaged in dairy farming and supply their milk to United on the same terms as all other members. They are also entitled to utilise all other services made available by United on the same terms as other members.

The net value of milk purchased from and services provided to these directors during the year was £1,931,448 (2004 - £1,829,440).

At 31 March 2005 the net amount owed to the directors was £177,536 (2004 - £160,641).

## 29. Contingent liabilities

The society is responsible for the collection and payment of quota levy liability due by suppliers of milk to the society. It is unlikely any quota levy will be payable for the year ended 31 March 2005.

The group has entered into guarantees with its bankers in connection with its obligations to the UK Rural Payments Agency which at 31 March 2005 amounted to £6m. The directors are of the opinion, based on the information available to date, that no material liability will arise in respect of these guarantees.

The company has provided an unlimited guarantee in favour of the First Trust Bank in respect of United Group borrowings. At 31 March 2005 the United group borrowings amounted to some £16.9million.

Under the Industrial Development (NI) Order 1982 there exists a contingent liability to repay grants received if certain conditions therein are not fulfilled.

Certain other contingent liability claims and guarantees occur in the normal course of business but it is not considered that any material liabilities will arise.