ICBF Annual Report

For calendar year 2004

Irish Cattle Breeding Federation Society Limited

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1 SUMMARY

The Irish Cattle Breeding Federation (ICBF) exists to achieve the greatest possible genetic improvement in the national cattle herd, for the benefit of Irish Farmers, the Dairy and Beef industries, and Members. In 2004 the major contributions to this mission were in improved data quality and genetic evaluations, for both dairy and beef.

The ICBF database is now fully operational for the majority of the beef and dairy herd books operating in Ireland. During 2004 the task of converting milk recording processing to the database was completed with 6,200 herds routinely processed. Substantial progress was made with the development of across breed genetic evaluations for calving and beef traits. This included the development of new sub-indexes for beef breeding, and extension of the dairy EBI to incorporate calving and beef traits.

In 2004 the Beef Breeding Quality Initiative provided electronic access to factory slaughter data, a beef linear scoring and weight recording service for all breeds and crosses, and substantial increases in the quality and quantity of bulls graduating from Tully. Initiated by ICBF, considerable progress at an international level has been made to establish a structure for facilitating international genetic evaluations for beef cattle and beef traits.

The national database has dramatically improved the accuracy and scope of both beef and dairy genetic evaluations. In 2004 these improved evaluations were used for the first time to locate Irish bred Holstein Friesian bulls for progeny testing. A substantial increase in the EBI of the selected bulls was achieved. As beef and dairy breeding decisions are increasingly based on these more accurate genetic evaluations the profitability of beef and dairy farming is being advanced.

During 2004 a strategic review was conducted and this resulted in a four-year strategic plan. The focus of the plan is to increase the uptake by farmers of the recording and breeding services that give greatest economic returns. ICBF's development effort will increasingly be focused on streamlining the flow of data from farms, while improving the quality of the information returned to farms. Initiatives with TEAGASC and with the animal health industry are being undertaken to use the ICBF database to provide better quality information for farm and industry decision-making.

In summary, 2004, was year of dramatic and long lasting progress towards the goals of ICBF. In large part this has been due to the incredible commitment and teamwork of our staff and contractors.

2 INTRODUCTION

The Irish Cattle Breeding Federation Society Limited (ICBF) has been established with the objective of **achieving the greatest possible genetic improvement in the national cattle herd for the benefit of Irish Farmers, the Dairy and Beef industries and Members.** Genetic improvement comes about when the parents of the next generation are genetically superior to their contemporaries. Bringing about improvement requires:

- **Identification, ancestry and quantitative and qualitative data** on those traits of importance for large numbers of animals in each generation.
- A **genetic evaluation** system to identify the genetically superior animals in each generation. An essential part of the genetic evaluation system is a scientific knowledge of the objectives of cattle breeding.
- **A breeding scheme design** that ensures that the required data is available, and that commercial farmers have ready access to the genetically best animals in each generation.

In 2004 ICBF's focus moved further down through these three areas. By the end of 2004 the original database development had been completed and was running smoothly. Considerable progress was made

with the development of calving and beef genetic evaluations. While much work remains to be undertaken before the breeding scheme design in Ireland can be described as optimal, or near optimal, it is pleasing to see that good progress has been made with the establishment of a National Cattle Breeding Centre and a commitment to ensure a significantly more efficient progeny testing scheme for both beef and dairy animals.

This annual report has been prepared for the purpose of providing ICBF's shareholders and other stakeholders with a summary of activities and achievements in relation to the objectives of the Society for the 2004 calendar year.

3 Beef Cattle Breeding

Over this last year ICBF has continued to create the infrastructure required to support the Beef Breeding Quality Initiative (BBQI) established in 2002. The main achievements of 2004 were the conversion of herd book processing from a range of systems to use of the ICBF database, substantial progress with the development of economically based beef genetic evaluations and a substantial increase in the number of bulls tested at ICBF's Tully test centre. Another important aspect has been taking the next step in the initiation of an international evaluation system for Beef.

The key elements of the BBQI and progress made in 2004 include:

3.1 Database

ICBF's objective for its database is to ensure that it contains accurate identification, location, ancestry, reproduction, growth performance and slaughter data for a large part of the pedigree beef, suckler and dairy beef populations in Ireland. The main progress in 2004 was:

(a) **Herd Book Data.** Implementation of herd book registration processing via the ICBF database for fourteen breeds (dairy, beef and dual purpose) was completed. This change has resulted in Animal Events being the means for farmers to notify registration for both DAF and Herd Book purposes using a single form. It has eliminated a substantial amount of duplication of effort by farmers. A considerable amount of effort was required to ensure the many issues that arose during this change-over were quickly identified and resolved. The effort of all involved including the staff in the Herd Book offices is acknowledged and appreciated. Figure 1 shows the numbers of 2004 registrations for each herd book.

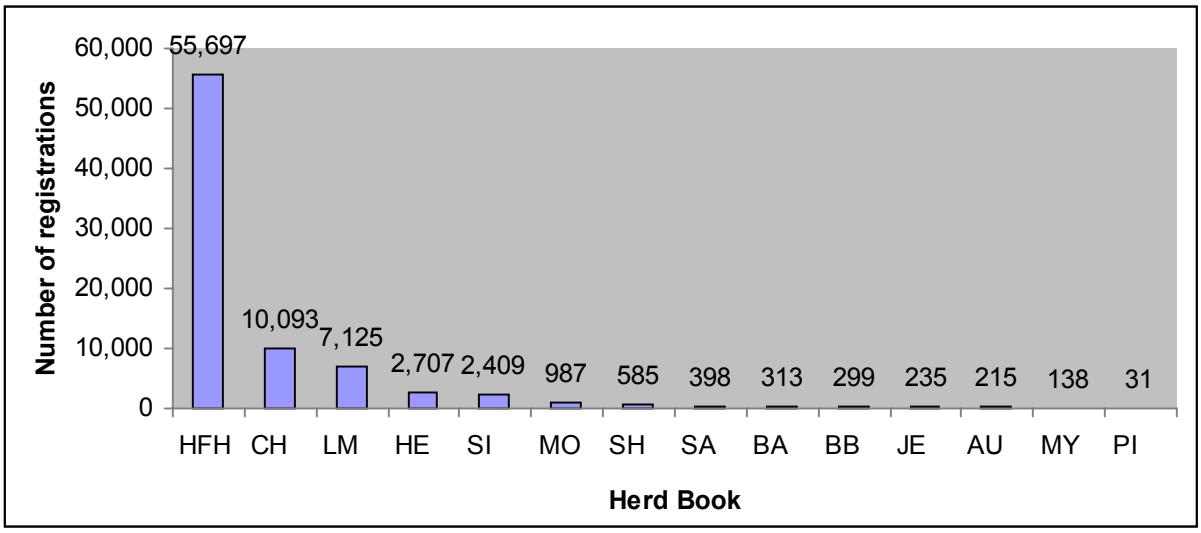


Figure 1. Herd book registrations by breed in 2004.

(b) **Calving Survey Data.** 2004 is the third year in which the animal events system has been operating for dairy herds, and the first year for beef herds. As a result there has been a dramatic improvement in both the quality and quantity of calving survey data available for the offspring of the full range of beef breeds. This is illustrated in figures 2 and 3.

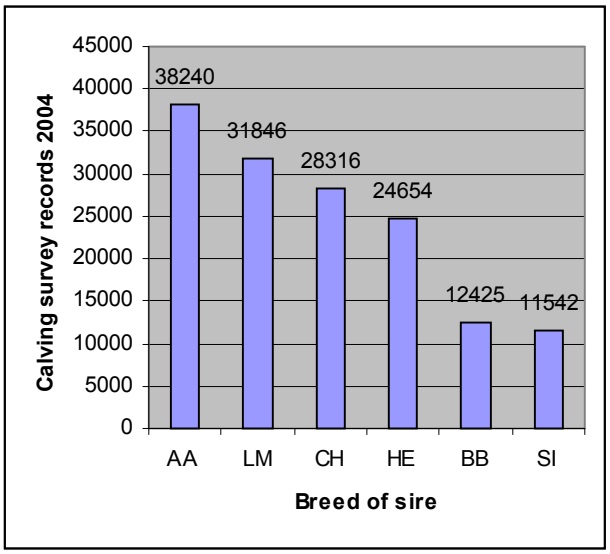


Figure 2. 2004 calving survey records for selected beef breeds.

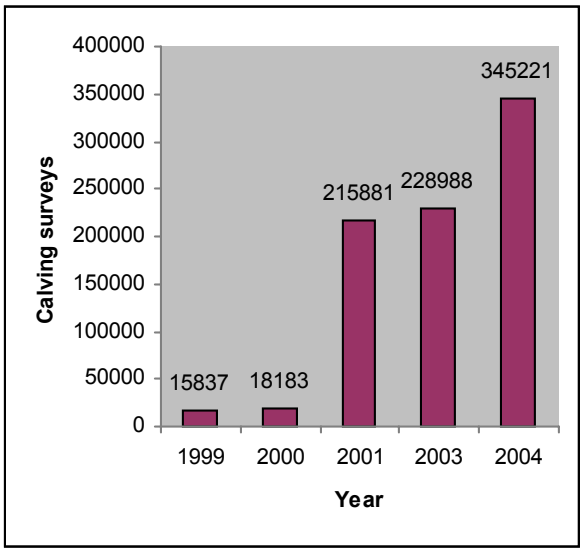


Figure 3. Number of calving survey records by year.

The development of beef maternal trait genetic evaluations (refer to section 3.2 Genetic Evaluations) has been hampered by a lack of calving records in suckler herds. This is being addressed through efforts to increase the number of suckler herds that participate fully in Animal Events recording.

(c) **Carcase & Growth Data.** The linear scoring and weight recording service initiated in 2003 was extended to cover all beef breeds in 2004. Some 16,500 animals were linear scored and some 5,600 weight recorded between September 2004 and end of March 2005. This is highest level of recording achieved so far.

A large amount of factory slaughter data was provided electronically by DAF to the ICBF database in 2004, using systems established in 2003. The total number of slaughter records for animals slaughtered in 2004 was 304,000. Much of the slaughter data gathered in 2004 came from dairy and beef cross animals originating in milk-recorded herds. In the years ahead, an increasing amount of data will be recovered from animals originating in pedigree beef and non-pedigree suckler herds, as greater numbers of these herds make use of Animal Events to register their calves and record both female and male ancestors.

3.2 Genetic Evaluations

The purpose of the **genetic evaluation system** is to identify those animals that provide the best returns, net of production costs, from the markets available to Irish cattle farmers. The main areas of progress in 2004 were:

(a) Beef Breeding Indexes. The review initiated in 2003 made substantial progress in 2004 and achievements included:

- Establishment of sub-indexes that provide a prediction of the economic consequences of beef breeding decisions. These sub-indexes effectively summarise a large amount of information from many traits and express the results in Euros. This work has resulted in the new sub-indexes being published for beef AI bulls in April of 2005. The concept of sub-indexes has also been adopted for dairy evaluations effective from February 2005.
- The development of Genetic Evaluations for a large number of beef related traits. The traits include those associated with calving, feed intake and carcase. The evaluations are all computed on an across breed basis. They make full use of data collected in the past as well as the greatly improved new calving data gathered via Animal Events and the large amount of slaughter data provided via DAF. These evaluations formed the basis for the beef sub-indexes published for the first time in April 2005. Where appropriate they are also being used in the dairy-breeding index (the EBI) from February 2005.
- The development of beef sub-indexes and the associated genetic evaluations have already facilitated the replacement of older systems used for calving surveys and Central Beef Progeny tests. In the year ahead it is anticipated that the Tully and Pedigree BLUP systems will also be replaced by the new integrated evaluation system, thus eliminating confusion, and providing beef breeders with increased opportunities for breeding more profitable beef cattle.
- Unfortunately efforts to develop beef maternal trait evaluations have been frustrated by a lack of suitable data. This is being addressed through initiatives with TEAGASC and AI members to introduce Animal Events to many more suckler herds.

(b) **BLUP Evaluation System**. Further modifications were made to the traditional genetic evaluation systems for the Limousin, Simmental and Charolais breeds. The systems were changed to operate on a weekly basis, so that the latest BLUP results could be included with the results of the previous weeks linear scoring. The rapid turnaround of genetic evaluations is largely unprecedented in the international beef breeding industry. The system was also extended to provide BLUP evaluations for the Hereford breed.

(c) **International Beef Evaluations.** During 2004 the international pilot project initiated by ICBF was completed and the results reported at the ICAR Conference in May. ICAR immediately established a Task Force to develop a Business Plan for INTERBULL to provide an international beef evaluation service. The Task Force, of which Dr Brian Wickham is a member, completed its report in March 2005 with a recommendation that the service be established.

3.3 Field Services

ICBF is focused on the provision of field services to the pedigree, suckler and dairy-beef populations that are attractive to herd owners, and result in the collection of the data needed to ensure the database is accurately updated in a timely manner. The main progress in 2004 was:

(a) **Linear Scoring.** ICBF's team of contract scorers, established in 2003, was expanded to incorporate two employees of the Charolais Assn, and commenced the provision of a full across breed service in September 2004.

(b) **Weight Recording.** A weight recording service provided through ICBF's contracted linear scorers was launched in 2004.

(c) **Bull Performance Recording.** Tully is now well established under ICBF's management with excellent progress being made in both the quality of bulls entering test and in the quality of the bulls graduating from the test. The Tully centre tested intakes commencing in May, October and December 2004. The October intake of 2004 was sold in the third sale in March 2005 and the December 2004 intake will be sold at a sale at the end of April 2005. FBD provided very generous prize sponsorship.

The Tully operation now makes full use of the ICBF database to identify candidate bulls for testing. In 2004 selection was based on BLUP indexes, where available. It is expected that the new beef evaluations will be used to identify suitable candidates for the October and December intakes in 2005.

During 2004 the Tully centre had to cope with the presence of a TB Reactor in its December 2003 intake. A separate facility was established on leased land to enable the contemporaries of the reactor to be held once they completed their performance test. After clearing two TB tests all the bulls were available to their owners for sale. The Tully Staff are to be commended for handling this event in a very professional and cost effective manner.

4 Dairy Cattle Breeding

4.1 Database

A central element of ICBF's strategy for ensuring the data so essential for cattle breeding decisions is readily available, has been the establishment of the Cattle Breeding Database. This large and complex project is now complete for dairy herds and animals.

The major achievement in 2004 was the completion of the roll-out of ICBF database support for milk recording to all Milk Recording Organisations in Ireland. Six thousand two hundred (6,200) milk-recorded herds in Ireland were processed through the database in 2004. Special tribute must be paid to the stirling efforts of the milk recorders, staff of ICBF's Milk Recording members, staff of the Animal Events Office and to the small team in ICBF responsible for the completion of this change-over.

The ability of the database to monitor turn-around times was put to good use and considerable progress in this important performance measure was made during the year. Figure 4 shows the improvement in turnaround times achieved during 2004.

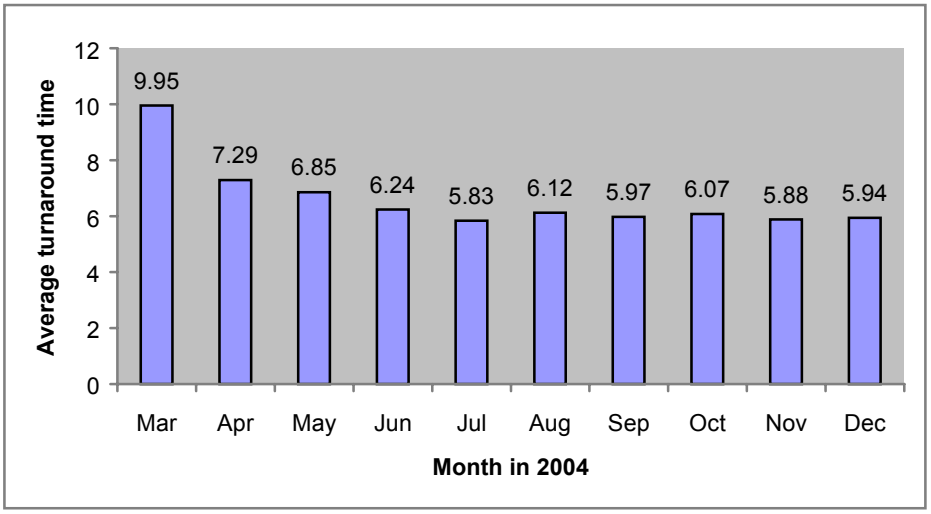


Figure 4. Average milk recording turnaround times by month in 2004.

4.2 Field Services

With Milk Recording up and running on the database, ICBF's emphasis is now shifting to focus on ways of increasing the number of dairy cattle and herds being recorded in Ireland.

During 2004 a new Electronic Do-It-Yourself (EDIY) milk recording service was field-tested and a pilot cell, consisting of a van and driver equipped with 65 milk meters, established. The outcome of this work has been to establish that such a service provides a practical basis for growing the uptake of milk recording. By sharing meters between farms and reducing the total labour required, the EDIY service has considerable potential to be financially attractive to both farmers and service providers.

With milk recording being processed through ICBF's database it is now possible to extend the range of information that can be provided to help herd owners with their management decisions. Initiatives in 2004 included the establishment of facilities for computing TEAGASC discussion group comparisons, and for

providing farmers with breeding charts with animal details completed. These popular developments are providing increased benefits to the herds that milk record.

4.3 Genetic evaluations

Efforts to improve the accuracy of the EBI, introduced in 2001, have continued.

The main technical developments in 2004 were:

(a) Implementation in February of revised Economic Weights in the EBI. The impact of the revision was an increase in emphasis on calving interval, primarily resulting from the use of field data on lactation curves to replace research station data collected many years ago. A considerable extension and education campaign, with a lot of help provided by TEAGASC, was undertaken to ensure farmers were well informed about the change and thus able to make good use of the indexes when making breeding decisions.

(b) Updating the EBI with contributions from calving survey and beef traits. As reported (3.2 Genetic Evaluations) across breed genetic evaluations were developed for calving survey and beef traits. The inclusion of this new information in the EBI was the subject of considerable research. The result was that a decision was taken in February 2005 to introduce sub-indexes for the EBI, including one for each of calving survey and beef.

(c) Also during 2004, research was undertaken to establish across breed evaluations for milk production traits and this will result in EBIs becoming available for all the main dairy breeds in Ireland from May 2005.

Genetic evaluations were published in a range of media including ICBF's website, for use by farmers and the breeding industry. Revenue from this information is generated through ICBF's AI approval and genetic evaluation service to licensed organisations.

It is gratifying that the Active Bull List has become the main tool used by ICBF and TEAGASC for communicating with farmers and the EBI has now achieved a high level of acceptance.

4.4 Holstein Friesian Breeding Scheme Design

With the database now fully operational and the EBI system well bedded in, a considerable amount of ICBF's resource in 2004 was focused on improving the efficiency of the Holstein Friesian breeding program.

ICBF's genetic evaluation systems have identified that Ireland has a population of black & white cows containing some of the most suitable animals in the world for use in Ireland. For example, a survey of potential young bulls world-wide, found that 70 of the top 100 on EBI, were from Irish herds. The challenge for the cattle breeding industry is to assist ICBF's AI members to expand the progeny testing of Holstein bulls to the optimum of one hundred bulls per year. With current rates of gain of some €6 per animal per year, compared with the optimum of €24 per animal per year, there is substantial potential for breeding to make a greater contribution to dairy farm profitability.

Focus has been on two main areas:

(a) **Selecting Irish bulls for progeny testing.** In close collaboration with ICBF's AI members the facilities of the database were used to locate high EBI bull calves suitable for subsequent progeny testing. As part of this work, a study of the disease issues that limit the availability of bulls for AI was also undertaken. The outcome of this work has been that our AI members have been able to establish a team of high EBI young bulls that are ready for progeny test inseminations in spring 2005.

(b) **Developing a more efficient progeny test**. A targeted herd progeny test design has been developed as a more efficient alternative to current schemes. This work has resulted in the G€N€ IR€LAND™ scheme launched in 2005 in partnership with ICBF's AI members.

It is now well established that cattle breeding is a means for increasing dairy farm profitability. The EBI, by considering both income and expenditure, is identifying a strain of black & white cattle in which the fertility problems caused by past breeding decisions are now being reversed with minimal compromise of other economically important traits.

5 Collaboration with TEAGASC

ICBF's relationship with TEAGASC has continued to strengthen in 2004 as illustrated by joint activities. These included:

(a) **Extension Campaigns.** TEAGASC & ICBF have collaborated in campaigns to increase dairy cow profitability by increasing herd EBI. A series of "farm walks" in spring 2004 were held to discuss the impact of the EBI changes. The farms on which these were held, separated out their top five and bottom five cows on EBI, to illustrate the type of cow being favoured by the revised index. This helped demonstrate the power of the EBI to identify cows that are both productive and fertile.

(b) **Information Service for Advisors.** Some 4,200 beef and dairy herds have now signed up to the TEAGASC information service supported by the ICBF database. This service enables advisors to readily access all herd reports (milk recording, EBI, calving, and fertility) produced from the ICBF database for their farmer clients. It replaces less comprehensive and less well utilised TEAGASC systems.

(c) **Research.** ICBF and TEAGASC are working very closely in the development of the EBI for dairy and the overall index and sub-indexes for beef.

6 Animal Health

During 2004 a number of initiatives were undertaken by leaders in the animal health sector to move their focus towards prevention through improved management. ICBF has supported these initiatives and played a key role through the provision of information at herd and national levels. The ICBF database holds much of the data that is required for monitoring and reporting key animal health performance indicators. Options for ensuring maximum farmer benefit from utilising this strategically important industry asset are currently being explored and are likely to play a significant role in ICBF's future priorities.

7 Artificial Insemination Recording

During 2004 ICBF initiated a project to increase the value, without increasing the cost, of the insemination services offered by its AI members. This project has resulted in a hand-held computer for use by AI technicians that is now being used on a pilot scale.

This system delivers value by providing the technician with up-to-date information about the cows being inseminated. It also ensures the details of each insemination are quickly updated onto the ICBF database where they can be used by the AI service provider, and can also be used in management reports for the herd owner. The insemination record can subsequently be used to validate the parentage of the resulting calf and even remove the need for the herd owner to provide the information at the time of the calf's birth.

This development is a good illustration of the way the database is being extended at relatively low cost to improve the efficiency and effectiveness of the Irish cattle breeding industry.

8 Resources

ICBF is using a number of resources in pursuit of its mission. These include:

8.1 Financial

In 2004 ICBF income included contributions from the following sources:

(a) Irish Taxpayers (€1.60 million) comprising the DAF Grant and NDP contributions towards capital developments.

(b) Cattle farmers through the Tag Contribution (€0.86 million), and

(c) The cattle breeding industry through service fees (€0.57 million).

These funds cover the cost of on-going operations and the cattle breeding infrastructure projects undertaken during the year by ICBF.

8.2 People

ICBF staff were appointed in keeping with plans and budgets.

During the year full time permanent staff numbers declined by one, to a total of eleven. The full time staff included one person on secondment from the Department of Agriculture Food (DAF).

Thirteen contractors, on contracts of six months to three-years, were assigned to the database implementation and other projects, mainly in order to save on third party costs.

During 2004 staff and contractors once again put in a magnificent effort in continuing to develop the cattle breeding database, to operate Tully, to identify the most genetically valuable animals for use in Ireland, to support bull selection, to develop improved progeny testing systems and to explain the rationale behind the breeding information provided to farmers.

8.3 Offices

In February ICBF's main office and database computers were moved from Shinagh House to Highfield House which is also located on SWS property near Bandon. This reduced operating costs and gave more space. The accommodation is rented from SWS.

8.4 Tully

The Bull Performance Test Centre at Tully is leased from DAF. These facilities are in good condition and have required only minor modification to meet ICBF's requirements.

9 Publications

9.1 Irish Cattle Breeding Statistics

Irish Cattle Breeding Statistics was published for the fifth time in June of 2004. This publication brings together statistical information on all aspects of cattle breeding and has been well received by the cattle breeding industry.

9.2 Industry Presentations

ICBF staff have continued to be heavily involved in presenting information to the Irish cattle breeding industry through a range of meetings and conferences. They have also participated in a number of international conferences presenting papers and playing an active role in leading the development of cattle breeding internationally.

9.3 Web Site

The ICBF web site (www.icbf.com) provides a wide range of information to Irish farmers and the cattle breeding industry.

10 Support

ICBF wishes to acknowledge and express its appreciation for the support and cooperation received from a large number of individuals and organisations. The collaborative nature of ICBF's activities depends to a large extent on the goodwill of its membership, the wider agricultural community and cattle farmers. This goodwill has been expressed in a number of specific ways including:

- Provision of sponsorship for the Tully Bull Sale by FBD.
- Cooperation in the development and operation of the Animal Events system is provided by DAF, the owners of the many herds that participated in the third year of operation, and staff of SWS who ensured a smooth operation.
- Support by many organisations and individuals during the database implementation, including all of the herd books who have undertaken a major change in their operations, and the Milk Recording service providers during a change-over that is now completed.
- Support during the design, introduction and enhancement of the EBI has been provided by ICBF's AI members, private AI companies, TEAGASC and many farmers.

These many acts of support are gratefully acknowledged.

11 Strategic Review

During 2004 a strategic review was conducted for ICBF. This review identified three main areas – genetic evaluation, uptake & cost of services, and breeding schemes – as the focus for future activities. For each of these the Board agreed a number of strategies as set out in the following table.

No.	Strategy	
	Name	**Description**
1	**Genetic evaluations**	Ensure accurate genetic evaluations for all traits, breeds and animals (national & international) of significance to Irish cattle farmers
1.1	Common to beef and dairy	Research, develop, implement and continuously improve across breed evaluations that make optimal use of all national and international data relevant to calving, fertility, survival, beef production, and suckler-cow maternal traits.
1.2	Dairy	Continuously enhance the accuracy and relevance of the EBI as a guide for breeding dairy replacements. Continuously improve genetic evaluations for milk production traits, udder health traits and dairy specific conformation traits.
1.3	Beef	Research, develop, implement and continuously improve economic indexes to guide beef breeding decisions.
2	**Uptake & cost of services**	Double participation and substantially reduce (halve?) unit cost of cattle breeding services to farmers.
2.1	Milk Recording	Working closely with milk recording members, rationalise and consolidate milk-recording operations. Make full use of new technology to reduce labour, reduce hassle for farmers and to reduce the cost of recording. Increase usage of milk recording to 60% of dairy cows.

No.	Strategy	
	Name	**Description**
2.2	Marketing	Working closely with service providing members to ensure effective use of relevant marketing disciplines in designing of cattle breeding services provided to farmers in Ireland.
2.3	Electronic data from farms	Work closely with service providing members to expand electronic data recording by farmers through the introduction of new recording systems and increased usage of farm PC packages. Aim to have 50% of all data collected from farms in electronic form.
2.4	Electronic data from technicians	In close collaboration with AI members and other AI field service licence holders introduce handheld computers linked with the ICBF database for recording all technician inseminations and providing immediate breeding advice. Aim to capture 95% of all technician data electronically.
2.5	Breeding records service	Introduce a breeding records service to enable farmers to participate in a low level of breeding recording. The main elements of the service being animal events and animal register at zero cost to the farmer. All other information outputs to be provided as part of an information service.
2.6	Health and disease service	Extend database reports and events recording to meet animal health needs for whole herd health management and DAF/EU requirements for animal remedy recording and reporting.
3	**Breeding Schemes**	Ensure cattle breeding industry achieves optimal economic returns for Irish cattle farmers.
3.1	Research optimal design	Undertake the research required to identify optimal breeding scheme design(s) for all breeds of cattle in Ireland or of potential value for use in Ireland and export.
3.2	Disease free status for seed stock herds	Ensure that all herds providing seed stock material are free of TB, Brucellosis, IBR, Johnes, BVD and EBL.
3.3	HF breed scheme	Work closely with the national stud to provide information support for bull selection and tightly targeted herd progeny testing in order to achieve the optimal design for HF breed.
3.4	Other breed schemes	Work closely with the national stud and the wider cattle breeding industry to provide information support for bull selection and herd progeny testing to achieve the optimal design for all other breeds.
3.5	Mating advisory service	Ensure the mating advisory information service is available to all cattle farmers to guide the selection of the most suitable sires for use in their herds. Criteria to include; avoidance of inbreeding, minimisation of risks from lethal genes and maximisation of future profits from the resulting progeny. Consider all candidates available through AI. Information to be provided to farmer, his breeding advisers and to AI technicians.
3.6	Capital funding of beef progeny testing	Introduce a scheme for private ownership of progeny test beef bulls in association with ICBF's AI members. Participating commercial herds to be provided with incentives.
3.7	Tully	Ensure Tully operation continues for 2005. Review its role in light of optimal breeding scheme design work (strategy 3.1).

12 Future Prospects

In summary, 2004, was year of dramatic and long lasting progress towards the goals of ICBF. In large part this has been due to the incredible commitment and teamwork of staff and contractors. Having established this capability the cattle breeding industry is now well placed to become and world-class leader in cattle breeding.

The Beef Breeding Quality Initiative provides a sound basis for bringing about a major step forward in the development of beef cattle breeding in Ireland. A large effort will be required to ensure this initiative receives the support of bull breeders and suckler herd owners. In the year ahead a large effort will be required to ensure farmers and the breeding industry are equipped to make the best possible use of the vastly improved information made available as part of the new beef genetic evaluations. Similarly with the database fully operational it is time to extend the Animal Events system to all users of AI, both beef and dairy herds and to all suckler herds interest in cattle breeding.

As the database becomes ever more comprehensive in its operations, ICBF must move its focus to increasing the number of farmers involved in keeping the records required to support an effective cattle-breeding programme. Increases of the order of 100% are required for dairy cattle and of 500% to 1000% for beef cattle.

It is now very timely for the cattle breeding industry to give further consideration to optimising the breeding scheme design for each dairy and beef breed. ICBF is committed to ensuring the best available, worldwide, expertise and knowledge is brought to bear on evaluating the optimal designs.

Only when the breeding schemes are optimised, and substantial increases in the uptake of cattle breeding services have been achieved, will Ireland be in a position to realise rates of genetic gain competitive with the best cattle breeding practices world-wide. Gaining this increase will be a major challenge and it will only be achieved if the cattle breeding industry takes full advantage of the infrastructure established by ICBF. The additional challenge for ICBF is to ensure that the infrastructure is so efficient and effective that the wider cattle breeding industry uses it comprehensively to deliver “world best” cattle breeding services to Irish cattle farmers.

With the database development now completed it is timely for ICBF to review its future role. The database infrastructure, genetic evaluation systems and service capability established by ICBF is a very valuable resource and it is imperative that it be effectively utilised to ensure cattle production in Ireland is internationally competitive.

Brian Wickham
Chief Executive

John O’Sullivan
Chairman

13 FINANCIAL STATEMENTS (12 Months Ended 31 December 2004)

13.1 Society Information

DIRECTORS	Mr. J. O'Sullivan	(Chairman)
	Mr. D. Deane	(Vice-Chairman)
	Mr. J. Malone	(retired 13/05/04)
	Mr. D. Beehan	(appointed 13/05/04)
	Mr. D. Cahill	
	Mr. K. Connolly	
	Dr. D. Corridan	
	Dr. B. Eivers	
	Mr. S. Fitzgerald	
	Mr. L. Foley	(appointed 13/05/04)
	Mr. J. Galvin	
	Mr. K. Kinsella	
	Mr. M. Magan	
	Mr. T. Maher	
	Mr. K. Meade	
	Mr. B. Nagle	(retired 13/05/04)
	Mr. R. O'Malley	
	Mr. P. Walsh	
SECRETARY	Ms. E. McGeough Department of Agriculture and Food c/o Livestock Breeding Division Government Buildings Farnham Street Cavan	
CHIEF EXECUTIVE	Dr. B. Wickham	
SOCIETY'S ADDRESS AND REGISTERED OFFICE	Highfield House Shinagh Bandon Co. Cork	
SOLICITORS	P. J. O'Driscoll & Sons Solicitors South Main Street Bandon Co. Cork	
AUDITOR	Ernst & Young Registered Auditors Stapleton House 89 South Mall Cork	

13.2 Independent Auditors' Report To The Members Of Irish Cattle Breeding Federation Society Limited

We have audited the financial statements for the year ended 31 December 2004, which comprise the Income and Expenditure Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the society's members, as a body, in accordance with the Industrial and Provident Societies Acts, 1893 to 1978. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of committee and auditor

The Industrial and Provident Societies Acts, 1893 to 1978 require the Committee of Management 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 income and expenditure of the Society for that year. In preparing the financial statements, the Committee are required to:

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

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Society and which enables them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Industrial and Provident Societies Acts, 1893 to 1978. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibilities, as independent auditor, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Society as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the provisions of the Industrial and Provident Societies Acts, 1893 to 1978.

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

Ernst & Young
Registered Auditors
Cork

21st April 2005

13.3 Income And Expenditure Account For The Year Ended 31 December 2004

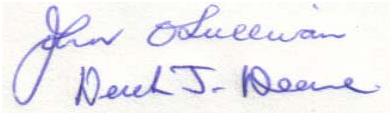
	Note	*Year ended 31 December 2004* €	*11 months ended 31 December 2003* €
INCOME		3,225,982	2,612,334
OPERATING EXPENSES		(3,200,166)	(2,487,138)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		25,816	125,196
Tax on surplus on ordinary activities	3	(560)	(652)
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		25,256	124,544
RETAINED SURPLUS AT BEGINNING OF FINANCIAL PERIOD		610,281	485,737
RETAINED SURPLUS AT END OF FINANCIAL PERIOD		635,537	610,281

There are no recognised gains or losses in either period other than the surplus attributable to the shareholders of the Society.

On behalf of the Committee of Management

John O'Sullivan Chairman

Derek Deane Vice Chairman



31st March 2005

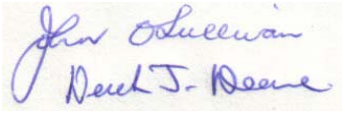
13.4 Balance Sheet At 31 December 2004

	Note	2004 €	2003 €
FIXED ASSETS	4	3,550,610	3,730,192
CURRENT ASSETS			
Debtors	5	545,153	478,952
Cash at bank		989,047	880,846
		1,534,200	1,359,798
CREDITORS: amounts falling due within one year		(449,736)	(326,364)
NET CURRENT ASSETS		1,084,464	1,033,434
TOTAL ASSETS LESS CURRENT LIABILITIES		4,635,074	4,763,626
GOVERNMENT GRANTS FOR CAPITAL PROJECTS	6	(1,983,553)	(2,137,374)
TOTAL ASSETS LESS LIABILITIES		2,651,521	2,626,252
FINANCED BY			
SHAREHOLDERS' FUNDS			
Share capital	7	2,015,984	2,015,971
Income and expenditure account	8	635,537	610,281
Shareholders' funds (all equity interests)	8	2,651,521	2,626,252

On behalf of the Committee of Management

John O'Sullivan Chairman

Derek Deane Vice Chairman



31st March 2005

13.5 Notes To The Financial Statements For The Year Ended 31 December 2004

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements are expressed in Euro (€).

Fixed assets and depreciation

Fixed assets are stated at cost. Depreciation is calculated on a straight line basis by reference to the expected useful lives as follows:

Office equipment	5 years
Motor vehicles	5 years

Project development expenditure

Project development expenditure on clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised. When the development of these projects reaches completion the Society provides services to its members in return for fee income. This expenditure is depreciated over four to five years and depreciation begins in the year the Society starts to benefit from the expenditure.

Government Grants

Grants for operating and related capital expenditure:

Grants received from the Department of Agriculture and Food to fund the operations of the Society are credited to the income and expenditure account so as to match them with the expenditure to which they relate. The portion of the grant that applies to capital expenditure is deferred and is amortised over the life of the asset to which it relates.

Grants for project expenditure:

National Development Plan grants received towards the cost of project development expenditure are deferred and amortised over the same period in which the related project development expenditure is depreciated.

Income recognition

Income received from tax contributions are recognised on a cash receipts basis. All other income is recognised on delivery of the service.

2. STAFF COSTS

	Year ended 31 December 2004	*11 months ended 31 December 2003*
The staff costs are comprised of:	*€*	*€*
Wages and salaries	600,466	572,758
Social welfare costs	60,222	59,200
	660,688	631,958

The average number of persons employed by the Society in the financial year was 11 (31 December 2003: 12) and is analysed into the following categories:

	No.	*No.*
Management	1	1
Administration	1	1
Technical	9	10
	11	12

3. TAXATION

	Year ended 31 December 2004	*11 months ended 31 December 2003*
	€	*€*
The charge for taxation is made up as follows:		
Corporation tax for the year	560	1,376
(Over)/under provision relating to prior years	-	(724)
	560	652

Deposit interest income is taxable at 25%. All other income is exempt from tax.

4. **FIXED ASSETS**

	Project Development expenditure		*Office equipment*	*Motor vehicles*	*Total*
	Completed	*In Progress*			
	€	*€*	*€*	*€*	*€*
Cost:					
At 1 February 2004	5,861,007	103,501	83,329	-	6,047,837
Additions	1,040,187	153,753	13,280	18,760	1,225,980
Disposals	-	-	(1,074)	-	(1,074)
At 31 December 2004	6,901,194	257,254	95,535	18,760	7,272,743
Depreciation:					
At 1 February 2004	2,248,102	-	69,543	-	2,317,645
Charge for the year	1,394,774	-	6,177	3,752	1,404,703
Disposals	-	-	(215)	-	(215)
At 31 December 2004	3,642,876	-	75,505	3,752	3,722,133
Net book value:					
At 31 December 2004	3,258,318	257,254	20,030	15,008	3,550,610
At 31 December 2003	3,612,905	103,501	13,786	-	3,730,192

Project development expenditure consists of computer hardware, software consultancy, database and other project costs.

5. **DEBTORS**

	31 December 2004	*31 December 2003*
	€	*€*
Trade debtors and prepayments	545,153	280,922
Grants receivable	-	198,030
	545,153	478,952

6. **GOVERNMENT GRANTS FOR CAPITAL PROJECTS**

(i) Project grants from National Development Plan administered by Department of Agriculture and Food (DAF).

(ii) Grant from Department of Agriculture and Food (DAF)

	Projects Completed € *(i)*	*Projects In Progress* € *(i)*	€ *(ii)*	*Total* €
Received:				
At 1 January 2004	3,313,498	-	74,033	3,387,531
Received during year	656,442	50,004	-	706,446
At 31 December 2004	3,969,940	50,004	74,033	4,093,977
Amortisation:				
At 1 January 2004	1,182,636	-	67,521	1,250,157
Credited to the income and expenditure account in year	853,755	-	6,512	860,267
At 31 December 2004	2,036,391	-	74,033	2,110,424
Net amount:				
At 31 December 2004	1,933,549	50,004	-	1,983,553
At 31 December 2003	2,130,862	-	6,512	2,137,374

7. **SHARE CAPITAL**

	31 December 2004 €	*31 December 2003* €
Authorised:		
28,768 "A" ordinary shares of €12.697381 each	365,278	365,278
28,768 "B" ordinary shares of €12.697381 each	365,278	365,278
28,768 "C" ordinary shares of €12.697381 each	365,278	365,278
73,696 "D" ordinary shares of €12.697381 each	935,746	935,746
	2,031,580	2,031,580
Issued and fully paid:		
28,768 "A" ordinary shares of €12.697381 each	365,278	365,278
28,768 "B" ordinary shares of €12.697381 each	365,278	365,278
27,538 "C" ordinary shares of €12.697381 each	-	349,669
27,539 "C" ordinary shares of €12.697381 each	349,682	-
73,696 "D" ordinary shares of €12.697381 each	935,746	935,746
	2,015,984	2,015,971

All shares rank pari passu in all respects.
1 "C" ordinary share of €12.697381 was issued issued during 2004.

8. **RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share capital €	*Income and expenditure account* €	*Total* €
At 31 January 2003	2,015,971	485,737	2,501,708
Surplus for year	-	124,544	124,544
At 1 February 2004	2,015,971	610,281	2,626,252
Share issue	13	-	13
Surplus for year	-	25,256	25,256
At 31 December 2004	2,015,984	635,537	2,651,521

9. **PENSION**

The Society does not operate a pension scheme. Each employee has the option of joining a Revenue approved scheme and the society facilitates the payment of contributions through its payroll system.

10. **SUBSEQUENT EVENTS**

There have been no significant events affecting the Society since the year end.

11. **COMPARATIVE FIGURES**

The financial year covered by these financial statements is the year ended 31 December 2004. The comparative financial statements cover the eleven month period ended 31 December 2003.

The following information does not form part of the audited financial statements

13.6 Detailed Income And Expenditure Account For The Year Ended 31 December 2004

	Year ended 31 December 2004 €	*11 months ended 31 December 2003* €
INCOME		
Tag contribution	863,078	689,803
Operating grants received from DAF	888,000	888,000
Capital grants amortised	860,267	622,387
Milk recording service fees	148,834	117,445
Herdbooks service fee	151,555	113,798
AI approval and animal evaluation fees	58,560	68,549
Bull performance test fee	145,300	58,868
Bull sale commission	15,885	12,128
Linear scoring	50,019	22,533
Interest received	10,234	11,323
General services	1,750	7,500
Database services	32,500	-
	3,225,982	2,612,334
OPERATING EXPENSES		
Depreciation	1,404,488	1,054,861
Animal events expenses	253,644	269,382
Animal evaluation unit expenses	150,377	101,159
Bull performance test expenses	198,685	216,438
Database operations	184,302	22,957
Repairs and computer maintenance	5,233	7,698
Wages and salaries	660,688	631,958
Office overheads and expenses	52,490	44,189
Professional fees	114,863	38,315
Telephone and fax	22,604	22,963
Travel and subsistence	69,500	30,934
Linear scoring	50,019	22,533
Membership fees	4,359	6,860
Advertising and marketing	12,903	3,006
Bank interest and charges	1,671	1,304
Conference expenses	14,340	12,581
	3,200,166	2,487,138
SURPLUS BEFORE TAXATION	25,816	125,196

Reference: \\Icbf-server1\data\Shared\Company\AGM\2005\Annual Report May 2005 for year Jan 04 to Dec 04 ver 5.doc