



Irish Cattle Breeding Federation

Annual Report 2006



ICBF Annual Report

For calendar year 2006

3rd May 2007

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 2006 the major contributions to this mission included the expansion of electronic DIY (do-it-yourself) milk recording, growth of GEN~~E~~IR~~E~~LAND[®], launch of HerdPlus[®], launch of the AI Handheld data recording service, a further substantial increase in the number of beef and dairy herds participating in Animal Events, completion of the first prototype for the complete beef genetic evaluation system and the introduction of across breed genetic evaluations for dairy cattle.

The ICBF database is fully operational for dairy, beef, milk recording, beef performance recording, genetic evaluations and herd books with some 25,000 herds participating in one or more aspects by the end of 2006. The data accumulating has enabled substantial further progress to be made with the development of across breed genetic evaluations for the full range of traits relevant to both dairy and beef. This included the completion of what is now known as the Euro-star Beef Indexes.

The national database has dramatically improved the accuracy and scope of both beef and dairy genetic evaluations. In 2006 these improved evaluations were used to locate Irish bred Holstein Friesian bulls for subsequent progeny testing through the GEN~~E~~IR~~E~~LAND[®] dairy program. The Irish dairy industry will benefit through cows that are more productive, more fertile and more robust. 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.

A further benefit of the database is its ability to provide useful information for helping farmers with a wide range of breeding, reproduction and disease management decisions. The launch of HerdPlus in September of 2006 was a major step forward in making this valuable information more readily available to herd owners.

ICBF's finances came under further pressure in 2006 and these pressures have been addressed by moving to a user-pays philosophy coupled with full cost recovery on services.

The outcome of the 2004 strategic review is now guiding ICBF and is used as the basis for this Annual Report. The focus of the plan is to increase farmer uptake 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, 2006 was a 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, contractors and the many organisations we work closely with. In addition, a commitment to the principles of Total Quality Management – continuous improvement, teamwork, and consultation - underpins all the work of the organisation.

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 and principles of cattle breeding.
- A **breeding scheme design** that ensures that the required data is available, and that farmers make full use of the genetically superior animals in each generation.

During 2004 ICBF conducted a strategic review, which provided the focus for its activities in 2006. The review identified three main areas – genetic evaluation, uptake & cost of services, and breeding schemes – as the primary focus for future activities. For each of these areas a number of strategies were agreed and they form the basis of this year's Annual Report.

This Annual Report has been prepared for the purpose of providing to ICBF's shareholders and other stakeholders a summary of activities and achievements in relation to the objectives of the Society for the 2006 calendar year.

3 Genetic Evaluations

Our overall goal is to ensure accurate genetic evaluations for all traits, breeds and animals (national & international) of significance to Irish cattle farmers. During 2006 a great deal of progress was made towards this goal.

During 2006 a series of open consultation meetings provided a forum where the breeding industry and the development team could meet and discuss developments in genetic evaluations. Only when a consensus is reached are recommendations for significant changes taken to the ICBF Board for a final decision to proceed. All major changes to genetic evaluations were introduced in November 2006 to allow sufficient time for the industry to accommodate the changes in their promotion and educational material.

Our strategy is spread over traits common to beef and dairy, as well as those specific to dairy or beef.

3.1 Common to beef and dairy breeds

Our strategy for traits common to beef and dairy is to 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.

In a world-first starting in 2005, across breed genetic evaluations for a wide range of calving and beef traits are now being routinely provided to the Irish cattle breeding industry. These evaluations enable animals of all breeds (beef and dairy) to be compared with each other for many traits including direct and maternal calving ease, gestation length, calf mortality, carcass weight, carcass grade, carcass fat score and mature cow live weight. This development has been made possible by the widespread coverage of calving details reported by farmers through Animal Events and access to slaughter records provided via DAF (The Department of Agriculture and Food).

During 2005 a lack of suitable data was identified as a factor limiting the development of evaluations for suckler-cow maternal traits. As a result of initiatives in 2005 and 2006 involving the collection of performance data on non-pedigree suckler cows, the amount of data available for maternal traits reached a level where genetic evaluations for traits expressed in suckler cows including age-at-first-calving, weaning-weight, calving-interval and survival became a practical reality.

3.2 Dairy Specific

Our goal for the dairy herd is to continuously enhance the accuracy and relevance of the EBI (Economic Breeding Index) as a guide for breeding dairy replacements. We are also seeking to continuously improve genetic evaluations for milk production traits, udder health traits and dairy specific conformation traits.

In 2006 the main steps taken were: the rolling out early in the year of the extensions to the EBI to include health traits, then later in the year the updating of the EBI with new economic values reflecting a move from *quota limiting to land limiting* (refer to figure 1 for a summary of the way the economic values have changed over time), and the introduction of across breed evaluations for milk production traits, thus resulting in the launch of an across breed EBI¹. The impact on farmers is that EBI's are now available for all cows, regardless of breed, and the Active Bull list includes AI sires of all dairy breeds with sufficient data to enable fair comparisons to be made.

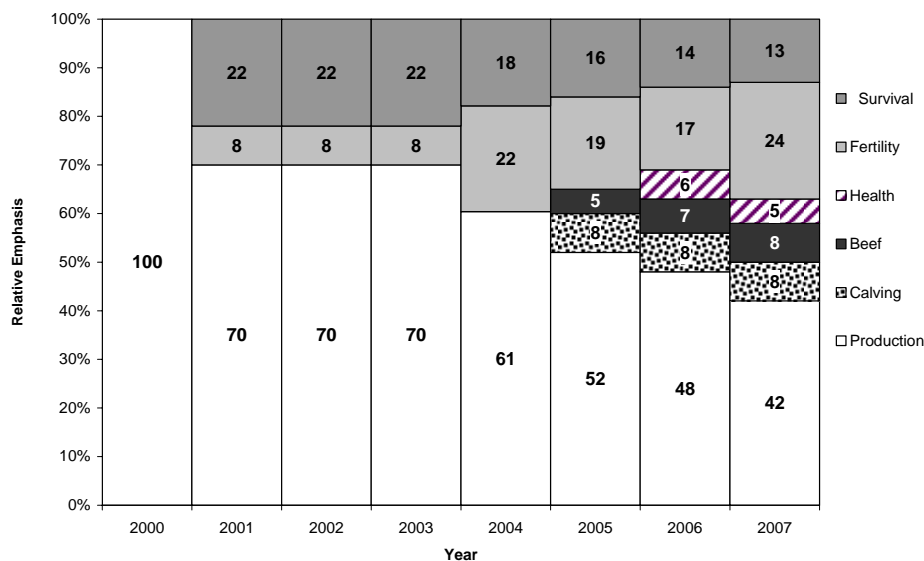


Figure 1. Development of the dairy EBI since 2000.

3.3 Beef Specific

Our strategy is to research, develop, implement and continuously improve economic indexes to guide beef breeding decisions. Work completed in 2006 resulted in the development and introduction of the Euro-star beef indexes² early in 2007. This is the culmination of many years work to both establish data sources and to develop a genetic evaluation system that is technically world-class, while at the same time being easy for Irish farmers to use.

These new beef evaluations are on an across breed basis and for the first time include the full range of maternal traits. The benefit of across breed evaluations is that farmers are able to compare animals on both a within and across breed basis. It is now possible to gain an appreciation of the variation that exists within breeds and between breeds as illustrated in figure 2 for the maternal milk & fertility sub-index and in figure 3 for the beef carcass sub-index.

These developments in beef breeding represent a dramatic breakthrough for all farmers in Ireland who are seeking to identify the most profitable animals for future use. However, the number of animals for which

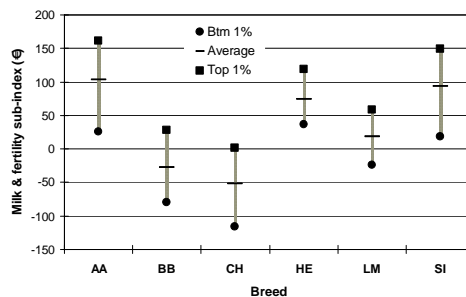


Figure 2. Range of milk and fertility sub-index values for beef breeds in Ireland.

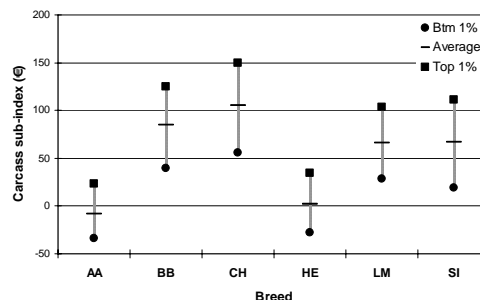


Figure 3. Range of carcass sub-index values for beef breeds in Ireland.

¹ Refer to http://www.icbf.com/publications/files/Developments_in_EBI_170107.pdf, for details.

² Refer to http://www.icbf.com/publications/files/INTERBULL_Paris_Mar2007.pdf, for details.

useful performance data is available for use in these genetic evaluations is severely limited. A major effort is now required to address this deficiency. We are pleased that the wider industry has recognised the need for action and believe that the proposed beef suckler scheme currently under discussion will help to address the problem.

4 Uptake & cost of services

In 2004 and previous years ICBF was focused on establishing the cattle breeding database. As reported in 2005 this work is now complete and the database is fully operational and is exceeding the original expectations.

The focus in 2006, in a continuation of the effort initiated in 2005, was on increasing farmer participation in cattle breeding services. Our strategy, over a number of years, is to double participation and to substantially reduce the unit costs of cattle breeding services to farmers.

Excellent progress in participation rate has been made with 1,017,308

calf birth registrations recorded in 2006 (refer to figure 4) an increase of 40% on 2004. There has also been substantial and on-going growth in the uptake of animal events with 27% more animal events birth registrations in 2006 compared with 2004. The increase in pedigree registrations at 1% (2006 compared with 2004) illustrates that a large part of the growth in farmer participation is occurring for non-pedigree cattle.

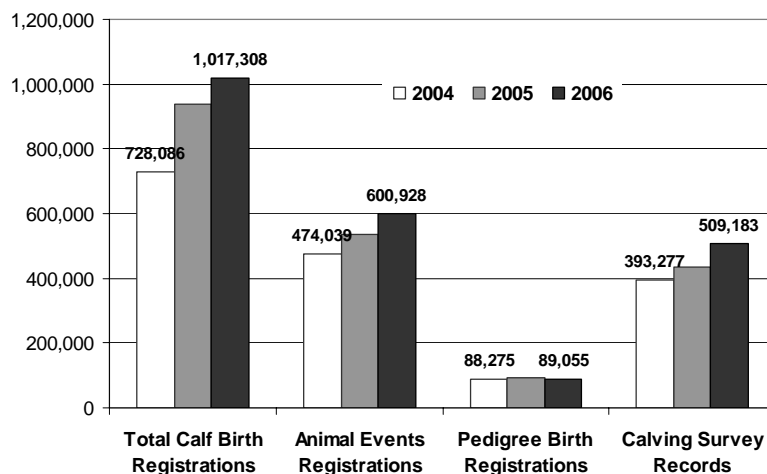


Figure 4. Participation in ICBF database in last three years.

4.1 Milk Recording

ICBF's strategy is to work closely with its milk recording members, to rationalise and consolidate milk-recording operations. Also, to make full use of new technology to reduce labour, reduce inconvenience for farmers and to reduce the cost of recording. Our goal is to increase usage of milk recording to some 60% of dairy cows.

In 2006 the major achievement was the roll-out of the EDIY milk recording service to cover all counties through a total of 12 EDIY cells. The level of overall milk recording increased 7% on 2006, to 40% of all dairy cows, largely due to the success of the EDIY service. Particularly encouraging has been the response of farmers in areas with traditionally low levels of milk recording. Milk recording increased by 25% in each of Tipperary and Connacht and by 54% in the Arrabawn area.

A commitment was made later in 2006 to further expand the EDIY service through the purchase of eight more cells with the help of a generous grant from DAF for introducing an expanded service in 2007.

The EDIY service is proving attractive to farmers because it reduces labour costs, both on-farm and off-farm, through automation and the use of electronic data collection. The cost of the meters, while high on a unit basis, is minimised through achieving high utilisation over many farms. This new service is attracting new herds to milk recording as well as taking the place of the conventional recording service. Our goal of 60% of dairy cows on milk recording could be met through a service comprising some 50 EDIY cells. For the first time in many years a significant growth in milk recording has been achieved.

4.2 Marketing

Our strategy for marketing is to work closely with our service providing members to ensure effective use of relevant marketing disciplines in the designing of cattle breeding services provided to farmers in Ireland.

In 2006 this strategy played an important role in rolling-out the expanded EDIY milk recording service, the design and launch of HerdPlus, and the launch of a campaign with the AI industry to halt the decline in AI usage.

A campaign, partially supported by funding from DAF, to halt the decline in AI was launched in the spring of 2006. Key elements were a farmer survey prior to and after the campaign, an advertising campaign through national media, staff education and a series of farmer meetings and Mart events featuring the sale of high EBI calves. The decline in AI was halted with survey results indicating a small growth in the uptake of AI in 2006.

4.3 Electronic data from farms

Our strategy is to 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. The aim over a number of years is to have 50% of all data collected from farms in electronic form.

The key development in 2006 was a total redevelopment of the ICBF website so that it provides farmers with direct access to the ICBF database for retrieving information and for recording new data. Indications are that a large percentage of farmers have access to the internet as demonstrated by the fact that, of the first 2,000 HerdPlus customers, 75% have signed-up for the electronic option. By the end of 2006 calf registration was the only animal event that farmers were not able to record directly to the database via the ICBF website. The development of our website to collect data directly from farms, when coupled with the wide range of links to DAF, and other systems, provides great potential to reduce the cost of animal events processing while at the same time reducing error levels and providing farmers with a more responsive information service. A good illustration of the power of these developments is provided by the sire advice service recently launched on a pilot basis (see below).

4.4 Electronic data from technicians

In close collaboration with AI members and other AI field service licence holders, a handheld computer based system for recording AI technician inseminations was launched in 2006. By year end some 250 devices had been delivered, with the help of generous support from the NDP (National Development Plan), and some 170,000 inseminations recorded using the system. As outlined at last years AGM this system has considerable potential to eliminate delays in processing dockets while at the same time providing technicians with near real-time information for mating decisions. The facility for avoiding inbred matings has proven to be particularly useful in pedigree matings where comprehensive data is available for bulls and cows. This is an excellent example of how the shared database (AI and Herd Books in this case) is able to deliver extra value for herd owners.

4.5 Breeding records service – HerdPlus®

HerdPlus is the registered trade mark that has been created for the branded Breeding Records Service.

In September 2006 the HerdPlus³ service was launched, with the help of generous sponsorship from the FBD Trust, with the goal of providing dairy herd owners with management information that they would find valuable. The service was introduced on a user-pays basis and has been built around genetic evaluations and reproduction on a whole-herd basis. By focusing on the



³ Refer to <http://www.icbf.com/services/herdplus/index.php>, for detailed information.

needs of farmers, ICBF has been able to design, build and market a service that dairy farmers are finding particularly good value for money. Uptake of the service has exceeded expectations.

The HerdPlus service has enabled ICBF to save considerable cost associated with providing information (EBI reports, breeding charts, etc) to farmers who did not require them and to generate income to cover the cost of providing information to those farmers who value it, thus helping ICBF focus on meeting the information needs of farmers.

4.6 Health and disease service

Our strategy is to 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. We have been working closely with CVERA (Centre for Veterinary Epidemiology and Risk Analysis at University College Dublin), DAF, Veterinary Ireland and other interested parties to understand what is required. A number of reports have been developed and pilot schemes initiated. In the future it is expected that the ICBF database will play a major role in meeting the information needs of farmers and their animal health advisers.

4.7 Teagasc Advisory service

ICBF is providing an information service to Teagasc advisors. The service provides advisors with access to herd reports, with herd owners' permission, along with discussion group information and analysis of herd performance statistics. This service reduces the amount of time advisors spend on gathering and analysing data thus freeing up time for focusing on farm management decisions.

5 Breeding Schemes

ICBF's strategy is to ensure that the cattle breeding industry achieves optimal economic returns for Irish cattle farmers. This requires a clear understanding of both the optimal breeding scheme design and the currently operating design for each breed of cattle in Ireland. Further, it implies that ICBF will then seek to ensure the industry moves towards the optimal design. This approach is most advanced for the Holstein Friesian breed.

5.1 Research optimal design

To establish optimal designs ICBF has undertaken 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. Prof. Theo Meuwissen, a world expert in the field working on contract to ICBF, completed this in 2006. His work has established that a progeny test of 100 bulls with 100 daughters was near optimal for the dairy breeds and that a similar sized scheme covering all beef breeds is near optimal. The annual rates of genetic progress for current relative to optimal designs are respectively from €5 to €23 for dairy and from €2 to €20 for beef. These increased rates of gain represent many million euro extra profitability for the dairy and beef (refer to figure 5) industries in future years.

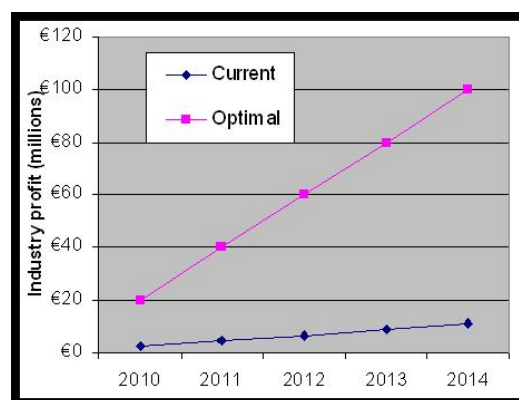


Figure 5. Contribution of improved beef breeding to industry profitability.

5.2 Disease free status for seed stock herds

In order to operate an efficient breeding scheme in Ireland our strategy has been to ensure that all herds providing seed stock material are free of TB, Brucellosis, IBR, Johnes, BVD and EBL.

This strategy is being pursued in close co-operation with the animal health industry. Progress has been slower than desirable and the outbreak of IBR detected at Tully early in 2007 has further highlighted the consequences of not having adequate systems for ensuring disease free breeding stock in Ireland.

5.3 GENEIRELAND[®] Dairy and Beef Breeding Schemes

Our strategy is to work closely with the NCBC (National Cattle Breeding Centre), Dovea and other AI organisations to provide support for bull selection and progeny testing in tightly targeted herds in order to achieve the optimal design for dairy and beef breeds in Ireland.

In 2005 the GENEIRELAND[®] dairy progeny test scheme was launched in a collaboration with NCBC and Dovea. The scheme was further expanded in 2006.

The genetic trends in dairy bulls being selected for use in artificial insemination are showing significant changes over the last few years as illustrated for EBI, calving interval, survival, fat%, protein %, milk volume, fat yield and protein yield in figures 6 to 10. The net impact on the future national dairy herd is improved profitability from increased milk production (increased protein, increased fat and no increase in water), improved fertility (shorter calving intervals) from more robust cows (greater survival). **These improved trends are a direct result of ICBF's efforts and demonstrate that ICBF is delivering, in conjunction with the cattle breeding industry, on its mission of increasing the rate genetic gain in Irish dairy cattle.**

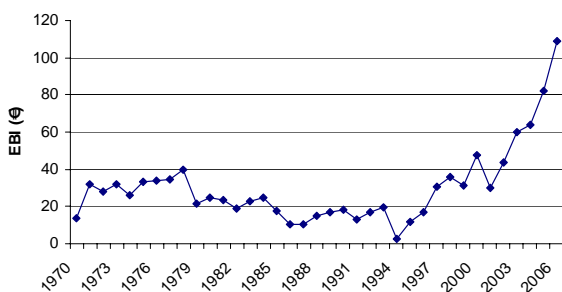


Figure 6. Trend in average EBI of Holstein Friesian bulls registered for use in AI, by year of birth.

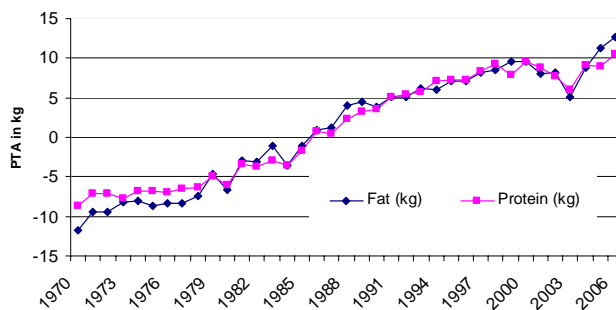


Figure 7. Trend in average PTA for fat (kg) and protein (kg).

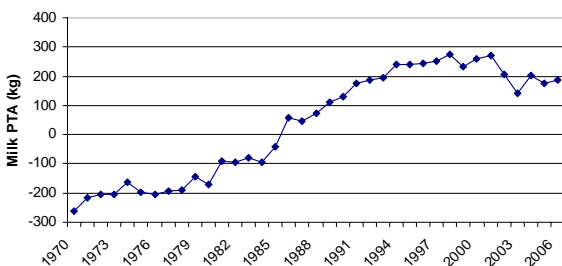


Figure 8. Trend in average PTA (kg) for milk weight.

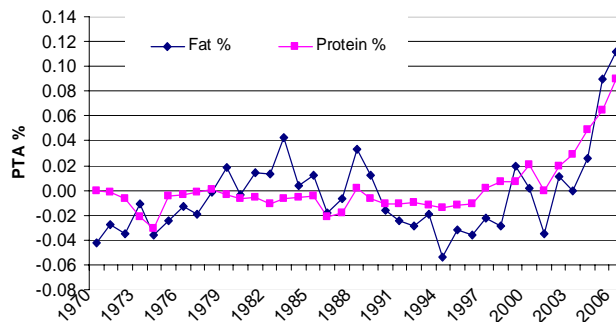


Figure 9. Trend in average PTA for fat % and protein %.

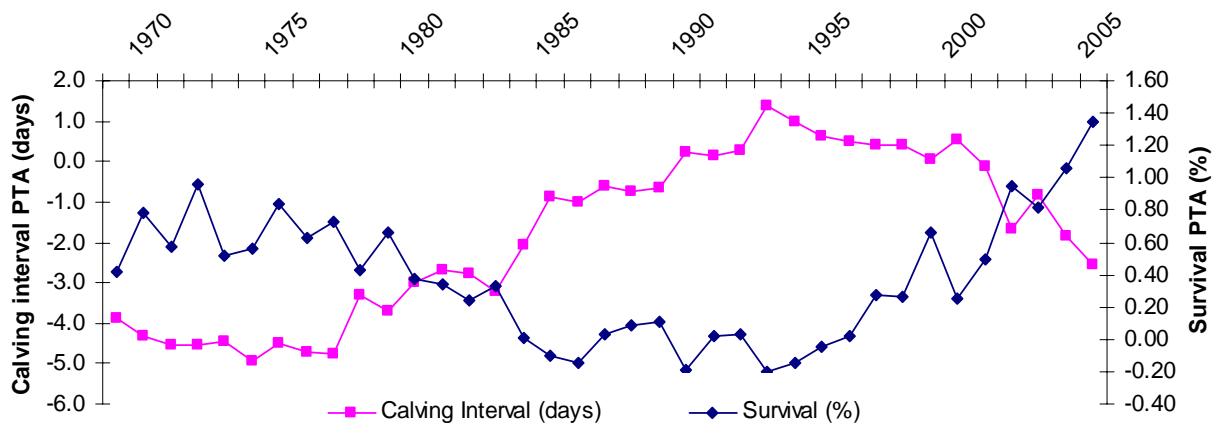


Figure 10. Trend in average PTA for calving interval and survival.

An extensive review has been undertaken of both the GEN€IR€LAND[®] dairy and beef schemes and has resulted in modified schemes being introduced in the spring of 2007. Key changes have been to reduce the financial cost to ICBF, to open the scheme(s) to all AI organisations and to change farmer incentives from cash incentives to reimbursement of costs. Further work is required to ensure decisions are made and semen is available in time to enable timely herd recruitment and semen delivery in advance of the breeding season.

5.4 Mating advisory service – Sire Advice

In order to ensure farmers have ready access to breeding advice ICBF's strategy is to ensure a sire advice service is available to all cattle farmers to guide the selection of the most suitable sires for use in their herds and that cows are mated to those sires that give the best returns in the future.

Late in 2006 a Sire Advice Service Working Group was established and charged with the responsibility of implementing the service over a period of two years. Excellent progress has been made and a pilot service is operating in conjunction with AI and Herd Book service providers for spring 2007. The pilot service is based on the use of the farmer's goals combined with information on the ICBF database for potential sires and information for the cows in the herd. Criteria used in the advice include: avoidance of inbreeding, minimisation of risks from lethal genes and maximisation of future profits from the resulting progeny. Consideration is given to all candidates available through AI and the information is provided to the farmer, the farmer's breeding adviser(s) and is downloaded to the handheld computers used by AI technicians.

5.5 Tully

In 2006 Tully operated at close to capacity with some 290 bulls spread over the three most recent intakes. While excellent progress has been made with the operation of the centre the consequences of the outbreak of IBR early in 2007 has forced a total review of this operation. The Board of ICBF is currently focused on determining its strategy for the future of Tully.

6 Financial

The growth in ICBF that has occurred over the last few years has placed considerable strain in ICBF's financial resources as was evident in the 2005 results. During 2006 the Board, working on the advice of its Audit & Finance Sub-Committee, took a number of actions to protect ICBF's financial viability while ensuring it continued to achieve its mission. These actions included the development of the contribution model which was used to project forward five years, a review of service fees and the commissioning of a

review which was carried out by Deloitte's. These actions had a considerable impact on the 2006 results as outlined below.

6.1 Contribution Model & Review of Service Fees

The contribution model was developed to provide a clear picture of the financial "contribution" each of ICBF's services makes to ICBF's bottom line taking account of the resources required for the provision of the service, the share of overheads allocated to the service, the income generated by the service and the allocation of depreciation and amortisation of NDP contributions to the service.

The plan developed to eliminate ICBF's deficit involved two linked actions; reduction of costs by eliminating those costs not linked to services producing matching revenues, and increasing income through putting all services on a full cost recovery basis.

6.2 Deloitte Review

As part of the decision to adopt the recommendations of its Audit & Finance Sub-Committee relating to the contribution model and service fees the Board initiated a review of structure and cost to be carried out by independent consultants. Deloitte's were selected to conduct this review.

The report from Deloitte's was adopted by the Board at its November 30th 2006 meeting and the main recommendations and findings have been acted on by the Board.

6.3 2006 Results

The financial review conducted by the Board resulted in substantial cost savings in 2006 while the revised service charges had a relatively small impact on service income as they are being implemented progressively starting on 1st September 2006 through to 1st January 2008. The launch of HerdPlus resulted in extra service income. The final audited result for 2006 is a deficit of €11,633, which is significantly better than that for 2005. The plan put in place in 2006 is forecast to produce a breakeven in 2007 and future years. However, the impact of the outbreak of IBR at Tully early in 2007 was not anticipated and initial indications are that it will have a substantial impact on the 2007 results.

In 2006 ICBF income (refer to figure 10 for a comparison over the last four years) includes contributions from the following sources:

- Irish Taxpayers (€2.22 million) comprising the DAF Grant and NDP contributions towards capital developments. The NDP capital grant (€1.30 million) included contributions towards eight further EDIY milk recording cells, a number handheld computers for use in AI recording and linear scoring, and the development of genetic evaluations and systems for collecting data and reporting information to farmers.
- Cattle farmers through the Tag Contribution (€0.84 million), and
- The cattle breeding industry through service fees (€0.80 million).

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

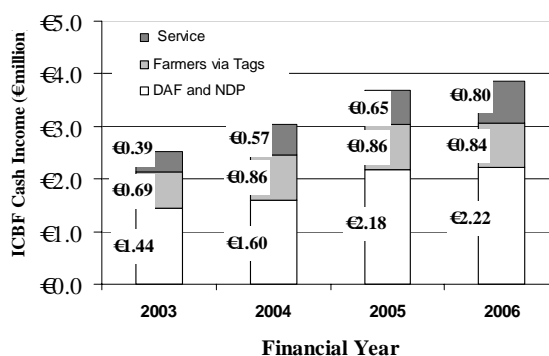


Figure 11. ICBF cash income by main source for period 2003 to 2006.

7 Resources

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

7.1 People

During the year staff numbers increased by two, to a total of eighteen at year end.

At year end 2006 a total of fourteen contractors, excluding the nine Beef Linear Scorers, were working for ICBF. Ten contractors, on contracts of six months to three-years, were assigned to the projects being undertaken by ICBF. Three people are on contract to operate EDIY cells. An Accountant works on contract to provide accountancy and payroll services to ICBF.

Four temporary staff are providing administration backup and support with Tully and GENÉIRÉLAND®.

During 2006 staff and contractors once again put in a magnificent effort in achieving the goals established under ICBF's strategic plan.

7.2 Offices

ICBF's main office and database computers are based at Highfield House which is located on SWS property near Bandon, Co. Cork. The accommodation is rented from SWS.

7.3 Tully

The Bull Performance Test Centre at Tully, Co. Kildare is leased from DAF. These facilities are in good condition, albeit of an older design standard, but have required some modification and routine maintenance to meet ICBF's requirements. Enhancements made in 2006 included maintenance of the drive, installation of further new water troughs, and a number of minor enhancements to the bull housing facilities.

7.4 EDIY Calibration Laboratory

During 2006 ICBF established and equipped a small laboratory at the Teagasc Moorepark site. This laboratory houses specialist equipment, which is used to ensure the EDIY electronic milk meters used by the industry are performing according to specification. We are grateful of the support that Teagasc have provided in the establishment of this facility.

8 Communications

ICBF is increasingly involved in communicating on a wide range of subjects to a large national and international audience involved in all aspects of cattle breeding. Irish achievements in cattle breeding are being noticed internationally as the national infrastructure moves closer to the leading edge.

Our communications include:

8.1 Irish Cattle Breeding Statistics

Irish Cattle Breeding Statistics was published on the ICBF website for the seventh time in June of 2006. This publication brings together statistical information on all aspects of cattle breeding and has been well received by the cattle breeding industry nationally and internationally.

8.2 Industry Presentations

ICBF staff have continued to be heavily involved in presenting information to the Irish cattle breeding industry through a wide range of meetings and conferences. ICBF staff are typically involved in three to five communication meetings with farmers and industry staff per week. They also participated in a number

of international conferences presenting papers and playing an active role in leading the development of cattle breeding internationally.

8.3 Web Site

The ICBF web site (www.icbf.com) was extensively revamped in 2006 and provides a wide range of information to Irish farmers and the cattle breeding industry. A major step forward has been the routine availability of all herd reports for accessing by herd owners (using a sign-on and password) and designated advisors. The growth in usage of the website by farmers has been dramatic as illustrated in table 1.

Activity	2005	2006	% Change
User Sessions	39,102	56,438	44%
Farmers accessing	1,619	3,245	100%
Reports accessed	16,243	50,076	208%
Teagasc Advisors	110	77	-30%
Reports accessed by Advisors	9,905	4,905	-50%
Herds assigned to Teagasc	5,000	5,683	14%

Table 1. Activity on ICBF website in 2005 and 2006.

8.4 Training

ICBF is increasingly involved in providing training and support for the provision of field services.

In 2006 this included a large amount of training associated with the roll-out of the expanded EDIY milk recording service. Training was provided for farmers, farmer trainers and van drivers.

9 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 by the FBD Trust for: the Tully Bull Sale, GENEIRLAND[®] beef and dairy and the launch of HerdPlus.
- Provision of sponsorship by Intervet and Pfizer for the EBI heifer sales held as part of the AI promotion campaign in spring 2006.
- Provision of sponsorship by the ACC Bank for the EBI competition organised jointly by Teagasc, The Farmers Journal and ICBF.

These many and substantial acts of financial goodwill have been accompanied by a great deal of moral support which the team working for ICBF really appreciates.

10 Future Prospects

In summary, 2006 was the year in which ICBF delivered growth in milk recording and focus moved toward bringing the benefits of the leading edge tools we have developed to farmers, through increasing the use of all available cattle breeding services and the launch of HerdPlus. The 40% growth in calf registrations compared with 2004 is dramatic and it highlights that there is a lot of potential to increase service levels further in the future.

The decline in the use of AI to breed replacement dairy stock appears to have been halted and our challenge is now to move from the 35% of dairy replacement being from AI sires to nearer the international norm of 70%. Recent trends in the genetic characteristics of bulls entering AI show a dramatic improvement in the key traits of production, fertility and robustness. However, GENEIRLAND[®] has the potential to deliver a lot more progress and our challenge is to ensure the progeny test program now operates to capacity and at

the highest achievable levels of efficiency. ICBF and the cattle breeding industry must work closely to ensure that this potential is delivered to Irish dairy farmers. By making full use of the ICBF database and genetic evaluations and taking a very proactive and scientific approach to improving services and communicating with farmers, we are convinced that large amounts of extra profit for farmers can be unlocked.

While a lot of progress has been made in beef breeding the level of farmer participation in recording and use of genetic evaluations is comparatively low. Our challenge in the next few years is to take advantage of the database, and genetic evaluation infrastructure established by ICBF to deliver a range of cattle breeding products that deliver great value for suckler herd owners through our services and service providers.

ICBF has established a cattle breeding infrastructure for Ireland based on the efficient use of information technology, provision of relevant genetic evaluations and optimal levels of progeny testing. The cattle breeding industry now needs to work co-operatively to take full advantage of all the opportunities presented by this new infrastructure. ICBF looks forward to supporting the Irish cattle breeding industry in taking its place as a world leader in the provision of genetically superior cattle.

Brian Wickham
Chief Executive

John O'Sullivan
Chairman

11 Financial Statements for the Year Ended 31 December 2006

11.1 Society Information

COMMITTEE	Mr. J. O'Sullivan (Chairman) Mr. D. Deane (Vice-Chairman) Mr. D. Beehan Mr. J. Bryan (appointed Feb 2006) Mr. D. Cahill Mr. J. Carroll Mr. J. Comer (appointed Sept 2006) Mr. K. Connolly Dr. D. Corridan Dr. B. Eivers	Mr. S. Fitzgerald Mr. L. Foley Mr. K. Kinsella Mr. T. Maher (resigned Sept 2006) Mr. K. Meade Mr. M. Murphy (appointed Feb 2006) Mr. R. O'Malley (resigned Feb 2006) Mr. P. Walsh (resigned Feb 2006) Mr. R. Whelan
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	Shinagh House Bandon Co. Cork	
SOLICITORS	P. J. O'Driscoll & Sons Solicitors South Main Street Bandon Co. Cork	Philip Lee Solicitors Fitzwilton House Wilton Place Dublin 2
AUDITOR	Ernst & Young Registered Auditors City Quarter Lapps Quay Cork	

11.2 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 2006, which comprise the Income and Expenditure Account, Balance Sheet and the related notes 1 to 13. 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 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 the directors and auditors

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Industrial and Provident Societies Acts, 1893 to 1978 require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society and of the income and expenditure of the society for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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 issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice 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 responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether we found the society's books, deeds, documents, accounts and vouchers relating thereto to be correct, duly vouched and in accordance with the Industrial and Provident Societies Acts, 1893 to 1978.

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the society's financial affairs as at 31 December 2006 and of its deficit for the year ended on that date.

We found the society's books, deeds, documents, accounts and vouchers relating thereto to be correct, duly vouched and in accordance with the Industrial and Provident Societies Acts, 1893 to 1978.

Ernst & Young
Registered Auditors
Cork

10th April, 2007

11.3 Income and Expenditure Account for the Year

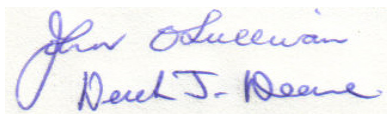
	Note	2006 €	2005 €
INCOME		3,147,430	3,348,052
OPERATING EXPENSES		(3,359,063)	(3,886,001)
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(211,633)	(537,949)
Tax on deficit on ordinary activities	3	-	-
DEFICIT ON ORDINARY ACTIVITIES AFTER TAXATION		(211,633)	(537,949)
RETAINED SURPLUS AT BEGINNING OF FINANCIAL PERIOD		97,588	635,537
RETAINED (DEFICIT)/SURPLUS AT END OF FINANCIAL PERIOD		(114,045)	97,588

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

On behalf of the Committee of Management

Mr John O'Sullivan: Chairman

Mr Derek Deane: Vice Chairman



29th March 2007

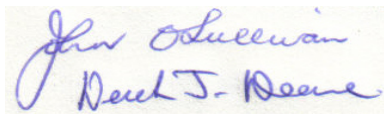
11.4 Balance Sheet at 31 December 2006

	Note	2006 €	2005 €
FIXED ASSETS	4	4,452,090	3,731,583
CURRENT ASSETS			
Stock	5	13,125	24,621
Debtors	6	860,929	1,236,410
Cash at bank		380,743	191,848
		1,254,797	1,452,879
CREDITORS: amounts falling due within one year		(628,387)	(614,075)
NET CURRENT ASSETS		626,410	838,804
TOTAL ASSETS LESS CURRENT LIABILITIES		5,078,500	4,570,387
PROVISIONS FOR LIABILITIES AND CHARGES	7	(140,000)	(125,000)
GOVERNMENT GRANTS FOR CAPITAL PROJECTS	8	(3,029,259)	(2,324,513)
TOTAL ASSETS LESS LIABILITIES		1,909,241	2,120,874
FINANCED BY			
SHAREHOLDERS' FUNDS			
Share capital	9	2,023,286	2,023,286
Income and expenditure account	10	(114,045)	97,588
Shareholders' funds	10	1,909,241	2,120,874

On behalf of the Committee of Management

Mr John O'Sullivan: Chairman

Mr Derek Deane: Vice Chairman



29th March 2007

11.5 Notes to the Financial Statements

..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
Tully machinery	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 tag contributions are recognised on a cash receipts basis. All other income is recognised on delivery of the service.

..2 STAFF COSTS

	Note	2006 €	2005 €
The staff costs are comprised of:			
Wages and salaries		913,664	694,998
Social welfare costs		90,293	64,599
		1,003,957	759,597

..2 STAFF COSTS (continued)

The average number of persons employed by the Society in the financial year was 20 (31 December 2005: 12) and is analysed into the following categories:

	<i>2006</i> <i>No.</i>	<i>2005</i> <i>No.</i>
Management	1	1
Administration	1	1
Technical	18	10
	<hr/>	<hr/>
	20	12
	<hr/>	<hr/>

The change in staff numbers between 2005 and 2006 reflects a re-categorisation of contractor staff to employees in both the genetics and database development sections of the Society. The actual increase in numbers from the previous year was 2.

..3 TAXATION

	<i>2006</i> €	<i>2005</i> €
--	------------------	------------------

The charge for taxation is made up as follows:

Corporation tax for the year	-	-
	<hr/>	<hr/>

Income is exempt from tax as the Society qualifies for charitable status under the provisions of sections 207, 208 and 609 of the Tax Consolidation Act, 1997.

..4 FIXED ASSETS

	<i>Project development expenditure</i>		<i>Office equipment</i>	<i>Tully machinery</i>	<i>Total</i>
	<i>Completed</i>	<i>In progress</i>			
	€	€	€	€	
Cost:					
At 1 January 2006	7,021,086	2,024,236	106,287	16,529	9,168,138
Additions	-	1,684,316	20,278	2,975	1,707,569
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	7,021,086	3,708,552	126,565	19,504	10,875,707
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 1 January 2006	5,332,281	19,308	81,660	3,306	5,436,555
Charge for the year	876,900	97,922	8,998	3,242	987,062
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	6,209,181	117,230	90,658	6,548	6,423,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:					
At 31 December 2006	811,905	3,591,322	35,907	12,956	4,452,090
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	1,688,805	2,004,928	24,627	13,223	3,731,583
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

Included in project development expenditure in progress are three milk recording machines which are currently rented to Society members.

..5 STOCK

	<i>2006</i>	<i>2005</i>
	€	€
Stocks	13,125	24,621
	<hr/>	<hr/>

The replacement cost of stocks is not considered to be materially different from the balance sheet value.

..6 DEBTORS

	<i>2006</i>	<i>2005</i>
	€	€
Trade debtors and prepayments	691,905	1,008,813
VAT	169,024	227,597
	<hr/>	<hr/>
	860,929	1,236,410
	<hr/>	<hr/>

..7 PROVISION FOR LIABILITIES AND CHARGES

<i>Provision for progeny test scheme</i>	<i>2005 Program €</i>	<i>2006 Program €</i>	<i>Total €</i>
Opening balance 1 January 2006	125,000	-	125,000
Release of over provision	(80,000)	-	(80,000)
Provided during the year	-	95,000	95,000
	<hr/>	<hr/>	<hr/>
At 31 December 2006	45,000	95,000	140,000
	<hr/>	<hr/>	<hr/>

Progeny test scheme

This provision relates to an agreement in place with the National Breeding Centre to establish the GENE IRELAND targeted-herd progeny test scheme for both beef and dairy bulls. Herd owners are rewarded with a monetary payment for each recorded progeny. The provision is the estimated cost of the monetary payments that will be made to herd owners in 2008 in respect of 2006 matings.

..8 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)

	<i>Projects completed € (i)</i>	<i>Projects in progress € (i)</i>	<i>Grant € (ii)</i>	<i>Total €</i>
Received:				
At 1 January 2006	3,969,940	1,342,300	74,033	5,386,273
Received during year	-	1,298,394	-	1,298,394
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	3,969,940	2,640,694	74,033	6,684,667
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation:				
At 1 January 2006	2,987,727	-	74,033	3,061,760
Credited to the income and expenditure account in year	526,648	67,000	-	593,648
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	3,514,375	67,000	74,033	3,655,408
	<hr/>	<hr/>	<hr/>	<hr/>
Net amount:				
At 31 December 2006	455,565	2,573,694	-	3,029,259
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	982,213	1,342,300	-	2,324,513
	<hr/>	<hr/>	<hr/>	<hr/>

..9 SHARE CAPITAL

	2006 €	2005 €
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
28,114 "C" ordinary shares of €12.697381 each	356,984	356,984
73,696 "D" ordinary shares of €12.697381 each	935,746	935,746
	2,023,286	2,023,286

All shares rank pari passu in all respects.

..10 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i> €	<i>Income and expenditure account</i> €	<i>Total</i> €
At 1 January 2005	2,015,984	635,537	2,651,521
Deficit for year	-	(537,949)	(537,949)
Share issue	7,302	-	7,302
	2,023,286	97,588	2,120,874
At 1 January 2006	2,023,286	97,588	2,120,874
Deficit for year	-	(211,633)	(211,633)
	2,023,286	(114,045)	1,909,241

..11 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.

..12 SUBSEQUENT EVENTS

In February 2007, there was an outbreak of a virus at the Bull Performance Test Centre in Tully. Agreement was subsequently reached with cattle breeders which allowed for a number of settlement options. The Board has made an estimate of the overall cost of settlement to be incurred in 2007 in the amount of €380,000. No provision has been made in the financial statements in relation to this cost as the events giving rise to the matter happened subsequent to the year end.

..13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29th March 2007.

This page does not form part of the audited accounts

11.6 Appendix 1 to the Income and Expenditure Account

	2006 €	2005 €
Income	2,553,781	2,396,716
Operating expenses	(2,372,001)	(2,171,578)
	<hr/>	<hr/>
SURPLUS OF INCOME OVER EXPENDITURE	181,780	225,138
	<hr/>	<hr/>
Capital grants amortised	593,649	951,336
Depreciation	(987,062)	(1,714,423)
	<hr/>	<hr/>
DEFICIT BEFORE TAXATION	(211,633)	(537,949)
	<hr/>	<hr/>



Irish Cattle Breeding Federation

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