Irish Dairy Board

Annual Report 2013

Our Business

The Irish Dairy Board Co-operative Society (IDB, the Group or Parent Society) is an agri-food commercial co-operative which markets and sells dairy products on behalf of its members, Irish dairy processors and the Irish dairy farmer. We are responsible for exporting over 60% of Ireland's dairy products.

Our core purpose is to bring quality Irish dairy products to markets around the world. We do this by sharing the story of Irish farming and explaining how Irish dairy products are produced from the milk of grass-fed cows, the most sustainable dairy farming system in the world. By building markets for dairy products, we aim to increase the value of Irish milk and to deliver strong returns for Irish farmers.

The IDB was established over 50 years ago. Since then, we have brought the best of Irish butter, cheese and milk powders to over 100 countries around the world. Operating from 15 subsidiaries worldwide, we have sales and marketing teams working in-market across all four corners of the globe from Algiers to Beijing, from L.A. to Moscow.

We are the proud owners of the Kerrygold brand which is found in shops and in homes all around the world. Our brand portfolio also includes Pilgrims Choice, Dubliner cheese, and BEO, a popular powder blend sold in Africa.

With pre-packing and blending facilities located in Germany, the UK, the USA and the Middle East and extensive R&D experience, we are consistently exploring new formulation possibilities to enhance our ingredients range. We develop bespoke food ingredient solutions for many of the world's major food manufacturers.

Our business is structured across three core platforms; Consumer Foods, Dairy Trading and Ingredients and DPI, a speciality food distribution company in the US. Group subsidiaries in the UK, Germany and the USA pack, distribute and market a wide selection of branded products, dairy ingredients, speciality grocery, delicatessen and gourmet food items of both Irish and non-Irish origin.

Our co-operative ethos very much determines our values and the way we do business.

As a business we are very proud of:

- The sustainable nature of Irish dairy farming
- The quality of the dairy products we sell
- The innovative solutions we can offer our customers
- The business performance and the ethical business practices we insist on
- The support we have from the farming community in Ireland

Business Review

Financial Statements

Supplementary Information

Operational Highlights

Group Turnover

€2,124m 5% ▲

2013: €2,124m
2012: €2,028m

Operating Surplus/EBIT

€25.8m 25% ▲

2013: €25.8m
2012: €20.7m

Cash/(Debt)

€51.9m Debt Free

2013: €51.9m
2012: €10.7m

Members' Bonuses

€11.0m 16% ▲

2013: €11.0m
2012: €9.5m

The IDB delivered very strong earnings growth in 2013

- A strong Operating Surplus – up 25% year-on-year
- Turnover exceeding €2.1 billion
- Members' bonuses of €11 million
- Strong Balance Sheet with net assets of over €417 million
- Debt free at year end with €51.9 million Cash
- Contribution of €2 million to Emergency Feed and Fodder Fund

In-market Investment

ROUTE TO MARKET

New sales and marketing offices set up in Russia, China, Saudi Arabia and South Africa

Read more on page 10

Meadow Milk

MARKETING DAIRY IRELAND'S USP

International campaign to promote the unique attributes of Irish grass-based farming

Read more on page 13

IDB Saudi Arabia

€20 MILLION INVESTMENT

Acquisition of a 75% interest in Al Wazeen Trading and the planned development of a cheese manufacturing plant in Riyadh

Read more on page 19

Our Global Footprint

- IDB Export Markets
- IDB Key Subsidiaries
- Sales & Business Development Teams

EXPORTS TO OVER **100** COUNTRIES WORLDWIDE

over **€2bn** TURNOVER

IRELAND'S LARGEST DAIRY EXPORTER

3,100 STAFF GLOBALLY

EST 1961 over **50** YEARS OF EXPERIENCE

Market Positions

No.1

- Butter brand in Germany
- 26% growth year-on-year

No.1

- Imported butter in the US
- Annual double-digit growth

No.2

- Pilgrims Choice, now the clear No.2 cheddar cheese brand in the UK market

350m

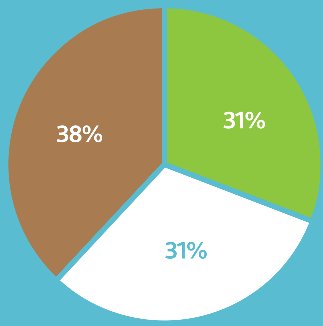
- Over 350 million packets of Kerrygold sold annually
- The Kerrygold brand retails at over €500 million annually

Group at a Glance

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.

Group Turnover

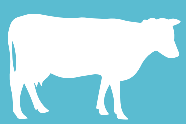


2013
- Consumer Foods
- Dairy Trading & Ingredients
- DPI Specialty Foods

What We Do

- Consumer Insights
- Innovation & NPD
- Brand Design & Development
- Technical & Operations
- Legal, Regulatory & Financial services

IDB Responsibilities

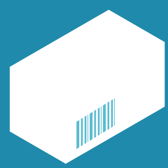


1. Irish Dairy Farmers

It all begins with the Irish dairy cow. Irish grass-fed cows produce rich, creamy milk full of natural goodness.

2. Our Member Suppliers/Processors

The milk is delivered to the processor where it is transformed into quality dairy products that are full of taste and loved by consumers around the world.



3. R&D, Packing, Branding & Marketing

We listen to our customers, develop products to meet their needs and create brand and marketing campaigns that inspire and engage.

IDB Key Subsidiaries

Consumer Foods

- Germany
- UK
- US
- International

Dairy Trading & Ingredients

- UK
- US
- Ireland: Irish Dairy Board Ingredients
- Saudi Arabia: شركة الوزين للتجارة Al-Wazeen Trd. Co.

DPI Specialty Foods

- US: DPI Specialty Foods
  - West
  - Intermountain West
  - Mid Atlantic
  - Dedicated Logistics

- Market Intelligence
- Sales & Marketing
- Dairy Trading
- Volatility Management

- Supply Chain
- Procurement
- Logistics
- Customer Service

- Teamwork
- Excellence
- Dedication
- Ambition

4. Routes to Market

We build and enhance sustainable, value-added routes to market.

5. Distribution Channels

Through our subsidiaries and our global network of agents and distributors, we deliver quality products to customers around the world, on time and within spec.

6. Farmer Returns

We work hard to deliver a strong and sustainable return to the Irish dairy farmer.

2013 Global Markets - A Year in Review

2013 was a dramatic year for dairy markets. The Q1 drought in New Zealand and a prolonged winter in Europe led to a significant reduction in milk output levels in the first half of the year compared to 2012. This relative milk scarcity occurred in the face of tight stocks and very strong emerging market demand, particularly out of China.

Demand from China was perhaps the most striking feature of the year. Chinese customers purchased 20% of the world's internationally traded milk powder, a staggering eight fold increase in demand compared to 2008, the year of China's first real emergence as a major global dairy importer.

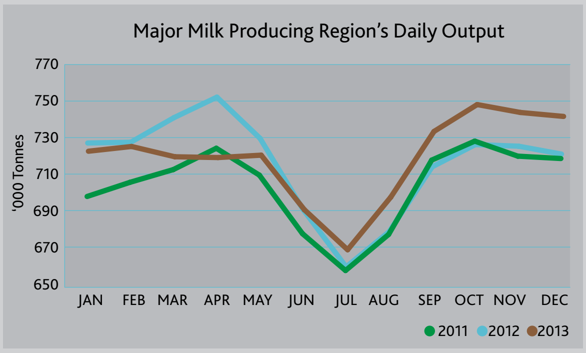
Mid-year was passed before milk-output from the world's largest producers began to recover, but it took the remainder of the year before output in the EU and New Zealand exceeded the previous year's levels.

This shortfall in output from the EU and New Zealand gave the US the opportunity to plug supply gaps around the world, and this it did to great effect. In addition to Chinese demand, 2013 will likely be remembered as the year the US evolved from an incidental milk exporter to a focussed global player.

Milk scarcity in the face of strong demand caused prices to rise quickly in early Q2 2013, with Whole Milk Powder prices rising more than 60% between January and April on the GDT auction. EU prices for 2013 were up more than 25% on average over 2012 levels for Butter, Skim Milk Powder and Whole Milk Powder, with returns for commodity cheeses up approximately 10%. These very high prices, combined with benign input costs, stimulated a supply response. Demand burn-off in less wealthy regions was compensated by growth in wealthier markets.

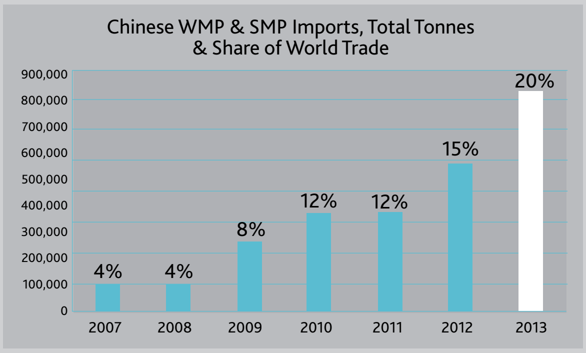
2013: The Market Context

1. Milk scarcity in H1...



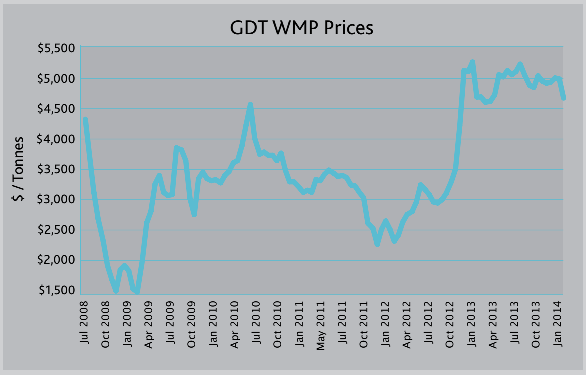
Source: Zentrale Milchmarkt Berichterstattung GmbH (www.milk.de)

2. In the face of strong demand...



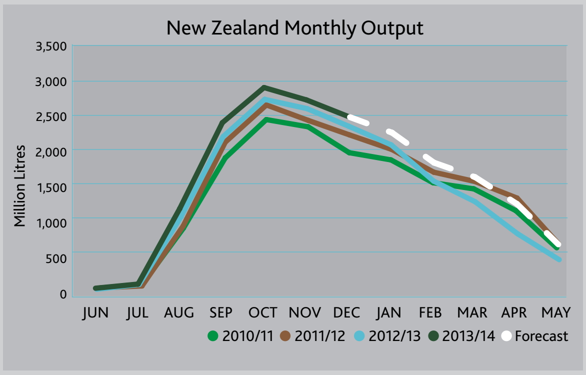
Source: Global Trade Information Services (www.gtis.com)

3. Brought strong price increases...



Source: Global Dairy Trade (www.globaldairytrade.info)

4. And a significant supply response.



Source: Dairy Companies Association of New Zealand and IDB estimates (www.dcanz.com)

Group Strategy

Irish dairy farmers plan to expand milk production by 50% by 2015 - 2020. We are building routes to market in preparation for this expansion.

Source: Food Harvest 2020

The focus of the IDB's growth strategy is to build and enhance sustainable routes to market for Irish dairy products. In 2010, the Group outlined its Business Transformation Strategy encompassing four core pillars – Operational Excellence, Value Added Growth, Market Expansion and Talent Placement & Development. This strategy translates into key areas of focus – Brand Growth, New Product Development, In-market Expansion, Capital Expenditure and M&A and Route to Market.

Business Transformation Strategy

Chairman's Statement

2013 ended positively for the IDB, and for our members and farmer suppliers. This was despite a challenging start to the year. The delayed arrival of the Spring grass-growing season, due to a prolonged period of inclement weather, led to serious hardship for our dairy farmers in the first half of the year. By year end, however, output had improved dramatically on the back of positive global demand, strong milk prices and excellent late season production conditions.

2013 was an important year for the IDB in its preparations for the abolition of quotas from 2015 and, as Chairman, I am delighted to report another strong trading performance. Group Turnover in 2013 was up 5% to a record high of €2.124 billion. Group EBITDA was €45.9 million and Operating Surplus was up 25% to €25.8m. This performance was in addition to a strong performance of the IDB Purchase Price Index (PP Index), as well as increased investment in brand support, in-market resources and innovation. With a strong Balance Sheet at year end, the business is well positioned for expansion post 2015.

In 2013, almost €13 million was paid out to members in the form of redeemable loan stock and cash bonus, while an additional €2 million was paid in response to the fodder crisis. A members' cash bonus of €6.5 million has been declared from the 2013 results and €4.5 million is to be allocated to the annual bonus fund for redemption in five years' time.

A key financial achievement at the end of the year, and formally agreed in March 2014, was a new five year financing agreement with our syndicated banks. The original three year facilities deal entered into at the end of 2011 has had a positive impact on working capital. Its renewal, the extension to five years and increase in size, is endorsement by our funding banks of the IDB's strategic growth plan.

IDB's business transformation strategy continues to deliver positive results. The Consumer Foods division performed well despite the high raw material prices and a very competitive UK market. Record sales volumes were achieved in the key branded markets of Germany and the USA, testament to the significant on-going investment in marketing and innovation.

The trading performance of our Dairy Trading & Ingredients division increased in 2013, with our trading operation and the US business performing particularly strongly.

Our US distribution business, DPI Inc., reported a strong trading performance, well ahead of 2012. This division has undergone significant restructuring and revenues were well up on 2012 in what has become a very competitive business environment.

The positive end to the 2013 dairy year belies the serious challenges faced by farmers earlier in the year. The cold and wet weather, which had curtailed the previous year's production season, continued into the second quarter of 2013 delaying the start of the grass-growing season and leading to unprecedented on-farm fodder and feed shortages. In response to the exceptional hardship, the IDB established a €2 million emergency fund for its dairy farmers, distributed through its supplier members.

With the adverse weather conditions, Ireland was under its 2012/2013 quota. However a strengthening of milk prices and more conducive mid and late season production conditions led to a strong recovery in milk output, up 4% on 2012 by year end. The higher farm gate prices also outweighed the rise in input costs due to the fodder crisis, resulting in a 15% increase in average family farm income for the year.

Unfavourable weather conditions across the EU in the first half of the year, extreme drought conditions in the latter half of New Zealand's 2012/2013 production season and a flat production season in the US, led to a slowdown in the growth of global milk production in the first half of 2013 and only a marginal increase in tradable surpluses on export markets. In contrast, demand for dairy products, in particular for protein and powders, from China and the emerging markets, was resilient throughout the year, helping to underpin milk and dairy product prices globally.

The strong market returns in 2013, and IDB's own positive performance, were reflected in the IDB's PP Index, which is a monthly indicator of market returns on products sold by the IDB, relative to a base year (2010). The PP Index for 2013 averaged 126, exceeding the average of our European peers on the LTO, an important KPI by which we measure ourselves. Central to this success is the growth in the value of our expanding brands portfolio, particularly the Kerrygold

2013 WILL BE REGARDED AS ONE OF THE FORMATIVE YEARS IN THE TRANSITION OF THE IDB WITH NEW SUBSIDIARIES AND BUSINESSES ESTABLISHED IN CHINA, RUSSIA, SOUTH AFRICA AND SAUDI ARABIA, ALL FOCUSSED ON BUILDING ROUTES TO MARKET FOR IRISH DAIRY PRODUCTS.

brand, and the further expansion of sales and operations globally especially in our core markets of Germany, the US and the UK.

2013 will be regarded as one of the formative years in the transition of the IDB with new subsidiaries and businesses established in China, Russia, South Africa and Saudi Arabia, all focussed on building routes to market for Irish dairy products.

Looking ahead to 2014, there is a strong expectation that international dairy prices will moderate in response to strong supply side dynamics, at least in the first half of the year. The pace of this price adjustment will be dictated by the strength of milk flows, demand sentiment and weather. The IDB's continued focus for the coming year will be on building routes to market for Irish milk and routes to value to enhance profitability. We are working to deliver short term and long term sustainable performance for the 14,000 dairy farmers who depend on us and we plan to invest further in our operations and our people, as well as in acquisitions, brands and product innovation.

I would like to thank my fellow board members for electing me Chairman of the Board. I will lead the board with fairness and with courage to debate the issues that need to be debated. I would like to thank Kevin Kiersey for his support as Vice-Chairman and thank the out-going Vice-Chairman Jackie Cahill for his contribution. Special thanks must go to my predecessor Vincent Buckley who resigned from the board in June and who was an excellent Chairman. I welcome Bertie O'Leary who joined the board during the year.

One of my key focuses since my election has been to review, with the board, corporate governance in the IDB. This has introduced greater clarity into our processes and board procedures and is covered in the corporate governance section in this report.

In addition to acknowledging our customers throughout the world, I would like to thank the Irish Government and the state bodies and agencies for their work in promoting and facilitating the export of Irish dairy products. The support of the Department of Agriculture, Food and the Marine and of Minister Coveney and his officials is paramount. Special praise must go to Bord Bia, and the members of the technical advisory committee, for their successful launch of the Sustainable Dairy Assurance Scheme. I would also like to thank the National Dairy Council for their partnership in the NDC & Kerrygold Milk Quality Awards.

I would like to extend my appreciation to Kevin Lane and to all our people around the globe for their commitment and achievements during the year, while a final word of thanks must go to our farmers for their support and quality output.

Aaron Forde
Chairman

Chief Executive's Report

With the removal of milk quotas fast approaching, the marketing and selling of Irish dairy products across global markets has never been more important. For the first time in 30 years the Irish dairy industry will be allowed grow to its true potential.

Over the past four years the IDB has been preparing for this unique opportunity. The business transformation strategy outlined in 2010 has been successfully implemented across the Group and is delivering real, measurable results.

On behalf of the Group I am pleased to report a very strong business performance in 2013, combining solid earnings growth across all divisions and enhanced product returns to our members. By continuing to invest heavily in brand growth, NPD and in-market expansion, we significantly strengthened our in-market presence, routes to market and innovative product offering.

Business Performance

Group Operating Surplus increased strongly to €25.8 million in 2013, notwithstanding an additional €8 million invested in brand development and market support. Turnover increased by 5% to €2.1 billion. The IDB closed the year debt free, with Cash of €51.9 million and a very strong Balance Sheet with net assets of €417 million. This is a very strong financial base from which to support our ambitious business growth strategy.

Reflecting this strong operating performance an €11 million bonus was declared to members, an increase of 16% on the year prior. This is in addition to the payment by IDB of €2 million in emergency aid to assist Irish dairy farmers during the unprecedented fodder crisis in 2013.

In addition to the members' bonus, IDB also paid increased product returns during 2013 with the IDB's PP Index averaging 126, a 24% increase on the prior year. This is an impressive c.107% of the LTO (EU Average Returns), significantly outperforming our target of 98%.

Business Transformation Strategy

Our Group business transformation strategy is built on the core pillars of Operational Excellence, Value Added Growth, Market Expansion and Talent Placement and Development. This translates into five key areas of focus in preparation for the removal of milk quotas in 2015.

1. Brand Growth

The strength of the Kerrygold brand continues to grow worldwide, achieving a retail value of over €500 million in 2013. This reflects continuing investment, totalling €36 million across brand, New Product Development and market support in the period. In September, the Group celebrated 40 years of Kerrygold in Germany, our most successful export market. Other in-market highlights included:

- In Germany, Kerrygold achieved 17% market share and a 55% branded share, selling close to 200 million packs of butter in over 23,000 outlets
- The US saw Kerrygold volumes increase 16% and Turnover by 15%
- Kerrygold butter and cheese successfully launched in Russia
- Top three brand position achieved by Kerrygold whole milk powder in Angola, Democratic Republic of Congo and the Republic of Congo

In addition, Kerrygold's 2013 marketing campaign, Meadow Milk, showcased the unique attributes of Ireland's grass-based farming methods to consumers across international markets.

2. New Product Development

Innovation and New Product Development are critical to the growth of our business. IDB continues to invest in consumer insights and technologies so we can bring new products to market and create new ways of producing and selling dairy products for a global audience.

Recent new product launches include speciality butters in upside down tubs and Butterkäse, in the German market, and Kerrygold Spreadable and Pilgrims Choice Sticks, for the UK market.

Our ingredients business launched the AdPure dairy ingredients range and medium fat soft cheese, both of which offer new cost effective functional food solutions for customers.

3. In-market Expansion

Continuing our expansion into new markets, we located 25 new people in-market, each gaining a deeper understanding of the consumer by working alongside our customers, local partners and distributors.

I am very pleased to report the opening of new sales and marketing and trading offices in South Africa, Russia, Saudi Arabia and China. In addition we have invested in in-market partnerships in Algeria, DRC and Angola.

INNOVATION AND NEW PRODUCT DEVELOPMENT ARE CRITICAL TO THE GROWTH OF OUR BUSINESS. IDB CONTINUES TO INVEST IN CONSUMER INSIGHTS AND TECHNOLOGIES SO WE CAN BRING NEW PRODUCTS TO MARKET AND CREATE NEW WAYS OF PRODUCING AND SELLING DAIRY PRODUCTS FOR A GLOBAL AUDIENCE.

4. Capital Expenditure
The opportunity presented by the end of quotas requires an increase in capacity throughout all aspects of our business. IDB committed nearly €60 million in Group-wide capital expenditure in 2013.

We marked 40 years in Germany by announcing a €10.5 million investment in state-of-the-art facilities to support continued growth. The capital expenditure funded the extension of storage, packing and production facilities.

In Thiel Cheese & Ingredients in the US, the IDB commissioned the expansion of its cheese processing plant and the development of a new innovation centre which will complete in 2014 at a total cost of €8.7 million.

IDB also completed an investment in an Innovation Centre and cheese additives facility at Adams Foods and a production range extension at Meadow Cheese, both in the UK.

5. M&A and Route to Market
In addition to organic growth in existing and new markets, IDB is keen to grow through acquisition or strategic partnership where there is an opportunity to open new routes to market for our business and our members.

Our UK subsidiary, Adams Foods, entered into a long term strategic partnership with First Milk, the UK dairy co-operative. The strategic partnership further strengthens Adams Foods' position as one of the leading suppliers of Irish and British cheese to major retail and foodservice customers in the UK.

Continuing our expansion into emerging markets, the Group completed a €20 million investment in Saudi Arabia. The investment includes the acquisition of a 75% interest in Al Wazeen Trading LLC and the development of a cheese manufacturing facility at the Al Wazeen facility in Riyadh. The investment strengthens our position in the Saudi Arabian market, the fifth largest dairy importer in the world, as well as providing a central hub to access the important dairy growth markets in the MENA region.

Sustainability
Sustainability is at the heart of Irish dairying. Sustainability encompasses grass-based production, our family farm model, our animal welfare standards and how we manage the land. Sustainability must be verifiable so that we can establish our credentials and build trust with increasingly well informed consumers and ever more demanding customers seeking to project a robust and sustainable supply chain. Substantial progress was achieved in this regard in 2013 with the introduction of the Bord Bia Sustainable Dairy Assurance Scheme. The IDB is very proud to support a scheme that is so critical to proving the sustainability credentials of our industry.

Developing Our People
Great people build great businesses and our ethos very much embodies this. It is our people that bring the experience of Irish dairy to consumers and customers around the world.

In 2013 the Group established a Group Talent Development function with the aim of maximising our performance through harnessing the potential of our people.

Significant investment is now focussed on providing Executive Education, Leadership Development, Mentoring and Coaching Development, Succession Planning and Personal Effectiveness programmes and supports.

Looking to the Future
The need to show global markets the premium attributes of Irish dairy products has never been more important. By continuing to invest in our people, our brands, the development of new products and the building and enhancing of sustainable routes to market, the IDB will be optimally positioned to deliver strong returns to our members and Irish dairy farmers into the future.

The success achieved in 2013 was made possible by the tremendous efforts and dedication of our team. I would like to thank our Chairman, Aaron Forde, the board of Directors for their support and our staff, our members and the farmers we represent for their hard work and commitment. As we head into a period of momentous change and opportunity, we look forward to working together to achieve the real growth potential of the Irish dairy industry.

Kevin Lane
Chief Executive

CONSUMER FOODS

IDB Global Business Reports: Consumer Foods

The Consumer Foods division has responsibility for the international marketing and sales of IDB's consumer products portfolio including the Kerrygold, Dubliner, Pilgrims Choice, MU and Beo brands. Markets are served by wholly owned subsidiaries in the UK, Germany, the US, Russia and China and in-market by sales and marketing and trading teams, and local distributors.

Against a back-drop of high input prices, the business recorded solid results across the key markets with record volume and market share in Germany and the US, and strong brand development in the UK. Volume and Turnover were ahead of prior year by 5% and 6% respectively. 2013 was also a record year for new product introductions, a result of the significant on-going investment in the Group's Research and Innovation programme.

Investment in in-market presence increased significantly over the past year, with new offices opening in South Africa, Russia and China, complementing the Group's growing presence in the Middle East. Each of these core growth markets represents significant opportunity for growth and this investment in resources, encompassing both on-the-ground sales and marketing expertise and continued brand support, positions the Consumer Foods business for optimum growth.

Meadow Milk Marketing Campaign

The Kerrygold 'Meadow Milk' marketing campaign showcases the unique attributes of Ireland's grass-based farming methods to consumers across international markets

The international TV, digital and POS campaign includes a series of videos that explain why Irish farmers produce some of the best tasting dairy products in the world. Each video focusses on a different theme:

'Celebrating Rain', celebrates the rain and climate that gives Kerrygold its distinctive taste and colour.

1. The weather and climate: **'Celebrating Rain'**
2. The farmers behind our brand and their craft: **'A Day in the Life'**
3. The unique landscape of our country: **'Made for Milk'**
4. Animal welfare: **'It's a Cow's Life'**

You Tube kerrygoldgrassfed

IDB Global Business Reports: Consumer Foods (continued)

Germany
IDB Deutschland GmbH

IDB marked its 40th year in the German market with record sales and revenue growth. Year-on-year revenue grew by 26% and market share increased to 17%. The three major categories, butter, cheese and Kerrygold extra delivered double-digit growth, each contributing to this strong performance. Kerrygold butter remains the number one butter in the competitive German market.

In 2013 the IDB announced a €10.5 million investment in state-of-the-art facilities to support continued growth in Germany. The capital expenditure funded the extension of storage, packing, production facilities and New Product Development.

Product innovation being critical to growth, Germany continues to bring new products to market, responding to changing consumer demand and tastes. A new generation of speciality butters in innovative upside down tubs and the mild breakfast cheese, 'Kerrygold Butterkäse', in a new envelope style packaging and developed to appeal to the German palate, were launched in 2013. Both performed well and contributed to growth. These products have been trialed extensively, with nearly 500,000 consumers tasting the new range in over 800 locations across Germany.

The popular Kerrygold healthy lunch break initiative 'Gesundes Pausenbrot' was delivered to over 100,000 school children in 350 schools.

UK
Adams Foods Ltd

Despite a year of record volumes, up 15% year-on-year, 2013 proved to be a difficult trading year due to high raw material prices, combined with increased consumer cost consciousness. This led to reduced margins and a decline in operating profit. In response to the challenging market conditions, cost control measures were implemented throughout the business and the company is positioned well heading into 2014.

The strategic partnership with First Milk, one of the UK's leading cheese makers, was a major milestone for the business, transforming Adams Foods into a £500 million turnover company. The strategic partnership further strengthens Adams Foods' position as one of the UK's leading suppliers of Irish and British cheese to major retail and foodservice customers in the UK.

Pilgrims Choice achieved a 14% volume increase in a declining branded pre-pack cheddar market, as retailers shifted focus to private labels. This growth was driven by a strong investment in advertising and New Product Development. Pilgrims Choice is now worth £80 million at retail and is the UK's clear number two cheddar brand.

Kerrygold performed very well with volume up by 11% on the prior year despite the salted packet butter market declining by 5% in volume. Kerrygold Spreadable was launched during the year using the IDB Germany formulation.

MU once again performed strongly with sales up 7% year-on-year. The brand benefited from implementation of an Every Day Low Price strategy and a partnership with Sony Pictures to promote the new 'Smurfs' movie on pack.

The business also completed the development of a state-of-the art Dairy Innovation and Cheese Additives Centre.

US
IDB Inc

2013 was a very successful year for the US Consumer Foods business, with the business growing significantly in both volume and value. Volumes rose by 16% year-on-year and revenue grew by 15% to €62 million. The Kerrygold brand continues to grow from strength to strength, extending its presence amongst mainstream customers.

The strength of Kerrygold butter in particular is the driving force for brand development in the US market, growing by 48%. Kerrygold butter remains in the top ten butter brands in the US and Kerrygold Dubliner is now the number two brand in its category. Kerrygold Cheddar had a very positive performance in 2013 delivering growth of 14% in sales volume, year-on-year.

In 2013, the business's top five customers delivered growth in sales of 12% year-on-year.

Kerrygold's advertising focus was critical to its growth. In addition to the brand advertising on specialised channels such as The Food Network, a more mainstream audience was targeted through network and cable stations. The brand also launched a national sponsorship with the American Youth Soccer Organisation.

Social media campaigns were launched to capture new audiences via Facebook and Twitter. A Brand Ambassador programme was launched with food bloggers, creating the Kerrygold Food Blogger Network. This network now has over 150 blogger members and over one million users.

International

2013 saw IDB continuing to deliver on its mandate of opening new routes to market for Irish dairy products. Investment in both new markets, and the enhancement of resources in existing markets, are positioning IDB and its members to take full advantage of the end of quotas in 2015.

Africa
The newly established IDB Africa Head Office in South Africa will be an important central hub for the development of markets throughout Africa, both existing and new. The expansion of the Group's presence in Algeria is an important staging post for development throughout the North African region.

IDB has moved to an 'in–market' model in the existing markets of Democratic Republic of Congo, Republic of Congo and Angola. IDB has also laid the groundwork for a substantial expansion of its Nigerian presence in 2014.

Russia and China
2013 saw the establishment of IDB Russia and the successful launch of Kerrygold butter and cheese. In 2014, IDB will finalise plans to enter the Chinese market with a range of consumer products with mass market appeal.

Middle East
As part of the development of existing markets in the MENA region, IDB invested in new in-market resources in Egypt and Saudi Arabia and launched the Kerrygold brand in Jordan.

Central and South America
IDB established a presence in Brazil. This new office will offer in-market support to our customers in the Caribbean, and in Central and South America.

DAIRY TRADING & INGREDIENTS

IDB Global Business Reports: Dairy Trading & Ingredients

The Dairy Trading & Ingredients (DTI) division is responsible for the procurement of Irish and non-Irish dairy products and for the sale of dairy ingredients to food manufacturers and foodservice customers. The business seeks to enhance product returns for its members. Key activities include dairy commodity trading, product grading and maturing, and the development and supply of innovative and functional food solutions.

In 2013 the business reported solid results with strong growth in volume and Turnover up 4.1% to €646.9 million. Strong performances were delivered by the Republic of Ireland and the USA, with the UK battling against more challenging market conditions. Early indicators for 2014 are that this key market is recovering.

DTI is focussed on investing in the future with increased spend on in-market resources, innovation, lean manufacturing, volatility management and manufacturing capacity and capability. These strategic investments will ensure that the IDB is adding value to the increased dairy volumes post 2015.

IDB Global Business Reports: Dairy Trading & Ingredients (continued)

Ireland

Dairy Trading & Ingredients in the Republic of Ireland (DTI ROI) is responsible for the procurement of products from Irish members and the sale of dairy ingredients to global food manufacturers and brand owners.

2013 was a good year for DTI ROI with sales Turnover up 10% year-on-year off stable volumes. Targeted profitability was achieved in a very challenging environment and strong product prices were paid to members. Procurement volumes increased marginally in spite of exceptionally strong dairy commodity prices through the year and a slow start to the milk season.

The removal of quotas post 2015 remains a crucial focus for the business and great progress has been made on strategic business plans with members, subsidiaries and key customer accounts during 2013. The business remains focussed on cost efficiencies and added value growth. A number of innovative products that offer added value food solutions to customers were launched in 2013. DTI ROI also strengthened its in-market presence in key export markets including Central and North America, South and West Africa and in the MENA region. The trading business performed strongly throughout the year and strengthened supply relationships with a number of customer manufacturers in key production and export markets.

UK

Dairy Ingredients (UK)

Dairy Ingredients (UK) Ltd, (DIUK) is a butter trading operation and a major supplier to the UK food manufacturing sector. 2013 was characterised by a solid performance despite the challenge of supply constraints and an extended period of stable, but very high prices.

DIUK is well established as a key route to market for Irish butter as the Group prepares for increased milk ingredient output in the run up to, and the removal of, quotas in 2015.

Adams Food Ingredients Limited

Adams Food Ingredients Limited (AFI) is a leading powder blending business, based in Leek. AFI provides sourcing, formulating, blending and packing excellence for 'dry powders' to leading blue chip food manufacturing companies in the UK and internationally.

The AFI business has seen operational and procedural improvements throughout 2013, with a revised structure implementing a new strategic plan focussed on operational efficiency.

During 2013 a number of new products were launched and commercialised in both the UK and international markets. These ranged from specialist nutrition products in the UK, to energy enriched consumer products for the powder beverage sector in Central Africa.

Emphasis was placed not only on growing the customer base, but on strengthening relationships with existing customers. AFI has succeeded in positioning itself as a 'strategic, value adding partner' with many of its larger customers.

The Meadow Cheese Company Limited

The Meadow Cheese Company is dedicated to providing the food manufacturing and foodservice sectors with customised dairy ingredients, pizza cheese and other functional and processed cheeses.

2013 saw growth coming from its processing division, with bespoke products developed in partnership with customers. New product launches have focussed on performance and functionality, while also offering value engineered solutions to the increasing cost pressures faced by customers.

With the transfer of its natural grated cheese lines to The Cheese Warehouse, it is investing in its processed cheese output at the Meadow Cheese facility in Ledbury, applying the latest technology to meet market needs.

The Cheese Warehouse Limited

The Cheese Warehouse specialises in grating natural and processed cheeses into a variety of formats for the food manufacturing and foodservice sectors. Scale led efficiency, high quality, New Product Development and technical support all combine to deliver consistent and functional food solutions to its customers.

In its first full year under IDB ownership, The Cheese Warehouse has traded well, despite difficult market conditions. Excellent customer partnerships contributed significantly to growing the business. Innovation remains a focus, a perfect example being the naturally smoked cheese range launched in 2013. This cheese range was a trophy winner at the Global Cheese Awards. The Cheese Warehouse was also short-listed, for the second year running, at the Health & Vitality Honours Awards.

US

US Food Ingredients

The US Food Ingredients businesses performed strongly in 2013, with both Thiel Cheese & Ingredients and Meadow Ingredients delivering double-digit volume growth, while also outperforming Operating Surplus targets.

Thiel Cheese & Ingredients LLC

Wisconsin based Thiel Cheese & Ingredients LLC (Thiel) is a leading cheese ingredient solutions company that formulates and produces cheese-based ingredient solutions for US based food manufacturers and foodservice companies.

The business had a strong year with continued new customer and product success driving 13% year-on-year growth in Turnover. While margin maintenance has been a challenge, a healthy product innovation pipeline has helped the business surpass its 2013 targets. The Thiel factory expansion has commenced and the business is prepared for the integration of the Meadow Ingredients business from early 2014.

Meadow Ingredients USA LLC

Meadow Ingredients is a functional cheese ingredients business in Byron, Minnesota that customises multi-component cheese solutions for the food manufacturing industry.

The business has continued to grow from strength to strength with the Minnesota site producing close to maximum capacity in 2013. The year saw the addition of a significant blue chip customer, which facilitated the 40% year-on-year volume growth.

At the close of 2013, the Group completed the earnout period on the original acquisition of Meadow Ingredients and with the planned sharing of synergies with Thiel, with its new facility opening in 2014, the business is well positioned to grow volume significantly in the years ahead.

Saudi Arabia

شركة الوزين للتجارة
Al-Wazeen Trd. Co.

IDB Saudi Arabia

The IDB entered into a new venture in Saudi Arabia in 2013. The €20 million investment involved the acquisition of a 75% interest in Al Wazeen Trading LLC and the planned development of a state-of-the-art cheese manufacturing facility in Riyadh. The new recombined cheese facility will use pioneering technology, developed by the IDB and Teagasc, to produce tailor made cheese solutions for key manufacturer and foodservice customers in Saudi Arabia. The facility will also act as a central trading hub to access the important neighbouring markets of the MENA region.

DPI SPECIALTY FOODS

Following extensive restructuring in 2012, DPI has achieved growth both from its existing customer base, and also from new customers at the expense of key competitors. Some of these contracts began in 2013 with further new business secured to come on-line in early 2014.

The US speciality foods market, valued at $86 billion, is highly fragmented. The US retail grocery market is similarly structured, with the top four retailers accounting for just over 50% of sales. This market structure offers both challenges and opportunities for distribution businesses. With Turnover in 2013 up 7.6% in local currency terms to $890 million (€670.5 million), DPI is the third largest distributor of speciality food to the retail sector.

The Dedicated Logistics business that services Starbucks also had a very exciting year with some significant changes to the business in 2013. The Chicago division moved into a new facility with an expanded footprint to facilitate the growth of products and stores being serviced. The partnership with Starbucks has proven to be extremely valuable, and the number of stores serviced is expected to grow further in 2014.

The growth at DPI in 2013 is due to the strong team in place, an increased focus at store level, as well as to having a clear understanding of customer needs. The business is set for an exciting 2014 with a pipeline of significant new business coming through.

NEW PRODUCT DEVELOPMENT (NPD)

Product innovation is a critical component of IDB's business growth strategy. Developing strong customer insights and investing in product innovation to meet the changing needs of consumers has been central to business growth. 2013 was no exception, and IDB's investment in innovation continued apace, developing a range of new products and formats for consumers and customers across its global markets.

Most notably, in October, IDB announced a joint venture with a local partner in Saudi Arabia to build a new facility which will produce a range of fresh white cheeses to serve the local market. The cheeses will be made using a pioneering technology developed by the IDB and Teagasc. The technology allows innovative milk protein ingredients to be recombined for white cheese production. Fresh white cheese is hugely popular in the Middle East. The facility will also include an Innovation Hub for the continued research and development of 'white cheese' technologies.

In 2013, the Dairy Trading & Ingredients division launched the AdPure dairy ingredients range and medium fat soft cheese, which both offer new cost effective solutions for customers. The NPD team also focusses on the flavour and texture requirements of customers, with recent launches including a range of malted milk powders for beverage and confectionery applications and the development of a chocolate cheesecake batter mix for desserts.

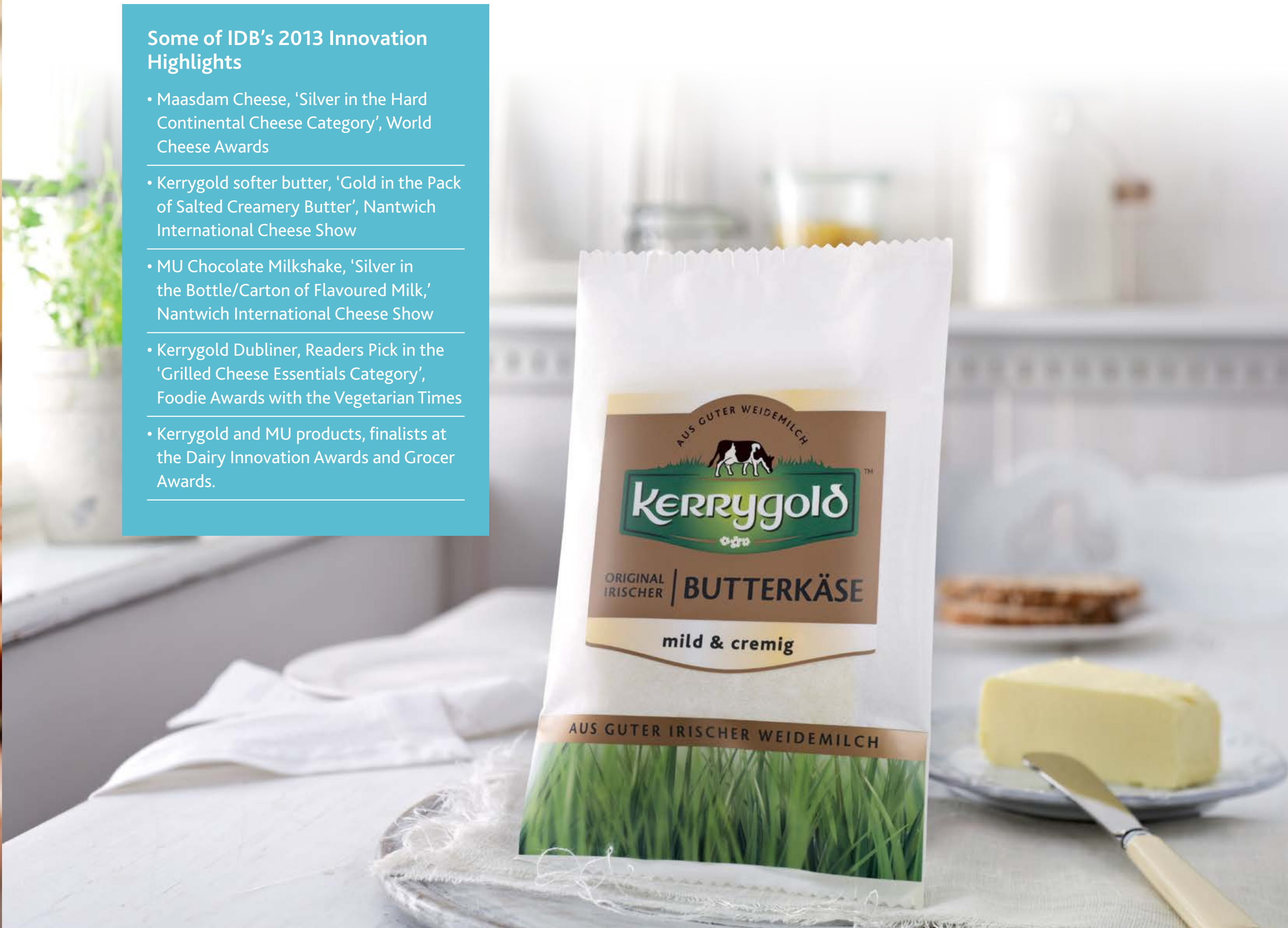
Branded products launched in 2013 include:

- Kerrygold Butterkäse is a mild creamy cheese sold in sliced format and packed in a resealable pack. It is the first launch by Kerrygold into a mainstream cheese category in Germany
- Kerrygold Spreadable was launched in the UK, providing consumers with a great tasting spreadable straight from the fridge
- A new savoury range of Kerrygold flavoured butters for the German market. The range comprises Savoury Herb, Three Pepper, Sweet Chilli and Sea Salt Crystal
- Kerrygold Dubliner Cracker Cut was launched on the US market, providing consumers with more convenience
- Pilgrims Choice Sticks in the UK, individual portions of Pilgrims Choice Extra Mature Cheddar, which consumers can enjoy on the go, in lunch boxes or as a convenient snack

An exciting pipeline of more new products is planned for 2014 which will bring added convenience, inspiring cooking ideas and healthy options for consumers around the world.

Some of IDB's 2013 Innovation Highlights

- Maasdam Cheese, 'Silver in the Hard Continental Cheese Category', World Cheese Awards
- Kerrygold softer butter, 'Gold in the Pack of Salted Creamery Butter', Nantwich International Cheese Show
- MU Chocolate Milkshake, 'Silver in the Bottle/Carton of Flavoured Milk,' Nantwich International Cheese Show
- Kerrygold Dubliner, Readers Pick in the 'Grilled Cheese Essentials Category', Foodie Awards with the Vegetarian Times
- Kerrygold and MU products, finalists at the Dairy Innovation Awards and Grocer Awards.



SUSTAINABILITY

Sustainability is embedded throughout our business - in our supply chain, in our operations and in our marketing. IDB takes great pride in the fact that our products are sustainably produced from the most natural ingredients. We know this is one of the reasons why our customers and consumers, all around the world, value them so highly.

Our Farms

Our People and Supply Chain

Our Subsidiaries

Our Customers and Consumers

Sustainable Farming

While Ireland does not have an abundance of oil or gold, it does have valuable natural resources. Our temperate climate and extensive grassland provide the perfect conditions for growing fresh grass, perfect for feeding cows.

Irish farmers are keen to protect this natural way of farming. Farming is steeped in tradition with proud family values passed from one generation to the next. It is not uncommon for three generations to work side by side on Irish farms. Farmers and their families pay special attention to each cow, ensuring their health and wellbeing, something every farmer prides him or herself on.

A Sustainable Supply Chain

At an industry level, Ireland continues to enhance its sustainability credentials and is a world leader in the production of quality, traceable and sustainable food.

Origin Green

At company level, Origin Green, an independently accredited sustainable development programme for the food and drink industry in Ireland, was launched in 2012.

- IDB was proud to be the first dairy company independently accredited with Origin Green status
- IDB is sponsoring the Origin Green Ambassador programme which will help to promote the programme worldwide

Sustainable Dairy Assurance Scheme

In late 2013 Bord Bia, the Irish Food Board, officially launched a national third party accredited, independent Sustainable Dairy Assurance Scheme (SDAS). In addition to providing assurance on the quality of our milk, the SDAS provides a framework to prove just how naturally sustainable our milk is to our customers and consumers around the world. It gives us the opportunity to set ourselves apart from our global competitors and to showcase what we do naturally. As our industry prepares for the post quota environment, the marketing of the premium attributes of Irish dairy products has never been more important and the SDAS will play a critical role in supporting the great farming story we want to share with our customers around the world.

- The scheme will see farm visits conducted by independent auditors at 18 month intervals across 20 areas including housing, hygiene, animal health and welfare, biodiversity and greenhouse gas emissions
- The scheme will demonstrate to our customers that milk is produced sustainably under an accredited scheme
- IDB is fully committed to the scheme's implementation and promotion

Most carbon efficient milk producer in the EU

Cows can graze outdoors for up to **300** days a year

Average herd size of just **65** cows

2/3 of land is used for agriculture

80% of agricultural land is used to grow grass

Sustainability (continued)

The Fitzgerald family from Effin, winners of the NDC & Kerrygold Quality Milk Awards 2013, with Dublin footballer Bernard Brogan

Gesundes Pausenbrot - a healthy lunch initiative launched by Kerrygold in Germany

OUR TEMPERATE CLIMATE AND ABUNDANT GRASSLAND PROVIDE THE IDEAL CONDITIONS FOR NATURALLY SUSTAINABLE DAIRY FARMING

Stocking density of just

1.9 cows per ha.

Quality

In order to maintain these high standards we adhere to strict principles of food safety and quality. We undertake rigorous testing, in conjunction with our member suppliers, to ensure that all of our dairy products meet our customer's requirements and specifications throughout the world.

- All Group subsidiary factories received a Grade A rating in their British Retail Consortium (BRC) audits during 2013
- IDB facilities are also all accredited to the very exacting standards of major retail, ingredient and foodservice customers

Logistics

- In 2013 we introduced environmental score criteria to the Group's logistics tendering evaluation process
- We are working closely with our providers to achieve shared goals

Sustaining our Operations

IDB has committed to improving the environmental performance of our secondary processing facilities and has made substantial investments in this regard. This practical commitment is complimented by a continuous improvement programme incorporating the principles of lean manufacturing.

Some of the efficiency improvements achieved by the Group in 2013 include:

- 13.5% reduction in electricity consumption in IDB Head Office
- 285,858kg of CO2 saved through a lighting upgrade at DPI Northwest
- Extended roll-out of LED fittings in the AFL Plant in the UK
- Introduction of a formalised Energy Management System at IDB Deutschland
- Design and development of a bespoke cooling system using outdoor ambient temperature in Meadow Ingredients in the US
- Meadow Cheese in the UK acknowledged with a WAPSO award for sourcing sustainable palm oil

ALL OF OUR GROUP SUBSIDIARY SITES RECEIVED A GRADE A RATING IN THEIR BRC AUDITS IN 2013

IDB Staff taking part in 'The Kerrygold Mile' race


The Meadow Milk Campaign - 'A Day in the Life', Cavan farmer David Cassidy talks about life on the farm

Sustaining Others

IDB is a co–operative, a business owned by its members, and by extension, the farming communities of Ireland. The IDB's purpose is to create a shared value for the Irish dairy industry and to promote the best of Irish dairy products around the world. We recognise that we must integrate our business values and operations to meet the expectations of our external stakeholders including our suppliers, farmers, customers, employees, the community and local environment. During 2013 we have been very proud to support projects and to partner with organisations that enhance the world around us. Some of the initiatives we supported include:

- Animal Health Ireland
- Macra na Feirme (Young Farmers Association)
- Agri Aware
- NDC & Kerrygold Milk Quality Awards
- Grocery Aid
- 'Gesundes Pausenbrot' a healthy lunch initiative for school children in Germany
- American Youth Soccer Organisation

We are committed to ensuring that Ireland remains the home of sustainable dairy products and that the IDB is a sustainable farming champion. We are dedicated to communicating the benefits of sustainable dairy products to people around the world.

Sustaining our Staff

IDB is committed to encouraging our staff to live and work in a sustainable way. We endeavour to provide the resources to support and develop our staff, both personally and professionally.

- In 2013 the IDB appointed a Head of Group Talent Development to support our staff in achieving their goals

'Couch to Fitness' Health Initiative in association with the Irish Milers Club

- Eight week initiative to encourage walkers and runners of every fitness level to get active and engage in lunchtime walks and runs
- Launched by three time Olympian and former 5000m World Champion Eamonn Coughlan
- This culminated in 'The Kerrygold Mile', a one mile race for walkers and runners

All proceeds from this event went to GOAL, an international humanitarian agency.

Irish farms are family owned

Corporate Governance

The Irish Dairy Board Co-operative Society (IDB or "the Society") is committed to operating in accordance with best practice in corporate governance. This means maintaining the highest standards of financial reporting, business integrity and ethics.

Governance in Action

The IDB Board ("the board") consists entirely of non-executive Directors, appointed or elected in accordance with the Rules of the Irish Dairy Board Co-operative Ltd. The non-executive Directors (board members) represent supplier members to the Society and farming organisations.

The board's principal responsibilities are to, agree overall strategy and investment policy, approve major capital expenditure, provide an essential challenge function to the Chief Executive Officer and other Executives, monitor Executive performance and ensure that good corporate governance is observed at all times including the presence of proper internal controls and risk management practices.

As well as ensuring compliance with its principal legislative duties as set out under the Companies Act 1963-2013 and the Industrial and Provident Societies Acts 1893-1978, the board has a number of matters reserved for its consideration.

It plays a key role in scrutinising financial and business performance. The Group's planning and financial reporting procedures include detailed operational budgets for the year ahead, the delivery of KPIs and a regularly updated five year plan, all of which require board review and approval.

The board receives regular reports on important operational and business issues arising in the three Group divisions. It also receives topical briefs during the year to help individual Directors remain fully informed and responsive to relevant developments.

The board held 10 ordinary meetings in 2013 which covered routine board business. Separate strategically themed workshop meetings were also held.

Measures like these ensure that all board Directors are aware of, and are in a position to, monitor business progress and to discharge effectively their individual Directors' duties under the governing legislation.

Board Performance Evaluation

The board has established a formal and rigorous process to evaluate its performance and that of its sub-committees.

Appointment and Induction

Board members are appointed or elected to serve for one or more terms of four years each. There is no restriction on re-appointment. The Chairman and Vice-Chairman are elected annually by the board. Newly appointed board members undergo a structured induction programme involving presentations and site visits to ensure that they have the necessary knowledge and understanding of the Group and its activities. Continuing development is made available.

Conflicts of Interest and Business Conduct and Ethics

A register of Directors' interests is maintained. Directors make declarations of interests upon appointment, then again periodically during their term of office where a particular issue or event prompts a declaration of interest. A Code of Conduct for the IDB board of Directors addresses the standards required of each member in the performance of his/her functions as a member of the board, including the management of conflicts of interest. Board members are also required to comply with the IDB Code of Business Conduct and Ethics.

Our Governance Structure

The Chairman

The non-executive Chairman's primary role is to ensure good corporate governance by ensuring that the board is in full control of the Society's affairs and alert to its obligations to shareholders. He ensures that the board is kept properly informed, is consulted on all issues reserved to it and that its decisions are made in a timely and considered way so as to enable the Directors to fulfil their duties. There is a clear division of responsibilities between the Chairman and the CEO.

The Non-Executives

All non-executive Directors are entrusted to bring an independent judgement to bear on the issues the board considers. Their wide ranging experience, backgrounds and skill-sets ensure that non-executive Directors can contribute significantly to the board and, specifically, engage in constructive debate and challenge management in relation to both the development of strategy and the performance of the Group against the goals set by the board and the Society's stakeholders. The Chairman meets with the non-executive Directors informally during the year. These meetings and other regular informal discussions create the opportunity for valuable input from the non-executive Directors.

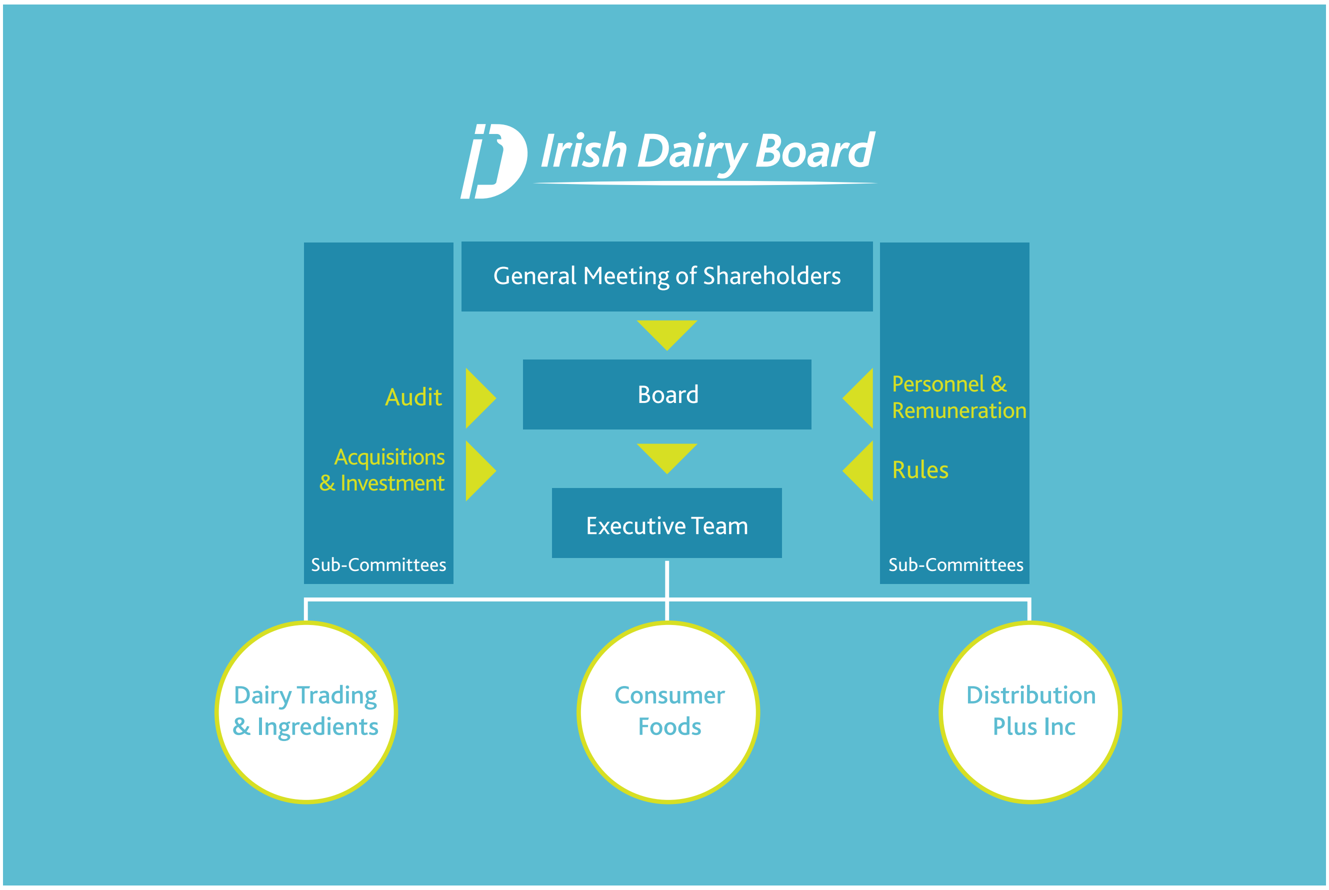
The Chief Executive Officer and Executive Team

The Chief Executive Officer (CEO) has responsibility for ensuring that the organisation and its subsidiary companies operate effectively and to a high standard of probity. The appointment and removal of the CEO is a decision reserved to the board, in accordance with the Rules of the Irish Dairy Board Co-operative Society.

The operational day-to-day management of the Group is delegated by the board to the CEO. The CEO chooses to deliver performance of executive functions by a team of Executive level employees. The CEO is responsible for leading, managing and controlling the Group, save for those matters reserved for decision by the board and/or its Sub-Committees. The Executive team is subordinate to the board.

Corporate Governance (continued)

OUR GOVERNANCE STRUCTURE



The key responsibilities and tasks delegated to the Executive team include:

- implementing board strategy, decisions and board policy;
- monitoring compliance with legislative requirements and rules of the Society;
- ensuring effective performance and co-ordination of the Group's business activities within its divisions;
- overseeing operational performance, including health and safety and sustainability performance;
- monitoring and controlling financial performance; and
- approving expenditure and other financial commitments as delegated by the board.

The Secretary

The board is guided in the lawful and diligent performance of its functions by the Secretary who attends all board meetings. The Secretary facilitates board business through the provision of timely and appropriate advice on matters of law and governance. The Secretary recommends to the Chairman and the CEO corporate governance policies and practices for board consideration where appropriate and advises the board on appropriate procedures for the management of its meetings and the effective discharge of its duties. With the approval of the Chairman and on the advice of the CEO, the Secretary sets the board meeting agenda and order of business and follows up on all outstanding matters. The appointment and removal of the Secretary is a decision reserved to the board. All board directors have access to the confidential counsel of the Secretary as and when necessary.

Board Committees

To provide effective and proper control, certain board functions have been delegated to the following board sub-committees:

Audit Sub-Committee

The Audit Sub-Committee is responsible for a wide range of matters including the scrutiny of the financial statements, significant financial reporting issues, the effectiveness of internal controls, the Group's risk management systems, recommendations to the board as to the appointment of external auditors (including remuneration and other terms of engagement), and the ongoing management of, and the unrestricted access to these relationships, once they are established.

The Audit Sub-Committee monitors, through reports to it by both internal and external audit and management, the controls which are in force and monitors any remedial actions. Periodic updates of the work of the Audit Sub-Committee are provided to the board to facilitate the board's informed assessment of the Group's internal control system and risk management framework.

Corporate Governance (continued)

Personnel and Remuneration Sub-Committee

The Personnel and Remuneration Sub-Committee is responsible for inter alia, setting the remuneration policy of the board and determining the remuneration arrangements of the CEO and, on the recommendation of the CEO, his Senior Direct Reports. In addition, the Sub-Committee is responsible for the oversight of reward structures for the Society to ensure they are consistent with shareholder interest.

Acquisitions and Investment Sub-Committee

The Acquisitions and Investment Sub-Committee reviews and considers proposals from management in respect of significant acquisitions, investments, disposals and capital expenditure and, where appropriate, makes recommendations to the board. A budgetary process and authorisation levels regulate capital expenditure. All investment projects as well as material capital expenditure proposals are evaluated by the Acquisitions and Investment Sub-Committee and are then escalated for board consideration. Approved projects are reviewed periodically by the Acquisition and Investment Sub-Committee to ensure they are being implemented in accordance with the approvals received.

Rules Sub-Committee

The Rules Sub-Committee oversees the implementation of the Rules of the Society and reviews the Rules periodically to ensure that they are appropriate in their application, are consistent with Group strategic objectives and good corporate governance. Where necessary, it makes recommendation to the board on any alteration to or amendment of the Rules.

Internal and External Audit

Internal Audit

The Group benefits from an internal audit function. The internal audit plan requires annual approval and periodic review by the Audit Sub-Committee. The results, recommendations and significant findings are reported to the Executive team via the Head of Internal Audit and are summarised for the Audit Sub-Committee. The Internal Audit function reports directly to the Chairman of the Audit Sub-Committee and the CEO thereby ensuring its independence and objectivity and is afforded unfettered access to these reporting lines and throughout the Group.

External Audit

The external auditors provide the Audit Sub-Committee (as delegated by the board) with reports on the external audit of the Group. The Sub-Committee annually assesses the external auditors' independence and objectivity, the effectiveness of the external audit process, the provision of additional services and the level of non-audit fees.

Risk Management, Assurance and Internal Control

The board acknowledges it has ultimate responsibility for risk, which includes the Group's risk governance structure, and for determining the Group's risk appetite to ensure success in achieving its strategic objectives and maintaining appropriate internal controls. The Audit Sub-Committee has responsibility for reviewing the design and effectiveness of the Group's risk management and internal control systems to ensure an effective process exists for the identification, assessment and management of risk.

Risk Management Framework

The Risk Management strategy and policy set out the Group's attitude to risk. The Group's risk assessment framework underpins a common language and approach to risk management and facilitates the timely identification and assessment of the principal risks and uncertainties facing the Group today. This framework is used as a tool to identify business risk and to consider the appropriate mitigation steps or management actions required to eliminate the risk or to reduce the risk to an acceptable level. The Group Business risk assessment process is carried out annually and involves the Executive team, senior business managers and Internal Audit. While the process is sponsored by the Group Finance Director and Chief Operating Officer, the board and Audit Sub-Committee have a key oversight role.

Risk Monitoring and Reporting

Significant business units are requested to submit their risk register of key business risks for periodic Executive level review. The process requires significant business units to rank their top risks by impact and likelihood of occurrence, and to continually assess the appropriateness of the risk mitigation steps in place. The key focus of this review is to ensure the Group's residual risks are within the scope of what the board is willing to accept in order to achieve its strategic objectives.

During the yearly cycle, these risks are presented to the Audit Sub-Committee as a consolidated register of significant group risks, along with management's key mitigations. This is in addition to ongoing business risk updates to the Audit Sub-Committee provided during the year.

Principal Risks and Uncertainties

The IDB operates in a fast moving, global foods market which is becoming more and more complex and challenging. The Group is becoming increasingly exposed to a large variety of risks which need to be managed in order to achieve our strategic objectives.

The Group has policies, processes and controls in place to largely mitigate against the factors affecting results, where possible.

Corporate Governance (continued)

Some factors affecting results
The success of the IDB depends on its ability to further strengthen its position as a leading international dairy organisation, rewarding its customers and stakeholders through the delivery of high-quality, innovative products using world class brands and superior customer service. These objectives are subject to a degree of seasonality or climatic factors which may have an adverse impact on Group operations.

Any major food safety issue or Irish dairy industry issue could lead to a supply disruption which would ultimately impact the Group's ability to operate and have a serious impact on the Group's reputation and brands or our customer's brands. These may result in a loss of revenue growth momentum, however, IDB is confident in the underlying strength of our key brands and our strong brand platform should continue to lead product innovation and market growth.

The Group is highly dependent on commodity pricing, and the sustainable supply of raw materials which includes members' forecasted volumes following the abolition of milk quotas in 2015. Any adverse changes in these could have a negative impact on the Group's financial results.

Current volatility in the global economy may adversely affect customer spending which could result in less demand for our products.

The Group is also exposed to financial market volatility including currency fluctuation risks which are controlled via our centrally operated Treasury function. Further, some trade receivables and large customer concentration risks give rise to credit risk, which is diversified based on our risk appetite, while the Group has trade credit insurance as a measure of last resort.

Failure to execute, identify or properly integrate new acquisitions and/or divestitures could impact the overall financial performance of the Group.

The Group is largely reliant on timely and accurate information including numerical data from key software applications. These are required without disruption to enable an effective and efficient day-to-day decision making process to occur, and controls are in place for disaster recovery to minimise business interruptions.

The Group has controls in place to comply with environmental regulations which apply in all countries in which it operates. The Group is committed to growing its business in a sustainable manner, mindful of our impact on the environment. We take pride in the fact that our products are sustainably produced and this has become an inherent expectation of our key customers.

IDB is subject to Health & Safety regulations in all countries in which it operates. Certain policies and procedures have been put in place to ensure the Group is compliant with each of these regulations and has ensured the protection of the safety and welfare of all employees and contractors.

As with any business, there is a risk of fraudulent activity, which the Group's control environment and anti-fraud programme is designed to mitigate.

The Group can be subject to legal claims arising through the normal course of business. The Group has put in place relevant policies and procedures to ensure there are valid defences against such claims.

As the Group continues its growth strategy to build new routes to market for Irish dairy produce, heightened integration risks, new regions expansion risks, including political instability, fraud risks and foreign trade risks in certain markets could adversely impact on trade and are monitored carefully.

The Group is heavily reliant on some key personnel and failure to attract, retain and develop creative, committed and skilled employees will impact the Group's ability to achieve its strategic objectives.

Directors' Report

for the period ended 28 December 2013

The Directors submit their report together with the audited financial statements for the period ended 28 December 2013.

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 which 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 purchase, marketing and sale of consumer dairy products and dairy food ingredients worldwide through its subsidiaries and extensive network of distributors. Consumer dairy products are marketed primarily under the Kerrygold, Pilgrims Choice, MU and Beo brands and the Consumer Foods division's activities are supported by cheese packing facilities in the UK and butter packing facilities in Germany. The Dairy Trading & Ingredients division sells and trades products across the globe and its facilities include powder blending and packing in the UK and ingredient cheese processing in the UK and US.

The Group owns a speciality food distribution network in the US 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 Turnover of over €2.1 billion in 2013, up 5% year-on-year and a very strong Operating Surplus of €25.8 million, up 25% on prior year. The strong operating performance enabled a €11 million bonus to be declared to members, an increase of 16% on the year prior, and a payment of €2 million to an emergency fund for Irish dairy farmers in response to the unprecedented fodder crisis in 2013. The Group closed the year with a very strong Balance Sheet, with net assets of €417 million, debt free and with Cash of €51.9 million, leaving the business in a very strong financial position to support its business growth strategy.

2013 was a dramatic year for dairy markets. The Q1 drought in New Zealand and a prolonged winter in Europe led to a significant reduction in milk output levels in the first half of the year compared to 2012. This relative milk scarcity occurred in the face of tight stocks and very strong emerging market demand, particularly in China. Mid-year was passed before milk-output from the major world producers recovered, but it took the remainder of the year before output in the EU and New Zealand climbed above the previous year's levels. This shortfall in output from the EU and New Zealand gave the US the opportunity to plug supply gaps around the world.

Milk scarcity in the face of strong demand caused prices to rise quickly in early Q2, with Whole Milk Powder prices rising more than 60% between January and April on the GDT auction. EU prices for 2013 were up more than 25% on average over 2012 levels for the major product groups of Butter, Skim Milk Powder and Whole Milk Powder, with returns for commodity cheeses up approximately 10%. These very high prices, combined with benign input costs, stimulated a supply response but caused some demand burn-off in less wealthy regions, which was more than compensated for by growth in wealthier markets.

The Group's Consumer Foods division reported a solid result for 2013 against a back-drop of high input prices. The division achieved record volume and market share in Germany and the US and further enhanced both the Pilgrims Choice and Kerrygold brands in the UK. 2013 also saw the continuation of the Group's investment in its brands through increased advertising and promotions, research and NPD. In addition, investment in in-market presence increased significantly, with new regional offices in South Africa, Russia and China, complementing the Group's growing presence in the Middle East. With these additional investments, the Consumer Foods business is positioned for optimum growth.

The Dairy Trading & Ingredients division reported a solid trading performance for 2013, with strong growth in volume, Turnover and Operating Surplus. The Republic of Ireland and US businesses performed particularly well, but the UK businesses, while up year-on-year, did find local market conditions more challenging in 2013. The businesses acquired in recent years (Meadow Ingredients USA LLC, Thiel Cheese & Ingredients LLC and The Cheese Warehouse Limited) have been successfully integrated and are performing ahead of plan. The division is focussed on investing in the future and enhancing product returns for the members and is well positioned to take full advantage in adding value to the increased dairy volumes post 2015.

The restructuring of the US Distribution division, DPI, is complete and this division reported year-on-year growth in both Turnover and Operating Surplus. Despite the continuing competitive market, Turnover growth has been achieved from both existing and new customers, with a pipeline of significant new business already secured for 2014. With a strong management team now in place and with a clear understanding of customer needs, this division is set for an exciting 2014.

Directors' Report (continued)
for the period ended 28 December 2013

Operational Highlights
The Group's Business Transformation Strategy continues to deliver strong results across the business. Key operational highlights from 2013 were:

- Implementation of lean manufacturing principles which delivered an incremental €2 million annualised benefit to the business in 2013. This brings accumulative savings since the programme began in January 2011 to €7.25 million.
- Increased investment in brand development and NPD. Products launched include:
  - Speciality butters in upside down tubs for the German market
  - Butterkäse, a mild creamy cheese developed for the German palate
  - Kerrygold Spreadable and Pilgrims Choice Sticks in the UK
  - The AdPure dairy ingredients range, offering cost effective functional food solutions for customers
- The successful roll-out of the Kerrygold marketing campaign, Meadow Milk, to international consumers across key markets
- New sales and marketing offices set up in Russia, China, Saudi Arabia and South Africa, with 25 new staff placed in-market
- Investment in developing and strengthening in-market partnerships in Algeria, Democratic Republic of Congo and Angola
- Investment in a new production, packing and storage facilities in Germany
- Completion of a state-of-the art Dairy Innovation and Cheese Additives Centre at Adams Foods, Leek
- UK subsidiary, Adams Foods negotiation of a long term strategic partnership with First Milk, strengthening its position as one of the leading suppliers of Irish and British cheese in the UK
- Acquisition of a 75% shareholding in Al Wazeen Trading LLC and the development of plans to build a cheese manufacturing facility
- Significant investment provided to Executive Education, Leadership Development, Mentoring and Coaching Development, Succession Planning and Personal Effectiveness programmes and supports

Future Developments
The Group has made a significant investment across the business over the past four years as it prepares itself to take advantage of the opportunities the post quota environment will bring. The Group will continue to invest in its people, develop new products and build and enhance routes to market, reinforcing its role in driving the growth potential of the Irish dairy sector.

Research and Development
Innovation has played a critical role in the Group's successes over recent years. The NPD team has made great progress in developing innovative branded and ingredients products to meet consumer and customer needs across global markets. The Group will continue to invest its consumer and market insight capabilities to drive its product growth plan.

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 36 to the financial statements.

Directors' and Secretary's Shareholdings
The Directors and secretary and their families had no interests in the shares of the Parent Society or any other Group company at any time during the period.

Political Donations
The Group did not make any political donations during the year (2012: nil).

Auditors
The rules of the Society provide that the Auditor shall be appointed at the Annual General Meeting.

Post Balance Sheet Events
Except for the following, there have been no significant events since the period end which require disclosure in the financial statements:

- In March 2014, the Group entered into a new five year syndicated financing agreement with facilities available of €165 million. This replaced the existing €160 million syndicated facility. Also, in March 2014, a number of member suppliers to the Group entered into a new five year Reverse Invoice Discounting (RID) facility with committed facilities of €200 million, stepping up to €255 million over the period of the facility. This replaced the existing €190 million RID facility.

- In March 2014, the Group completed the strategic partnership with First Milk, the UK dairy co-operative. This strategic partnership further strengthens Adams Foods' position as one of the UK's leading suppliers of Irish and British cheese to major retailers and foodservice customers in the UK. The agreement will establish a fully integrated supply chain for hard cheese across the UK food sector through harnessing the complementary resources, skills and experience of both companies.

Directors' Report (continued)
for the period ended 28 December 2013

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

Board Members		Representing
Aaron Forde (i) (ii) (iii) (iv)	Chairman	Aurivo Co-operative Society Limited
Kevin Kiersey (i) (iii) (iv)	Vice Chairman	Irish Farmers Association
Jim Bergin (iii) (iv)	Appointed February 2013	Glanbia Ingredients Ireland Limited
Vincent Buckley (i) (ii) (iii) (iv)	(Resigned June 2013)	Dairygold Co-operative Society Limited
Jackie Cahill (ii) (iii)		Irish Creamery Milk Suppliers Association
Vincent Gilhawley (i) (iv)		Electoral Area A
Michael Hanley (iii)		Electoral Area D
Liam Herlihy (ii)		Glanbia Ingredients Ireland Limited
Dan MacSweeney (ii) (iv)		Carbery Food Ingredients Limited
Sean McAuliffe (i) (ii)		Electoral Area C
Ted O'Connor (ii)		Tipperary Co-operative Society Limited
John O'Brien (i)	Chairman Audit Sub-Committee	Electoral Area B
Bertie O'Leary(i)	Appointed June 2013	Dairygold Co-operative Society Limited
Conor Ryan (i) (iv)		Arrabawn Co-operative Society Limited
Jim Russell (ii)		Irish Co-operative Society Limited
Jim Woulfe (iv)		Dairygold Co-operative Society Limited

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 of Directors

Aaron Forde
Chairman
12 March 2014

John O'Brien
Director

Independent Auditor's Report
to the members of Irish Dairy Board Co-operative Limited

We have audited the group financial statements (''financial statements'') of Irish Dairy Board Co-operative Limited ("the Society") for the period ended 28 December 2013 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Group Cash Flow Statement, the Statement Of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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 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 Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 30 the directors are responsible for the preparation of the Annual Report and the Society's financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

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

Opinion on Financial Statements
In our opinion:
- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Society's affairs as at 28 December 2013 and of the Society's surplus for the period then ended; and
- the financial statements have been properly prepared in accordance with the Generally Accepted Accounting Practice in Ireland.

Matters on which we are Required to Report by the Industrial and Provident Societies Act
As required by Section 13(2) of the Industrial and Provident Societies Act 1893, we examined the balance sheets showing the receipts and expenditure, funds and effects of the Society, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched and in accordance with law.

Tom McEvoy
For and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2

12 March 2014

Group Profit & Loss Account

for the period ended 28 December 2013

	Notes	2013 €'000	2012 €'000
Turnover			
Continuing operations	2	2,124,088	1,957,287
Discontinued operations	2	-	70,880
		2,124,088	2,028,167
Cost of sales	3	(1,835,082)	(1,749,999)
Gross surplus	3	289,006	278,168
Selling and distribution expenses	3	(211,848)	(205,151)
Administration expenses	3	(45,841)	(46,954)
Goodwill amortisation	3	(5,481)	(5,386)
Operating surplus			
Continuing operations	3	25,836	19,295
Discontinued operations	3	-	1,382
		25,836	20,677
Exceptional items			
Exceptional items from continuing operations	6	473	3,107
Loss on disposal of subsidiary undertaking	12	-	(7,214)
Surplus on ordinary activities before financing		26,309	16,570
Interest payable (net)	7	(3,050)	(3,293)
Other finance costs (net)	32	(413)	(1,036)
Surplus on ordinary activities before taxation	4	22,846	12,241
Taxation	8	(3,312)	(4,770)
Surplus on ordinary activities after taxation		19,534	7,471
Attributable to minority interest	27	101	(95)
Retained surplus for the period		19,635	7,376
Revenue reserves at beginning of period		378,279	375,377
Actuarial profit/(loss) on post retirement liabilities (net of deferred tax)		6,108	(9,920)
Goodwill transfer from reserves	12	-	9,946
Transfer to annual bonus fund	9	(4,500)	(4,500)
Revenue reserves at end of period		399,522	378,279

There is no significant difference in the surplus as disclosed in these financial statements and the surplus as calculated on a historic cost basis.

The notes on pages 38 to 59 form part of these financial statements.

On behalf of the board of Directors

Aaron Forde
Chairman
12 March 2014

John O'Brien
Director

Group Balance Sheet
as at 28 December 2013

	Notes	2013 €'000	2012 €'000
Fixed assets			
Goodwill	10	38,815	37,189
Tangible assets	11	127,222	122,930
Assets held for sale	14	8,365	8,689
Financial assets	15	156	157
		174,558	168,965
Current assets			
Stock	16	438,763	408,475
Debtors	17	272,470	229,893
Other financial assets	30	7,239	7,343
Cash and bank balances	29	51,905	19,729
		770,377	665,440
Creditors: amounts falling due within one year	18	(494,862)	(385,501)
Net current assets		275,515	279,939
Total assets less current liabilities		450,073	448,904
Creditors: amounts falling due after one year	21	(9,081)	(13,045)
Provision for liabilities	22	(1,888)	(1,659)
Net assets before post retirement liabilities		439,104	434,200
Post retirement liabilities	32	(21,735)	(28,977)
Net assets		417,369	405,223
Capital and reserves			
Called up share capital	23	19,523	19,478
Revenue reserves		399,522	378,279
Other reserves	24	(28,296)	(21,735)
Capital levy account	25	256	256
Members' equity interest (before annual bonus fund and redeemable loan stock)		391,005	376,278
Annual bonus fund	9	4,500	4,500
Redeemable loan stock	9	20,501	23,966
Members' funds	26	416,006	404,744
Minority equity interest	27	1,363	479
		417,369	405,223

The notes on pages 38 to 59 form part of these financial statements.

On behalf of the board of Directors

Aaron Forde
Chairman
12 March 2014

John O'Brien
Director

Group Cash Flow Statement

for the period ended 28 December 2013

	Notes	2013 €'000	2012 €'000
Net cash inflow from operating activities	28	74,660	163,406
Return on investments and servicing of finance			
Interest paid		(2,649)	(5,304)
Interest received		1,116	2,011
		(1,533)	(3,293)
Taxation		(2,727)	(1,516)
Capital expenditure and financial investment			
Purchase of tangible assets	11	(21,556)	(12,696)
Sale of tangible assets		965	533
Insurance settlement	6	-	1,438
Sale of financial asset	15	-	3,751
		(20,591)	(6,974)
Acquisitions and disposals			
Acquisition of subsidiary undertaking (net of cash acquired)	13	(346)	(8,278)
Proceeds from sale of subsidiary undertaking	12	-	10,372
		(346)	2,094
Cash inflow before management of liquid resources and financing		49,463	153,717
Management of liquid resources			
Change in deposits		-	13,700
Financing			
Decrease in debt	20	(9,000)	(174,061)
Payments in respect of loan stock redeemed		(7,814)	(7,920)
Decrease in restricted cash	30	104	9,245
		(16,710)	(172,736)
Increase/(decrease) in cash in the period		32,753	(5,319)

Reconciliation of net cash flow to movement in net cash/(debt)		€'000	€'000
Increase/(decrease) in cash in the period		32,753	(5,319)
Decrease in liquid resources		-	(13,700)
Decrease in debt financing		9,000	174,061
Movement in net cash resulting from cash flows	29	41,753	155,042
Exchange movements		(577)	(564)
Net cash/(debt) at beginning of period		10,729	(143,749)
Net cash at end of period	29	51,905	10,729

On behalf of the board of Directors

Aaron Forde
Chairman
12 March 2014

John O'Brien
Director

Statement of Total Recognised Gains & Losses
for the period ended 28 December 2013

	Notes	2013 €'000	2012 €'000
Surplus on ordinary activities after taxation		19,534	7,471
Actuarial profit/(loss) on post retirement liabilities (gross of taxation)	32	7,194	(11,361)
Deferred tax movement on actuarial profit/(loss) on post retirement liabilities		(1,086)	1,441
Goodwill transfer from reserves	12	-	9,946
Currency translation loss on intercompany loans	24	(6,040)	(4,335)
Currency translation (loss)/gain on foreign currency net investments	24	(521)	1,451
Total recognised gains and losses for the period		**19,081**	**4,613**
Attributable to:			
Equity holders of the Parent		19,191	4,518
Minority Interest	27	(110)	95
		19,081	4,613

On behalf of the board of Directors

Aaron Forde
Chairman
12 March 2014

John O'Brien
Director

Notes to the Financial Statements

1. Statement of accounting policies

(a) Basis of preparation
The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Financial Reporting Council, as promulgated 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 28 December 2013. The results of subsidiary companies are consolidated from their effective date of acquisition. Goodwill which arose on acquisitions prior to 31 December 1997 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 recorded at the rate ruling at the date of the transaction or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

The Group's net investments in overseas subsidiary undertakings, joint ventures and associates are translated at the rate ruling at the balance sheet date except for goodwill. Goodwill arising on the investment in foreign currency subsidiaries is included at historic cost to the Group. In certain cases the Group provides long term loans to overseas subsidiaries, and such loans form part of the Group's net investment in those overseas subsidiaries. The profits and losses of overseas subsidiary undertakings, joint ventures and associates are translated at average rates for the year. Exchange differences resulting from the retranslation of the net investment in overseas subsidiary undertakings, joint ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, 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 =	2013	2012	2013	2012
US$	1.3275	1.2859	1.3758	1.3245
GB£	0.8488	0.8114	0.8353	0.8216

(e) Financial instruments
The Parent 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 produce 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 Income 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 are included in turnover.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(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 is provided on a straight line or reducing balance basis as appropriate, the principal annual rates being as follows:

Freehold buildings:	2% to 5%
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 impairment of tangible fixed assets.

(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 31 December 1997 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 1998 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.

(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 unit 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 fair 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 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 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.

(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 substantively 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.

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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(o) Taxation (continued)
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 substantively 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
Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

(s) Pensions
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 plans 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 plans 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 surplus 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 costs 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 experience (gains)/losses 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.

(t) Assets held for sale
A tangible fixed asset is classified as held for sale when its carrying amount will be recovered principally through a sale transaction. Tangible fixed assets held for sale are carried at the lower of their carrying amount, or fair value less costs to sell.

(u) Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area that has been disposed of. Classification as a discontinued operation occurs upon disposal. When an operation is classified as a discontinued operation, the comparative Group profit and loss account is represented as if the operation had been discontinued from the start of the comparative period.

(v) Provisions
A provision is recognised when the Group has a present (either legal or constructive) obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount required to settle the obligation. A provision for restructuring is recognised when the Group has approved a restructuring plan and the restructuring has commenced. Insurance provisions are recognised to cover claims including claims which are known to be incurred but not reported at period end.

(w) Share based payment
The Group operates a Long Term Incentive Plan (LTIP). The LTIP is a cash settled share-based payment scheme which provides for options to be granted to a limited number of executives and senior management. Options are granted based on the value of a Notional Company "Irish Dairy Board Long Term Incentive Plan" (IDBLTIP). The value of IDBLTIP is primarily derived from an adjusted Group EBIT calculation adjusted to reflect product prices returned to members and some other variables. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimate of the number and value of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit & loss account, and a corresponding adjustment to liabilities.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(x) Estimation techniques
The following accounting policies utilise estimation techniques: tangible assets, goodwill, impairment and pensions.

(y) Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

2. Turnover

	2013 Continuing operations €'000	2013 Discontinued operations €'000	2012 Continuing operations €'000	2012 Discontinued operations €'000
(a) By activity				
Consumer Foods	806,675	-	690,973	70,880
Dairy Trading & Ingredients	646,888	-	621,403	-
US Distribution	670,525	-	643,065	-
Other	-	-	1,846	-
	2,124,088	-	1,957,287	70,880
(b) By destination				
UK	655,322	-	617,283	2,204
Other EU	423,095	-	343,048	68,676
North America	841,824	-	795,207	-
Other	203,847	-	201,749	-
	2,124,088	-	1,957,287	70,880
(c) By origin				
Ireland	1,085,235	-	959,455	8,793
UK	246,933	-	243,313	125
Other EU	42,091	-	45,661	61,962
North America	748,817	-	708,858	-
Rest of the World	1,012	-	-	-
	2,124,088	-	1,957,287	70,880

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.

Discontinued operations represent a subsidiary undertaking disposed of in 2012 (note 12).

Notes to the Financial Statements (continued)

3. Analysis of continuing and discontinued operations

	2013 Continuing operations €'000	2013 Discontinued operations €'000	2012 Continuing operations €'000	2012 Discontinued operations €'000
Turnover	2,124,088	-	1,957,287	70,880
Cost of sales	(1,835,082)	-	(1,683,699)	(66,300)
Gross surplus	289,006	-	273,588	4,580
Selling and distribution expenses	(211,848)	-	(203,053)	(2,098)
Administration expenses	(45,841)	-	(45,854)	(1,100)
Goodwill amortisation	(5,481)	-	(5,386)	-
Operating surplus	25,836	-	19,295	1,382

4. Surplus on ordinary activities before taxation is stated after charging:

	2013 €'000	2012 €'000
Depreciation (note 11)	14,543	16,067
Goodwill amortisation (note 10)	5,481	5,386
Operating lease rentals	8,114	5,846
Auditor's remuneration - audit fee	618	646
Directors' fees	352	351

5. Employees and remuneration

	2013 No.	2012 No.
The average number of persons employed by the Group including executive directors, is analysed into the following categories:		
Production	1,006	1,069
Selling and distribution	1,720	1,724
Administration	338	311
	3,064	3,104

The staff costs are comprised of:	€'000	€'000
Wages and salaries*	119,861	119,742
Social welfare costs	17,316	19,637
Pension costs (included in operating surplus)	3,957	3,409
Staff costs included in operating surplus	141,134	142,788
Pension - other finance costs (net) (note 32)	413	1,036
Total charged to profit and loss account	141,547	143,824
Actuarial (profit)/loss on defined benefit pension schemes, net of deferred taxation, recognised in equity	(6,108)	9,920
Total aggregate payroll costs	135,439	153,744

*Includes €0.5m of share based payment expense in 2013.

Notes to the Financial Statements (continued)

5. Employees and remuneration (continued)

These costs are recognised in the following line items in the profit and loss account and statement of total recognised gains and losses respectively:

Profit and loss account	€'000	€'000
Cost of sales	30,311	31,571
Selling and distribution expenses	84,197	85,208
Administration expenses	26,626	26,009
Included in operating surplus	141,134	142,788
Other finance costs (net) (note 32)	413	1,036
Total charged to profit and loss account	141,547	143,824
Statement of total recognised gains and losses		
Actuarial (profit)/loss on pension schemes, net of deferred taxation, recognised in equity	(6,108)	9,920
Total aggregate payroll costs	135,439	153,744

6. Exceptional items

	2013 €'000	2012 €'000
Disposal & write off of tangible assets (i)	473	-
Disposal of investment shares (ii)	-	3,625
Insurance settlement (iii)	-	1,438
US restructuring costs (iv)	-	(241)
US closure costs (v)	-	(1,715)
Loss on disposal of subsidiary company (vi)	-	(7,214)
	473	(4,107)

Continuing operations

(i) During the period the Group disposed of tangible assets at a profit and wrote off some obsolete tangible assets.

(ii) In October 2012, the Group's subsidiary in Germany, IDB Deutschland GmbH, disposed of investment shares in TKC Bocholt GmbH giving rise to the above gain (note 15).

(iii) During 2012, the Group settled an insurance claim relating to a fire at one of its UK operations. The claim was based on the reinstatement value of the assets destroyed which was greater than the book value written off, giving rise to the above gain.

(iv) Following the loss of a major customer in the Group's US distribution business in 2011, the Group undertook a fundamental restructuring of this business. The costs in 2012 represent the associated reorganisation costs of this restructure.

(v) In September 2012, the Group decided to close one of its retail distribution operations, DPI Specialty Foods Midwest Inc. in the USA and to place the building no longer needed, for sale. The costs for 2012 above represent the costs associated with this closure.

Discontinued operations

(vi) In October 2012, the Group disposed of its remaining Belgium subsidiary IDB Belgium N.V., a continental cheese packing facility (note 12).

Notes to the Financial Statements (continued)

7. Interest payable (net)

	2013 €'000	2012 €'000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years, other than by instalments	4,216	5,304
Interest receivable:		
Interest receivable	(1,166)	(2,011)
	3,050	3,293

8. Taxation

	2013 €'000	2012 €'000
(a) Analysis of taxation charge in the period		
Current tax		
Irish corporation tax on the surplus for the period	500	391
Adjustments in respect of previous periods	(886)	(414)
	(386)	(23)
Foreign tax		
Foreign corporation tax on surplus for the period	3,164	4,342
Adjustments in respect of previous periods	465	(399)
	3,629	3,943
Total current tax	3,243	3,920
Deferred tax		
Origination and reversal of timing differences	69	850
Tax on surplus on ordinary activities	3,312	4,770
(b) Factors affecting tax charge for the period		
Surplus on ordinary activities before tax	22,846	12,241
Surplus on ordinary activities at the standard rate of corporation tax in Ireland of 12.5%	2,856	1,530
Effects of:		
Foreign rates of tax different from Irish rates	4,970	2,209
Utilisation of tax losses (net)	(5,340)	-
Expenses/income not deductible/taxable	(805)	66
Movement in other timing differences	1,983	928
Adjustments in respect of prior periods	(421)	(813)
Current tax charge for the period	3,243	3,920

Notes to the Financial Statements (continued)

9. Annual bonus fund and redeemable loan stock

The board is empowered under the Rules of the Irish Dairy Board Co-operative 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 2013 is €4.5m (2012: €4.5m) and is subject to the 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 has 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 to the value of €7.9m (2012: €7.9m) issued in respect of the 2008 financial period, 50% was paid in cash (the rest was included in creditors) and when combined with cash payments relating to previous years resulted in total cash payments of €7.8m in 2013 (2012: €7.9m).

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 2012 and intends to distribute redeemable loan stock and bonus shares in respect of the amount transferred to the annual bonus fund in 2013.

The movement in the redeemable loan stock balance during the period was as follows:

	2013 €'000	2012 €'000
At beginning of period	23,966	27,926
Transferred from annual bonus fund	4,500	4,000
Redemption of loan stock	(7,920)	(7,920)
Issue of bonus shares	(45)	(40)
At end of period	**20,501**	**23,966**

10. Goodwill

	2013 €'000	2012 €'000
Cost		
At beginning of period	67,099	64,268
Arising on acquisition of businesses (note 13)	7,107	2,831
	74,206	67,099
Amortisation		
At beginning of period	29,910	24,524
Amortised during the period	5,481	5,386
	35,391	29,910
Net book amount		
At end of period	**38,815**	**37,189**

Notes to the Financial Statements (continued)

10. Goodwill (continued)

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 €41.2m (2012: €41.2m). On disposal of subsidiaries, where the related goodwill was written off against reserves, this is transferred back from reserves and charged to the profit and loss account. In 2012, €9.9m was transferred from reserves and charged to the profit and loss account in relation to the disposal of IDB Belgium N.V. (note 12).

There were no indicators of impairment in goodwill arising in the year and in the opinion of the Directors the fair value of goodwill is not less than the carrying value.

The expected useful economic life of the above goodwill is no more than 15 years.

11. Tangible Assets

	Land and Buildings				
	Freehold Land €'000	Freehold Buildings €'000	Leasehold Buildings €'000	Plant, Equipment and vehicles €'000	Total €'000
Cost					
At beginning of period	6,113	119,937	140	127,822	254,012
Reclassification	2,066	3	999	(3,068)	-
Additions in the period	377	5,960	1,995	13,224	21,556
Acquired in business combination (note 13)	-	-	-	125	125
Disposals in the period	-	(347)	-	(1,931)	(2,278)
Exchange movements	(130)	(2,513)	(87)	(2,744)	(5,474)
	8,426	**123,040**	**3,047**	**133,428**	**267,941**
Depreciation					
At beginning of period	-	45,271	111	85,700	131,082
Charge for the period	-	4,122	674	9,747	14,543
Disposals in the period	-	(152)	-	(1,633)	(1,785)
Exchange movements	-	(1,143)	(66)	(1,912)	(3,121)
	-	**48,098**	**719**	**91,902**	**140,719**
Net book amount					
At 28 December 2013	**8,426**	**74,942**	**2,328**	**41,526**	**127,222**
At 29 December 2012	**6,113**	**74,666**	**29**	**42,122**	**122,930**

The buildings, plant, equipment and vehicles are insured at a value of €251.6m (2012: €288.5m).

Notes to the Financial Statements (continued)

12. Disposal of subsidiary company

During 2012, the Group disposed of IDB Belgium N.V., (Yoko) which was registered in Belgium.

	2012
Details of the net assets disposed of are as follows:	€'000
Tangible fixed assets	3,722
Stock	3,880
Debtors	12,677
Creditors	(12,639)
Net assets disposed of	7,640
Consideration	10,372
	2,732
Goodwill previously written off against reserves	(9,946)
Loss on disposal	**(7,214)**

13. Acquisition of subsidiary undertaking

In October 2013, the Group acquired a 75% interest in Al Wazeen Trading Company LLC a company based in Saudi Arabia.

	2013
Fair value of the net assets acquired at date of acquisition was as follows:	€'000
Tangible fixed assets (note 11)	125
Stock	146
Debtors	436
Cash*	4,046
Creditors	(664)
	4,089
Minority equity interest (note 27)	(1,022)
Net assets acquired	3,067
Goodwill arising on acquisition	1,325
Total acquired	**4,392**
Satisfied by:	
Cash consideration*	4,392

* Cash consideration net of cash acquired is €346k.

During 2013, the Group has booked an amount of €5.8m as an estimate of further deferred consideration arising in relation to the acquisition of Meadow Ingredients USA, LLC in a prior period. This deferred consideration results in an addition to goodwill of €5.8m.

Notes to the Financial Statements (continued)

13. Acquisition of subsidiary undertaking (continued)

On 10 July 2012, the Group acquired a 100% interest in The Cheese Warehouse Limited.

	2012 €'000
Fair value of the net assets acquired at date of acquisition was as follows:	
Tangible fixed assets	2,471
Stock	1,387
Debtors	5,839
Deferred tax (note 21)	(61)
Creditors	(4,189)
Net assets acquired (excluding cash)	5,447
Goodwill arising on acquisition (note 10)	2,831
Total acquired	**8,278**
Satisfied by:	
Cash consideration	8,278

14. Asset held for sale

	2013 €'000	2012 €'000
At beginning of the period	8,689	-
Transfer from freehold land & buildings	-	8,689
Exchange movements	(324)	-
At end of period	**8,365**	**8,689**

In September 2012, the Group decided to close its retail distribution operation, DPI Specialty Foods Midwest Inc., in the USA and to place the building, no longer needed, for sale. The carrying value of the asset above represents the cost net of impairment. This building has been sold in 2014 and its carrying value has been fully recovered.

15. Financial assets

	2013 €'000	2012 €'000
At beginning of the period	157	283
Disposal in the period (note 6)	-	(126)
Exchange movements	(1)	-
At end of period	**156**	**157**

In October 2012, IDB Deutschland GmbH, the Group's German subsidiary, disposed of shares held in a private company, TKC Bocholt GmbH. In the opinion of the Directors the fair value of trade investments is not less than the carrying value.

Notes to the Financial Statements (continued)

16. Stock

Stocks at period end primarily consist of finished goods for consumption. There are no material differences between the replacement cost of stock and the amount carried in the balance sheet.

17. Debtors

	2013 €'000	2012 €'000
Due within one year:		
Trade debtors	242,643	208,536
Prepayments	14,556	12,907
Corporation tax debtors	855	-
Other debtors	13,576	6,662
	271,630	228,105
Due after one year:		
Deferred taxation (i)	840	1,788
	272,470	**229,893**
(i) Arising from:		
Timing differences	**840**	**1,788**
Deferred tax asset at start of period	1,788	2,047
Charge for the period	(1,049)	(235)
Exchange movements	(9)	4
Transfer to pension deficit	110	(28)
Deferred tax asset at end of period	**840**	**1,788**

The Group has not recognised deferred tax assets of €4.9m on the basis that there is insufficient evidence that these assets will be recoverable.

18. Creditors: amounts falling due within one year

	2013 €'000	2012 €'000
Trade creditors	174,924	155,161
Amount due to factor (note 20)	151,296	100,552
Accruals	151,848	113,429
Redeemable loan stock (note 9)	3,914	3,915
Taxation creditors (note 19)	4,280	3,444
Deferred consideration on acquisition	8,600	-
Bank loans (note 20)	-	9,000
	494,862	**385,501**

19. Taxation creditors

	2013 €'000	2012 €'000
Corporation tax	2,564	1,414
PAYE	1,331	1,492
PRSI	321	538
VAT	64	-
	4,280	**3,444**

Notes to the Financial Statements (continued)

20. Loans and overdrafts

	2013 €'000	2012 €'000
Amounts falling due within 1 year	-	9,000

In December 2011, the Group entered into a new three year syndicated financing agreement with facilities available of €160m.

All material subsidiaries of the Group entered into cross guarantees for the debts under this agreement and also are subject to a negative pledge that security will not be granted to any party during the course of the agreement.

The Group is subject to certain financial covenants and other restrictions during the period of this agreement.

Separately, a number of member suppliers to the Group entered into a three year agreement (reverse invoice discounting or RID facility) with a panel of International Banks led by Rabobank International to sell amounts owed to them by the Group to the value of €190m. Under this agreement, the Group acknowledges invoices on behalf of the member suppliers to enable them to receive early payment of those invoices. Upon acknowledgement of member invoices which have been sold to Rabobank, the Group's obligations to the member is extinguished and the Group thereafter assumes an obligation to pay the amount of member invoices sold (2013: €151.3m, 2012: €100.6m) to Rabobank. As a result of its introduction, the facility has had a positive impact on the working capital of the Group.

In March 2014, the Group entered into a new five year syndicated financing agreement with facilities available of €165m. This replaced the existing €160m syndicated facility. Also, in March 2014, a number of member suppliers to the Group entered into a new five year RID facility with committed facilities of €200m, stepping up to €255m over the period of the facility. This replaced the existing €190m RID facility.

21. Creditors: amounts falling due after one year

	2013 €'000	2012 €'000
Redeemable loan stock (note 9)	7,912	7,868
Deferred taxation (i)	1,169	2,219
Deferred consideration on acquisition	-	2,958
	9,081	**13,045**
(i) Arising from:		
Accelerated capital allowances	1,919	2,219
Other timing differences	(750)	-
	1,169	**2,219**
Provision for deferred tax at start of period	2,219	1,530
Deferred tax on acquisition (note 13)	-	61
(Credit)/charge for the period	(980)	615
Transfer to pension deficit	(28)	-
Exchange movements	(42)	13
Provision for deferred tax at end of period	**1,169**	**2,219**

Notes to the Financial Statements (continued)

22. Provision for liabilities

	Insurance Provision € '000
At beginning of the period	1,659
Provided during the period	301
Utilised during the period	(72)
At end of period	**1,888**

The insurance provision relates to reserves within the Group's insurance company to cover claims incurred but not recorded at period end. The additional amount provided during the period reflects the period end reserves required. The amount utilised during the period is in respect of claims reported or paid during the period.

23. Share capital

	2013 No of Shares	2013 €'000	2012 No of Shares	2012 €'000
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	1,587,656	1,588	1,542,656	1,543
Deferred ordinary shares of €1 each	17,916,961	17,917	17,916,961	17,917
		19,523		19,478

The shareholding of the Parent Society 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. Bonus shares issued during the period relate to the redemption of loan stock (note 9).

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.

Notes to the Financial Statements (continued)

24. Reconciliation of movement in other reserves

	Foreign Currency Translation Reserve €'000	Share Premium €'000	Total €'000
At beginning of period	(21,767)	32	(21,735)
Loss on translation of overseas subsidiary companies' net assets	(6,561)	-	(6,561)
At end of period	**(28,328)**	**32**	**(28,296)**

25. Capital levy account

	2013 €'000	2012 €'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.

26. Reconciliation of movements in members' funds

	2013 €'000	2012 €'000
Surplus for the period	19,635	7,376
(Loss)/gain on translation of overseas subsidiary companies' net assets (note 24)	(6,561)	(2,884)
Actuarial (gain)/loss on post retirement liabilities (net of deferred tax)	6,108	(9,920)
Goodwill reinstatement from reserves (note 12)	-	9,946
Redemption of loan stock (note 9)	(7,920)	(7,920)
Net addition/(reduction) to members' funds	11,262	(3,402)
Opening members' funds	404,744	408,146
Closing members' funds	**416,006**	**404,744**

27. Minority interest

	2013 €'000	2012 €'000
Opening minority interest	479	390
(Loss)/profit attributable to minority interest	(101)	95
Increase in shareholding	(28)	(13)
Minority interest on acquisition of subsidiary (note 13)	1,022	-
Exchange movements	(9)	7
Closing minority interest	**1,363**	**479**

In 2013, the Group increased its shareholding in its UK subsidiary Dairy Ingredients (UK) Limited from 91.9% to 92.4%.

In October 2013, the Group acquired a 75% interest in Al Wazeem Trading Company LLC giving rise to a minority interest of €1.0m.

Notes to the Financial Statements (continued)

28. Net cash inflow from operating activities

	2013 €'000	2012 €'000
Operating surplus	25,836	20,677
Exceptional items	-	(1,956)
Depreciation of tangible assets (note 11)	14,543	16,067
Goodwill amortised (note 10)	5,481	5,386
(Increase)/decrease in stocks	(33,714)	43,062
(Increase)/decrease in debtors	(45,084)	21,979
Increase in creditors	109,440	61,327
Post retirement liabilities	(1,633)	(554)
Exchange movements	(209)	(2,582)
Net cash inflow from operating activities	**74,660**	**163,406**

29. Analysis of net cash/(debt)

	29 December 2012 €'000	Cash flow €'000	Exchange movements €'000	28 December 2013 €'000
Net cash				
Cash at bank and in hand	19,729	32,753	(577)	51,905
Loans falling due within one year	(9,000)	9,000	-	-
Net cash	**10,729**	**41,753**	**(577)**	**51,905**

30. Other financial assets

	2013 €'000	2012 €'000
Restricted cash on deposit	7,239	7,343

Deposits of €7.2m (2012: €7.3m) were held at period end within the Group's insurance company and are restricted for use by the Group other than for the purposes of insurance.

31. Capital commitments

	2013 €'000	2012 €'000
Commitments for which contracts have been placed	6,660	5,690
Commitments approved but not contracted for	24,223	26,365

Notes to the Financial Statements (continued)

32. Pension scheme

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 in respect to defined benefit schemes for the Group was a charge of €2.2m (2012: €2.4m) of which €1.8m (2012: €1.4m) has been charged against operating surplus and €0.4m (2012: €1.0m) has been charged within other finance costs.

Contributions to defined contribution pension schemes in the period were €2.1m (2012: €2.0m).

The trustees of the Parent Society scheme have obtained an actuarial valuation dated 1 January 2011 using the projected unit valuation method. The trustees of the Adams Foods Limited scheme have obtained a valuation dated 31 December 2009. Valuations as at 28 December 2013 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 28 December 2013.

It has been agreed that an employer contribution rate of 20.6% of pensionable pay plus an additional €1.0m will apply in future years for the Irish scheme and the expected contributions for the coming financial period are €2.1m. For the other schemes it has been agreed that an employer contribution rate of 19% of pensionable salary plus an additional €0.4m will apply in future years and that the expected contributions for the coming financial period are €0.9m.

FRS 17 Retirement benefits

Financial assumptions

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

	2013	2012	2013	2012
	Irish Scheme		Other Schemes	
	%	%	%	%
Inflation rate increase	2.00	2.00	2.50	2.30
Salary rate increase	3.00	3.00	4.65	4.15
Pension payment increases	2.00	2.00	2.50	2.30
Discount rate	3.80	3.90	4.50	4.50
Scheme assets				
Long term rate of return expected at each period end:				
Equities	7.00	6.80	5.60	5.30
Bonds	3.50	3.30	3.10	2.80
Property	6.00	5.80	5.60	5.30
Other	1.00	2.00	-	-

In valuing the liabilities of the pension fund at 28 December 2013, 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 year old to live for a number of years as follows:

	Irish Scheme		Other Schemes	
- Current pensioner aged 65	23 years male	25 years female	23 years male	25 years female
- Future retiree upon reaching 65	26 years male	27 years female	25 years male	27 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.

Notes to the Financial Statements (continued)

32. Pension scheme (continued)

	2013	2012	2013	2012	2013	2012
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Assets in schemes at period end						
Equities	59,750	50,656	28,749	26,780	88,499	77,436
Bonds	9,630	10,138	10,563	11,124	20,193	21,262
Property	1,986	1,572	4,121	3,296	6,107	4,868
Other	626	501	1,762	474	2,388	975
	71,992	62,867	45,195	41,674	117,187	104,541
Actuarial value of liabilities	(92,164)	(90,843)	(50,546)	(47,707)	(142,710)	(138,550)
Deficit in schemes	(20,172)	(27,976)	(5,351)	(6,033)	(25,523)	(34,009)
Related deferred tax asset	2,522	3,497	1,266	1,535	3,788	5,032
Net pension liabilities	(17,650)	(24,479)	(4,085)	(4,498)	(21,735)	(28,977)

	2013	2012	2013	2012	2013	2012
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Analysis of the amount charged to operating surplus during the period						
Current service cost	1,226	826	581	547	1,807	1,373
Past service cost	-	-	-	48	-	48
Total operating charge	1,226	826	581	595	1,807	1,421

	2013	2012	2013	2012	2013	2012
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Analysis of the amount (charged)/credited to other finance costs during the period						
Expected return on pension scheme assets	3,327	3,039	1,830	1,646	5,157	4,685
Interest on pension scheme liabilities	(3,544)	(3,625)	(2,026)	(2,096)	(5,570)	(5,721)
Other finance costs	(217)	(586)	(196)	(450)	(413)	(1,036)

Notes to the Financial Statements (continued)

32. Pension scheme (continued)

	2013	2012	2013	2012	2013	2012
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	€'000	€'000	€'000	€'000
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses						
Actual return less expected return on pension scheme assets	6,445	5,314	2,666	1,601	9,111	6,915
Experience gains/(losses) arising on the scheme liabilities	2,320	(53)	(172)	(108)	2,148	(161)
Changes in assumptions underlying the present value of scheme liabilities	(1,597)	(15,886)	(2,468)	(2,229)	(4,065)	(18,115)
Actuarial gain/(loss) recognised in STRGL	**7,168**	**(10,625)**	**26**	**(736)**	**7,194**	**(11,361)**
Movement in benefit obligations during the period						
Benefit obligations at beginning of period	90,843	72,586	47,707	43,465	138,550	116,051
Current service cost	1,226	826	581	547	1,807	1,373
Past service cost	-	-	-	48	-	48
Interest on scheme liabilities	3,544	3,625	2,026	2,096	5,570	5,721
Plan participant's contributions	385	367	160	171	545	538
Actuarial (gain)/loss	(723)	15,939	2,640	2,337	1,917	18,276
Benefits paid	(3,111)	(2,500)	(1,882)	(1,848)	(4,993)	(4,348)
Exchange movements	-	-	(686)	891	(686)	891
Benefit obligations at end of period	**92,164**	**90,843**	**50,546**	**47,707**	**142,710**	**138,550**
Movement in plan assets during the period						
Fair value of plan assets at beginning of period	62,867	55,586	41,674	38,314	104,541	93,900
Expected return on scheme assets	3,327	3,039	1,830	1,646	5,157	4,685
Actuarial gain	6,445	5,314	2,666	1,601	9,111	6,915
Employer's contributions	2,079	1,061	1,355	1,046	3,434	2,107
Plan participant's contributions	385	367	160	171	545	538
Benefits paid from plan	(3,111)	(2,500)	(1,882)	(1,848)	(4,993)	(4,348)
Exchange movements	-	-	(608)	744	(608)	744
Fair value of plan assets at end of period	**71,992**	**62,867**	**45,195**	**41,674**	**117,187**	**104,541**

Notes to the Financial Statements (continued)

32. Pension scheme (continued)

	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
	Irish Scheme					Other Schemes					Total				
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
History of experience gains and losses															
Difference between the expected and actual return on scheme assets:															
Amount	**6,445**	5,314	(7,982)	4,006	6,089	**2,666**	1,601	(937)	3,090	3,674	**9,111**	6,915	(8,919)	7,096	9,763
Percentage of scheme assets	**9%**	8%	-14%	7%	11%	**6%**	4%	-2%	8%	12%	**8%**	7%	-9%	7%	11%
Experience gains/(losses) on scheme liabilities:															
Amount	**2,320**	(53)	508	(3,562)	400	**(172)**	(108)	77	2,590	31	**2,148**	(161)	585	(972)	431
Percentage of service scheme liabilities	**-3%**	0%	1%	-6%	1%	**0%**	0%	0%	7%	0%	**-2%**	0%	-1%	1%	1%
Total amount recognised in STRGL:															
Amount	**7,168**	(10,625)	(13,239)	(594)	5,572	**26**	(736)	(3,182)	4,747	2,172	**7,194**	(11,361)	(16,421)	4,153	7,744
Percentage of scheme liabilities	**8%**	-12%	-18%	-1%	10%	**0%**	-2%	-7%	12%	6%	**5%**	-8%	-14%	4%	8%

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%	Decrease/increase by 4.5%	Decrease/increase by 4.4%
Price Inflation	Increase/decrease 0.25%	Increase/decrease by 3.1%	Increase/decrease by 3.0%
Mortality	Increase/decrease by one year	Increase/decrease by 2.9%	Increase/decrease by 2.1%

Notes to the Financial Statements (continued)

33. Financial commitments

a) Operating leases

At 28 December 2013, the Group had annual commitments under non-cancellable operating leases as follows:

	2013		2012	
	Land and Buildings €'000	Other €'000	Land and Buildings €'000	Other €'000
Expiring within 1 year	522	468	310	317
Expiring between 2 and 5 years	5,528	4,716	2,965	4,713
	6,050	5,814	3,275	5,030

b) Bank guarantees

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

	2013 €'000	2012 €'000
Bank guarantees	12,477	3,170

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:

	2013 €'000	2012 €'000
Forward foreign currency contracts	248,128	271,832

34. 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 Parent Society entered into by subsidiaries of the Group.

Sales to members during the financial period ended 28 December 2013 amounted to €7.9m (2012: €21.8m) and purchases from members amounted to €869.7m (2012: €711.6m). Amounts receivable from and payable to members arising from the aforementioned sales and purchases transactions as at the balance sheet date are €3.0m (2012: €5.8m) and €75.2m (2012: €65.6m) 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 Parent 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 has also made a proposed transfer to the annual bonus fund which will be payable to the members (note 9).

There were no transactions with Directors or key management during the period.

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

35. Share based payment

The Group operates a Long Term Incentive Plan (LTIP) for a limited number of executives and senior management. The purpose of the LTIP is to align the interest of participants and members to support the growth of the IDB. The LTIP is a cash settled share-based payment scheme which provides for options to be granted to employees. Options are granted to employees based on the value of a Notional Company "Irish Dairy Board Long Term Incentive Plan" (IDBLTIP). The value of IDBLTIP is primarily derived from an adjusted Group EBIT calculation adjusted to reflect product prices returned to members and some other variables. Participation in the plan and the number of options to be granted is at the sole discretion of the Personnel and Remuneration Sub-Committee on the recommendation of the CEO.

Notes to the Financial Statements (continued)

35. Share based payment (continued)

The maximum number of options that may be granted to any employee in any year is such that the number of options granted by the notional share price does not exceed the employee's annual salary. The scheme commenced on 1 January 2013 and terminates on 30 April 2022. Options granted vest after three years provided the employee remains in employment of the Group over the period and provided specified performance conditions are met. Options will only vest after three years if the annualised compound growth in the value of IDBLTIP as calculated in accordance with the rules of the scheme over the three previous years is at least equal to 5% plus the growth in the Consumer Price Index. Vested awards are settled by way of a cash payment (over the following three years) to employees based on the growth in the value of the notional shares over which each participant has been awarded options. The Group has recognised an expense of €0.5m within employee costs in 2013 in relation to the LTIP.

36. Significant subsidiary companies

	Incorporated in and operating from	% Holding	Activities
Irish Dairy Board Limited*	Ireland	100	Marketing and distributing dairy products
IDB Investment Limited*	Ireland	100	Group financing
IDB Insurance Limited	Ireland	100	Group captive insurance
IDB Treasury Limited	Ireland	100	Group factoring and financing
Salsola Limited*	Ireland	100	Group financing
LLC IDB Russia	Russia	100	Marketing and distributing dairy food products
Al Wazeen Trading Company LLC	Saudi Arabia	75	Manufacturing, marketing and distributing dairy products
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	92.4	Marketing and distributing dairy food products
The Meadow Cheese Company Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
The Cheese Warehouse Limited	United Kingdom	100	Manufacturing, marketing and distributing dairy products
IDB Deutschland GmbH*	Germany	100	Manufacturing, marketing and distributing dairy products
Irish Dairy Board Inc.	U.S.A.	100	Marketing and distributing dairy products
DPI Specialty Foods Mid Atlantic, Inc.	U.S.A.	100	Marketing and distributing food products
DPI Specialty Foods Rocky Mountain, Inc.	U.S.A.	100	Marketing and distributing food products
DPI Specialty Foods West, Inc.	U.S.A.	100	Marketing and distributing food products
DPI Specialty Foods Northwest, Inc.	U.S.A.	100	Marketing and distributing food products
Thiel Cheese & Ingredients, LLC	U.S.A.	100	Manufacturing, marketing and distributing dairy products
Meadow Ingredients USA, LLC	U.S.A.	100	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 and Kerrygold Limited. With the exception of Irish Dairy Board Limited and IDB Investment Limited included above, these subsidiary companies are not considered significant.

* These subsidiary companies are directly owned by the Parent Society.

37. Approval of financial statements

The financial statements were approved by the board of Directors on 12 March 2014.

Board of Directors*

Aaron Forde
Chairman

Kevin Kiersey
Vice Chairman

Jim Bergin
Jackie Cahill
Vincent Gilhawley
Michael Hanley
Liam Herlihy
Dan MacSweeney
Sean McAuliffe
Ted O'Connor
John O'Brien
Bertie O'Leary
Conor Ryan
Jim Russell
Jim Woulfe

Executive*

Kevin Lane
Chief Executive

Anne Randles
Secretary & Director Administration

Joe Collins
MD Dairy Trading & Ingredients

Antony Proctor
Chief Operating Officer

Mick Mullagh
Group Human Resources Director

Donal Buggy
Group Finance Director

Fergal McGarry
Global Marketing & Innovation Director

Senior Management*

Consumer Foods

Gisbert Kügler
Managing Director
IDB Deutschland GmbH

Ian Toal
Chief Executive
Adams Foods Ltd.

Róisín Hennerty
President
IDB Inc.

John McKenna
Managing Director
International

Dairy Trading & Ingredients

Bernard Condon
Commercial Director
Ireland & UK

Gary Wells
Managing Director
Adams Foods Ingredients Ltd.

Angus Galbraith
Managing Director
Dairy Ingredients (UK) Ltd.

Michael Harte
Managing Director
Meadow Cheese Company Ltd.

Gary Kerrigan
President
Thiel Cheese & Ingredients LLC.

Aidan Wilson
Managing Director
The Cheese Warehouse Ltd.

Neil Cox
President
Food Ingredients North America

Farid Al-Bustami
Executive Manager
Al Wazeen Trading LLC

DPI Specialty Foods (USA)

John Jordan
Chief Executive

Conor Crowley
Chief Financial Officer

*At date of approval of Financial Statements.

Group Five Year Review

	2009 € '000	2010 € '000	2011 € '000	2012 € '000	2013 € '000
(a) Historical values					
Turnover	1,822,753	1,927,525	1,981,126	2,028,167	2,124,088
EBITDA	56,120	41,831	38,005	42,130	45,860
Operating surplus	37,663	24,315	20,285	20,677	25,836
Surplus before taxation and exceptional items	31,949	19,216	15,426	16,348	22,373
Net debt/(cash)	26,198	123,342	143,749	(10,729)	(51,905)
Members' funds	384,465	403,021	408,146	404,744	416,006
(b) Financial ratios					
Operating surplus as % of sales	2.1%	1.3%	1.0%	1.0%	1.2%
Leverage (Net debt/(cash)/EBITDA) (times)	0.5x	2.9x	3.8x	(0.3x)	(1.1x)
Interest Cover (EBITDA/Interest Payable) (times)	12.0x	8.5x	8.2x	12.8x	15.0x

Irish Product Utilisation Overview

Whole Milk Utilisation %

	2011	2012	2013
Butter	58%	58%	60%
Cheese	31%	31%	31%
WMP/Other	11%	11%	9%

Skim Milk Utilisation %

	2011	2012	2013
SMP/BMP	26%	22%	22%
Proteins	44%	47%	43%
Others	30%	31%	35%

2013 IDB Sales from Ireland by Destination

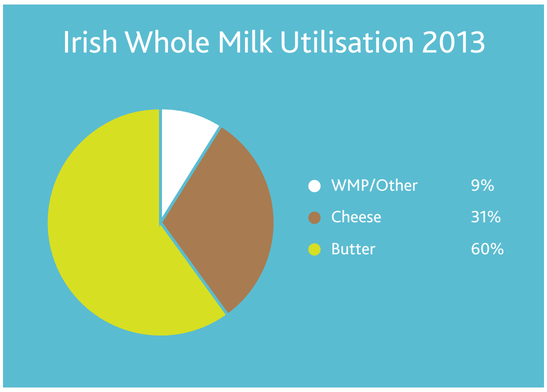
	2012 %	2013 %
UK	33%	36%
EU	39%	37%
Nth America	7%	7%
Africa	12%	10%
C & South America	2%	3%
Rest of world	7%	7%

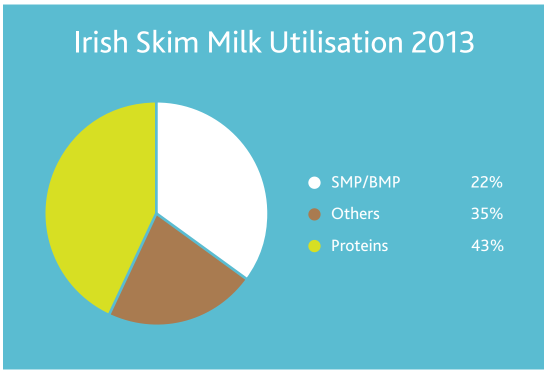
Monthly milk intake 2013 ('000 tonnes)

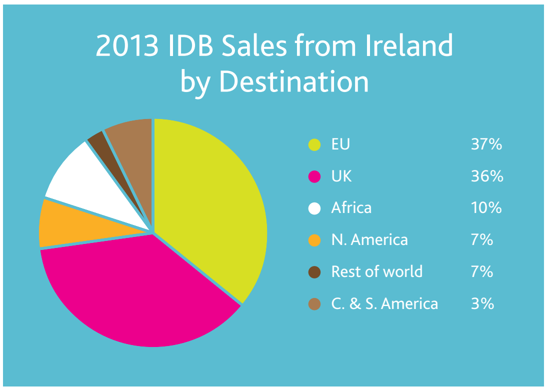
	2012	2013
Jan	138	129
Feb	244	229
Mar	487	482
Apr	656	586
May	757	755
Jun	705	722
Jul	628	672
Aug	563	611
Sep	460	513
Oct	375	430
Nov	235	284
Dec	140	169

Production of products ('000 tonnes)

	2012	2013
Butter	145	152
Cheese	174	180
WMP	40	35
Choc Crumb	40	34
SMP	52	49







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