



Annual Report

For calendar year 2007

1st May 2008

*Irish Cattle Breeding Federation Society Limited
(ICBF)*

 **G€N€ IRELAND[®]**
Breeding future Profits

 **HerdPlus[®]**
Profit through Science

 **GROW**
for Good Measure



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1 Ten years of ICBF Operations – Reflections of the Chief Executive

The Irish Cattle Breeding Federation (ICBF) commenced operations just ten years ago in 1998. After an extended period of discussion and consultation involving all sectors of the cattle breeding industry the Interim Board of ICBF was formed in 1997 under the chairmanship of John Malone. One of the first major decisions made by the Interim Board was my appointment as Chief Executive; the position I took up on 1st March 1998. Previously my career was based in New Zealand where over a period of some twenty years I was involved in a wide range of technical and operational aspects of the science of breeding and its application to dairy cattle.

The creation of ICBF represented a major challenge as its success required:

- establishment of a funding and decision making structure for dairy and beef cattle breeding in Ireland
- creation of a shared cattle breeding database to supersede some forty computer systems supporting a range of cattle breeding services at that time
- reaching agreement between Breed Associations, AI Companies and farmers on breeding objectives for dairy and beef cattle
- creation of a genetic evaluation system that would enable cattle of potential value to Irish farmers to be fairly and accurately compared for the traits of commercial relevance
- determining and implementing optimal breeding scheme designs for beef and dairy cattle breeding in Ireland using the best available technology, and
- ensuring Irish cattle farmers had the information they needed to make well informed breeding decisions.

A challenge of this magnitude rarely presents itself to a professional animal breeder and with the full support of my family I was happy to take it on.

The Annual Report for 2007, as follows, provides a picture of ICBF's achievements in its tenth year of operation. It is timely to reflect on how the challenges we faced in 1998 have been met to create an ICBF which is now delivering many of the things that were but aspirations to the visionaries who conceived it.

To my mind there are five key factors that have contributed to the success of ICBF:

- Shared vision
- The way we work
- Efficient use of time & resources
- Profit from science
- Technology

1.1 Shared vision

From day one, it was clear to me that there was widespread support for the establishment of an ICBF that would drive cattle breeding to a new level. DAFF (the Department of Agriculture, Fisheries and Food) the farm organisations and to varying extents the cattle breeding service providers wanted; a database, a genetic evaluation system, genetic improvement and reduced costs. While there was, and still is, some debate about the precise role of ICBF there has always been a strong desire to bring Irish cattle breeding up to world-class standards.

The Interim Board under John Malone's chairmanship, operated from 1997 to 2000. In 1999 its membership was expanded to include representatives of the Breed Associations and this move facilitated the finalising of the details of the current structure which was established in July of 2000. During this period ICBF was also heavily involved in establishing its operational strategy in the key areas of:

- Data collection from farms, resulting in the Animal Events system.
- Data storage and processing, resulting in the ICBF database and its links with DAFF, Meat Factory and Mart systems.
- Genetic evaluations, where profit was adopted as the objective. The dairy EBI was implemented in February 2002 followed by the beef equivalent, the Euro-Star suckler beef value, in 2007.

- Breeding scheme design, where GENÉIRÉLAND® was implemented in 2005 for dairy and expanded to beef in 2007.
- Information for herd owners, beginning with EBI reports in 2002 and since expanded to the full suite of information services that comprise HerdPlus® for dairy and beef.

The shared vision of a better future for Irish cattle breeding was pivotal in enabling these giant steps to be taken. While we were criticised at the time for being “*too aspirational*”, with the benefit of hindsight, it is clear that our aspirations were well within the capability of ICBF and the Irish cattle breeding industry.

In ICBF’s short history we have faced, and overcome, three major challenges. These were to make the database operational, to establish a viable financial structure and most recently, to deal with the consequences of IBR at Tully. That these challenges, and many others, were all faced and overcome is testament to a combination of the vision we shared for ICBF and our commitment to ensuring the obstacles to achieving this vision were overcome.

1.2 The way we work

My management philosophy has been heavily influenced by the principles of Total Quality Management (TQM) as promulgated by W. Edwards Deming and others. While we have not been slavish followers of any particular management philosophy, a look at ICBF’s aspirations in the way it works reveals the influence of TQM. ICBF aspires to:

- **Focus on the Customer**, the cattle farmers of Ireland and service-providing organisations (AI, Milk Recording, and Breed Associations). The needs of the farmer are very important to us and we have found that our service providers benefit more, if we focus on meeting the needs of farmers first.
- **Communicate** the key issues, decisions, activities and progress to all with an interest. Examples are; the ICBF Weekly Update introduced in 2002; the large number of presentations made by members of the ICBF team to farmer meetings; the provision of material to the farming press and participation in international meetings. Communication also involves listening to the requirements of our customers.
- **Consult** with the people and organisations affected by our decisions and where possible accommodate their needs and desires before taking action.
- **Be open** to the ideas of others, to the concerns of others, to sharing its thinking with others, to sharing its research results, and in seeking feedback from our stakeholders on how we can improve our services.
- **Keeping it simple** so that the final product is easy for our customers to understand and use. We are often dealing with highly complex systems and technologies; the EBI and Euro-Star indexes are good examples of how something complex can be made accessible.
- **Learning from others** by taking good ideas wherever we can get them. One of many examples of this in practice is the Animal Events system. This idea was seen in Denmark and, with appropriate modification for Irish conditions, has proven to be a key contributor to ICBF’s success.
- **Improving continuously** by identifying weaknesses in current systems, finding solutions and implementing them and then, repeating the process.
- **Working as a team** where everybody has an important contribution to make. Blaming the systems and not the people when things go awry and placing the focus on improving the system. Building and maintaining a highly skilled, efficient and focussed work force through good recruitment and performance management systems.
- **Integration** wherever possible and not being constrained by historic ways of operating. Thinking about the whole animal, the whole farm, and the whole industry. The cattle breeding database is a good example of the benefits of integration.
- **Thinking long term** and agreeing an end goal, aspiring to be the best and not being put off by negativity.

In addition, interaction with professional colleagues in Ireland including Teagasc and the Universities has contributed to the animal breeding knowledge base for the betterment of Irish farming. Interaction with DAFF has maintained a positive working relationship and ensured significant Government funding for research projects and long term improvements to the Irish cattle breeding infrastructure.

1.3 Efficient use of time & resources

ICBF has been able to greatly increase the quantity and quality of data recording by removing wasteful use of time and resources. This has been achieved by:

- **Avoiding duplication** through collecting data once, storing it in one place and using technology to make it available to all who need it, when they need it. The animal events system is founded on this principle and avoids the farmer having to provide the same data several times. More importantly, it removes the need for multiple systems in different organisations all incurring costs to deal with the same or very similar issues.
- **Eliminating multiple forms of identification** was one of the biggest obstacles overcome in the early days of ICBF. There were nineteen different forms of identification being used for Holstein-Friesians in 1998. ICBF was fortunate that in 1996/97 DAFF had introduced the national identification system (NID) for cattle and the associated system for cattle movement recording (CMMS). By using the NID system as the primary form of identification of all cattle in Ireland, the recording and reporting of the data needed for cattle breeding has been greatly simplified.
- **Using existing data** by obtaining access to data collected for other purposes but of value for cattle breeding. Examples include: slaughter data, movements, deaths, exports, sales through Marts, and inseminations through AI Handhelds.
- **Providing farmers with direct access to the ICBF database** has eliminated a number of costs and the data recording task has been simplified. Also, the database has become part of the farmer's own information system. It holds copies of reports and provides management information when required thus eliminating further costs on many farms.

A consequence of this drive to remove duplication and to eliminate unnecessary costs has been to change the operations of the service-providing organisations. Data collection, data entry, data editing, report generation and report distribution functions have been modified or eliminated to varying extents. The number of farms and animals participating in cattle breeding has increased dramatically while the information available through cattle breeding services has improved in both scope and quality. For example, records of *calving ease* have gone from some 18,000 per year in 2001 to 487,000 in 2007.

1.4 Profit from science

The key to the establishment of ICBF's genetic evaluation system; an optimal breeding scheme design (GEN€ IR€LAND[®]) for dairy and beef cattle in Ireland; and a comprehensive information service (HerdPlus[®]) for herd owners, has been to focus on the application of science to the generation of profit on Irish cattle farms. ICBF has aligned itself with leading research teams in Ireland and internationally. It has entered into contracts to ensure the best possible scientific skills are available to Irish cattle breeding. The benefits of this approach are:

- A **focus on profit** leads to appropriate consideration of both income and expense items of farm profitability. For example, the impact of poor fertility is readily evaluated through its impact on the cost of producing milk and thus its consequences for farm profits.
- The **EBI for dairy**, and **Euro-Star indexes for beef** are selection indexes that farmers find easy to use and understand. However, they are based on the results of extensive scientific research which established the relationship between changes in a trait and farm profit. They reflect reality based on measurement and the application of science. They are continuously improved through the application of new knowledge and improved understanding of how changes in each trait impact on farm income and farm expenditure.
- **The benefits are clearly defined.** Animals with high index values possess the genetics required to generate higher farm profits. With a simple goal that is shared both by Irish farmers and the breeding industry, it is much easier to establish the benefits, to farmers, of utilising better genetics, and for the breeding industry to provide products and services that farmers' value.
- A scientific approach forces **clear thinking** by setting out the assumptions, by being subject to peer review and by avoiding an emotional attachment to particular outcomes.
- **It is data driven** rather than opinion driven. Profit is measurable and the discipline of science requires that data be used as the basis for identifying the underlying relationships. This reduces the risk of

decisions being opinion driven. It provides a basis for considering the relevance of research results obtained in other countries, breeds and production environments.

- **The worldwide scientific community** provides a network of experts who have studied similar questions to those being considered in Ireland. The transfer of this knowledge is facilitated by the relationships that ICBF has with members of this community. ICBF's activities are known to many scientists worldwide and this provides a sounding board which can challenge the conclusions being reached in Ireland. This takes place in open scientific forums such as those of EAAP, ICAR and Interbull.
- **ICBF is also contributing to world-wide** improvement of cattle breeding. By being a leading innovator in cattle breeding ICBF also makes an international contribution. The benefit for the Irish breeding industry is that knowledge is shared and that the state of the art is available to the Irish industry.

1.5 Technology

ICBF has taken advantage of developments in electronic technologies to reduce costs, to facilitate data collection and to provide information to the wider farming community. Some of the key technology developments exploited by ICBF are:

- **Computers are used by ICBF** to run the database, perform genetic evaluation calculations, support the information network and website (www.icbf.com). This technology has been continuously improving for the ten years that ICBF has been in existence. To establish the ICBF database as quickly as possible the IRIS software developed by CR Delta was used. Over time, with the continuous improvement achieved by the ICBF development team, dependence on IRIS has reduced. The ICBF database is now available to service providers, farmers and the wider public via the world-wide-web. In ten years farmers' access to their data has gone from communication via *input sheets* and *printouts* to *real-time on-line* access 24 hours per day, 365 days per year. ICBF can take some credit for ensuring this technology is being used to the benefit of Irish farmers.
- **Handheld computers for AI and Linear Scoring** have been developed by ICBF. The novel aspect of using this technology has been the tight link with the ICBF database. The AI Technician or Linear Scorer has *of-line* access to all the animals in each herd being serviced and is updated both from and to the database, via the mobile phone network. Accurate data is captured to the database with minimal delay. Field operators have at their finger-tips an up-to-date electronic record of each animal being serviced, in effect, putting the power of the database right into the field.
- **EDIY** (Electronic do-it-yourself) **milk recording technology** developed by Trutest has played a key role in removing a major obstacle to increased uptake of milk recording. ICBF's role was to evaluate the technology for use in Ireland, and to design, build and implement the systems (including EDIY vans) to support the use of the technology in Ireland. Since the first introduction of EDIY milk recording, with four vans in 2005, use has grown to 20 vans and 21% of all milk recorded cows. Over this same period the uptake of milk recording has increased 13% nationally.
- **Mobile phone technology** is playing an important role in communications between farmers and ICBF. An interface between the ICBF database and mobile phone text messaging was developed, both to collect data, and to provide data and information to farmers. It has proven to be particularly effective technology for advising farmers of the availability of reports and promoting information meetings.

One of the greatest achievements for ICBF has been to help move Irish cattle breeding from an importer of genetics and cattle breeding knowledge to becoming more self-sufficient and increasingly a contributor to world knowledge in the field of cattle breeding. Over the last ten years Irish dairy cattle breeding has moved from being heavily reliant on imports to the situation today where many Irish dairy farmers are taking considerable pride in owning a potential G-EN-IR-ELAND[®] bull mother. I look forward to the same being achieved for beef breeding in the near future.



Brian Wickham, Chief Executive

2 SUMMARY of 2007

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 2007 the major contributions to this mission included:

- launch of the Euro-Star beef genetic evaluations
- a substantially modified GENÉIRÉLAND[®] to include beef and both progeny testing and procurement elements
- re-opening Tully as an integral element of GENÉIRÉLAND[®] after implementing improved health protocols to reduce the risk of IBR infection
- updating of the linear scoring and weight recording service for beef weanlings, its rebranding and launch as the GROW service
- launch of HerdPlus[®] for beef
- expansion of the AI Handheld data recording service, and
- expansion of EDIY milk recording.

The ICBF database has now been fully operational for dairy, beef, milk recording, beef performance recording, genetic evaluations and herd books since 2005. Some 30,000 herds, with 1.1 million calvings (representing half of the Irish cattle herd) were participating in one or more aspects of the database by the end of 2007. The data that is accumulating has enabled substantial further progress with the development of across breed genetic evaluations for traits relevant to dairy and beef. This included the launch of the Euro-Star Beef Indexes.

The national database has dramatically improved the accuracy and scope of both beef and dairy genetic evaluations. In 2007 these improved evaluations were used to locate Irish bred Holstein Friesian bulls for subsequent progeny testing through the GENÉIRÉLAND[®] 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[®] for beef in September of 2007 builds on the service launched in 2006 for dairy herds and is a further major step forward in making valuable information available to herd owners.

As result of the decisions made in 2006, to adopt a user-pays philosophy and full cost recovery on services, ICBF's finances recovered in 2007, having been under severe pressure in 2005 and 2006.

The outcome of the 2004 strategic review is now guiding ICBF. The focus of the strategic plan is to increase farmer uptake of the recording and breeding services that give them the greatest economic returns. ICBF's development effort is increasingly focused on streamlining the flow of data from farms, while improving the quality of the information returned to farms. Initiatives with Teagasc are being undertaken to use the ICBF database to provide better quality information for farm, industry and breeder decision-making.

The review following the outbreak of IBR at Tully in February 2007 resulted in the re-confirmation of Tully as a central element in GENÉIRÉLAND[®]. Tully re-opened in November 2007 after undergoing a number of changes to reduce the risk of further disease outbreaks.

In summary, 2007 was a year in which ICBF overcame a major challenge in the form of the outbreak of IBR at Tully and continued with its dramatic and all encompassing development of the Irish cattle breeding infrastructure. 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.

3 MISSION

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.
- **Well informed farmers** who willingly provide accurate data from their own farms and make full use of the information available in their breeding and farm management decisions.

During 2004 ICBF conducted a strategic review, which provided the focus for its activities in 2007. 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 ICBF shareholders and other stakeholders with a summary of activities and achievements in relation to the objectives of the Society for the 2007 calendar year.

4 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. Open consultation meetings provide a forum where the breeding industry and the development team 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 2007 to allow sufficient time for the industry to accommodate the changes in their promotion and educational material prior to the spring mating season in 2008.

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

4.1 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 use of Animal Events by farmers to report calving details, and access to slaughter records provided via DAFF. In 2007 the calving evaluations were switched to new software (MIX99) and the use of an animal model. The impact of this change was greater accuracy, use of more data, removal of potential biases due to preferential matings, and reduced processing time.

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, 2006 and 2007 involving the collection of performance data on non-pedigree suckler cows, the amount of data available for maternal traits has reached a level where across breed genetic evaluations for traits expressed in suckler cows (including age-at-first-calving, weaning-weight, calving-interval and survival) became a practical reality in 2007.

4.2 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 2007 the main steps taken were: the economic values in the EBI were updated to reflect changes in milk prices (increased to €0.30/litre) and feed costs (concentrate price increased to €250/ton), the calving ease evaluations base was set at 6 (%), the overall type trait was modified according to the results of a joint review by Ireland and the UK, and the timing of changes in 2008/09 will be changed to fit in with the revised Interbull schedule with the main decisions being taken in late August 2008.

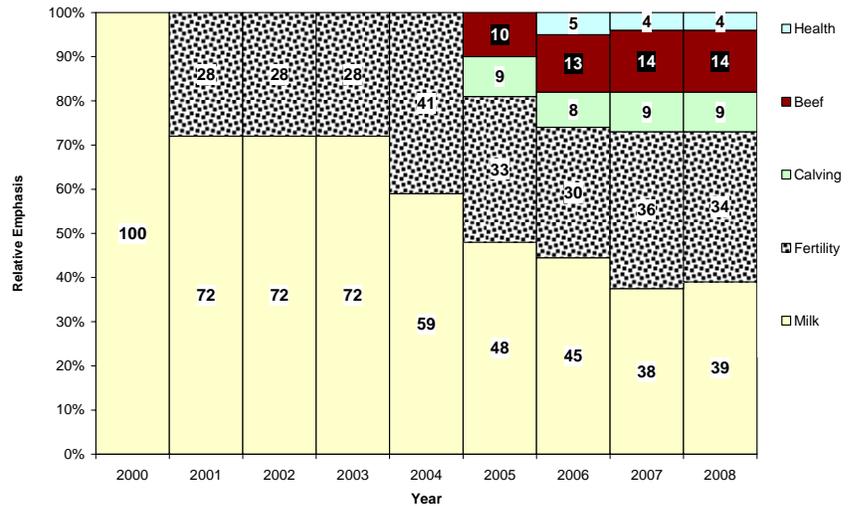


Figure 1. Development of the dairy EBI since 2000.

The changes in the economic values in the EBI since it was first introduced are summarised in figure 1.

4.3 Beef Specific

Our strategy is to research, develop, implement and continuously improve economic indexes to guide beef breeding decisions. The Euro-Star beef indexes² were introduced 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 suckler beef value and in figure 3 for the milk and fertility sub-index. These illustrate that there is considerable variation within breeds which is available to be exploited by selective breeding.

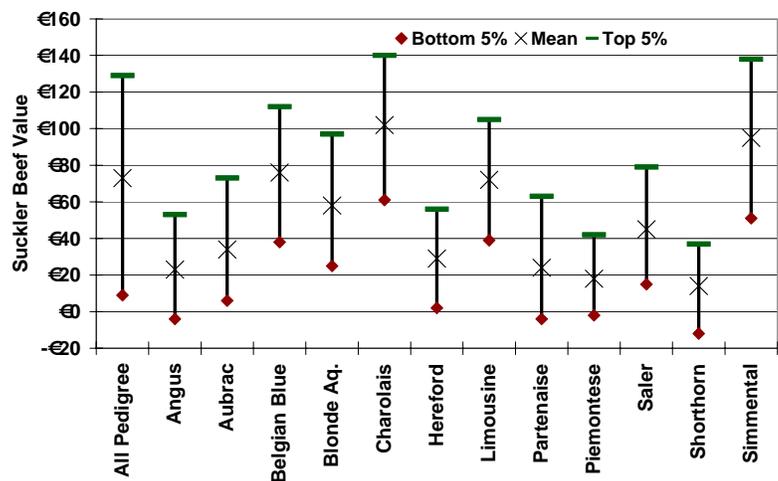


Figure 2. Ranges by breed of Euro-Star suckler beef value¹.

¹ From February 2008 genetic evaluations.

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

These developments in beef breeding represent a dramatic breakthrough for all farmers in Ireland who are seeking to identify the most profitable animals for use. However, the number of animals for which 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 it is already clear that the *animal welfare, recording and breeding scheme for suckler herds* (suckler cow scheme) which commenced on 1st January 2008 will help to address the problem. Some 53,000 herds have (as at 11th April 2008) joined the scheme and the number of animal events calf registrations has increased by 57%, compared with the same period in 2007. This trend augers well for improving the level of sire recording which will feed through to improvements in genetic evaluations and beef cattle breeding.

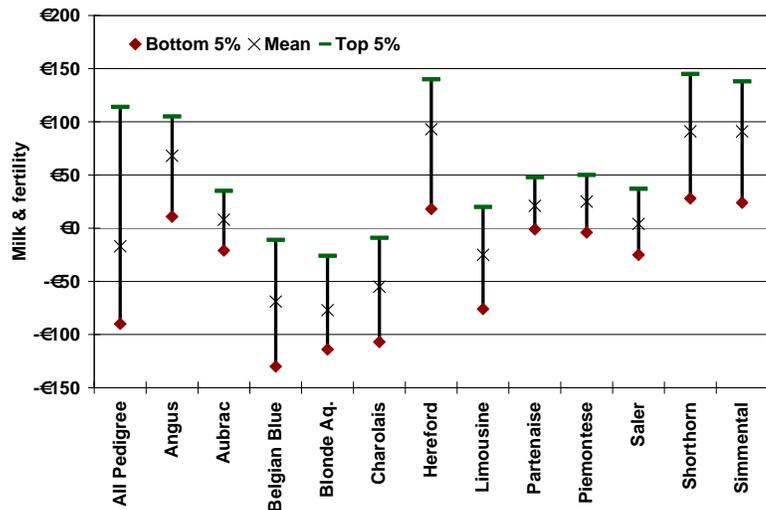


Figure 3. Ranges by breed of Euro-Star milk and fertility sub-index¹.

5 Uptake & cost of services

The focus in 2007, 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 1,111,569 calf birth registrations recorded in 2007 (refer to figure 4) an increase of 53% on 2004. There has also been substantial and on-going growth in the uptake of animal events with 28% more animal events birth registrations in 2007 compared with 2004. A large part of the growth in farmer participation is occurring for non-pedigree cattle.

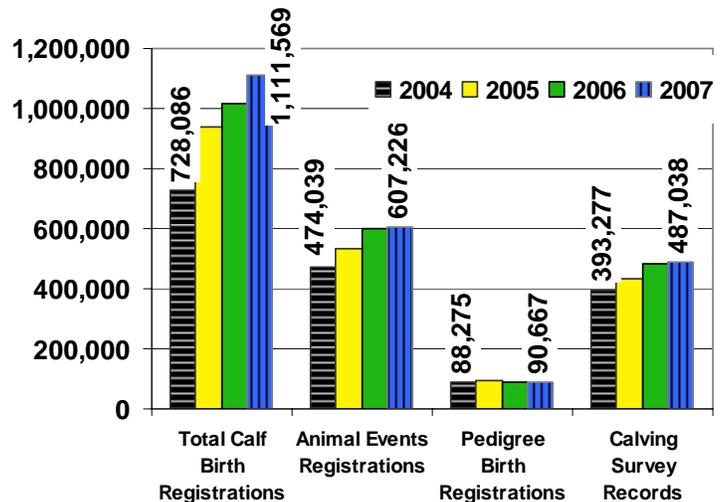


Figure 4. Participation in ICBF database in the last four years.

5.1 Services to Herd Books

Early in 2007 the Board took a number of actions to ensure services to Herd Books' met expectations. These included: a new web based interface to the ICBF database (Taurus), provision of an extended on-line herd book, a complete review of the beef linear scoring and weight recording service which was subsequently launched as the **GROW** service, and expansion of **GENÉIRELAND**[®] to support the breeding schemes operated by each breed.

5.2 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 2007 the major achievement was the roll-out of a further eight EDIY milk recording cells³ to improve the coverage in all counties through a total of 20 EDIY cells. The level of overall milk recording increased 4.6% on 2006, largely due to the success of the EDIY service. Particularly encouraging was the response of farmers in areas with traditionally low levels of milk recording.

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. For the second year in a row a significant growth in milk recording has been achieved.

5.3 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 2007 this strategy played an important role in rolling-out the expanded EDIY milk recording service, the expansion of HerdPlus[®] for dairy and the design and launch of HerdPlus[®] for beef.

The campaign with the AI industry initiated in 2006, was extended and enhanced in 2007 with the objective of increasing the use of AI to breed more profitable replacements. The campaign was supported by funding from DAFF. 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. The decline in AI has been halted and the emphasis is now moving to achieving substantial increases.

5.4 Electronic data from farms

Our strategy is to work closely with service-providing members to expand farmer electronic data recording 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 2006 redevelopment of the ICBF website has been further extended in 2007 to provide farmers with direct access to the ICBF database for retrieving information and for recording new data. That a large percentage of farmers have access to the internet is demonstrated by the fact that, of the 3,079 HerdPlus[®] customers (dairy and beef), 74% (refer to table 1) have signed-up for the electronic option. Calf registration is the only animal event that farmers were not able to record via the ICBF website in 2007.

The development of our website to collect data directly from farms, when coupled with the wide range of links to DAFF, 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 first launched on a pilot basis (see below) in 2007 and further enhanced for use in 2008.

5.5 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. In 2007 some 375,000 inseminations were recorded through this system, an increase of 120% on 2006. This system has eliminated delays in processing dockets while at the same time providing farmers 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.

5.6 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 DAFF/EU requirements for animal remedy recording and reporting. We have been

³ A cell comprises a technician equipped with a van, some 70 electronic meters, meter charging rigs, eight handheld data recorders, and a computer with an internet connection. Up to 150 herds are serviced in each cell.

working closely with CVERA (Centre for Veterinary Epidemiology and Risk Analysis at University College Dublin), DAFF, 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.

5.7 HerdPlus[®]

In September 2006 the HerdPlus[®]⁴ service for dairy herds 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 evaluation and reproduction information on a whole-herd basis. By focusing on the needs of farmers, ICBF has been able to design, build and market a service that dairy farmers are finding particularly good value for money. The service was extended in 2007 to beef herd owners.

The HerdPlus[®] service has enabled ICBF to save on costs associated with providing information (EBI reports, breeding charts, etc) to farmers who did not require them and to generate income by providing information to those farmers who value the information. Uptake of HerdPlus[®] is growing (refer to figure 1) in line with expectation.

5.8 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 need to spend on gathering and analysing data thus freeing up time for focusing on farm management decisions.

6 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.

6.1 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 of the Norwegian University of Life Sciences, a world expert 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 also near optimal. These numbers are required to maximise genetic gain on Irish farms. The annual rates of genetic progress for current relative to optimal designs are respectively from €5 to €3 for dairy and from €2 to €0 for beef. These increased rates of

Type of service	Total No. herds	No. Postal	% Postal	No. Electronic	% Electronic
Beef	375	77	21%	298	79%
Dairy	2704	719	27%	1985	73%
Total	3079	796	26%	2283	74%

Table 1. Herds signed up to the HerdPlus[®] service at 31st December 2007.

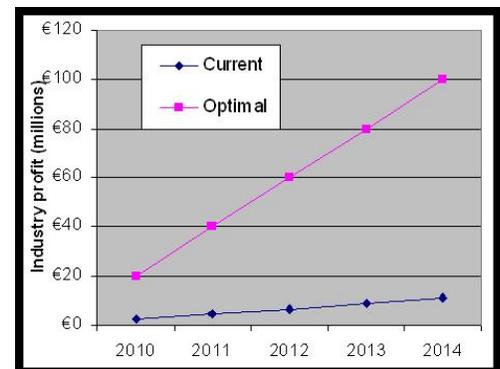


Figure 5. Contribution of improved beef breeding to industry profitability.

⁴ Refer to <http://www.icbf.com/services/herdplus/index.php>, for detailed information.

gain represent many million euro extra profitability for the dairy and beef industries in future years (refer to figure 5).

6.2 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. The initiatives being lead by Professor Simon More of UCD to establish an industry partnership to drive the Herd Health initiative are strongly supported by ICBF.

6.3 GENEIRLAND[®] Dairy and Beef Breeding Schemes

Our strategy is to work closely with NCBC, 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 GENEIRLAND[®] dairy progeny test scheme was launched in a collaboration with NCBC and Dovea. The scheme was reviewed in 2006 with a substantially modified scheme launched in 2007 with the benefit of financial support from the NDP (National Development Plan). The key elements of the modified scheme included:

- Open to all bull owners.
- Random allocation of bulls in defined packs to cooperating herds.
- Semen distribution contracted to co-operating AI Field Service providers.
- Open to elite bulls on EBI (for dairy) and Euro-Star suckler beef index (for beef) evaluations.
- Participating herds receive reimbursements progressively as they fulfil their obligations. That is; insemination recorded on database, sire identified, calf registered, and completed first lactation.

The dairy scheme was reviewed at a meeting of participating herds in 2007 giving the basis for a number of operational enhancements implemented in 2008. Table 2 is a summary of the dairy program.

Programme	No. Herds	No. Bulls	AV. EBI (€)	Av. Milk SI (€)	Fertility SI (€)	Av. GENEIRLAND [®] straws	Av. No. of live female progeny
2005 – Spring	150	20	106.4	67.9	28.9	421	81
2005 – Autumn	140	10	115.8	82.0	19.1	567	72
2006 – Spring	482	45	123.1	58.7	48.3	560	93
2006 – Autumn	109	10	108.8	63.5	26.9	381	100
2007 – Spring	686	44	129.4	61.0	51.0	650	109
2007 – Autumn	134	7	157.2	96.1	32.6	721	
2008 – Spring	1,200	69	131.9	54.5	58.8	700*	

* Target number.

Table 2. GENEIRLAND[®] dairy programs progress to April 2008.

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 11. 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 of genetic gain in Irish dairy cattle.

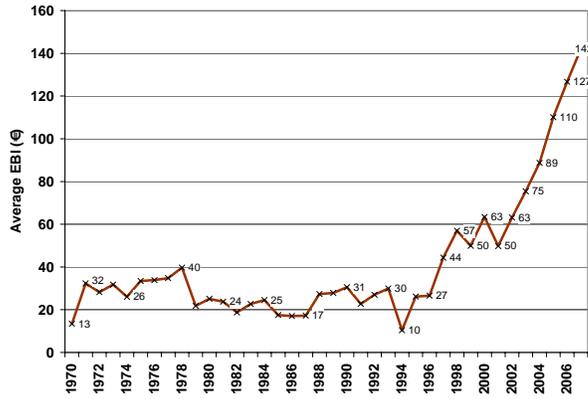


Figure 6. Trend in average EBI of Holstein Friesian bulls registered for use in AI, by year of birth.

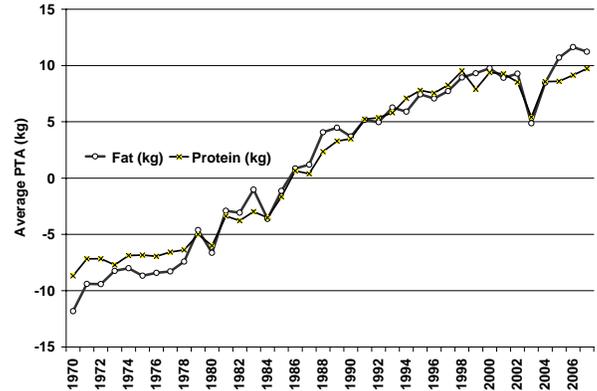


Figure 7. Trend in average PTA for fat (kg) and protein (kg).

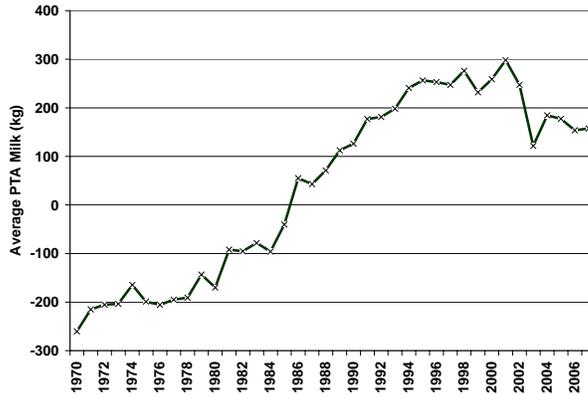


Figure 8. Trend in average PTA for milk weight (kg).

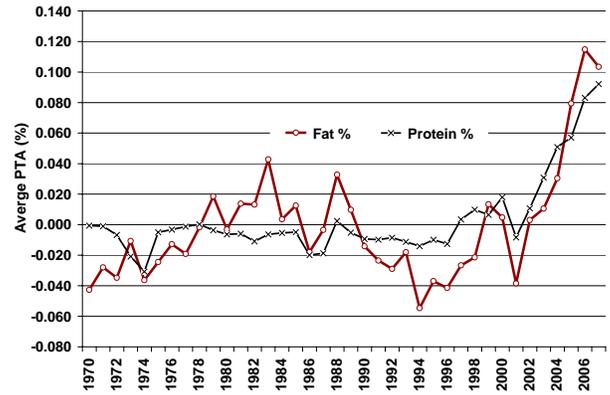


Figure 9. Trend in average PTA for fat % and protein %.

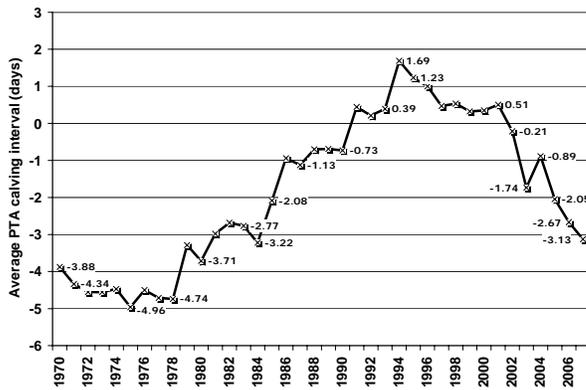


Figure 10. Trend in average PTA for calving interval (days).

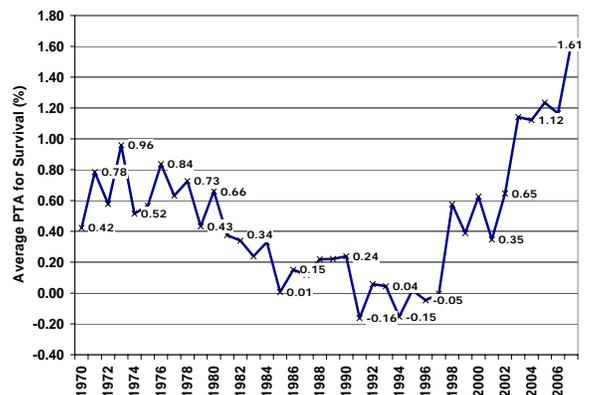


Figure 11. Trend in PTA for survival (%).

6.4 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 was operating for spring 2007. The pilot service was 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 risk from lethal genes and maximisation of future profits from the resulting progeny. Consideration is given to all candidates available through AI. The information is provided to the farmer, the farmer's breeding adviser(s) and is downloaded to the handheld computers used by AI technicians. Over 1,000 herds went on-line to use the new Sire Advice facility launched in the spring of 2007 and current indications are that this service will grow by 50% in 2008.

6.5 Tully

A total review of the Tully beef bull performance test was conducted following the outbreak of IBR early in 2007. The key outcomes of the review included:

- The establishment of the Tully Advisory Committee to advise the Board on the operational aspects of Tully.
- The establishment of an expert Animal Health group to advise on best practice for animal disease control.
- That Tully be an integral element of the GENÉIRLAND[®] beef breeding scheme by focusing on the performance testing of the best candidates for subsequent progeny testing.
- That Breed Associations should be much more closely involved in the selection and marketing of bulls tested at Tully.

A series of changes were made at Tully to ensure a higher level of bio-security. Pre-entry isolation units were established and the centre was re-opened late in 2007. Bulls and their herds of origin were subject to extensive testing for IBR. Even after all this effort and greatly increased vigilance, a small outbreak occurred in late February 2008. Fortunately the protocols put in place limited the infection to just four bulls.

7 Financial

The growth in ICBF that occurred over the period up to 2005 placed considerable strain on 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. As a result of these actions ICBF has achieved a substantial turn-around and a positive financial outcome for 2007 as outlined below.

7.1 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, income generated by the service, and the allocation of depreciation and amortisation of NDP contributions to the service. It was on the basis of this model that service fees for milk recording, herd books and AI handhelds were increased effective from late 2006 through to 1st January 2008.

The plan developed to remedy ICBF's deficit involved two linked actions; eliminating costs without matching revenues, and putting all services on a full cost recovery basis.

7.2 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.

The report from Deloitte validated the approach taken by ICBF and was adopted by the Board at its November 30th 2006 meeting. The recommendations and findings were acted on by the Board in 2006 and 2007.

7.3 2007 Results

The final audited result for 2007 is a surplus of €75,453, which is significantly better than the deficit of €111,633 for 2006.

The impact of the outbreak of IBR at Tully early in 2007 was not anticipated and initial indications were that it would have a substantial impact on the 2007 results. However, a special beef cattle breeding grant was provided to ICBF by DAFF in 2007 and this fully offset the impact of the IBR outbreak.

In 2007 ICBF cash income (refer to figure 12 for a comparison over the last four years) included contributions from the following sources:

- Irish Taxpayers (€2.30 million) comprising the DAFF Grant, the special beef breeding grant and NDP capital grant. The NDP capital grant (€0.911 million) included contributions towards the promotion of better breeding practices, development of genetic evaluations and development of systems for collecting data and reporting information to farmers.
- Cattle farmers through the Tag Contribution (€0.77 million), and
- The cattle breeding industry and farmers through service fees (€1.03 million). The % of income from this source has grown to 25% in 2007 from 15% in 2003.

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.

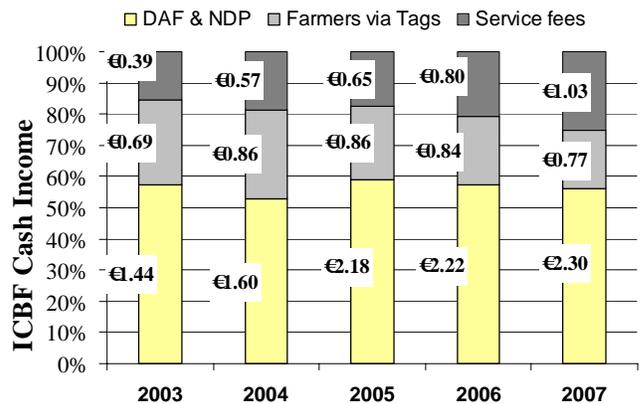


Figure 12. ICBF cash income (€million) by main source for period 2003 to 2006.

8 Resources

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

8.1 People

The ICBF team comprises a number of groups:

- Based at Highfield House are the:
 - Administration group which includes the Chief Executive (2 full time, 2 part time, 1 part time accountant)
 - IT group of staff and contractors lead by Sean Coughlan (5 full time, 5 contractors)
 - Genetics group lead by Andrew Cromie (4 full time and 2 contractors), and
 - Operations group lead by Martin Burke (2 full time, 1 part time, 1 contractor).
- The Tully group of five (including 1 part time) lead by Michael Barron is based at Tully, Kildare.
- Four EDIY technicians providing the EDIY milk recording service to Donegal, Connacht, Tipperary and Arrabawn co-ops.

With a full time staff of 18 ICBF is a small organisation. During 2007, as in previous years, staff and contractors put in a magnificent effort in achieving the many goals established under ICBF's strategic plan. The Tully Team, with help, overcame the major challenge presented by the IBR outbreak in February 2007.

8.2 Offices

ICBF's main office and database computers are based at Highfield House which is located on property owned by Shinagh Estates Limited (SEL) near Bandon, Co. Cork. The accommodation is rented from SEL.

8.3 Database Computers

ICBF's database runs on computers located in Highfield House and Shinagh House. During 2007 ICBF's database underwent a major upgrade. Elements of the upgrade included: new server, new disk storage system, upgrade to the latest version of Oracle and upgrade to the latest version of HP's operating system. The upgrades will reduce the turnaround time on genetic evaluations, ensure we can efficiently deal with the extra volumes of data resulting from the suckler scheme, and support the increasing use of the website.

8.4 Tully

The Bull Performance Test Centre at Tully, Co. Kildare is leased from DAFF. 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 2007 were focused on improving bio-security at the centre and included new fences, a bull unloading area and moving of the feed-bins. Further work is anticipated in the future.

8.5 EDIY Calibration Laboratory

This laboratory, located at Teagasc, Moorepark, 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 for the support that Teagasc have provided in the establishment and operation of this facility.

9 Communications

ICBF is 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:

9.1 Irish Cattle Breeding Statistics

Irish Cattle Breeding Statistics were published on the ICBF website for the seventh time in June of 2007. 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.

9.2 Industry Presentations

ICBF continues to be heavily involved in presenting information to the Irish cattle breeding industry through a wide range of meetings and conferences. ICBF is typically involved in three to five meetings per week with farmers and industry staff. They also participate 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) 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 access by herd owners (using a sign-on and password) and designated advisors. The growth in usage is illustrated in table 3.

9.4 Training

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

In 2007 training was provided for farmers, farmer-trainers and van drivers associated with the roll-out of the expanded EDIY milk recording service.

Activity	2006	2007	% Change 2006 to 2007
User Sessions	56,438	114,080	102%
Farmers accessing	3,245	3,259	0%
Reports accessed	50,076	53,452	7%
Teagasc Advisors	77	233	203%
Reports accessed by Advisors	4,905	3,740	-24%
Herds assigned to Teagasc	5,683	9,289	63%

Table 3. Activity on ICBF website in 2005, 2006 and 2007.

10 International

ICBF maintains a number of importance internal linkages including:

- membership of ICAR and Interbull
- providing leadership for the development of international beef genetic evaluations through the ICAR Interbeef Working Group
- participation in international research forums including EAAP which was hosted by Ireland, at UCD Dublin, in 2007, and
- participation in international research collaborations including the FP6 funded EURECA, and Ovultest projects.

This international network enables ICBF to keep up to date with scientific developments relevant to Irish cattle breeding.

11 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 in 2007 including:

- Provision of sponsorship by the FBD Trust for: GEN~~E~~IR~~E~~LAND[®] beef and dairy and the launch of HerdPlus[®] for beef.
- Provision of sponsorship by the ACC Bank for the EBI competition organised jointly by Teagasc, The Farmers Journal and ICBF.
- Provision of sponsorship by the Farmers Journal for the Interbull meeting held in Dublin as part of the EAAP meeting in August 2007.

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.

12 Future Prospects

In summary, 2007 was a year in which ICBF delivered further growth in milk recording, and launched HerdPlus[®] for beef. The 53% 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 has been halted and turned around. Recent trends in the genetic characteristics of bulls entering AI show a dramatic improvement in the key traits of production, fertility and robustness. However, GEN~~E~~IR~~E~~LAND[®] 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 and beef 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.

A lot of progress has been made in beef breeding but the level of farmer participation in recording and use of genetic evaluations was comparatively low at the end of 2007. The suckler cow scheme is an exciting opportunity to take beef breeding in Ireland to a new level. By providing useful performance data on many more animals the scheme promises to provide suckler herd owners, pedigree and non-pedigree, with Euro-Star indexes on a majority of their animals.

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

13 Financial Statements for the Year Ended 31 December 2007**13.1 Society Information**

COMMITTEE	Mr. J. O'Sullivan (Chairman) Mr. D. Deane (Vice-Chairman) Dr. D. Beehan Mr. J. Bryan Mr. D. Cahill Mr. J. Carroll (resigned Nov 2007) Mr. J. Comer Mr. K. Connolly	Dr. D. Corridan Dr. B. Eivers Mr. S. Fitzgerald Mr. L. Foley Mr. K. Kinsella Mr. K. Meade Mr. M. Murphy Mr. R. Whelan
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SECRETARY	Mr. J. Carty Department of Agriculture, Fisheries and Food Pavilion A Grattan Business Park Portlaoise Co. Laois
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CHIEF EXECUTIVE	Dr. B. Wickham
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SOCIETY'S ADDRESS & REGISTERED OFFICE	Highfield House Shinagh Bandon Co. Cork
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SOLICITORS	P. J. O'Driscoll & Sons Solicitors South Main Street Bandon Co. Cork
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AUDITOR	Ernst & Young Registered Auditors City Quarter Lapps Quay Cork
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13.2 Independent Auditors' Report to Members of Irish Cattle Breeding Fed. Soc. Ltd

We have audited the financial statements for the year ended 31 December 2007, 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 2007 and of its surplus 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

2008

13.3 Income and Expenditure Account for the Year

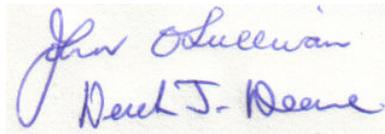
	Note	2007 €	2006 €
INCOME		4,859,438	3,147,430
OPERATING EXPENSES		(4,783,985)	(3,359,063)
		<hr/>	<hr/>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		75,453	(211,633)
Tax on surplus/(deficit) on ordinary activities	3	-	-
		<hr/>	<hr/>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION		75,453	(211,633)
RETAINED (DEFICIT)/SURPLUS AT BEGINNING OF FINANCIAL PERIOD		(114,045)	97,588
		<hr/>	<hr/>
RETAINED (DEFICIT) AT END OF FINANCIAL PERIOD		(38,592)	(114,045)
		<hr/>	<hr/>

There are no recognised gains or losses in either year 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)



3rd April 2008

13.4 Balance Sheet at 31 December 2007

	Note	2007 €	2006 €
FIXED ASSETS	4	4,323,805	4,452,090
CURRENT ASSETS			
Stock	5	26,631	13,125
Debtors	6	409,332	860,929
Cash at bank		945,966	380,743
		1,381,929	1,254,797
CREDITORS: amounts falling due within one year	7	(610,937)	(628,387)
NET CURRENT ASSETS		770,992	626,410
TOTAL ASSETS LESS CURRENT LIABILITIES		5,094,797	5,078,500
PROVISIONS FOR LIABILITIES AND CHARGES	8	(238,227)	(140,000)
GOVERNMENT GRANTS FOR CAPITAL PROJECTS	9	(2,870,900)	(3,029,259)
TOTAL ASSETS LESS LIABILITIES		1,985,670	1,909,241
FINANCED BY			
SHAREHOLDERS' FUNDS			
Share capital	10	2,024,262	2,023,286
Income and expenditure account	11	(38,592)	(114,045)
Shareholders' funds	11	1,985,670	1,909,241

On behalf of the Committee of Management:

Mr John O'Sullivan (Chairman)

Mr Derek Deane (Vice Chairman)

3rd April 2008

13.5 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 reducing balance 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, Fisheries 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

The staff costs are comprised of:	2007	2006
	€	€
Wages and salaries	926,918	913,664
Social welfare costs	95,447	90,293
	<hr/>	<hr/>
	1,022,365	1,003,957

The average number of persons employed by the Society in the financial year was 18 (2006: 20) and is analysed into the following categories:

	2007	2006
	No.	No.
Management	1	1
Administration	1	1
Technical	16	18
	<hr/>	<hr/>
	18	20

..3	TAXATION	2007	2006
		€	€
	The charge for taxation is made up as follows:		
	Corporation tax for the year	-	-
		_____	_____

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</i>		<i>Office</i>	<i>Tully</i>	
		<i>development expenditure</i>		<i>equipment</i>	<i>machinery</i>	<i>Total</i>
		<i>Completed</i>	<i>In progress</i>			
		€	€	€	€	€
	Cost:					
	At 1 January 2007	7,021,086	3,708,552	126,565	19,504	10,875,707
	Additions	-	1,459,195	5,461	-	1,464,656
		_____	_____	_____	_____	_____
	At 31 December 2007	7,021,086	5,167,747	132,026	19,504	12,340,363
		_____	_____	_____	_____	_____
	Depreciation:					
	At 1 January 2007	6,209,181	117,230	90,658	6,548	6,423,617
	Charge for the year	784,620	797,445	8,284	2,592	1,592,941
		_____	_____	_____	_____	_____
	At 31 December 2007	6,993,801	914,675	98,942	9,140	8,016,558
		_____	_____	_____	_____	_____
	Net book value:					
	At 31 December 2007	27,285	4,253,072	33,084	10,364	4,323,805
		_____	_____	_____	_____	_____
	At 31 December 2006	811,905	3,591,322	35,907	12,956	4,452,090
		_____	_____	_____	_____	_____

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	2007	2006
		€	€
	Stocks	26,631	13,125
		_____	_____

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

..6	DEBTORS	2007	2006
		€	€
	Trade debtors and prepayments	409,332	691,905
	VAT	-	169,024
		<hr/>	<hr/>
		409,332	860,929
		<hr/>	<hr/>
..7	CREDITORS	2007	2006
		€	€
	Trade creditors	166,398	270,493
	Accruals and deferred income	444,539	357,894
		<hr/>	<hr/>
		610,937	628,387
		<hr/>	<hr/>

..8 **PROVISION FOR LIABILITIES AND CHARGES**

	2005	2006	2007	Total
<i>Provision for progeny test scheme</i>	<i>Program</i>	<i>Program</i>	<i>Program</i>	<i>Program</i>
	€	€	€	€
Opening balance 1 January	125,000	-	-	125,000
Release of over provision	(80,000)	-	-	(80,000)
Provided during the year	-	95,000	98,227	193,227
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	45,000	95,000	98,227	238,227
	<hr/>	<hr/>	<hr/>	<hr/>

Progeny test scheme

This provision relates to an agreement in place with the AI Industry (NCBC, Dovea, Eurogene and Genus-ABS) to establish the GENE IRELAND targeted-herd progeny test scheme for both beef and dairy bulls. Herd owners are reimbursed with the estimated costs for each recorded progeny. The provision is the estimated cost of the monetary payments that will be made to herd owners commencing in 2008 in respect of 2005, 2006 and 2007 matings.

..9 GOVERNMENT GRANTS FOR CAPITAL PROJECTS

- (i) Project grants from National Development Plan administered by Department of Agriculture, Fisheries and Food (DAFF).
- (ii) Grant from Department of Agriculture, Fisheries and Food (DAFF)

	<i>Projects completed</i> € (i)	<i>Projects in progress</i> € (i)	<i>Grant</i> € (ii)	<i>Total</i> €
Received:				
At 1 January 2007	3,969,940	2,640,694	74,033	6,684,667
Received during year	-	911,945	-	911,945
	-----	-----	-----	-----
At 31 December 2007	3,969,940	3,552,639	74,033	7,596,612
	-----	-----	-----	-----
Amortisation:				
At 1 January 2007	3,514,375	67,000	74,033	3,655,408
Credited to the income and expenditure account in year	455,565	614,739	-	1,070,304
	-----	-----	-----	-----
At 31 December 2007	3,969,940	681,739	74,033	4,725,712
	-----	-----	-----	-----
Net amount:				
At 31 December 2007	-	2,870,900	-	2,870,900
	-----	-----	-----	-----
At 31 December 2006	455,565	2,573,694	-	3,029,259
	-----	-----	-----	-----

..10 SHARE CAPITAL

	2007 €	2006 €
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
28,191 "C" ordinary shares of €12.697381 each	357,960	356,984
73,696 "D" ordinary shares of €12.697381 each	935,746	935,746
	-----	-----
	2,024,262	2,023,286
	-----	-----

All shares rank *pari passu* in all respects.

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

	<i>Share capital</i> €	<i>Income and expenditure account</i> €	<i>Total</i> €
At 1 January 2006	2,023,286	97,588	2,120,874
Deficit for year	-	(211,633)	(211,633)
	-----	-----	-----
At 1 January 2007	2,023,286	(114,045)	1,909,241
Surplus for year	-	75,453	75,453
Share issue	976	-	976
	-----	-----	-----
At 31 December 2007	2,024,262	(38,592)	1,985,670
	-----	-----	-----

..12 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.

..13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 3rd April 2008.