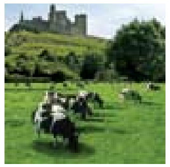
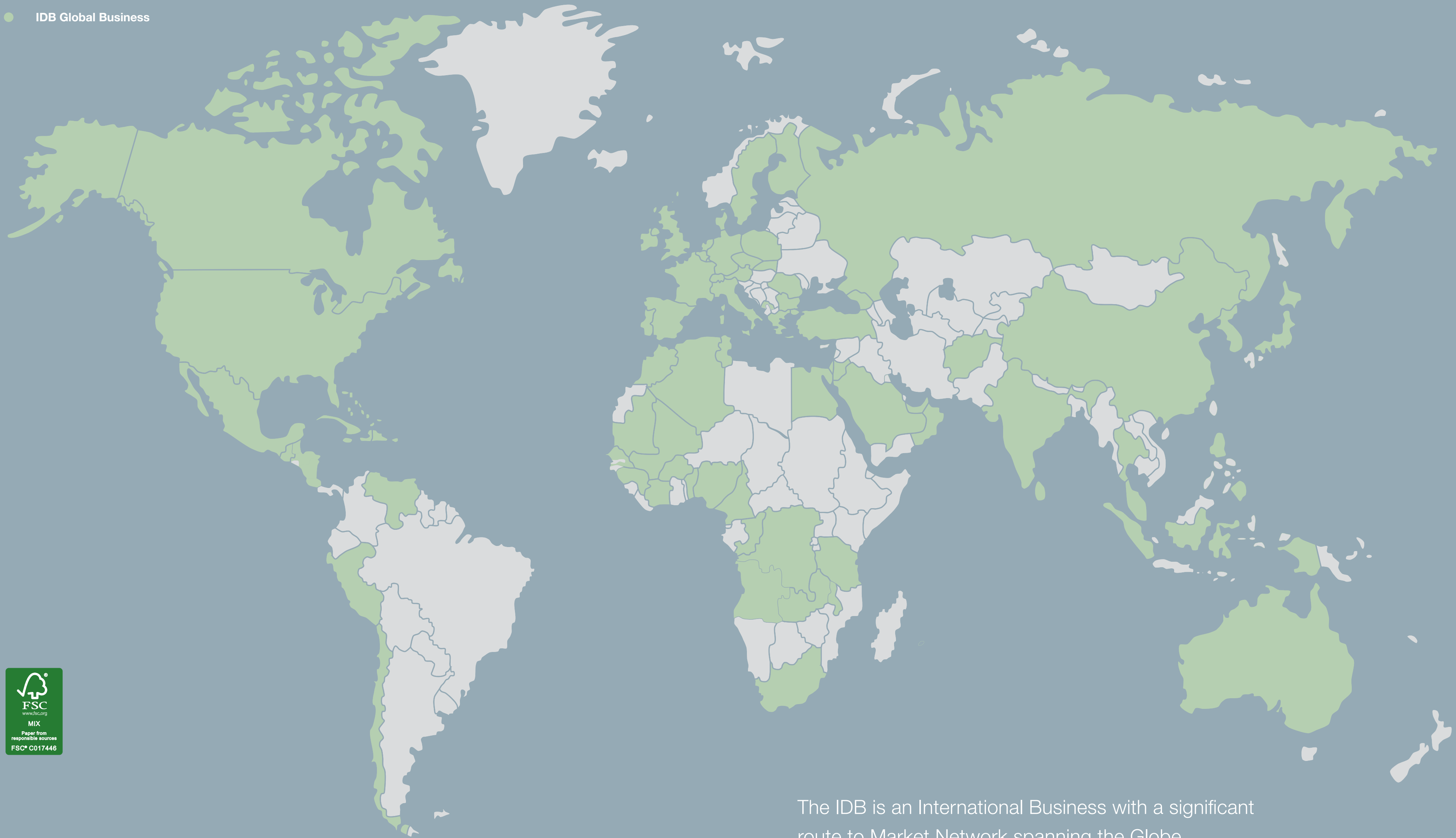
Irish Dairy Board

CELEBRATING FIFTY YEARS OF ACHIEVEMENT

Kerrygold



2010 ANNUAL REPORT



The IDB is an International Business with a significant route to Market Network spanning the Globe

Contents

Our Vision / The IDB will become a leading global dairy organisation, rewarding our customers, consumers and shareholders by delivering value through; Superior Customer Service; Customised Innovation; World Class Brands; An International Market Presence; and Outstanding People / Our People and Entrepreneurial Attitude Will Deliver This Vision.

Foreward

The Irish Dairy Board (the IDB or Group), the Irish owned dairy co-operative reported a turnover of €1.9bn for the period ended 01 January 2011. Over the past fifty years the IDB has developed into a successful international business.

The IDB has established strong routes to market and today exports Irish dairy products to over 80 countries around the globe making it Ireland's largest exporter of dairy products and a leading international food company.

The IDB's global sales and marketing footprint for dairy products is supported by its own sales teams and selected agents and distributors. Headquartered in Dublin, Ireland, the business employs over 3,700 people globally.

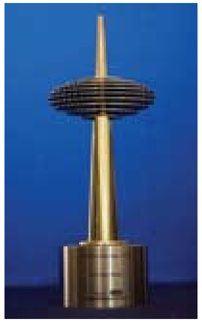
A co-operative enterprise, the IDB is owned by Irish dairy processing co-operatives and dairy companies and, through them, by Irish dairy farmers.

The IDB owns the internationally renowned Kerrygold brand, the Irish dairy industry's most important marketing asset. Other IDB brands include Dubliner and Pilgrims Choice.

The IDB provides the scale, scope and expertise for the global export of Ireland's dairy products. In 2010 the IDB was awarded Exporter of the Year by the Irish Exporters Association in recognition of its export achievements and economic contribution to the country over the years.

With an excellent reputation for customer service, the IDB delivers premium Irish dairy products and a wide range of food ingredients. It provides innovative bespoke food ingredient solutions for its customer base and supplies specialist ingredients to many of the world's major food manufacturing corporations. The IDB has organised its business across three focused business platforms - Consumer Foods, Trading & Food Ingredients and DPI, a specialty food distribution company in the USA.

Group subsidiaries in the UK, mainland Europe and the USA pack, distribute and market a wide selection of branded products, dairy ingredients, specialty grocery, delicatessen and gourmet food items of both Irish and non-Irish origin.



Chairman's Statement

The Irish Dairy Board has a key role to play in the efficient order and functioning of the dairy sector in a nation highly dependent on exporting.

Vincent Buckley / Chairman

The IDB is, by far, the leading exporter of Irish dairy products and its ability to maximise returns from the market place, through a unified marketing front, is essential to ensuring a sustainable income for dairy farmers.

The Group reported a satisfactory underlying performance in 2010. The challenging trading environment in the US impacted on DPI, our US distribution business, however the Consumer Foods Division performed well on the back of solid branded performance, with the Trading & Food Ingredients Division performing in line with expectations. The recovery in market returns in 2010 has been very welcome but the level of price recovery is a stark reminder once again of the greater market volatility we now face. Furthermore, this volatility is expected to become more pronounced as the EU deregulates further and milk output increases in a quota-free environment.

Irish dairying is on the cusp of an exciting future. The removal of quotas in 2015 offers significant opportunities for a low cost industry with a comparative advantage in producing high quality milk off grass. I would like to take this opportunity to compliment the Irish Government for its Food Harvest 2020 strategic initiative. This report, published in 2010, is the single most important focus on the future of Irish dairying to emerge for several years and is a timely reminder of the collective commitment and endeavour that is required from all stakeholders if the sector is to take advantage of the opportunities arising post 2015. Food Harvest 2020 sets a challenging 50% target for growth in Irish milk output over the decade but it is one that is feasible provided that there is a sustainable return to the primary producer. The 8% increase in milk output in 2010 demonstrates the ability of Irish dairy farmers to expand production under favourable conditions. The IDB's vision for the future is predicated on this assumption of a sustainable return for dairying and we are committed to meeting our obligations, as set out in the implementation roadmap, under the direction of our, Chief Executive, Kevin Lane.

Food Harvest 2020 has deep implications for the future of all stakeholders in the Irish dairy industry and for its evolving structure. The IDB, of course, fully recognises this and is developing strategic plans and putting resources in place, both at home and abroad, that identify both the products and markets, whether traditional or new, where the consumers of the additional milk will be found. In this regard, I am particularly pleased with the record sales of Kerrygold in Germany

in 2010, proof indeed, that even in the depths of an international recession, the best approach that secures farmers income is first-class products brought to market under a premium and trusted brand.

A new board was elected during 2010 for a four year term. I would like to thank the out-going members Tom Corcoran, Richard Kennedy, Sean McAuliffe (since returned to replace Michael Cronin) and the out-going Vice Chairman Michael Walsh for their valuable contributions. I would especially like to thank Michael Cronin who stepped down as Chairman in May and who resigned his board seat in December. Michael served twelve years on the board of the IDB, eight as Chairman. Throughout this time he showed great leadership and courteousness and was held in high regard by his fellow board members.

I would like to welcome the new in-coming members onto the board; Liam Herlihy, Kevin Kiersey, John O'Brien, Jim Russell and to thank the continuing board members for their commitment to the organisation. I am extremely honoured that my fellow members elected me as their Chairman and entrusted their confidence in me and and I have given them my commitment to lead a strong board as it works on a new strategic direction for the Group under the leadership of IDB's Chief Executive, Kevin Lane and his management team. I wish to thank Jackie Cahill, our new Vice Chairman for his help and support.

The continued success of the IDB depends in no small measure on the enthusiastic cooperation it receives from many government departments, particularly the Department of Agriculture, Fisheries and Food. Its success is also dependent on its own dedicated and talented staff, both in Ireland and in its subsidiaries and offices across the world, all of whom I wish to thank very sincerely for their endeavours. The award of Exporter of the Year 2010 to the IDB by the Irish Exporters Association is peer-endorsement of the IDB's performance and achievement and is a well deserved tribute to its management and staff.

In the final analysis however, the two most important elements in the tremendous success story that is the Irish dairy industry are the primary producers of the best milk in the world and the loyal customers who recognise this. It is this, more than anything else, that encourages me to look forward to the coming years with confidence and optimism.

Vincent Buckley

Chairman

Chief Executive's Report

The IDB reported a satisfactory performance in 2010 against the backdrop of a challenging global economy. 2010 was a transformational period for the IDB.

Kevin Lane / Chief Executive

The key highlights are as follows:

- Strategic review of all global businesses now completed
- Record international sales for Kerrygold
- Commencement of a lean manufacturing programme across our European operations
- Our British consumer foods businesses restructured under Adams Foods Limited
- €19.8m invested in our capital programme

2010 was a year of planning and developing a growth strategy for the IDB. In quarter two of 2010, management undertook a strategic review of the Group and this culminated in the formation of a three year strategic growth plan. We are pleased with the progress made, to date, and over the next three years we are committed to the implementation of this plan. The key pillars of this growth strategy are shown on page 7.

The strategic growth plan in 2010 has concentrated on:

- The development of a clear, focused vision for the future
- The establishment of an innovation and product development strategy
- The selection of our international growth markets
- The creation of an acquisition team and programme
- The commencement of a refinancing programme to fund future development
- The reconfiguration of our business model and right sizing some of our business structures

We are buoyed by the fact that our brands and products continued to win international trade awards in 2010 including awards in Germany, the U.K., the U.S.A and Ireland.

Overall, the IDB achieved over €1.9bn in international sales in what remains a very challenging global scene with volatile dairy markets and currency fluctuations. Despite this, the business reported encouraging sales growth in the year and our branded consumer foods business performed well.

The overall results for 2010 reflect the increased marketing spend to support the global marketing programme, our planned restructuring programme and the sale of our French butter business. A challenging year in the US market saw the Group's speciality distribution business, DPI report a contraction in margins and reduced profits.

Despite this, the Net Assets of the IDB at the financial period end were up €18.5m on the previous period end to €402.9m. In 2010, the IDB paid out €7.8m in redeemable loan stock and declared a cash bonus to members of €4m. In addition a further €2m was allocated to the annual bonus fund for redemption from 2015, which is paid out to all of our co-op members.

We are determined to address underperforming businesses that do not meet the long term objectives of the Group. The proceeds from these divestitures will be invested in developing new routes to market and to value for the IDB. During the period, the IDB focused on addressing its cost base and a lean manufacturing programme commenced in the IDB's European operations with significant forecasted cost savings and efficiency benefits.

We have all taken major steps on our journey to help transform the business for the future growth that we expect. Much time and effort has been invested in developing and communicating a clear vision and strategy for the future.

We are committed to having a world class business in place which will deliver excellent returns to all our stakeholders and provide exciting opportunities for all our employees.

I would like to thank the Board of Directors, the executive team, management and staff for their support during my first year as CEO. We have a clear vision and strategy in place to deliver on a growth agenda and I believe that as a team we can deliver this growth.

The IDB's Medium Term Plans

Key Actions

Growth Platforms

> Focus on core dairy
> Expansion and development of our brands
> Develop new routes to market
> Consumer focused innovation and investment
> Customer driven solution selling
> Acquisitions

Structures

> Management capability development
> Performance culture drive
> Cost reduction and efficiency drive
> Address unprofitable and non-core assets
> Reconfigure operational and management structures

Financial

> Re-financing
> Funding for expansion
> Strategic growth plan
> Delivery of financial targets

Kevin Lane

Chief Executive

Consumer Foods Division

The Consumer Foods Division has responsibility for the international marketing and sales of the IDB's consumer products portfolio including the Kerrygold and Pilgrims Choice brands. Markets are serviced through wholly owned subsidiaries in the UK, Belgium, Germany and the USA, and by locally based distributors and agents in other key regions.

The division reported a solid performance in the period against the backdrop of a weak but recovering global economy, although some markets continued to remain challenging. Consumer confidence remained fragile and austerity measures impacted on consumer spending patterns. Consumers continued to be focused on value propositions and a quest for value and shopping on promotion continued to feature.

The division reported sales of €747.3m or 39% of the IDB's total sales, up 11%. Combined branded sales exceeded the prior period by 18% in value and 7% in volume due to both like for like sales growth and the opening up of new, strategically important, markets.

Most of the IDB's key markets posted an uplift in sales and market share. New consumer markets in North Africa and the Middle East reported solid increases in sales in the period and continued to show encouraging growth.

In December, following the strategic review of non-core businesses the IDB disposed of its French butter packaging business Loyez-Woessen, through an MBO (Management Buy Out).

Outlook 2011 - The dairy commodity price surge is putting additional pressure on consumer products, in particular branded goods. The key challenge for a brand in a rising market is to achieve the necessary price increases in a timely manner without negatively impacting on consumer demand. Food inflation, austerity measures and fragile consumer sentiment continue to be a feature of the market. Against these challenges we are cautiously optimistic about our consumer foods business and we continue to roll out new products to satisfy our customer needs and to develop our brand range.


PILGRIMS
CHOICE
EXTRA MATURE

Adams Foods Limited

Adams Foods Limited was formed during the period through the merger of The Kerrygold Company Limited and North Downs Dairy Company Limited. The new business provides a very strong growth platform for the future as it is the largest supplier of pre-pack hard cheese in the UK market. The merger brings together the Kerrygold and Pilgrims Choice brand portfolios and an unrivalled private label range.

The UK market continues to be challenging but the business reported a solid performance despite a reduction in retail private label demand and some margin compression due to higher raw material prices and discounting in the branded sector. Total volume sales ended the period 2% below the previous period. The business completed its first full financial period of trading from its state of the art packing facility in Leek, Staffordshire.

Pilgrims Choice finished the period as the number two UK cheddar brand in value and volume, as measured by TNS (Tailor Nelson Sofres). This was driven by promotional activity, increased retailer distribution and new product launches. 2011 will see a major focus on innovation and consumer advertising. Kerrygold butter had a challenging period, with significant promotional and discounted activity. Despite this, it maintained its market position as the number four branded offering in the butter category. A major innovation led marketing campaign is planned for 2011 that will provide a platform for further growth.

Retail private label declined during the period due to heavy discounting by brands. However, there was significant growth in convenience and healthy formats which are two categories showing double digit growth in the UK. These areas are set for further innovation during 2011. The business also performed well in specialty cheese and at Christmas, it supplied over 1.5 million mini waxed truckles.

IDB Deutschland GmbH

Germany was one of the first economies in the world, to recover from the financial crisis and posted GDP growth of 3.5% in 2010 while unemployment rates fell by 1.8% to 7.2% with an unemployment figure of below 3 million people. The economic recovery was lead by export growth and a recovery in domestic consumption.

The discount sector remained the most important retail channel in an extremely competitive environment. Despite this overall positive context, the total butter market in Germany declined by 4.8% in volume, but increased by 17.1% in value (measured by AC Nielsen). Contrary to the market trend the Kerrygold brand outperformed the market rates and grew by 4.5% in volume and 21.3% in value terms (measured by AC Nielsen) to reach an all-time high market share of 13.5%.

The business reported a 15% uplift in sales in the period boosted by brand extensions. Following a very successful 2009 the Kerrygold brand achieved record sales in 2010, mainly driven by Kerrygold *Extra*, a blend of Irish butter and rapeseed oil, which was successfully launched in October 2009 and outperformed its financial targets for the period. All objectives in terms of sales volume, reaching a younger demographic profile and creating additional volume without affecting the original butter business, were achieved. Ambitious growth targets are forecast for 2011 which will be supported by a comprehensive marketing programme. Additional new products and line-extensions are planned for 2011, not only to maintain but also to extend the market leadership position of Kerrygold.

The excellent performance of the Kerrygold brand and especially Kerrygold *Extra* was honored by various awards:

- Top brand 2010 (Lebensmittelzeitung) - Kerrygold brand: The winners in 100 categories are the brands with the highest share gains and a positive sales value development. “This is the result of a sustainable brand strategy” according to Lebensmittelzeitung.

- Hit 2010 (Lebensmittelpraxis) Rank 1 – Kerrygold *Extra*: Kerrygold extra was chosen as the No. 1 in the category “Margarine, Oils, Fats and Butter”. This award is based on interviewing decision makers from retailers and wholesalers.

- Product of the Year 2011 (Lebensmittelpraxis) GOLD – Kerrygold *Extra*: Kerrygold *Extra* was awarded GOLD in the category “Margarine, Oils, Fats and Butter”. This award is based on online-interviews of consumers.

- All Ireland Marketing Award - for Kerrygold *Extra* from The Marketing Institute of Ireland.

New Kerrygold *Extra* Product an Instant Success in Germany

"The launch of Kerrygold *Extra*, in October 2009, has been a phenomenal success and it reinforces Kerrygold's position as the number one imported butter brand into the German market. Sales of the new spreadable product, which is a blend of Irish creamery butter and rapeseed oil, in its first full year, came in ahead of targets. Kerrygold *Extra* has won a number of awards since being launched in Germany making it the most successful product launch by the IDB." Gisbert Kügler, Managing Director, IDB Deutschland.

Irish Dairy Board Inc.

IDB Inc. reported an excellent performance in the USA. The Kerrygold branded range of dairy products bucked the US recessionary environment and posted double digit growth in both volume and value sales in the period. Total volume sales grew by 19% and in value terms sales were up 16% making it Kerrygold's most successful financial period ever in the USA.

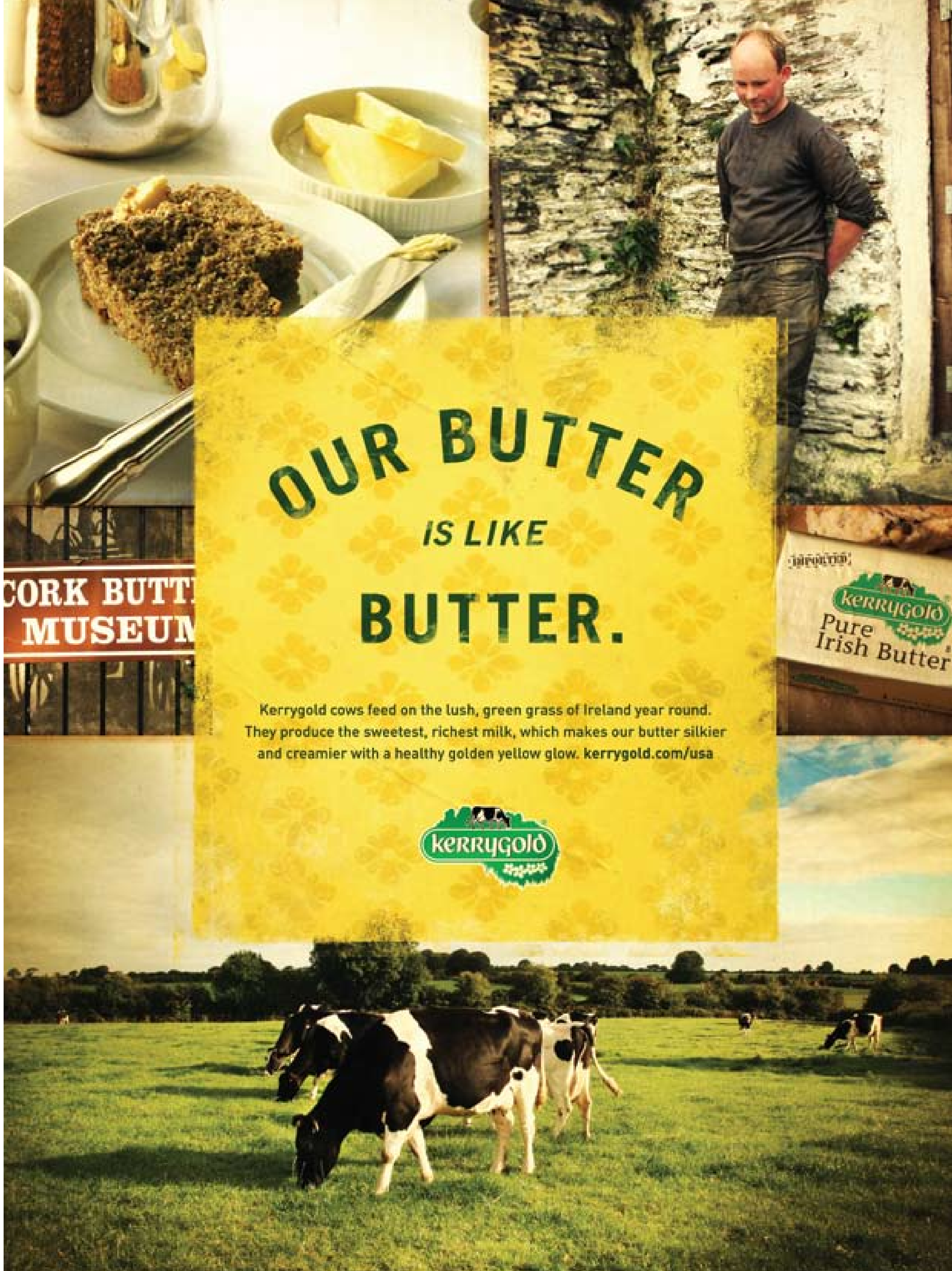
Against the background of austerity measures and high unemployment, the premium brand of Irish dairy products enjoyed a record performance benefiting from new retail listings. US consumers dining more at home perceive the Irish range of dairy products as an affordable everyday luxury in a market where luxury purchasing contracted.

Specialty cheese makes up 63.2% of deli cheese sales in the USA and continues to trend upwards – natural cheese sales are forecast to rise 11.7% to $15.9bn by 2014. Consumers have increased spending on food consumed in-home (58% of total food expenditure) as restaurants experience a decline during the recession. This trend has been positive for the Kerrygold range of cheeses benefiting from increased sales.

In the dairy category, the ongoing consumer trend to return to products with simple ingredients and a background of ethical and sustainable production drives the natural and speciality butter category. This trend benefited Kerrygold butter which achieved record volume sales growth of 37% in the period and the brand continues to capture market share. The brand is a top ten butter brand in the USA and is ranked the number 1 imported butter. The unique selling points for Kerrygold in the USA are derived from grass based cow's milk and a background of traditional and natural farming in Ireland.

For the first time in October 2010, Kerrygold participated in National Breast Cancer Awareness month, making a contribution to the cause and launching a pink-parchment wrapped Dubliner 7oz pack which was available nationally throughout the promotional period.

Kerrygold launched its first E-Book campaign offering consumers the chance to download up to 10,000 copies of Rachel Allen's book 'Favourite Food' in tandem with the launch of her first book in the USA. Kerrygold also took up sponsorship of Rachel Allen as she launched the TV series associated with the book nationally on the PBS network in the USA.



The IDB operates two divisions from Belgium - Yoko Fresh Food and Nikita

Yoko Fresh Food

Yoko Fresh Food is the largest cheese pre – packer in Belgium with a focus on high quality service and flexibility. The business model concentrates on three market segments: branded, contract packing and retail.

The export market is assuming a greater significance and the company is now exporting to fifteen countries accounting for almost 50% of sales. This has resulted in greater market penetration of some long term strategic retail markets such as Scandinavia. A new strategic development plan for the business is currently being completed.

The company had a stable performance during 2010 achieving its financial objectives and exceeding volume criteria by securing a major international packing contract. The natural cheese storage and preparation hall has been completed and is now fully operational.

A major efficiency drive has also commenced resulting in significant line automation. A 'lean manufacturing' study was completed during 2010 identifying specific savings and the implementation phase of this project has now commenced.

Nikita

Nikita is a producer of sandwich salad spreads and specialty chilled products primarily for the retail trade in Belgium, France and the Netherlands.

The company is the number two producer in Belgium in this market segment. Nikita in recent months has commenced trading in Germany and this market is targeted as offering good growth opportunities. The business performed in line with expectations in the period.

Other Markets

Overall the IDB performed well in its other markets with double digit volume growth reported in butter, up 15%, milk powders, up 35%, on the back of successful product innovation and market development initiatives. Cheese volumes delivered on target despite difficult trading conditions.

In Sub-Saharan Africa, the IDB successfully launched BeoMilk, a new brand of fat filled milk powder, which showed encouraging growth. The IDB also saw good volume growth in its first full period of trading in Zambia and the Democratic Republic of Congo, supported by strong brand development investment.

In North Africa the IDB posted a positive performance. Kerrygold milk powder continued to show significant growth in Algeria. In 2010 the IDB boosted its in-market presence in Algeria with the appointment of an in-market national sales manager, the establishment of a distribution network and enhanced sales structures. This provides a platform for further development in 2011.

Kerrygold butter continues to outpace strong market demand for butter across the African Continent and in 2010 increased its leadership position in the premium butter category in South Africa.

Within emerging markets, Russia continued to show encouraging incremental sales growth and increased retail listings. The business exceeded its targets for 2010 and is well positioned for growth in 2011. The difficult economic conditions impacted on consumer spending in Greece but despite this, the business maintained its market position, with various marketing initiatives taking place during the period.

In the Middle East the business developed strongly across core markets driven by strong branded cheddar exports. New markets continued to be developed in the region with successful product launches of Kerrygold during the period in Qatar, Bahrain and Oman.

Trading & Food Ingredients Division

The Trading & Food Ingredients Division is responsible for the procurement of Irish dairy products and for the sale of dairy ingredients to end users. Operating out of Ireland, the division exports Irish dairy ingredients to over 80 countries and is supported by key subsidiaries in the UK and USA.

The division reported a satisfactory outturn for the period. It posted sales of €467.5m, up 8%. The division accounts for 24% of the IDB's total sales by value.

Overall market demand for dairy ingredients in 2010 was strong and although volatile, prices generally improved as the period progressed, as product supply-side issues dominated sentiment.

Irish milk production for the twelve month period was up 8%, and the volume of traded purchases from member co-ops rose by 6%.

A number of market led initiatives in 2010 centred around increasing supply chain efficiency and adding value to ingredients through product differentiation, while the sales base was extended into new markets and new customers for butter, powder and cheese.

On the cheese side, output picked up in the latter part of the season and offset a reduction in production earlier in the period. Purchases, as a result, were on target for 2010. Members' cheese quality was exceptional in 2010 and was recognised as such by high profile winning entries in the Nantwich and Frome cheese competitions. The highlight was undoubtedly winning "Best in Class" for cheddar aged one to two years at the 2010 World Cheese Championship in Wisconsin.

The Ingredient business continues to work closely with customers and members to develop products which meet existing and new customers needs. Further initiatives are planned for 2011 with a focus on innovation and market development.

Outlook 2011 - Global dairy market prices have increased since the beginning of 2011 and the forecast is that dairy markets will remain firm at least until mid year. However, food inflation, substitution, currency fluctuations and political unrest in North Africa and the Middle East will impact on the outturn for 2011. The demand side needs to perform in the high price environment which will stimulate a world wide supply side response. Affordability is critical for sustained demand growth.

Adams Food Ingredients Limited

Adams Food Ingredients Limited (AFI), a powder blending specialist in dairy based food formulations performed well and achieved increased volume sales and market share, in the period. Operating margins were compressed due to higher input costs in the second half of 2010.

Sales of Irish ingredients into the UK food manufacturing sector increased further. AFI gained ground in many high street food categories and investment continued in the development of increasingly complex formulations to take the business into new areas.

The end of July saw planning permission granted for the new AFI plant, in the Barnfields Industrial Estate in Leek. The development is progressing well with completion planned for quarter three of 2011 and the final move from Prince Street by year end.

The new state-of-the-art facility will provide a wider range of services and new product opportunities to meet customer needs. It will further broaden AFI's range of ingredients and will position AFI as the leading UK player in the formulation of powdered dairy solutions.

Innovation and nutrition are important drivers of growth in 2011 and a pipeline of new product development initiatives are being developed for both the UK and emerging markets. For 2011 food inflation will play a key part in margin development with increased focus on value engineering projects.

Dairy Ingredients (UK) Limited, (DIUK)

Dairy Ingredients (UK) Limited, (DIUK), a butter trading operation, continues to be an important route to market for Irish butter into the UK food manufacturing sector. It reported an increase in volumes of product traded in the period and its financial performance was in line with expectations.

DIUK increased its volume of Irish butter traded in 2010 by 80% over 2009 figures as a consequence of increased product availability and reinstatement of customer credit insurance.

The Meadow Cheese Company Limited

The Meadow Cheese Company Limited (Meadow Cheese) is dedicated to the manufacture and supply of cheese and dairy based ingredients to food processors and foodservice companies in the UK and worldwide. Through close working relationships with our customers the business offers bespoke solutions enabling customers, to grow and succeed in a competitive marketplace.

2010 was a challenging period for the business. Sales volumes were lower but a number of added value products were developed which will boost sales and margins in 2011.

A key function within Meadow Cheese is new product development, further enhanced in 2010 by the opening of a new development centre, incorporating pilot plant services which provide the essential transition between concept development and commercial production. Investment was also made in plant and equipment during the period allowing products to be produced with high viscosity levels when cooled.

During 2010 the business successfully launched new products into the dynamic QSR (Quick Service Restaurants) sector. The portfolio of products sold within the buoyant dessert sector increased. Meadow Cheese also benefited from the growing demand for dairy products within Asian countries and increased export volumes into the region. Meadow Cheese achieved a gold, silver and three bronze awards at the 114th Nantwich International Cheese Awards. Prizes were awarded for its soft cheese and processed cheese products. Its soft cheese innovations were awarded gold, silver and bronze at the British Cheese Awards held at Cardiff Castle.

Meadow Ingredients USA LLC

Meadow Ingredients USA LLC (Meadow Ingredients) was established in 2008 and is focused on the production and supply of functional cheese solutions to large blue chip food manufacturers and food service companies in the USA.

It operates from a modern production plant based in Minnesota. Meadow Ingredients made considerable progress in developing added value solutions, new products and listings in late 2010 while volumes grew strongly in quarter four.

DPI Specialty Foods Division

2010 proved to be a difficult trading period for the US based DPI Specialty Foods (DPI). The economic recession continued to impact on consumer choices as limited discretionary funds negatively affected people's opportunity when it came to the purchase of specialty food products. While a broad view of the category showed slight growth, a more detailed look shows that this was driven largely by the expansion of private label brands into specialty categories and the continued development of the natural and organic categories.

The competitive landscape for distributors within the specialty food category changed significantly in 2010 with two of the four largest national players in the USA merging. This consolidation, along with the increased bidding activity demonstrated by the largest specialty distributor, created an atmosphere of increased competition. This increased competition, fed by the retailer's desire to respond to the cost conscious consumer with lower price points, was reflected in margin compression across all specialty food categories. Despite this intense competition, sales for the period were €710.7m, in line with expectations.

The business responded to this margin pressure by reorganising its structure. By flattening its organisational composition it eliminated unnecessary cost, increased direct accountability and created a model more suited to the competitive challenges of the future. This new structure, combined with an increase in value-added programs for the manufacturers has positioned DPI to be more aggressive in expanding its customer revenue through continued penetration of its existing relationships and development of new customers looking for a value proposition.

As part of this reorganization, DPI merged its Northwest division and its Rocky Mountain division into the newly formed Intermountain West Division. While both distribution centres remained operational in order to continue to service its customers, management functions were combined to improve both efficiency and consistency of execution.

In 2009, DPI started its rollout of the bespoke Oracle computer software. That conversion continued in 2010 with significant additional benefits being delivered. The computer system from Oracle provides the closest match to our current and future needs and offers opportunities for significant process and operational improvements. During 2010 further modifications were made to the system to customise the software for our business. Final conversion to the new system for all divisions of DPI is scheduled for completion in 2011.

In addition to maintaining its position as one of the few specialty food distributors who are national in scope, DPI also expanded its logistics business by extending its Starbucks distribution relationship by adding both the Chicago and Western Michigan markets. This expansion allowed DPI to take advantage of synergies gained by the addition of this volume to the existing Boston and Washington DC centers.

DPI is excited about the opportunities created by the changing market. As the economic climate stabilises the new organisational structure will position the business to create value-added programs at competitive pricing and will provide solutions for retailers looking to differentiate themselves to the consumer.

Sustainability Statement

The Irish Dairy Board is developing a comprehensive sustainability strategy for its business, based on a solid foundation of credible and benchmarked policies, practices and performance measurements.

A number of cost reduction and sustainability initiatives are underway across our European operations in order to improve efficiencies and lower emissions, not least of which is an evaluation of our European logistics and supply chain network, including quantification of our transport carbon footprint. The high performance continuous improvement culture so closely associated with lean manufacturing will be replicated in our approach to sustainability.

At subsidiary level a number of important initiatives are underway to reduce energy costs and lower emissions. The Adams Foods Limited site in Leek, Staffordshire is designed to be the most efficient and environmentally friendly cheese packing facility in Europe. It is the UK's leading pre-packing cheese business, supplying over 30 percent of the retail market.

As part of an environmental management programme at the factory, it is using combined heat and power (CHP) technology for its electricity generation on site to reduce its carbon footprint. A number of other energy saving techniques to reduce costs and lower carbon emissions have also been implemented including the installation of sun pipes, passive infra red (PIR) lighting controls, photovoltaic cells and free cooling. Many of these initiatives are now being incorporated into the new Adams Food Ingredients factory currently under construction.

IDB Deutschland is working on a holistic sustainability concept for the Kerrygold butter packing plant in Neukirchen-Vluyn to respond directly to consumers' sustainability priorities. It has already adopted a number of energy saving techniques. For example, energy generated for the warehouse refrigeration in the pre-packing plant is converted into heat for the administration building. The plant collects rainwater and is committed to minimising all packaging, to using environmentally friendly material and to recycling 100% of all raw material outer packing. Work is underway to introduce LED (Light Emitting Diode) technology in the production and warehousing areas.

On a broader front, perhaps the single most important sustainability development for the Irish Dairy Board and the Irish dairy sector in 2010 was the priority given to sustainability as a platform for export growth in the Government's 2020 strategy report for the industry. The Food Harvest 2020 report places sustainability at the heart of the development of Irish dairying into the future, while at the same time acknowledging Ireland's strong environmental credentials associated with our extensive, low-input, grass-based production systems. The need to substantiate Ireland's green image by scientific evidence and farmer support and for government and stakeholders to demonstrate the sustainability of Irish dairy products to consumers is warmly welcome and the IDB will be working with all stakeholders to ensure that IDB's customers and Kerrygold consumers recognise implicitly that by choosing Irish, they are choosing to value and respect the natural environment.

Directors' Report

for the period ended 01 January 2011

The directors submit their report together with the audited financial statements for the period ended 01 January 2011.

Statement of Directors' Responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Group and of its results for the period under review. In preparing the financial statements the directors are required to select suitable accounting policies and apply them consistently and to make judgements and estimates that are reasonable and prudent.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the relevant legislation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Books of Account

The directors through the use of appropriate procedures and systems and the employment of competent persons have ensured that measures are in place to secure compliance with the Group's obligation to keep proper books of account. The books of the Company are kept at the registered office of the Parent Society.

Going Concern

The directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Principal Activities

The Group is engaged in the marketing and sale of consumer dairy products and dairy food ingredients worldwide through its subsidiaries and extensive network of agents and distributors. Consumer dairy products are marketed primarily under the Kerrygold brand and the Consumer division activities are supported by cheese packing facilities in the UK and Belgium and butter packing facilities in Germany. The Trading & Food Ingredients division facilities include powder blending and packing in the UK, and Ingredient Cheese processing in the UK and USA. The Group owns a speciality food distribution network in the USA offering refrigerated, frozen and dry food distribution to both local and national food retailers. The network consists of four operating divisions each with their own marketing, sales, warehousing and distribution facilities.

Review of the Business

The Group reported a satisfactory underlying performance in 2010 delivering a positive 6% growth in turnover to €1,928 million against a background of a weak but recovering global economy. While dairy markets recovered as the period progressed, trading conditions remained tough and consumer sentiment was fragile. In dairy markets, supply side constraints rather than inherent demand growth was the key price driver in 2010 with prices firming at period end.

The overall results were impacted by challenging trading conditions in the US distribution business, rising commodity prices compressing margins and increased marketing spend in growth markets to support the global marketing programme.

The Group reported solid volume growth in its Consumer Foods and Trading & Food Ingredients businesses in developed markets and encouraging growth in emerging markets.

The Consumer Foods division delivered a good performance in the period, benefiting from new product extensions. The brand investment programme implemented in the period achieved excellent results with strong sales growth achieved in key markets. The UK market continued to be challenging in 2010 but the Group reported a satisfactory performance. The Kerrygold brand continued to enhance its premium market position and delivered an excellent outturn for the period. The Trading & Food Ingredients division delivered a good performance during the period with results in line with expectations.

In the Distribution division the challenging and competitive trading conditions that emerged in 2009 continued into 2010. Against this background the division reported lower sales in the period and intense competition in the sector saw margins reduced. The business addressed its cost base in the period and restructured its operations which will better position the business to handle the challenging trading conditions in the US market.

Operational Activities

During the period a Chief Operating Officer was appointed to oversee the operational activities of the Group.

The Group consolidated its UK consumer foods businesses, North Downs Dairy Limited and The Kerrygold Company Limited into Adams Foods Limited. The new business provides a strong platform for growth and brings together two well established household brands Kerrygold and Pilgrims Choice.

Directors' Report (continued)

for the period ended 01 January 2011

During the period a lean manufacturing programme commenced which focused on further enhancing operational efficiencies in the Group's European operations in the UK, Germany and Belgium. The programme will continue into 2011 and is anticipated to deliver significant efficiency benefits across the businesses.

Construction of the new state-of-the-art Adams Food Ingredients Limited plant commenced in the period with completion planned for quarter three of 2011. This will further enhance the range of ingredients offered by the business and will position it as the leading UK player in the formulation of powdered dairy solutions.

On the marketing side the Group increased the overall marketing budget to support its global marketing strategy. During 2010 the Group consolidated its media procurement with one agency. The benefits of this initiative will result in a significant increase in media visibility on a like for like marketing spend. The business continued to develop its global marketing footprint in the period, establishing a sales office in China as well as an in-market distribution presence in Algeria.

The Group reorganised its USA Distribution business during the period and merged its Northwest division and Rocky Mountain division into a newly created Intermountain West Division.

The Group continued its investment programme in Information Technology across the businesses. During 2010 the conversion to the Oracle ERP system continued across its USA distribution business with the programme due for completion in 2011. This programme will further enhance operational efficiencies and allow the business to better service its customers needs going forward.

In Ireland, following the successful implementation of the ERP system for trading product with members, a program of continuous improvement was pursued in 2010. This resulted in the development of the capability for fully automated transactions throughout the supply chain. Through a partnership with IBM / Sterling Commerce, the Group is at the forefront of electronic trading employing the latest technology in digitised authentication.

Future Developments

The Group is focused on developing its core dairy businesses, across its established platforms of Consumer Foods and Ingredients. It will continue to develop its core Consumer Foods business in the UK, Germany, Africa and USA while setting ambitious growth targets for identified emerging markets. In the Trading & Food Ingredients Division the Group will continue to streamline its established supply chain as a route to market for Irish dairy products around the globe.

Research and Development

The Group is placing increased emphasis on innovation across its Consumer and Ingredients businesses. Its focus is to continue to provide value added routes to market.

Health and Safety

It is the policy of the Group to ensure the safety, health and welfare of its staff, contractors and members of the public by ensuring that each Group site operates in full conformance with local legislative requirements and that appropriate policies and practices are in place to ensure safety in the workplace.

Subsidiary Undertakings

A list of the significant trading subsidiary companies is included in Note 34 to the financial statements.

Directors' and Secretary's Shareholdings

The directors and secretary and their families had no interests in the shares of The Irish Dairy Board Co-operative Limited or any other Group company at any time during the period.

Post Balance Sheet Events

There have been no events since the period end which require disclosure in the financial statements.

Directors' Report (continued)

for the period ended 01 January 2011

The names of the persons who are or were directors are set out below. Except where indicated they served for the entire period.

Board Members		Representing
Vincent Buckley (i) (ii) (iii) (iv)	Chairman from June 2010	Dairygold Co-operative Society Ltd.
Jackie Cahill (i) (ii) (iii) (iv)	Vice Chairman from June 2010	Irish Creamery Milk Suppliers Association
Michael Cronin (ii) (iii)	Resigned as Chairman May 2010 and retired December 2010	Electoral Area C
Aaron Forde (i) (iv)	Chairman Audit Sub-Committee	Connacht Gold Co-operative
Vincent Gilhawley (i) (iv)		Electoral Area A
Michael Hanley (iii)		Electoral Area D
Liam Herlihy (i)	Appointed May 2010	Glanbia Co-operative Society Ltd.
Kevin Kiersey (iv)	Appointed May 2010	Irish Farmers Association
John Moloney (iii) (iv)		Glanbia Co-operative Society Ltd.
Dan MacSweeney (ii) (iv)		Carbery Milk Products Ltd.
Ted O'Connor (ii)		Tipperary Co-operative Society Ltd.
John O'Brien (i)	Appointed May 2010	Electoral Area B
Conor Ryan (i)		Arrabawn Co-operative Society Ltd.
Jim Russell (ii)	Appointed May 2010	Irish Co-operative Society Ltd.
Jim Woulfe (iv)		Dairygold Co-operative Society Ltd.
Tom Corcoran (iii)	Retired May 2010	Irish Co-operative Society Ltd.
Richard Kennedy (iii)	Retired May 2010	Irish Farmers Association
Sean McAuliffe (ii) (iii)	Retired May 2010, re-appointed December 2010	Electoral Area B
Michael Walsh (i) (ii) (iii) (iv)	Resigned as Vice Chairman and retired May 2010	Glanbia Co-operative Society Ltd.

Note:

(i) Member of Audit Sub-Committee
(ii) Member of the Rules Sub-Committee
(iii) Member of the Personnel and Remuneration Sub-Committee
(iv) Member of the Acquisitions and Investment Sub-Committee

On behalf of the board

Vincent Buckley	Aaron Forde
Chairman	Director
08 March 2011	

Independent Auditor's Report

To the members of Irish Dairy Board Co-operative Limited

We have audited the Irish Dairy Board Co-operative Limited ("the Society") group financial statements ("the financial statements") for the period ended 01 January 2011 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Directors and Auditor

The directors are responsible for preparing the Annual Report and the Society's financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), as set out in the statement of directors' responsibilities on page 28.

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 in accordance with Generally Accepted Accounting Practice in Ireland and have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1893 to 1978. We also report to you whether, in our opinion, proper books of account have been kept by the Society and whether the information given in the Annual Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Society's financial statements are in agreement with the books of account.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Chief Executive's Report, the IDB Global Business Reports and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit 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 affairs of the Society as at 01 January 2011 and of the Society's surplus and cash flows for the period then ended; and

the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1893 to 1978.

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

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

In accordance with Section 13 of the Industrial and Provident Societies Acts, 1893 to 1978, we now sign the same as found to be correct, duly vouched and in accordance with law.

KPMG
Chartered Accountants
Registered Auditor
Dublin
08 March 2011

Group Profit and Loss Account

for the period ended 01 January 2011

	Notes	2010 €'000	2009 €'000
Turnover			
Continuing operations	2	1,905,052	1,803,460
Discontinued operations	2	22,473	19,293
		1,927,525	1,822,753
Cost of sales	3	1,646,128	1,524,250
Gross surplus	3	281,397	298,503
Selling and distribution expenses	3	213,864	216,100
Administration expenses	3	40,644	42,166
Goodwill amortisation	3	2,574	2,574
Operating surplus			
Continuing operations	3	24,064	37,527
Discontinued operations	3	251	136
		24,315	37,663
Exceptional items			
Exceptional items continuing operations	6	(840)	–
Loss on disposal of group company in discontinued operations	6	(2,181)	–
Surplus on ordinary activities before financing		21,294	37,663
Other finance income	29	(177)	(1,035)
Interest payable (net)	7	(4,922)	(4,679)
Surplus on ordinary activities before taxation	4	16,195	31,949
Taxation	8	4,804	6,764
Surplus on ordinary activities after taxation		11,391	25,185
Attributable to minority	25	(92)	(136)
Retained surplus for the period		11,483	25,321
Revenue reserves at beginning of period		358,489	332,588
Actuarial gain on post retirement liability		2,896	6,580
Goodwill reinstatement from reserves	10	366	–
Transfer to annual bonus fund	9	(2,000)	(6,000)
Revenue reserves at end of period		**371,234**	**358,489**

There is no significant difference in the surplus as disclosed in these accounts and the profit as calculated on a pure historic cost basis.
The notes on pages 40 to 62 form part of these financial statements.

On behalf of the board

Vincent Buckley
Chairman

Aaron Forde
Director

08 March 2011

Group Balance Sheet

at 01 January 2011

	Notes	2010 €'000	2010 €'000	2009 €'000	2009 €'000
Fixed assets					
Goodwill	10		17,964		20,538
Tangible assets	11		129,557		123,352
Financial assets	13		283		283
Current assets					
Stock	14	423,529		334,423	
Debtors	15	255,316		193,517	
Other financial assets	28	16,155		18,679	
Cash and bank balances		17,417		57,714	
		712,417		604,333	
Creditors: amounts falling due within one year	16	371,859		275,565	
Net current assets			340,558		328,768
Total assets less current liabilities			488,362		472,941
Creditors: amounts falling due after one year	19		77,612		77,153
Provision for liabilities	20		2,294		2,281
Net assets before post retirement liabilities			408,456		393,507
Post retirement liability	29		(5,561)		(9,059)
Net assets			**402,895**		**384,448**
Capital and reserves					
Called up share capital	21	19,418		19,358	
Revenue reserves		371,234		358,489	
Other reserves	22	(23,753)		(35,409)	
Capital levy account	23	256		256	
Members' equity interest (before annual bonus fund and redeemable loan stock)			367,155		342,694
Annual bonus fund	9		2,000		6,000
Redeemable loan stock	9		33,866		35,771
Members' funds	24		403,021		384,465
Minority equity interest	25		(126)		(17)
			402,895		**384,448**

The notes on pages 40 to 62 form part of these financial statements.

On behalf of the board

Vincent Buckley
Chairman

Aaron Forde
Director

08 March 2011

Group Cash Flow Statement

for the period ended 01 January 2011

	Notes	2010 €'000	2009 €'000
Net cash (outflow) / inflow from operating activities	26	(67,032)	218,191
Return on investments and servicing of finance			
Interest paid		(7,062)	(7,144)
Interest received		2,140	2,465
		(4,922)	(4,679)
Taxation		(5,376)	(2,852)
Capital expenditure and disposals			
Purchase of tangible assets		(19,835)	(15,785)
Sale of tangible assets		285	143
Proceeds from sale of subsidiary company		3,024	–
		(16,526)	(15,642)
Cash (outflow) / inflow before management of liquid resources and financing		(93,856)	195,018
Management of liquid resources			
Change in deposits		21,000	(19,741)
Financing			
Increase / (decrease) in debt		55,082	(125,955)
Payments in respect of loan stock redeemed		(7,845)	(7,542)
Decrease / (increase) in restricted cash	28	2,524	(6,595)
		49,761	(140,092)
(Decrease) / increase in cash in the period		**(23,095)**	**35,185**
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash in the period		(23,095)	35,185
(Decrease) / increase in liquid resources		(21,000)	19,741
(Increase) / decrease in debt financing		(55,082)	125,955
Movement in net debt resulting from cash flows	27	(99,177)	180,881
Exchange difference		2,033	287
Net debt at beginning of period		(26,198)	(207,366)
Net debt at end of period	27	**(123,342)**	**(26,198)**

On behalf of the board

Vincent Buckley
Chairman

Aaron Forde
Director

08 March 2011

Statement of Total Recognised Gains and Losses

for the period ended 01 January 2011

	Notes	2010 €'000	2009 €'000
Surplus on ordinary activities after taxation		11,391	25,185
Actuarial gain on post retirement liability gross of taxation	29	4,153	7,744
Deferred tax movement on actuarial gain on post retirement liability		(1,257)	(1,164)
Goodwill reinstatement from reserves		366	–
Currency translation on intercompany loans	22	501	4,087
Currency translation gain / (loss) on foreign currency net investments	22	11,155	(2,587)
Total recognised gains and losses for the period		**26,309**	**33,265**
Attributable to:			
Equity holders of the Parent		26,401	33,401
Minority Interest		(92)	(136)
		26,309	**33,265**

On behalf of the board

Vincent Buckley
Chairman

Aaron Forde
Director

08 March 2011

Notes to the Financial Statements

01 Statement of accounting policies and estimation techniques

(a) Basis of preparation

The Group prepares its financial statements under the historical cost convention as modified by the revaluation of investment properties. The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland, which are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

(b) Trading Policy

In general it is the Parent Society's trading policy to provide a return to supplying members equivalent to net proceeds realised in each product group. Accordingly the Parent Society's purchase prices are subject to regular revision to reflect average market realisations. Arising from this policy, provision is made in the accounts for any amounts due to or from members.

(c) Basis of Consolidation

The Group financial statements include the accounts of the Parent Society and its subsidiary companies, all of which are made up to 01 January 2011. The results of subsidiary companies are consolidated from their effective date of acquisition. Goodwill which arose on acquisitions prior to 01 January 1999 has been written off against reserves on acquisition. Goodwill arising on acquisitions since that date is capitalised and amortised over its expected useful economic life.

(d) Foreign Currencies

Transactions in foreign currencies are translated to Euro at their contracted values. At the balance sheet date foreign currency debtors, creditors and loans are translated to the Euro at their net contracted values and as a result currency profits or losses do not arise.

The Society's net investment in overseas subsidiaries is translated at the rate ruling at the Balance Sheet date. The profits and losses of subsidiaries are translated at the average rates for the period. Exchange differences resulting from the translation of the opening net assets of overseas subsidiaries at closing rates together with the differences on the translation of the results for the period are dealt with through reserves and reflected in the Statement of Total Recognised Gains and Losses. Where net investments are matched in whole or in part by foreign currency borrowings, the exchange differences arising on the retranslation of such borrowings are also recorded as reserve movements and reflected in the Statement of Total Recognised Gains and Losses.

Rates used for translation of results and net assets into Euro:

	Average Rates		Period end Rates	
€1 =	2010	2009	2010	2009
US$	1.3265	1.3947	1.3353	1.4326
GB£	0.8582	0.8910	0.8632	0.8859

(e) Financial Instruments

The Society uses financial instruments to hedge exposures to foreign exchange fluctuations in its normal course of business and in accordance with the Group's risk management policies. The Group's policy is to use forward contracts to manage its exposures to foreign exchange risk. Exposure is transactional in nature and relates to sales contracts. The gains/losses on such instruments are recognised at the same time as the gains/losses are realised on the underlying hedged transaction.

(f) Turnover

Turnover represents the fair value of goods and services supplied to external customers exclusive of trade discounts and value added tax. Goods are deemed to have been delivered and related revenue recognised when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in these benefits. It includes EU sales support which is taken into account when the related product is sold and excludes inter-group sales. Services are deemed to have been delivered on the rendering of the related service.

(g) Private Storage Aid Income

The Parent Society places stock in an EU scheme called Private Storage Aid during certain months of the year. The income earned from the EU on this stock is accounted for as it is earned. The financing element of the income earned is included as interest receivable in the financial statements, all other elements of the income is included in turnover.

(h) Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is not provided on freehold land. Depreciation on other tangible fixed assets (including leased assets) is provided on a straight line or reducing balance basis as appropriate, the principal annual rates being as follows:

Freehold Buildings:	2% to 10%
Leasehold land and buildings:	written off over the term of the lease or its estimated useful life, whichever is the lower
Plant and equipment:	5% to 33%
Motor Vehicles:	10% to 33%

Provision is made for any permanent impairment.

(i) Goodwill

Purchased goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Purchased goodwill arising on acquisitions prior to 1 January 1999 was eliminated against reserves on acquisition and negative goodwill arising on such acquisitions was credited directly to reserves as a matter of accounting policy. On the disposal of a business, any goodwill so treated is included in determining the profit or loss on sale of the business.

Purchased goodwill arising on acquisitions after 1 January 1999 is capitalised in the Balance Sheet and written off on a straight line basis over its useful economic life, subject to a maximum of 15 years.

Goodwill arising on the acquisition of subsidiaries is shown separately on the Balance Sheet. Goodwill arising on the investment in foreign currency subsidiaries is included at the historic cost to the Group.

Notes to the Financial Statements

01 Statement of accounting policies and estimation techniques (continued)

(j) Impairment

The carrying amounts of the Group's goodwill and tangible assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the recoverable amount of the asset, or the cash generating units to which it relates, is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount of such assets or cash generating units is the greater of their value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

(k) Financial assets

Financial fixed assets are shown at cost less provisions for any permanent impairment.

(l) Redeemable loan stock

Redeemable loan stock is included in equity until redemption. On redemption the amount redeemed is moved from equity to liabilities.

(m) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises of invoiced price from suppliers and inward freight costs. Net realisable value is based on contracted or estimated selling prices adjusted for EU sales support, less selling and distribution expenses and administration overheads.

(n) Debtors

Debtors are included in the balance sheet based on outstanding amounts receivable at the period end from debtors less any provisions for doubtful debts.

(o) Taxation

Current taxation represents the amount expected to be paid or recovered in respect of taxable profit for the period and is calculated using the taxation rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation is provided on gains arising from tangible fixed asset revaluations only to the extent that there is a binding agreement to dispose of the assets concerned at the balance sheet date.

Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax assets are recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted. Deferred taxation is measured on an undiscounted basis at the taxation rates that are anticipated to apply in the periods in which the timing differences reverse, based on taxation rates and legislation which are enacted or substantially enacted at the balance sheet date.

(p) Grants

Capital based grants are accounted for in the period they are received and are treated as deferred credits. These grants are released to the profit and loss account on the same basis as the related assets are depreciated.

(q) Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

(r) Leased Assets

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The corresponding lease commitments are shown as obligations to the lessor and are included within creditors.

Depreciation on the relevant assets is charged to the profit and loss account.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account over the primary term of the lease so as to produce a constant rate of charge.

Operating lease rentals are charged to the profit and loss account as they are incurred.

(s) Pension

The Group operates a number of externally and internally funded pension schemes for its Irish employees and some employees overseas. The assets of the externally funded pension schemes are managed by third-party investment managers and are held separately in trust. Regular valuations are prepared by independent professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the schemes and allow for the periodic increase of pension payments. The regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating profit in the period.

A credit representing the expected return on the assets of retirement benefit schemes during the period is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial period adjusted for movements during the period.

A charge within other finance charges representing the interest cost on the liabilities of the retirement benefit schemes during the period is netted against other finance income. This arises from the liabilities of the schemes being one year closer to payment.

The difference between the bid value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax.

Differences between actual and expected returns on assets during the period are recognised in the statement of total recognised gains and losses in the period, together with differences arising from changes in assumptions and experienced (gain) / loss on the schemes liabilities.

Contributions to defined contribution schemes are charged to the profit and loss account in the period in which the related services are received from the relevant employees.

Notes to the Financial Statements

02 Turnover

Turnover	2010 Continuing operations €'000	2010 Discontinued operations €'000	2009 Continuing operations €'000	2009 Discontinued operations €'000
(a) By activity				
Consumer Foods	724,831	22,473	651,475	19,293
Food Ingredients	467,525	–	434,056	–
Distribution	710,679	–	715,933	–
Other	2,017	–	1,996	–
	1,905,052	22,473	1,803,460	19,293
(b) By destination				
UK	528,196	–	450,099	–
Other EU	418,771	22,473	466,768	19,293
North America	772,633	–	758,618	–
Other	185,452	–	127,975	–
	1,905,052	22,473	1,803,460	19,293
(c) By origin				
Ireland	827,146	22,473	761,125	19,293
UK	244,017	–	215,283	–
Other EU	120,258	–	111,119	–
North America	713,631	–	715,933	–
	1,905,052	22,473	1,803,460	19,293

The disclosure of segmental information in respect of operating profits and net assets as required by Statement of Standard Accounting Practice 25 Segmental Reporting (SSAP 25) would, in the opinion of the directors, be prejudicial to the interests of the Group and accordingly has not been disclosed as permitted by SSAP 25.

03 Analysis of continuing and discontinued operations

Analysis of continuing and discontinued operations	2010 Continuing operations €'000	2010 Discontinued operations €'000	2009 Continuing operations €'000	2009 Discontinued operations €'000
Turnover	1,905,052	22,473	1,803,460	19,293
Cost of Sales	1,625,140	20,988	1,506,538	17,712
Gross Surplus	279,912	1,485	296,922	1581
Selling and distribution expenses	213,323	541	215,412	688
Administration expenses	39,951	693	41,409	757
Goodwill amortisation	2,574	–	2,574	–
Operating Surplus	**24,064**	**251**	**37,527**	**136**

Notes to the Financial Statements

04	Surplus on ordinary activities before taxation is stated after charging	2010	2009
		€'000	€'000
	Depreciation	14,942	15,883
	Goodwill amortisation	2,574	2,574
	Operating lease rentals	7,333	8,701
	Auditors' remuneration	591	658
	Directors' fees	360	356

05	Employees and remuneration	2010	2009
		No.	No.
	The average number of persons employed by the Group including executive directors, is analysed into the following categories :-		
	Production	1,206	1,143
	Selling and distribution	2,166	2,294
	Administration	361	383
		3,733	**3,820**
	The staff costs are comprised of :-	€'000	€'000
	Wages and salaries	130,506	131,777
	Social welfare costs	23,080	22,221
	Pension costs (included in operating surplus)	3,972	4,056
	Staff costs included in operating surplus	157,558	158,054
	Pension - other finance costs	177	1,035
	Total charged to profit and loss account	157,735	159,089
	Actuarial gain on defined benefit pension schemes recognised in equity net of deferred taxation	(2,896)	(6,580)
	Total aggregate payroll costs	**154,839**	**152,509**
	These costs are recognised in the following line items in the profit and loss account and statement of recognised gains and losses respectively:		
	Profit and loss account		
	Cost of sales	32,884	31,431
	Selling and distribution expenses	101,313	104,109
	Administration expenses	23,361	22,514
	Included in operating surplus	157,558	158,054
	Other finance cost	177	1,035
	Total charged to profit and loss account	157,735	159,089
	Statement of total recognised gains and losses		
	Actuarial gain on pension schemes	(2,896)	(6,580)
	Total aggregate payroll costs	**154,839**	**152,509**

Notes to the Financial Statements

06

Exceptional items	2010	2009
	€'000	€'000
Loss on disposal of subsidiary company (i)	2,181	–
UK Restructuring Costs (ii)	840	–
	3,021	–

(i) In December 2010, the Group disposed of its French subsidiary Loyez Woessen S.A., a butter packing facility located in Northern France. This disposal was as a result of a strategic decision that the Group would centralise all its butter packing operations in the larger and recently constructed German facility. The disposal took place through a management buy out (Note 12).

(ii) During the period the Group merged the activities of its two cheese packing facilities in the UK. The above costs represent the reorganisation cost of this restructuring.

07

Interest payable (net)	2010	2009
	€'000	€'000
Interest payable on bank loans and overdrafts:		
- Repayable within 5 years, other than by instalments	7,062	7,144
Interest receivable:		
- Interest receivable	(2,140)	(2,465)
	4,922	**4,679**

Notes to the Financial Statements

08 Taxation	2010	2009
	€'000	€'000
(a) Analysis of taxation charge in the period		
Current tax		
Irish corporation tax on the surplus for the period	910	1,659
Adjustments in respect of previous periods	302	(210)
	1,212	1,449
Foreign tax		
Foreign corporation tax on surplus for the period	3,500	4,682
Adjustments in respect of previous periods	(592)	(1,625)
	2,908	3,057
Total current tax	4,120	4,506
Deferred tax		
Origination and reversal of timing differences	684	2,258
Tax on surplus on ordinary activities	**4,804**	**6,764**
(b) Factors affecting tax charge for the period		
Surplus on ordinary activities before tax	16,195	31,949
Surplus on ordinary activities at the standard rate of corporation tax in Ireland of 12.5%	2,024	3,994
Effects of:		
Utilisation of tax losses	(1,091)	(730)
Expenses not deductible for tax purposes	807	1,019
Movement in other timing differences	905	(277)
Additional expenses deductible for tax purposes	(470)	(371)
Foreign rates of tax different from Irish rates	2,235	2,706
Adjustments in respect of prior periods	(290)	(1,835)
Current tax charge for the period	**4,120**	**4,506**

Notes to the Financial Statements

09 Annual Bonus Fund and Redeemable Loan Stock

The Board is empowered under the Rules of the Irish Dairy Board Cooperative Limited ("The Rules") to set up an Annual Bonus Fund and issue bonus shares and redeemable loan stock to the members based upon purchases of dairy products during the period from members. On an annual basis, an amount is transferred from Revenue Reserves to the Annual Bonus Fund in the Group's Financial Statements. The amounts allocated to redeemable loan stock (via a transfer to the Annual Bonus Fund) in 2010 is €2m (2009: €6m) and is subject to later approval of the Board.

Following the ratification of the amount to be transferred to the Annual Bonus Fund and the calculation of each member's individual share, the Annual Bonus Fund is then applied in issuing, as fully subscribed Bonus Shares and Convertible Redeemable Loan Stock in the ratio of one share per each ninety nine units of Convertible Redeemable Loan Stock. These Bonus Shares and Convertible Redeemable Loan Stock are then issued to the holders of the A and B ordinary shares.

Members are entitled, at any time after the expiry of five years from the date of any issue of the units of Convertible Redeemable Loan Stock, to apply to the Board so as to have the loan stock redeemed. The Board have discretion as to whether, and to what extent the loan stock shall be redeemed. However, in the case of all approved redemptions they shall be paid in instalments of 50% in the first year and 10% in each of the following five years. When the redemption is ratified the value of the cash payment is reclassified as a liability.

During the period the Board decided to redeem the loan stock issued in respect of the 2004 financial period, 50% was paid in cash and the remainder included in creditors in the balance sheet. In addition, the Board also paid out, in cash, during the period, payments in respect of prior periods' redeemed loan stock in the amount of €3,748,892.

During the period the Board also distributed redeemable loan stock and bonus shares in respect of the amount transferred to the Annual Bonus Fund in 2009 and intends to distribute redeemable loan stock and bonus shares in respect of the amount transferred to the annual bonus fund in 2010.

The movement in the Redeemable Loan Stock balance during the period was as follows:	2010	2009
	€'000	€'000
At beginning of period	35,771	38,861
Transferred from Annual Bonus Fund	6,000	4,500
Redemption of Loan Stock	(7,845)	(7,542)
Issue of Bonus Shares	(60)	(48)
At 01 January 2011	**33,866**	**35,771**

10 Goodwill

	2010	2009
	€'000	€'000
Cost		
At beginning of period	38,609	38,609
	38,609	38,609
Amortisation		
At beginning of period	18,071	15,497
Amortised during the period	2,574	2,574
	20,645	18,071
Net book amount		
At 01 January 2011	**17,964**	**20,538**

The cumulative amount of positive goodwill written off against reserves since 1976 relating to acquisitions made prior to the introduction of FRS 10 Goodwill and Intangible Assets is €54.6m (2009: €54.6m). In the current period €0.4m has been reinstated from reserves and charged to the profit and loss account in relation to the disposal of Loyez Woessen S.A. (Note 12). The expected useful economic life of the above goodwill is 15 years.

Notes to the Financial Statements

11 Tangible Assets

	Land and Buildings Freehold Land	Land and Buildings Freehold Buildings	Leasehold Buildings	Plant Equipment and vehicles	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At beginning of period	9,874	121,784	132	138,211	270,001
Additions	405	5,297	–	14,133	19,835
Disposals	(570)	(2,942)	–	(11,068)	(14,580)
Translation adjustment	362	4,584	7	4,469	9,422
	10,071	**128,723**	**139**	**145,745**	**284,678**
Depreciation					
At beginning of period	–	46,938	60	99,651	146,649
Disposals	–	(2,291)	–	(8,971)	(11,262)
Charge for the period	–	4,776	7	10,159	14,942
Translation adjustment	–	1,737	27	3,028	4,792
	–	**51,160**	**94**	**103,867**	**155,121**
Net book amount					
At 01 January 2011	**10,071**	**77,563**	**45**	**41,878**	**129,557**
At 02 January 2010	9,874	74,846	72	38,560	123,352

The buildings, plant, equipment and vehicles are insured at a value of €282.2m (2009: €268.6m).

12 Disposal of subsidiary company

	2010
During the period the Group disposed of Loyez Woessen S.A. which was registered in France.	€'000
Details of the net assets disposed of are as follows:	
Fixed Assets	3,033
Stock	1,944
Debtors	4,460
Creditors	(4,598)
Net assets disposed of	4,839
Consideration	3,024
	(1,815)
Goodwill previously written off against reserves	(366)
Loss on disposal	**(2,181)**

Notes to the Financial Statements

13 Financial assets

Financial assets	2010	2009
	€'000	€'000
Trade investments - unquoted	**283**	283

In the opinion of the directors the fair value of trade investments is not less than the carrying value.

14 Stock

All stocks at period end consist of finished goods for consumption.

15 Debtors

Debtors	2010	2009
	€'000	€'000
Due within one year:		
Trade debtors	238,220	180,529
Prepayments	5,253	2,913
Other debtors	5,308	3,462
	248,781	186,904
Due after one year:		
Deferred taxation (i)	6,535	6,613
	255,316	**193,517**
(i) Arising from:		
Tax losses carried forward	805	1,072
Other Timing Differences	5,730	5,541
	6,535	**6,613**
Deferred tax asset at start of period	6,613	7,920
Charge for the period	(471)	(1,441)
Exchange movements	357	(114)
Transfer to pension deficit	36	248
Deferred tax asset at end of period	**6,535**	**6,613**

16 Creditors: amounts falling due within one year

Creditors: amounts falling due within one year	2010	2009
	€'000	€'000
Trade creditors	178,664	159,223
Accruals (i)	113,491	93,844
Taxation creditors (note 17)	4,245	3,886
Bank overdrafts (note 18)	2,843	1,078
Bank loans (note 18)	72,616	17,534
	371,859	**275,565**

(i) Included in accruals is an amount of €2.4million (2009: €4.7million) relating to deferred foreign exchange balances in respect of Irish Dairy Board Co-operative Limited in line with the Group's accounting policy in respect of foreign currencies and financial instruments.

Notes to the Financial Statements

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Taxation creditors	2010	2009
	€'000	€'000
Corporation tax	465	1,758
PAYE	1,574	1,634
PRSI	756	472
VAT	1,450	22
	4,245	**3,886**

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Loans and overdrafts	2010	2009
	€'000	€'000
Amounts falling due within 1 year	**75,459**	**18,612**
Amounts falling due between 1-2 years	**65,300**	**65,300**

In April 2009, the Group entered into a three year syndicated financing agreement with facilities available of €250m. Security over certain land and buildings, debtors, stocks and cash balances of the Group have been granted under this agreement. The Group is subject to certain financial covenants and other restrictions during the period of the agreement.

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Creditors: amounts falling due after one year	2010	2009
	€'000	€'000
Other creditors	7,620	7,595
Deferred taxation (i)	4,692	4,258
Bank Loans (Note 18)	65,300	65,300
	77,612	**77,153**
(i) Arising from:		
Accelerated capital allowances	**4,692**	**4,258**
Provision for deferred tax at start of period	4,258	3,505
Charge for the period	213	817
Exchange movements	221	(64)
Provision for deferred tax at end of period	**4,692**	**4,258**

Notes to the Financial Statements

20 Provision for liabilities

	Reorganisation Provision	Insurance Provision	Total
	€'000	€'000	€'000
At beginning of the period	483	1,798	2,281
Provided during the period	–	412	412
Utilised during the period	(152)	(247)	(399)
At 01 January 2011	**331**	**1,963**	**2,294**

Reorganisation provision relates to employee termination costs to be paid in the future as a result of a divisional closure in Belgium in 2001. The amount utilised during the period relates to salary payments made during the period. The amount provided adjusts the closing provision for the best estimate of future liabilities at the period end.

Insurance provision relates to reserves within the Group's insurance companies to cover claims incurred but not recorded at period end. The additional amount provided during the period reflects the period end reserves required.

21 Share capital

Share capital	2010	2010	2009	2009
	No of shares	€'000	No of shares	€'000
Authorised and Issued share capital				
"A" Shares of €1 each	13,589	14	13,589	14
"B" Shares of €1 each	3,429	4	3,429	4
"C" Shares of €1 each	267	–	267	–
"D" Shares of €1 each	156	–	156	–
Bonus Shares of €1 each	1,482,656	1,483	1,422,656	1,423
Deferred ordinary shares of €1 each	17,916,961	17,917	17,916,961	17,917
		19,418		**19,358**

The Shareholding of the Board is subdivided into a number of classes of shares.

The main classes of shares are A, B, C and D shares as well as Bonus and Deferred shares of €1 each.

The holders of "A" and "B" shares are entitled to bonus shares and convertible loan stock. They are also entitled to attend and vote at General Meetings of the Society.

Bonus Shares rank pari passu with "A" and "B" shares.

The holders of "C" and "D" shares are not entitled to bonus shares or convertible loan stock issued nor are they entitled to vote at General Meetings of the Society.

The holders of Deferred Shares do not have the right to attend or vote at the General Meetings of the Society.

22 Reconciliation of movement on other reserves

	Foreign Currency Translation Reserve	Share Premium	Total
	€'000	€'000	€'000
At beginning of period	(35,441)	32	(35,409)
Gain on translation of overseas subsidiary companies' net assets	11,656	–	11,656
At 01 January 2011	**(23,785)**	**32**	**(23,753)**

23 Capital levy account

	2010	2009
	€'000	€'000
Balance at end of period	**256**	256

The balance on the capital levy account represents the excess of capital levy receipts for which deferred shares have not been issued.

24 Reconciliation of movements in members' funds

	2010	2009
	€'000	€'000
Surplus for the period	11,483	25,321
Gain on translation of overseas subsidiary companies' net assets	11,656	1,500
Actuarial gain on post retirement liabilities (net of deferred tax)	2,896	6,580
Goodwill reinstatement from reserves (note 10)	366	–
Redemption of loan stock	(7,845)	(7,542)
Net addition to members' funds	18,556	25,859
Opening members' funds	384,465	358,606
Closing members' funds	**403,021**	**384,465**

25 Minority Interest

	2010	2009
	€'000	€'000
Opening minority interest	(17)	276
Loss attributable to minority interest	(92)	(136)
Foreign exchange movements	(17)	(157)
Closing minority interest	**(126)**	**(17)**

Notes to the Financial Statements

26 Net cash (outflow) / inflow from operating activities

	2010	2009
	€'000	€'000
Operating surplus	24,315	37,663
Exceptional items (UK restructuring costs)	(840)	–
Depreciation of tangible assets	14,942	15,883
Goodwill amortised	2,574	2,574
(Increase) / decrease in stocks	(85,418)	73,880
(Increase) / decrease in debtors	(61,770)	50,570
Increase in creditors	40,376	42,492
Pension	(922)	(3,561)
Foreign currency non cash movement	(289)	(1,310)
Net cash (outflow) / inflow from operating activities	**(67,032)**	**218,191**

27 Analysis of net debt

	02 Jan 2010	Cash flow	Exchange movement	01 Jan 2011
	€'000	€'000	€'000	€'000
Net cash				
Cash at bank and in hand	57,714	(42,330)	2,033	17,417
Less: deposits treated as liquid resources	(21,000)	21,000	–	–
Bank overdraft	(1,078)	(1,765)	–	(2,843)
	35,636	(23,095)	2,033	14,574
Liquid resources				
Deposits included in cash	21,000	(21,000)	–	–
Debt				
Debts falling due within one year	(17,534)	(55,082)	–	(72,616)
Debts falling due after one year	(65,300)	–	–	(65,300)
Net debt	**(26,198)**	**(99,177)**	**2,033**	**(123,342)**

Liquid resources are deposit accounts with a maturity of less than 1 year when acquired.

28 Other financial assets

	2010	2009
	€'000	€'000
Restricted cash on deposit	**16,155**	**18,679**

Deposits of €10.7m (2009: €13.7m) were held at period end within the Group's insurance companies and are restricted for use by the Group other than for the purposes of insurance. Deposits of €5.5m (2009: €5.0m) were held in restricted bank accounts as cash security for the issue of certain letters of credit.

Notes to the Financial Statements

29 Pension schemes

The Group accounts for its defined benefit schemes in accordance with FRS17 - 'Retirement Benefits'.

The Parent Society and certain subsidiaries operate and contribute to defined benefit and defined contribution schemes in addition to a number of internally funded arrangements.

The total profit and loss account charge of defined benefit schemes for the Group was a charge of €1.8m (2009: €2.7m) of which €1.6m (2009: €1.7m) has been charged against operating profit and €0.2m (2009: €1.0m) has been charged within other finance income.

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS17, are €20.2m (2009: €19.6m) losses for the Irish scheme and €6.4m (2009: €11.1m) losses for the other schemes.

Contributions to defined contribution pension schemes in the period were €2.3m (2009: €2.4m).

The trustees of the Parent Society scheme have obtained an actuarial valuation dated 1 January 2008 using the projected unit valuation method. The trustees of the Adams Foods Limited scheme have obtained a valuation dated 31 December 2006. Valuations as at 01 January 2011 have been obtained for the internally funded schemes. These valuations, and the most recent actuarial valuations of the other post retirement schemes, have been updated by independent qualified actuaries who were employees of Mercer Limited to take account of the requirements of FRS17, in order to assess the liabilities of the schemes at 01 January 2011.

It has been agreed that an employer contribution rate of 20.6% of pensionable pay will apply in future years for the Irish scheme and the expected contributions for the coming financial period are €1.2m. For the other schemes it has been agreed that an employer contribution rate of 20% of pensionable salary plus an additional €0.40m will apply in future years and that the expected contributions for the coming financial period are €1.04m.

FRS 17 Retirement benefits

Financial assumptions

The major assumptions used by the actuaries to calculate scheme liabilities under FRS17 are:

	2010	2009	2010	2009
	Irish Schemes		Other Schemes	
	%	%	%	%
Inflation rate increase	2.00	2.25	2.80	3.50
Salary rate increase	3.00	4.25	4.65	5.00
Pension payment increases	2.00	2.25	2.80	3.50
Discount rate	5.50	6.00	5.35	5.70
Scheme assets				
Long term rate of return expected at each period end.				
Equities	6.60	8.00	6.00	6.45
Bonds	3.10	4.00	3.50	3.95
Property	5.60	5.25	6.00	6.45
Other	2.50	3.00	0.00	0.50

Notes to the Financial Statements

29 Pension schemes (continued)

In valuing the liabilities of the pension fund at 01 January 2011, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 old year to live for a number of years as follows:

	Irish Schemes		Other Schemes	
- Current pensioner aged 65	23 year male	24 years female	21 years male	24 years female
- Future retiree upon reaching 65	26 year male	27 year female	23 years male	26 years female

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	2010	2009	2010	2009	2010	2009
	Irish Schemes		Other Schemes		Total	
Assets in schemes at period end	€'000	€'000	€'000	€'000	€'000	€'000
Equities	44,719	37,857	25,001	22,069	69,720	59,926
Bonds	8,968	9,156	8,696	6,652	17,664	15,808
Property	1,799	2,861	2,899	2,446	4,698	5,307
Other	5,411	4,089	100	115	5,511	4,203
	60,897	53,963	36,696	31,282	97,593	85,244
Actuarial value of liabilities	(65,177)	(58,189)	(39,291)	(38,668)	(104,468)	(96,857)
Recoverable deficit in schemes	(4,280)	(4,226)	(2,595)	(7,386)	(6,875)	(11,613)
Related deferred tax	535	423	779	2,130	1,314	2,554
Net pension liability	**(3,745)**	**(3,803)**	**(1,816)**	**(5,256)**	**(5,561)**	**(9,059)**
Analysis of the amount charged to operating surplus during the period						
Current service cost	1,037	1,104	634	551	1,671	1,655
Past Service Cost	–	–	–	26	–	26
Total operating charge	**1,037**	**1,104**	**634**	**577**	**1,671**	**1,681**

	2010	2009	2010	2009	2010	2009
	Irish Schemes		Other Schemes		Total	
Analysis of the amount (charged) / credited to other finance cost during the period	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Expected return on pension scheme assets	3,644	2,726	1,849	1,398	5,493	4,124
Interest on pension scheme liabilities	(3,500)	(3,168)	(2,170)	(1,991)	(5,670)	(5,159)
	144	**(442)**	**(321)**	**(593)**	**(177)**	**(1,035)**
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses						
Actual return less expected return on pension scheme assets	4,006	6,089	3,090	3,674	7,096	9,763
Experience gains arising on the scheme liabilities	(3,562)	400	2,590	31	(972)	431
Changes in assumptions underlying the present value of scheme liabilities	(1,038)	(917)	(933)	(1,533)	(1,971)	(2,450)
Actuarial gain / (loss) recognised in STRGL	**(594)**	**5,572**	**4,747**	**2,172**	**4,153**	**7,744**

Notes to the Financial Statements

29 Pension scheme (continued)

	2010	2009	2010	2009	2010	2009
	Irish Schemes		Other Schemes		Total	
Movement in benefit obligation during the period	€'000	€'000	€'000	€'000	€'000	€'000
Benefit obligation at beginning of period	58,189	55,212	38,668	33,869	96,857	89,081
Current service cost	1,037	1,104	634	551	1,671	1,655
Past service cost	–	–	–	26	–	26
Interest on scheme liabilities	3,500	3,168	2,170	1,991	5,670	5,159
Plan participant's contributions	388	394	253	199	641	593
Actuarial (gain) / loss	4,600	517	(1,657)	1,502	2,943	2,019
Benefits paid	(2,537)	(2,206)	(1,687)	(1,447)	(4,224)	(3,653)
Exchange adjustment	–	–	910	1,977	910	1,977
Benefit obligation at end of period	**65,177**	**58,189**	**39,291**	**38,668**	**104,468**	**96,857**
Movement in plan assets during the period						
Fair value of plan assets at beginning of period	53,963	42,857	31,282	24,821	85,245	67,678
Expected return on scheme assets	3,644	2,726	1,849	1,398	5,493	4,124
Actuarial gain / (loss)	4,006	6,089	3,090	3,674	7,096	9,763
Employer's Contributions	1,433	4,103	1,176	1,139	2,609	5,242
Plan participant's contributions	388	394	253	199	641	593
Benefits paid from plan	(2,537)	(2,206)	(1,687)	(1,447)	(4,224)	(3,653)
Exchange adjustment	–	–	733	1,498	733	1,498
Fair value of plan assets at end of period	**60,897**	**53,963**	**36,696**	**31,282**	**97,593**	**85,245**

	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
	Irish Schemes					**Other Schemes**					**Total**				
History of experienced gains and losses	**€'000**	€'000	€'000	€'000	€'000	**€'000**	€'000	€'000	€'000	€'000	**€'000**	€'000	€'000	€'000	€'000
Difference between the expected and actual return on scheme assets:															
Amount	4,006	6,089	(24,269)	(9,527)	3,955	3,090	3,674	(7,526)	(92)	2,277	7,096	9,763	(31,795)	(8,619)	6,232
Percentage of scheme assets	7%	11%	-57%	-14%	6%	8%	12%	-30%	-0%	5%	7%	11%	-47%	-8%	6%
Experience gains / (losses) on scheme liabilities:															
Amount	(3,562)	400	537	252	(2,197)	2,590	31	18	449	(17)	(972)	431	555	197	(2,214)
Percentage of past service scheme liabilities	-6%	1%	1%	-0%	-4%	7%	0%	0%	1%	-0%	1%	1%	0%	-0%	-2%
Total amount recognised in STRGL:															
Amount	(594)	5,572	(20,266)	(2,207)	2,706	4,747	2,172	(5,462)	2,028	271	4,153	7,744	(25,728)	(179)	(2,977)
Percentage of past service scheme liabilities	-1%	10%	-47%	-4%	5%	12%	6%	-16%	0%	1%	-4%	8%	-29%	0%	-3%

Sensitivity analysis for principal assumptions used to measure scheme liabilities.

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses, for the Group's Irish and other pension schemes, the estimated impact on the plan liabilities resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	**Change in Assumption**	**Impact on Irish plan liabilities**	**Impact on other schemes plan liabilities**
Discount Rate	Increase/decrease 0.25%	Increase/decrease by 4.0%	Increase/decrease by 4.1%
Price Inflation	Increase/decrease 0.25%	Increase/decrease by 4.1%	Increase/decrease by 3.0%
Mortality	Increase/decrease by one year	Increase/decrease by 2.2%	Increase/decrease by 2.3%

Notes to the Financial Statements

30 Capital commitments

	2010	2009
	€'000	€'000
Commitments for which contracts have been placed	**12,285**	4,182
Commitments approved but not contracted for	**16,942**	25,467

31 Financial commitments

a Operating leases

At 01 January 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	2010		2009	
	Land and Buildings	Other	Land and Buildings	Other
	€'000	€'000	€'000	€'000
Expiring within 1 year	724	384	335	522
Expiring between 2 and 5 years	1,876	3,588	2,316	3,800
	2,600	**3,972**	2,651	4,322

b Bank guarantees

The Group had outstanding guarantees at the period end relating to advance payments received on export refunds and other EU schemes as follows:

	2010	2009
	€'000	€'000
Bank guarantees	**7,492**	20,103

c Other financial commitments

The Group had the following outstanding forward currency contracts at the period end in respect of foreign exchange risk on sales contracts entered into during the period in accordance with its foreign exchange hedging policy:

	2010	2009
	€'000	€'000
Foward currency contracts	**193,735**	173,015

32 Related party transactions

The principal related party relationships requiring disclosure in the consolidated financial statements of the Group under FRS 8, Related Party Disclosures, pertain to transactions with members of the Society entered into by subsidiaries of the Group.

Sales to members during the financial period ended 01 January 2011 amounted to €26.9m (2009: €37.5m) and purchases from members amounted to €742.5m (2009: €509.2m). Amounts receivable from and payable to members arising from the aforementioned sales and purchases transactions as at the balance sheet date are €3.1m (2009: €6.2m) and €92.6m (2009: €84.4m) respectively.

In general, the transfer pricing policy implemented by the Group across its subsidiaries is market-based. Sales to and purchases from other related parties (being members of the Society) are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with members are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables. In addition to the trading transactions outlined, the Group have also made a proposed transfer to the Annual Bonus fund which will be payable to the members (Note 9).

There were no Director loans advanced during the period or outstanding at period end.

33 Comparative amounts

Certain comparative amounts in the balance sheet and notes to the financial statements have been amended to reflect reclassifications required to present them on a consistent basis with the current year as follows:

	As Published 2009	Restated 2009	Net Effect
	€'000	**€'000**	**€'000**
Group Balance Sheet			
Trade Debtors	189,258	193,517	4,259
Creditors: amounts falling due after one year	(72,894)	(77,153)	(4,259)
	116,364	**116,364**	–

In 2009 a deferred tax provision was netted against the deferred tax asset and included within trade debtors.
This has now been reclassified and included within creditors falling due after one year.

Notes to the Financial Statements

34 Significant subsidiary companies

	Incorporated in and operating from	% Holding	Activities
Irish Dairy Board Limited	Ireland	100	Marketing food products
IDB Investment Limited	Ireland	100	Group financing
IDB Insurance Limited	Ireland	100	Group Captive Insurance
IDB Reinsurance Limited	Ireland	100	Group Reinsurance
IDB Treasury Limited	Ireland	100	Group Factoring and Financing
IDB Global BV	The Netherlands	100	Group Financing
Adams Foods Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
Adams Food Ingredients Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
Dairy Ingredients (UK) Limited	United Kingdom	91.6	Marketing and distributing food products
The Meadow Cheese Company Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
N.V. IDB (Benelux) S.A.	Belgium	100	Manufacturing, marketing and distributing food products
IDB Deutschland GmbH	Germany	100	Manufacturing, marketing and distributing dairy products
Irish Dairy Board Inc.	U.S.A.	100	Marketing food products
DPI - Mid Atlantic	U.S.A.	100	Marketing and distributing food products
DPI - Midwest	U.S.A.	100	Marketing and distributing food products
DPI - Rocky Mountain	U.S.A.	100	Marketing and distributing food products
DPI - West	U.S.A.	100	Marketing and distributing food products
DPI - Northwest	U.S.A.	100	Marketing and distributing food products
Meadow Ingredients USA, LLC	U.S.A.	33.3	Manufacturing, marketing and distributing dairy products

In accordance with section 17 of the Companies (Amendment) Act 1986 , the Parent Society has undertaken to indemnify the creditors of its subsidiary companies incorporated in Ireland in respect of all losses and liabilities as referred to in section 5 (c) of that Act. The subsidiaries covered by this guarantee are An Bord Bainne (Management) Limited, IDB Investment Limited, An Bord Bainne (Sales) Limited, Irish Dairy Board Limited, IDB Premier Limited, An Bord Bainne (Services) Limited, An Bord Bainne Exports Limited. With the exception of Irish Dairy Board Limited and IDB Investment Limited included above, these subsidiaries are not considered significant companies.

35 Approval of financial statements

The financial statements were approved by the board of directors on 08 March 2011.

Board of Directors

Vincent Buckley
Chairman

Jackie Cahill
Vice-chairman

Aaron Forde
Vincent Gilhawley
Michael Hanley
Liam Herlihy
Kevin Kiersey

Dan MacSweeney
Sean McAuliffe
John Moloney
John O'Brien
Ted O'Connor

Jim Russell
Conor Ryan
Jim Woulfe

Executives

Kevin Lane
Chief Executive

Joe Collins, MD
Trading & Food
Ingredients Division

Joe O'Flynn, MD
Consumer Foods Division

Anthony Proctor
Chief Operating
Officer

Cathal Fitzgerald
Financial Director

Mick Mullagh
Human Resources
Director

Anne Randles
Secretary & Director
Administration

Subsidiary Executives

Consumer Foods
Division:

Gisbert Kugler
Managing Director,
IDB Deutschland

Joe O'Flynn
Acting Managing Director,
Adams Foods Limited

James O'Regan
Managing Director,
IDB Belgium

Neil Cox
President, Irish Dairy
Board Inc. (USA)

Trading & Food
Ingredients Division:

Steven Howarth
Managing Director, Adams
Food Ingredients Ltd. (UK)

Angus Galbraith
Managing Director,
Dairy Ingredients (UK) Ltd.

David Smyth
Managing Director, Meadow
Cheese Company Ltd. (UK)

Thomas E. Ferris
CEO, Meadow Ingredients
(USA) LLC.

DPI Specialty
Foods (USA):

James De Keyser
President National Sales
& Business Development

Cheryl Clary
CFO
(Financial)

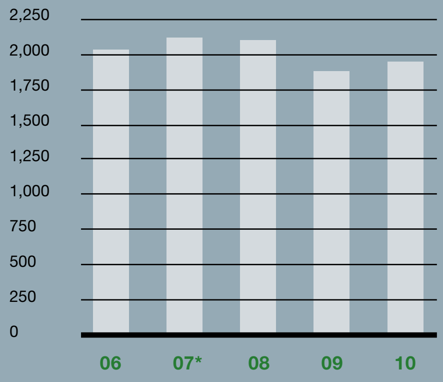
Francis Haren
COO
(Operating)

Mark Dahm
CSO
(Strategy)

Group Five Year Review

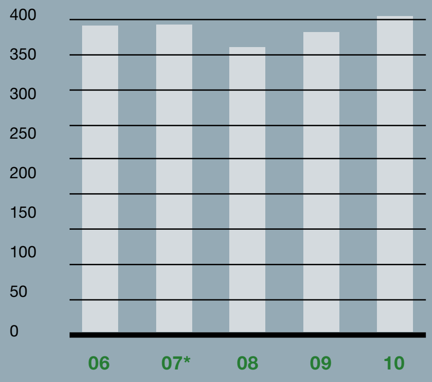
Group Turnover

€1,928 million



Members' Funds

€403 million



	2006	2007*	2008	2009	2010
(a) Historical values	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Turnover	2,074,253	2,104,291	2,090,495	1,822,753	1,927,525
Operating surplus	43,132	34,788	24,269	37,663	24,315
Surplus before taxation and exceptional items	41,681	34,015	17,787	31,949	19,216
Net current assets	269,421	261,580	250,648	328,768	340,558
Members' funds	393,666	395,687	358,606	384,465	403,021
(b) Financial ratios					
Net borrowings as % of members' funds	27	40	58	7	31
Current assets : current liabilities	1.80	1.58	1.60	2.19	1.92
Operating surplus as % of sales	2.08	1.65	1.16	2.07	1.26
Net interest payable as % of operating surplus	6	7	31	12	20
Retained surplus:					
as % of sales	1.82	1.24	0.64	1.39	0.60
as % of members' funds	9.59	6.60	3.71	6.59	2.85

* as restated

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