



Financial Statements

Directors' report

The directors present their report and financial statements for the year ended 31 March 2011.

Results and dividends

The profit after taxation for the year amounted to £3,249,000 (2010 – profit of £2,386,000) which, after the issue of shares of £979,000 leaves a profit of £2,270,000 (2010 – profit of £2,404,000) to be transferred to reserves. The directors do not recommend the payment of a dividend.

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 979 million litres (2010 - 904 million litres) of milk were collected and marketed by the society during the year to 31 March 2011. The monthly base price paid to members for milk supplies of standard quality ranged from 23.80 ppl to 29.00 ppl and averaged 25.75 ppl.

On 31 December 2010 Dale Farm Limited, United Dairy Farmers Limited's subsidiary company acquired the trade and some assets of a liquid milk business from Fane Valley Co-operative Society Limited.

Future developments

Trading conditions in global dairy markets improved during 2010/11 with stronger demand and limited supply leading to improved returns in most internationally traded dairy products. This has been reflected in higher prices at United's raw milk auctions and led to a significant increase in the milk prices that members received during the year. Consumer returns in the UK and Irish markets have been slow to respond to higher dairy commodity prices, largely due to the depressed economic situation. However going forward returns from dairy consumer products are increasing and this should result in improved performance in Dale Farm's consumer products businesses. After the normal seasonal dip in dairy markets related to the spring peak in EU milk production, markets have started to firm. This trend is expected to continue through the summer as the level of milk supplies fall. Energy prices and other input costs are showing sharp increases; however this has been offset by good progress across the Group in cost reduction initiatives coupled with investment targeted to improve competitiveness and develop sales of value added products.

Financial performance

The key performance indicators ("KPIs") for the group are:

KPIs	2011 £000	2010 £000
Group turnover	400,152	330,920
Profit on ordinary activities before taxation	4,159	3,558
Bonus share issue to members	979	–
Average base milk price paid to members (pence per litre)	25.75	21.58

Group turnover increased by 21%, due to increased market prices for milk and commodity dairy products, coupled with growth in the volume of milk being sold and processed. Turnover also benefited from the full year inclusion of United Feeds as a wholly owned subsidiary, compared to only three months in the previous year.

However the time lag in recovering higher milk and energy related costs from consumer product markets adversely impacted the performance of Dale Farm - group operating profit declined by £314k to £4.66million. Net interest costs increased by £90k but this was more than offset by a reduction of £1million in the finance charge from pension scheme resulting in the profit before taxation increasing by £0.60 million.

The base milk price paid to members increased in 2010/11 reflecting improved dairy market returns during the year and increased demand for milk for processing.

Directors' report

Operational performance

Milk collected

The number of members supplying milk to United reduced by 4.0% to 1,795 at the year end, due primarily to members retiring from milk production. However the average output per member has increased by 12.5% as follows:

	2011 Litres	2010 Litres
Average output per member	538,000	478,000

Sales development

The Group is committed to expanding its sales of dairy products. Increases in sales volumes and in dairy product prices resulted in the following growth in sales:

	2011 %	2010 %
Turnover growth		
Dale Farm group	12.2	(3.0)

Research and Development

The Group maintains an ongoing programme of innovation in added value dairy products and further widened its portfolio of products offered as follows:

Product Development	2011	2010
Number of new products launched	42	31
Number of new product variants launched in above	67	39
Number of rejuvenated products launched	12	15
Number of rejuvenated product variants launched in above	7	49

Risk management

The Board actively monitors and manages the risks it faces through an appropriate risk policy and risk register. The key risks which management face are detailed as follows:

Business performance risk

The Group faces a number of business performance risks due to internal factors or due to competitive pressures in the local and international markets in which it operates. These risks are managed through a number of measures: ensuring the appropriate management team is in place; business planning and regular forecasting; financial controls; key performance indicators; monthly reporting and timely corrective action when variances occur.

Business continuity risk

While there is a reliance on physical infrastructure, the Group operates seven geographically autonomous production facilities which helps mitigate business continuity risks. The Group also ensures that there is adequate knowledge throughout the management team and sufficient IT support and back up capability available should an unforeseen event occur. Management maintain and regularly update business continuity and IT disaster recovery plans and participate in industry wide crisis management exercises.

Health and safety risk

The Group is committed to ensuring a safe working environment. These risks are managed by the Group through the strong promotion of a health and safety culture, extensive safety training and well defined health and safety policies.

Management development

Long-term growth of the business depends on the group's ability to retain and attract personnel of high quality. This risk is managed through the pursuit of best practice in HR and Group wide development plans which are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

Directors' report

Risk management (continued)

Financial and business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning. The Group exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow forecasting; and clearly defined policies and approval limits.

Environmental risk

The Group is committed to minimising its impact on the environment and has clearly defined policies and procedures to enable compliance with environmental best practice and legislation.

Financial risk management policy

The Group's principal financial instruments comprise cash, trade debtors and creditors, bank loans and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

Foreign currency risk

The Group's exposure to foreign currency risk arises primarily from revenues from customers denominated principally in Euro and US Dollars. When customers place major orders of this type the Group has a policy of immediately entering into a forward currency contract to eliminate this risk.

Credit risk

Credit risk arises principally on third party derived revenues. Group policy is aimed at minimising such risk through the application of satisfactory creditworthiness procedures, including where appropriate taking out credit insurance cover. The Group monitors the levels of credit to individual customers within their approved credit limits, so as to ensure the company's exposure to bad debts is minimised.

Fixed assets

The movement in tangible fixed assets during the year is shown in note 9.

Directors

For the year ended 31 March 2011 the directors of the society were

Elected by - Area 1	Fred Allen, David McNeill
- Area 2	William Hanna, Brian McCracken
- Area 3	John Dunlop, James Murphy
- Area 4	Robert Fyffe, Bertie Kelso
Elected by Conference of Area Councils	Billy Morton, David Rea
Appointed	Eric Bell, Ian McMorris

The term of office of one of the elected directors from each of Area 1 and Area 2 ended on 31 March 2011. Harold Johnston was elected as a director for Area 1 for a four year term, following the retirement of David McNeill. William Hanna was re-elected as a director for Area 2 for a four year term.

On 11 April 2011, John Dunlop and William Hanna were re-elected as Chairman and Vice Chairman of the society.

Employment policy

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

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.

Charitable contributions

During the year donations totalling £820 (2010 – £720) 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.

Disclosure of information to the auditors

The directors confirm that so far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

SA Agnew

Secretary

Date: 13 June 2011

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and company 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 financial statements of United Dairy Farmers for the year ended 31 March 2011, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Society Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society'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 society'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 auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and society's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts (Northern Ireland) 1969 and 1976 requires us to report to you if, in our opinion:

- a satisfactory system of internal control over transactions has not been maintained
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Registered Auditor
Belfast

Date 17 June 2011

Group profit and loss account

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover: Group and share of joint venture		400,152	330,920
Less: Share of joint venture's turnover (prior to acquisition)		-	(10,210)
Group turnover	2	400,152	320,710
Cost of sales		(370,917)	(294,086)
Gross profit		29,235	26,624
Selling and distribution costs		(18,146)	(16,855)
Operating and administration costs		(6,433)	(5,126)
Operating profit		4,656	4,643
Share of operating profit in joint venture (prior to acquisition)		-	327
Total operating profit: group and share of joint venture	3	4,656	4,970
Bank interest receivable		4	2
Interest payable and similar charges	6	(660)	(568)
Other finance income/(expense) from pension scheme	25	159	(846)
Profit on ordinary activities before taxation		4,159	3,558
Taxation charge	7	(910)	(1,172)
Profit for the financial year		3,249	2,386
(Issue)/Cancellation of additional shares	22	(979)	18
Profit retained for the financial year		2,270	2,404

Group statement of total recognised gains and losses

for the year ended 31 March 2011

	2011 £000	2010 £000
Profit for the financial year excluding share of results of joint venture prior to acquisition	3,249	2,146
Share of joint venture's profit to date of acquisition	-	240
Foreign exchange movement	-	(11)
Actuarial gain/(loss) recognised on defined benefit pension scheme	13,052	(3,606)
Deferred tax movement on actuarial (gain)/loss	(3,681)	1,013
Total recognised gain/(loss) relating to the year	12,620	(218)

Group balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Intangible assets	8	(147)	(88)
Tangible assets	9	51,178	50,569
Investments	10	13	13
		51,044	50,494
Current assets			
Stocks	11	18,058	12,426
Debtors	12	52,671	45,730
Cash at bank and in hand		329	374
Sinking fund account		74	74
		71,132	58,604
Creditors: amounts due within one year			
Producer accounts		25,431	18,686
Trade creditors		19,145	17,392
Other creditors and accruals	14	20,793	15,695
Corporation tax		460	1,072
Share capital repayable on demand	21	555	514
		66,384	53,359
Net current assets			
		4,748	5,245
Total assets less current liabilities			
		55,792	55,739
Creditors: amounts due after more than one year			
	15	7,724	10,464
Provisions for liabilities – deferred tax			
	18	3,192	3,281
Deferred income – capital grants			
	19	4,951	4,608
Pension liability (net of deferred tax)			
	25	780	10,342
		16,647	28,695
		39,145	27,044
Capital and reserves			
Called up share capital	20	12,826	13,345
Share capital to be allotted	23	979	-
Profit and loss account	23	25,340	13,699
Shareholders' funds			
		39,145	27,044

John Dunlop, Chairman

William Hanna, Vice - Chairman

Danny McAleese, Financial Director

Euel Agnew, Secretary

13 June 2011

Society balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	9	5,746	6,249
Investments	10	13,577	13,577
		19,323	19,826
Current assets			
Stocks	11	156	135
Debtors	12	52,180	38,638
Cash at bank and in hand		78	82
Sinking fund account		74	74
Corporation tax		40	-
		52,528	38,929
Creditors: amounts due within one year			
Producer accounts		25,431	18,686
Trade creditors		2,734	2,131
Other creditors and accruals	14	15,499	10,622
Corporation tax		-	464
Share capital repayable on demand	21	555	514
		44,219	32,417
Net current assets			
		8,309	6,512
Total assets less current liabilities			
		27,632	26,338
Creditors: amounts due after more than one year			
	15	3,305	4,044
Provisions for liabilities and charges - deferred tax			
	18	150	194
Deferred income - capital grants			
	19	329	354
Pension liability			
	25	780	10,342
		4,564	14,934
		23,068	11,404
Capital and reserves			
Called up share capital	20	12,826	13,345
Share capital to be allotted	23	979	-
Profit and loss account	23	9,263	(1,941)
Shareholders' funds			
		23,068	11,404

John Dunlop, Chairman

William Hanna, Vice - Chairman

Danny McAleese, Financial Director

Euel Agnew, Secretary

13 June 2011

Group statement of cash flows

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	13(a)	5,870	15,473
Returns on investments and servicing of finance			
Bank interest received		5	1
Bank interest paid		(596)	(474)
Preference share interest paid		(18)	(16)
Interest element of finance lease rental payments		(46)	(66)
Net cash outflows from returns on investments and servicing of finance		(655)	(555)
Corporation tax paid		(1,542)	(654)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,431)	(7,600)
Receipts from disposals of tangible fixed assets		82	437
Receipt of government grants		720	800
Net cash outflow from capital expenditure and financial investment		(4,629)	(6,363)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(2,600)
Net cash balances acquired with subsidiary undertaking		-	(1,739)
Purchase of business		(336)	-
Net cash outflow from acquisitions and disposals		(336)	(4,339)
Net cash (outflow)/inflow before financing		(1,292)	3,562
Financing			
Receipt of other loan		-	80
Repayment of other loan	13(b)	(100)	(83)
(Repayment)/Issue of bank loan	13(b)	(2,282)	4,979
Capital element of finance leases repaid	24	(412)	(371)
Issue of share capital repayable on demand	13(b)	78	35
Redemption of share capital repayable on demand	13(b)	(37)	(66)
Issue of convertible loan stock	16(b)	-	46
Repayment of ordinary share capital	23	(518)	(940)
Redemption of Shares in Joint Venture	10	-	206
Net cash outflow from financing		(3,271)	3,886
(Decrease)/increase in cash	13(b)	(4,563)	7,448

Group statement of cash flows

for the year ended 31 March 2011

Reconciliation of net cash flow to movement in net debt

	Notes	2011 £000	2010 £000
(Decrease)/increase in cash		(4,563)	7,448
Repayment of capital element of finance lease contracts	24	412	371
Repayment/(Drawdown) of bank loan	13(b)	2,282	(4,979)
Receipt of other loan	13(b)	-	(80)
Repayment of other loan	13(b)	100	83
Convertible loan stock issued	16(b)	-	(46)
(Issue)/Redemption of preference shares	13(b)	(41)	31
Movement in net debt in the year	13(b)	(1,810)	2,828
Net debt at 1 April		(19,057)	(21,885)
Net debt at 31 March	13(b)	(20,867)	(19,057)

Notes to the financial statements

at 31 March 2011

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. During the year under review it had four trading subsidiaries, Dale Farm Dairies (Ireland) Limited, which is involved in the sale and distribution of dairy products in the Republic of Ireland, Dale Farm (GB) Limited which produces and markets yoghurts, desserts, cottage cheese and related cultured products, Rowan Glen Dairy Products Limited which markets yoghurts, desserts, cottage cheese and related dairy products and Dale Farm Ice Cream Limited which is involved in the sale and distribution of a range of ice cream and frozen products. Dale Farm Ice Cream (Ireland) Limited, a subsidiary of Dale Farm Ice Cream Limited, is involved in the sale and distribution of a range of ice cream and frozen products in the Republic of Ireland.
- (iii) 'United Feeds Limited' is a wholly owned subsidiary of United having previously operated as a joint venture until the group acquired the remaining 50% of its share capital in December 2009. United Feeds carries out manufacturing, distribution and marketing activities in the animal feed sector.

Basis of preparation

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 financial statements, 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.

Government grants

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

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

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.

Goodwill (continued)

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.

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 with following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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. Deferred taxation relating to the pension deficit is netted off against the gross pension deficit.

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 operated for the majority of its eligible employees three defined contribution schemes – the United Dairy Farmers Group Scheme, the Dale Farm (GB) Limited Scheme, and the United Feeds Limited Scheme. Contributions to the three 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. The profit and loss account charge comprises two elements, a current service cost and the net of the expected return on the scheme assets and the interest cost of the scheme liabilities. Actuarial gains or losses are recognised through the statement of total recognised gains and losses. The scheme assets are valued at fair value and scheme liabilities are measured using the projected unit method. Net scheme assets and liabilities, reduced by deferred tax amounts are shown on the face of the balance sheet as a pension surplus or deficit as appropriate.

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

Ordinary shares are included in shareholders' funds as any redemption requires the prior consent of the board. Other instruments such as preference shares 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.

Revenue recognition

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

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, the processing and sale of dairy products and the manufacture of sales of animal feeds. Turnover and operating profit are attributable to continuing activities.

Segmental reporting, by areas of activity and geographical markets, has not been included in these financial statements. Disclosure of such information is not considered relevant and would be seriously prejudicial to the interests of the Group.

3. Operating profit

This is stated after charging/(crediting):

	2011 £000	2010 £000
Depreciation of owned tangible fixed assets	4,481	4,080
Depreciation of tangible fixed assets held under finance leases	333	369
Amortisation of goodwill	555	646
Finance lease charges	46	62
Capital grant release	(377)	(322)
Revenue grants	(530)	(468)
Research and development costs	323	302
Auditors' remuneration - audit services*	76	92
- non-audit services**	25	33
Operating lease rentals - land and buildings	175	159
- plant and equipment	1,928	2,297
Profit on disposal of fixed assets	(74)	(422)

* £18k (2010 - £22k) of this relates to the Society

** Included in non audit services is £9k (2010 - £11k) relating to the Society

4. Directors' remuneration

	2011 £000	2010 £000
Fees and other emoluments	150	148

5. Staff costs

	2011 £000	2010 £000
Wages and salaries	19,356	17,994
Social security costs	1,820	1,687
Other pension costs	780	774
	21,956	20,455

The average number of group employees during the year was:

	2011 No.	2010 No.
Processing	357	350
Selling and distribution	204	189
Operations and administration	172	169
Milk recording (part-time)	84	88
	817	796

The number of employees at 31 March 2011 was 823 (2010 - 822).

6. Interest payable and similar charges

	2011 £000	2010 £000
Bank loans and overdrafts	596	474
Finance charges payable under finance and hire purchase contracts	46	66
Interest on Preference Shares	18	16
Group interest payable	660	556
Share of joint venture's interest payable	-	12
	660	568

7. Tax

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

	2011 £000	2010 £000
Based on profit for the year:		
Current tax:		
Corporation tax on profit for the period	1,063	992
Adjustments in respect of previous periods	(131)	(44)
Share of joint ventures current tax	-	62
Total current tax (note 7(b))	932	1,010
Deferred tax:		
Increase in deferred tax provision	3	451
Retirement benefits	67	(250)
Adjustments in respect of previous periods	153	(39)
Impact of change in tax rate	(245)	-
Total deferred tax (note 18)	(22)	162
Total tax charge	910	1,172

(b) Factors affecting tax charge for the year

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

	2011 £000	2010 £000
Profit on ordinary activities before tax	4,159	3,558
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 – 28%)	1,164	997
<i>Effect of:</i>		
Disallowed expenses and non-taxable income	27	25
Depreciation in excess of capital allowances	(4)	(418)
Short term timing differences	-	(14)
Non-taxable profit on disposal	(19)	-
Non-qualifying depreciation/amortisation	147	102
Non-qualifying goodwill amortisation	162	185
Utilisation of tax losses brought forward	-	(30)
Share issue allowed for taxation	(274)	-
Research and development tax credit	(42)	(42)
Timing difference on retirement benefits	(72)	250
Profits taxed at lower rate	(26)	(1)
Adjustment in respect of previous periods	(131)	(44)
	932	1,010

8. Intangible fixed assets

Group

	Goodwill £000
Cost:	
At 31 March 2010	3,379
Additions	496
At 31 March 2011	3,875
Amortisation:	
At 31 March 2010	3,467
Provided for during the year	555
At 31 March 2011	4,022
Net book value:	
At 31 March 2011	(147)
At 31 March 2010	(88)

The net book value at 31 March 2011 is analysed below:

	£000
Purchased goodwill	232
Goodwill arising on consolidation	(379)
	(147)

Goodwill is being amortised over its expected useful life of 10 years.

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

On 31 December 2010 Dale Farm Limited purchased the trade and some assets of a milk business from Fane Valley Co-operative Society Limited, for a consideration of £1,173,000. The details of the acquisition have been analysed below.

	£000
Value of Assets at date of purchase	677
Purchased goodwill	496
Consideration	1,173

9. Tangible fixed assets

Group

	Land and buildings £000	Plant and equipment £000	Vehicles and associated equipment £000	Total £000
Cost:				
At 31 March 2010	26,279	68,030	8,845	103,154
Additions	2,841	2,558	32	5,431
Disposals	(2)	-	(66)	(68)
At 31 March 2011	29,118	70,588	8,811	108,517
Depreciation:				
At 31 March 2010	4,835	39,514	8,236	52,585
Provided during the year	658	3,932	224	4,814
Relating to disposals	-	-	(60)	(60)
At 31 March 2011	5,493	43,446	8,400	57,339
Net book value:				
At 31 March 2011	23,625	27,142	411	51,178
At 31 March 2010	21,444	28,516	609	50,569

The net book value of plant and equipment and vehicles and associated equipment includes amounts of £1,614,615 (2010 – £1,951,787) relating to assets held under finance leases and hire purchase contracts.

9. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2011 £000	2010 £000
Freehold	14,469	12,288
Leasehold	9,156	9,156
	23,625	21,444

Society

	Land and buildings £000	Plant and equipment £000	Vehicles and associated equipment £000	Total £000
Cost:				
At 31 March 2010	5,609	5,069	8,036	18,714
Additions	(2)	47	12	57
Disposals	-	-	(59)	(59)
At 31 March 2011	5,607	5,116	7,989	18,712
Depreciation:				
At 31 March 2010	624	4,202	7,639	12,465
Provided during the year	116	310	133	559
Disposals	-	-	(58)	(58)
At 31 March 2011	740	4,512	7,714	12,966
Net book value:				
At 31 March 2011	4,867	604	275	5,746
At 31 March 2010	4,985	867	397	6,249

The net book value of vehicles and associated equipment includes an amount of £181,413 (2010 – £239,940) relating to assets held under finance leases and hire purchase contracts.

The net book value of land and buildings comprises:

	2011 £000	2010 £000
Leasehold	4,867	4,985

10. Investments

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Shares at cost				
Subsidiary undertakings	-	-	13,564	13,564
Trade investment	13	13	13	13
	13	13	13,577	13,577

10. Investments (continued)

At 31 March 2011 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
Dale Farm Ice Cream Limited	Ordinary shares	100%*	Sale and distribution of ice cream and frozen products
Dale Farm (GB) Limited	Ordinary shares	100%*	Manufacture and sale of yoghurts, desserts, cottage cheese and related cultured products
Rowan Glen Dairy Products Limited	Ordinary shares	100%*	Sale of yoghurts, cottage cheese, desserts and related dairy products
United Feeds Limited	Ordinary shares	100%	Manufacture and sale of animal feeds
Dale Farm Ice Cream (Ireland) Limited	Ordinary shares	100%**	Sale and distribution of ice cream and frozen products
Dale Farm Dairies (Ireland) Limited	Ordinary shares	100%*	Sale and distribution of milk and dairy products

* Held by Dale Farm Limited

** Held by Dale Farm Ice Cream Limited.

The above undertakings are incorporated and operate in Northern Ireland, with the exception of Dale Farm (GB) Limited which is incorporated in England and operates in Great Britain, Rowan Glen Dairy Products Limited which is incorporated and operates in Scotland, and Dale Farm Dairies (Ireland) Limited and Dale Farm Ice Cream (Ireland) Limited which are incorporated and operate in the Republic of Ireland.

11. Stocks

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Raw materials and consumables	2,814	3,014	92	87
Finished goods and goods for resale	15,244	9,412	64	48
	18,058	12,426	156	135

The difference between the carrying value of stocks and their replacement cost is not material.

12. Debtors

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Trade debtors	50,287	43,445	17,489	13,934
Amounts due from subsidiary undertakings				
– loans	-	-	20,844	15,466
– trading	-	-	12,139	7,522
Other debtors	1,144	1,261	976	1,050
Prepayments and accrued income	1,240	1,024	732	623
Group relief receivable	-	-	-	43
	52,671	45,730	52,180	38,638

13. Notes to the group statement of cash flows

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

	2011	2010
	£000	£000
Operating profit	4,656	4,643
Depreciation of tangible fixed assets	4,814	4,449
Amortisation of intangibles	555	646
(Increase)/decrease in stocks	(5,632)	5,928
Increase in debtors	(6,941)	(7,921)
Increase in creditors	8,710	9,329
Capital grant release	(377)	(322)
Foreign exchange movement	-	(11)
Other finance income/(expense) relating to pension scheme	159	(846)
Profit on disposal of fixed assets	(74)	(422)
Net cash inflow from operating activities	5,870	15,473

(b) Analysis of net debt

	At 31 March 2010 £000	Cash flow £000	At 31 March 2011 £000
Cash at bank and in hand	374	(45)	329
Overdrafts	(5,519)	(4,518)	(10,037)
	(5,145)	(4,563)	(9,708)
Loan stock	(254)	-	(254)
Sinking fund account	74	-	74
Preference shares	(514)	(41)	(555)
Bank loans	(11,846)	2,282	(9,564)
Finance lease	(1,118)	412	(706)
Other loans	(254)	100	(154)
	(19,057)	(1,810)	(20,867)

14. Other creditors and accruals

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Bank overdrafts	10,037	5,519	11,014	6,691
Bank loans (note 17)	2,248	2,248	657	657
Obligations under finance leases and hire purchase contracts (note 24)	352	405	76	98
Other taxes and social security	574	663	553	564
Other creditors	1,044	960	542	327
Accruals	6,284	5,646	2,332	2,031
Loan stock (note 16)	254	254	254	254
Group relief payable	-	-	71	-
	20,793	15,695	15,499	10,622

15. Creditors: amounts due after more than one year

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Obligations under finance leases and hire purchase contracts (note 24)	354	713	49	131
Bank loans (note 17)	7,316	9,598	3,256	3,913
Other loans	54	153	-	-
	7,724	10,464	3,305	4,044

16. Loan stock and convertible loan stock

(a) Loan stock:

	Group and Society 2011 £000	Group and Society 2010 £000
At 31 March 2010 and 2011	74	74

The loan stock was due for repayment on 29 February 2000. The balance of £74,000 still outstanding is awaiting the completion of the appropriate formalities by the relevant loan stock holders.

(b) Convertible loan stock:

	Group and Society 2011 £000	Group and Society 2010 £000
At 1 April	180	134
Loan stock repaid	-	(16)
Loan stock issued	-	62
At 31 March	180	180

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.

17. Bank loans

Maturity of debt

Payments due;

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
In one year	2,248	2,248	657	657
In more than one but not more than two years	1,951	2,248	657	657
In more than two but not more than five years	3,171	4,065	1,971	1,971
In more than five years	2,194	3,285	628	1,285
	9,564	11,846	3,913	4,570
Less: due within one year	(2,248)	(2,248)	(657)	(657)
Amounts due in more than one year	7,316	9,598	3,256	3,913

The loans are interest bearing at a variable rate based on LIBOR or Base rates and are secured by way of unlimited intra-group guarantees.

18. Provisions for liabilities

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

	Group £000	Society £000
At 31 March 2010	3,281	194
Credit in the current year	(22)	(44)
Add back credit relating to retirement benefit	(67)	-
At 31 March 2011	3,192	150

Deferred taxation provided in the financial statements is as follows:

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Capital allowances in advance of depreciation	3,124	3,294	161	207
Other timing differences	(12)	(13)	(11)	(13)
Capital gains held over	80	-	-	-
	3,192	3,281	150	194

The deferred taxation asset relating to the pension deficit is netted off against the gross pension deficit in the financial statements.

Deferred tax has been calculated at 26% as at March 2011 reflecting HMRC enactment, in March 2011, of a reduction in the corporation tax rate effective from 6 April 2011.

HM Treasury have announced their intention for the main rate of corporation tax to drop to 23% by 2015, through reductions of 1% per annum over the next three years, although the drop in rates is not enacted at the balance sheet date. A drop in tax rate to 23% would reduce the deferred tax liability at 31 March 2011 to £2,824k for the group and £132k for the society.

19. Deferred income - capital grants

	Group £000	Society £000
At 31 March 2010	4,608	354
Arising on new capital grants	720	-
Release for the year	(377)	(25)
At 31 March 2011	4,951	329

20. Issued share capital

Group and Society

<i>Allotted, called up and fully paid</i>	2011 No.	2010 No.	2011 £000	2010 £000
Ordinary shares of £1 each	12,826,300	13,344,860	12,826	13,345

	2011 £000	2010 £000
Ordinary shares:		
At 1 April	13,345	13,352
Issued during the year	7	933
Cancelled during the year	(526)	(940)
At 31 March	12,826	13,345

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.

21. Share capital repayable on demand

Group and Society

Preference Shares	2011 £000
At 1 April	514
Issued during the year	78
Cancelled during the year	(37)
At 31 March	555

During the year £78,000 in share capital repayable on demand was issued in lieu of ordinary shares to members who had retired from milk production. Interest on the preference shares is payable annually at bank base rate less 0.25% or at such higher rate as may be determined by the board.

22. Share capital to be allocated

Group and Society

Fully paid to be allotted	2011 £000	2010 £000
Ordinary shares of £1 each	979	-

23. Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital allotted £000	Share capital to be allotted £000	Profit and loss account £000	Total shareholders' funds £000
At 31 March 2009	13,352	982	13,899	28,233
Profit for the financial year	-	-	2,404	2,404
Foreign exchange movement	-	-	(11)	(11)
Movement on pension deficit	-	-	(2,593)	(2,593)
Ordinary shares issued	933	(902)	-	31
Convertible loan stock issued	-	(62)	-	(62)
Shares cancelled	(940)	(18)	-	(958)
At 31 March 2010	13,345	-	13,699	27,044
Profit for the financial year	-	-	3,249	3,249
Movement on pension deficit	-	-	9,371	9,371
Ordinary shares issued	7	979	(979)	7
Shares cancelled	(526)	-	-	(526)
At 31 March 2011	12,826	979	25,340	39,145

Society

	Share capital allotted £000	Share capital to be allotted £000	Profit and loss account £000	Total shareholders' funds £000
At 31 March 2009	13,352	982	41	14,375
Profit for the financial year	-	-	611	611
Movement on pension deficit	-	-	(2,593)	(2,593)
Ordinary shares issued	933	(902)	-	31
Convertible loan stock issued	-	(62)	-	(62)
Shares cancelled	(940)	(18)	-	(958)
At 31 March 2010	13,345	-	(1,941)	11,404
Profit for the financial year	-	-	2,812	2,812
Movement on pension deficit	-	-	9,371	9,371
Ordinary shares issued	7	979	(979)	7
Shares cancelled	(526)	-	-	(526)
At 31 March 2011	12,826	979	9,263	23,068

24. Obligations under finance leases and hire purchase contracts

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Amounts payable:				
Within one year	383	449	80	106
In two to five years	363	758	50	137
Over five years	22	22	-	-
	768	1,229	130	243
Less: finance charges allocated to future periods	(62)	(111)	(5)	(14)
	706	1,118	125	229
Finance leases and hire purchase contracts are analysed as follows:				
Current obligations	352	405	76	98
Non-current obligations	354	713	49	131
	706	1,118	125	229
Analysis of changes in finance leases and hire purchase contracts:				
At 31 March 2010	1,118	1,489	229	294
Capital element of lease rental payments	(412)	(371)	(104)	(65)
At 31 March 2011	706	1,118	125	229

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 £ 0.602m (2010 – £0.832m). The details of these schemes are set out below:

(a) Defined Contribution Schemes

The group operated for the majority of its eligible employees three defined contribution schemes – the United Dairy Farmers Group Scheme, the Dale Farm (GB) Limited Scheme and the United Feeds Limited Scheme. The assets of the schemes are held in independently administered funds. Contributions to the three defined contribution schemes are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

The pension costs represent contributions payable by the group to the schemes and amounted to £363k (2010 – £385k). The unpaid contributions outstanding at the year end, included in 'Other creditors', are £31k (2010 – £31k).

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

75 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 the last available actuarial valuation made as at 31 March 2010. Based on this valuation, United Dairy Farmers Limited will pay an employer's contribution rate of 23.3% from 1 April 2011 and will be required to make additional lump sum payments of £649,000 per annum. The total contributions to the scheme for the year ended 31 March 2012 will be approximately £1,013,000.

25. Pension scheme information (continued)

United Dairy Farmers Limited has initiated separate legal proceedings against the Department of Agriculture and Rural Development and the Northern Ireland Local Government Officers' Superannuation Committee Scheme ('NILGOSC'). In the action against the Department it seeks confirmation that it does not have responsibility for the pension liabilities of former Milk Marketing Board for Northern Ireland employees who did not become employees of the company in 1995. The proceedings against NILGOSC seek to determine where liability lies if United Dairy Farmers ceases to participate in the scheme at some point in the future. Based on legal advice provided, the company believes it is not responsible for the pension liabilities in the scheme and has only a responsibility to pay employer contributions for current employees. On this basis the scheme should be treated as a defined contribution scheme. Notwithstanding the strength of the legal advice the company continues to account for the scheme as it has done historically as a defined benefit scheme to ensure full accordance with Financial Reporting Standard 17.

United Dairy Farmers Limited also initiated separate judicial review proceedings challenging a decision by the Department of the Environment to introduce Regulations amending the NILGOSC Scheme. In the course of the judicial review hearing (to which NILGOSC was a Notice Party) the Court considered the substantive issues in the NILGOSC litigation. The judgment of the Court is awaited.

Actuarial valuation

The latest full actuarial valuation took place on 31 March 2010. The principle assumptions used by the independent qualified actuaries to update the valuation to 31 March 2011 for FRS 17 purposes were:

	2011 %	2010 %
Rate of salary increases	-	-
Discount rate	5.5	5.5
Inflation assumption	2.8	3.8
Pension increases	2.8	3.8

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 March 2011 %	Value at 31 March 2011 £000	Long-term rate of return expected at 31 March 2010 %	Value at 31 March 2010 £000
Equities	7.5	48,254	7.8	43,837
Bonds	4.9	8,773	5.0	7,970
Property	5.5	3,760	5.8	3,416
Cash	4.6	1,880	4.8	1,708
Total market value of assets		62,667		56,931
Present value of scheme liabilities		63,721		71,295
Deficit in the Scheme		(1,054)		(14,364)
Deferred tax asset		274		4,022
Net pension deficit		(780)		(10,342)

Analysis of Amount Charged to Operating Profit

	2011 £000	2010 £000
Current service cost	239	231
Past Service Costs	-	185
Total operating charge	239	416

25. Pension scheme information (continued)

Analysis of the amount credited to other finance income

	2011 £000	2010 £000
Expected return on pension scheme assets	4,008	2,666
Interest on pension scheme liabilities	(3,849)	(3,512)
Total other finance income/(expense)	159	(846)

Amount recognised in the statement of total recognised gains and losses

	2011 £000	2010 £000
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	13,052	(3,606)

£7.478m of the actuarial gain in 2011 relates from the change from RPI to CPI as a change in assumption for pension increases.

Analysis of movements in deficit during the year

	2011 £000	2010 £000
At beginning of period	(14,364)	(9,864)
Current service cost	(239)	(231)
Employers' contributions	338	368
Past service costs	-	(185)
Net return on assets	159	(846)
Actuarial gain/(loss)	13,052	(3,606)
At end of period	(1,054)	(14,364)

26. Future capital commitments

At 31 March 2011 the directors have authorised future capital expenditure which, without taking account of government grants, amounts to:

	Group 2011 £000	Group 2010 £000	Society 2011 £000	Society 2010 £000
Contracted	435	2,141	-	-
Non contracted	244	2,655	-	-

27. Other financial commitments

At 31 March 2011 the group and society's annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant and equipment	
	2011 £000	2010 £000	2011 £000	2010 £000
Group				
Leases expiring:				
Within one year	31	15	428	622
Within two to five years	154	170	739	1,453
After more than five years	-	16	399	226
	185	201	1,566	2,301

27. Other financial commitments (continued)

	Land and buildings		Plant and equipment	
	2011 £000	2010 £000	2011 £000	2010 £000
Society				
Leases expiring:				
Within one year	-	-	81	223
Within two to five years	-	-	483	414
After more than five years	-	-	-	-
	-	-	564	637

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 £2,957,554 (2010 – £2,400,705).

At 31 March 2011 the net amount owed to the directors was £314,580 (2010 – £235,464).

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 2011.

The group has entered into guarantees with its bankers in connection with its obligations to the UK Rural Payments Agency which at 31 March 2011 amounted to £268,122 (2010 – £1,998,991). 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 Ulster Bank in respect of United Group borrowings from Ulster Bank. At 31 March 2011 the United Group borrowings from Ulster Bank amounted to some £18.1 million (2010: £16.1 million). The banking facilities of the subsidiary, United Feeds Limited are secured by a floating charge over the company's assets.

Under the terms of different grant schemes 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.