Ornua

THE HOME OF IRISH DAIRY

Annual Report 2014

Ornua Co-operative Limited
(formerly known as The Irish Dairy Board Co-operative Limited)

THE HOME OF IRISH DAIRY

We Are Ornua – The Home of Irish Dairy

For more than 50 years the Irish Dairy Board Co-operative Limited (IDB) has been a custodian of Irish dairy's reputation and values; a pillar of the industry steeped in history and community that has given birth to the iconic Kerrygold brand.

The removal of EU milk quotas marks a new and exciting chapter in Irish dairying. For the past number of years, our business has been preparing for the unique opportunities this new era in dairying will bring. Through the implementation of a transformative strategy focused on the delivery of sustainable growth and enterprise;

we've built a global infrastructure, establishing a firm foothold in our chosen growth markets,

we've strengthened our core competencies - our brands, our technology and our scale,

we've invested in our people – in the knowledge that they are the true ingredients of our success.

A business with such reinvigorated ambition needs an identity that is fit for this new purpose. Ornua - The Home of Irish Dairy represents our proud dairy heritage whilst clearly embodying our vision for the future.

On the 23 February 2015, Members of the IDB voted in favour of changing IDB's name to Ornua Co-operative Limited and have approved the adoption of a new corporate identity, Ornua. This new identity will be unveiled on the 31 March 2015 and will be rolled out throughout the business.

As this report is an account of 2014 activity, we will continue to refer to the business as IDB throughout the document.

Business Review

Financial Statements

Supplementary Information

Our Business

The Irish Dairy Board Co-operative Limited (IDB, the Group, the Business 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 Ireland's largest exporter of Irish 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.

Operating from 19 subsidiaries worldwide, we have sales and marketing teams working in-market across all four corners of the globe from Algiers to Beijing to Lagos and Moscow.

We are the proud owners of the Kerrygold brand. Our brand portfolio also includes Pilgrims Choice, Kerrygold Dubliner, Shannongold, and BEO, a popular milk powder 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 on three core platforms; Consumer Foods, Dairy Trading and Ingredients and DPI, a speciality food distribution company in the US. Group subsidiaries in the UK, Spain , Germany and North America pack, distribute and market a wide selection of branded products, dairy ingredients and speciality food items of both Irish and non-Irish origin.

> “Our core purpose is to bring quality Irish dairy products to markets around the world.”

Operational Highlights

Group Turnover

10%

Operating Surplus/EBIT

17%

Net Assets

4%

Members' Bonuses

9%

The IDB delivered very strong earnings growth in 2014

- A strong Operating Surplus, **up 17% year-on-year**
- Turnover exceeded **€2.3 billion, up 10%**
- Members' bonuses of **€12 million up 9%**
- Strong Balance Sheet with **net assets of over €436 million**
- Irish purchases up **41,000 tonnes year-on-year**

Value Added Food Ingredients

Opening of state-of-art facility at Thiel Cheese & Ingredients marks completion of $80 million expansion programme in the US Food Ingredients business.

Centre of Excellence for Kerrygold

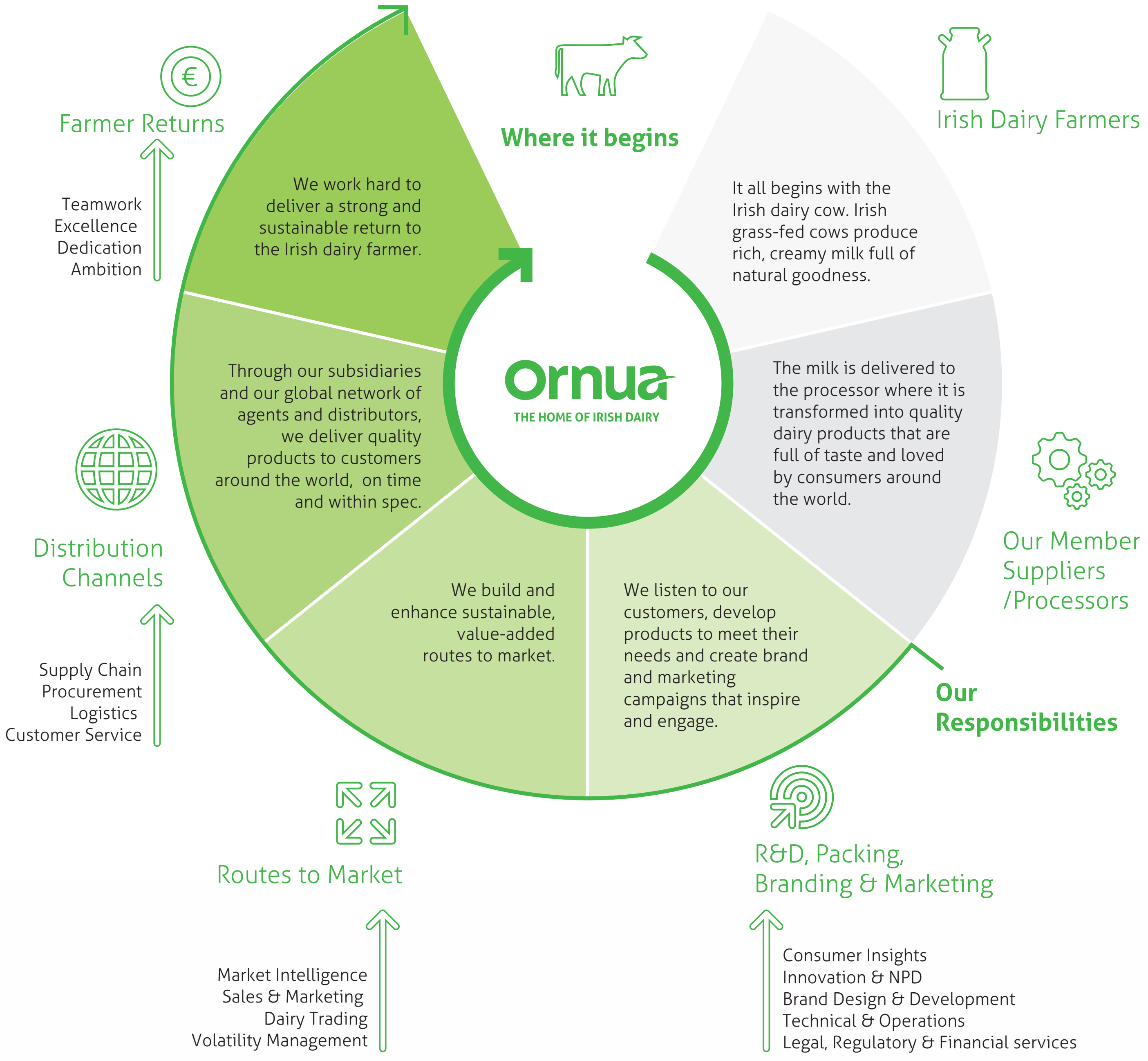
Planning approved for new fully integrated butter production and packing facility for Kerrygold in Mitchelstown, Co. Cork.

Route to Market

Acquisition of a Spanish cheese business and the formation of IDB España.

Acquisition of the business of FoodTec UK Limited, a specialist ingredients business in the UK.

What We Do



Some of Our Products

Group at a Glance

Our Mission

Our purpose is to build sustainable routes to market for Irish dairy products, safeguarding the future prosperity of Irish dairy farmers.

It is this mission that keeps us 'on course' toward the future that we describe in our vision.

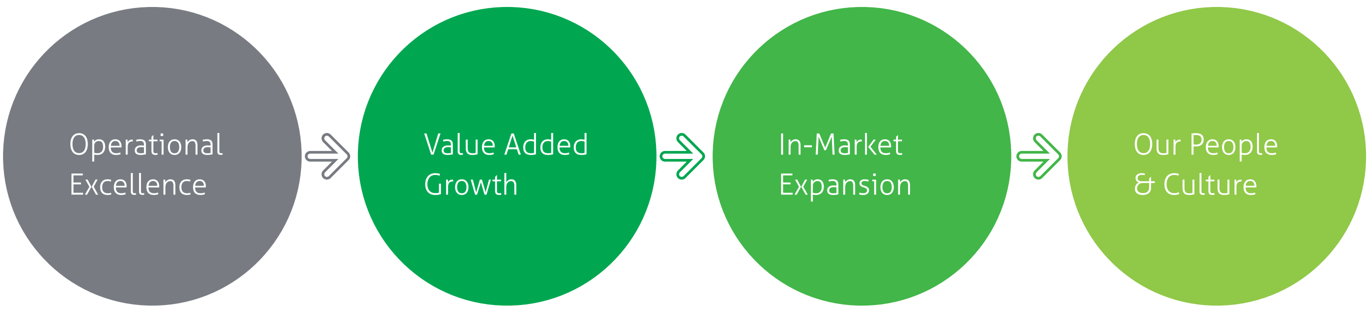
Our Vision

IDB's vision is to become a leading global dairy organisation, rewarding our customers, consumers and shareholders by delivering value through:

- Outstanding People
- An International Market Presence
- World Class Brands & Ingredients
- Customised Innovation
- Dairy Trading Expertise

Growth Strategy for the Future

Our Business Transformation Strategy encompasses four core pillars. These are:



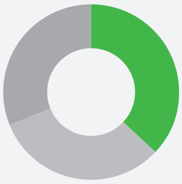
This translates into five key areas of focus - Brand Growth, New Product Development, In-market Expansion, Capital Expenditure and M&A & Route to Market. This strategy is deeply embedded within our organisation and is successfully steering the business into a period of great growth and opportunity.

Our Structure

Consumer Foods

The Consumer Foods division has responsibility for the international marketing and sales of the IDB's consumer products portfolio including the Kerrygold and Pilgrims Choice brands. Markets are served through wholly owned subsidiaries in the UK, the US, Germany, the Middle East, China and Russia and by locally based distributors and agents in other key regions.

% Group Turnover



Key locations

UK, the US, Germany, the Middle East, China and Russia

Germany

UK

US

International

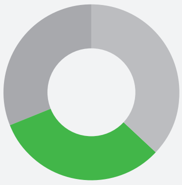
More information

See pages 14 to 19

Dairy Trading & Ingredients

The Dairy Trading & Ingredients division is responsible for the procurement of Irish dairy products and for the sale of dairy ingredients to end users. Operating out of Ireland, the division exports dairy ingredients to over 110 countries and it is supported by key subsidiaries in the UK, Spain, Saudi Arabia and the US.

% Group Turnover



Key locations

Ireland, the UK, the US, Spain and Saudi Arabia

Europe

US

Ireland

Middle East

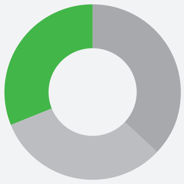
More information

See pages 20 to 23

DPI Specialty Foods

DPI Specialty Foods, is the third largest speciality food distributor in the US. The business operates from four strategically located distribution centres in the US.

% Group Turnover



Key locations

US

US

DPI Specialty Foods

West

Intermountain West

Mid Atlantic

Dedicated Logistics

More information

See page 24

Our Global Footprint

- Afghanistan
- Albania
- Algeria
- Angola
- Australia
- Austria
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belgium
- Benin
- Belize
- Bermuda
- Bulgaria
- Burkina Faso
- British Virgin Islands
- Cameroon
- Canada
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Congo
- Congo (Democratic Republic of)
- Costa Rica
- Cyprus
- Czech Republic
- Denmark
- Dominican Republic
- Egypt
- El Salvador
- Equatorial Guinea
- France
- Gabon
- Gambia
- Germany
- Ghana
- Gibraltar
- Greece
- Guinea
- Guyana
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Israel
- Italy
- Ivory Coast
- Jamaica
- Jordan
- Kenya
- Korea (Republic of)
- Kuwait
- Latvia
- Lebanon
- Liberia
- Lithuania
- Libya
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Mauritania
- Mauritius
- Mexico
- Morocco
- Mozambique
- Netherlands
- New Zealand
- Niger
- Nigeria
- Norway
- Pakistan
- Peru
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russian Federation
- Sao Tome & Principe
- Saudi Arabia
- Senegal
- Seychelles & Dependent
- Sierra Leone
- Singapore
- South Africa
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Taiwan
- Tanzania
- Thailand
- Togo
- Trinidad & Tobago
- Tunisia
- Turkey
- US
- United Arab Emirates
- United Kingdom
- Uzbekistan
- Venezuela
- Vietnam
- Yemen
- Zambia
- Zimbabwe

Market Positions

No.1

No.1 butter brand in Germany

26% year-on-year revenue growth

No.1

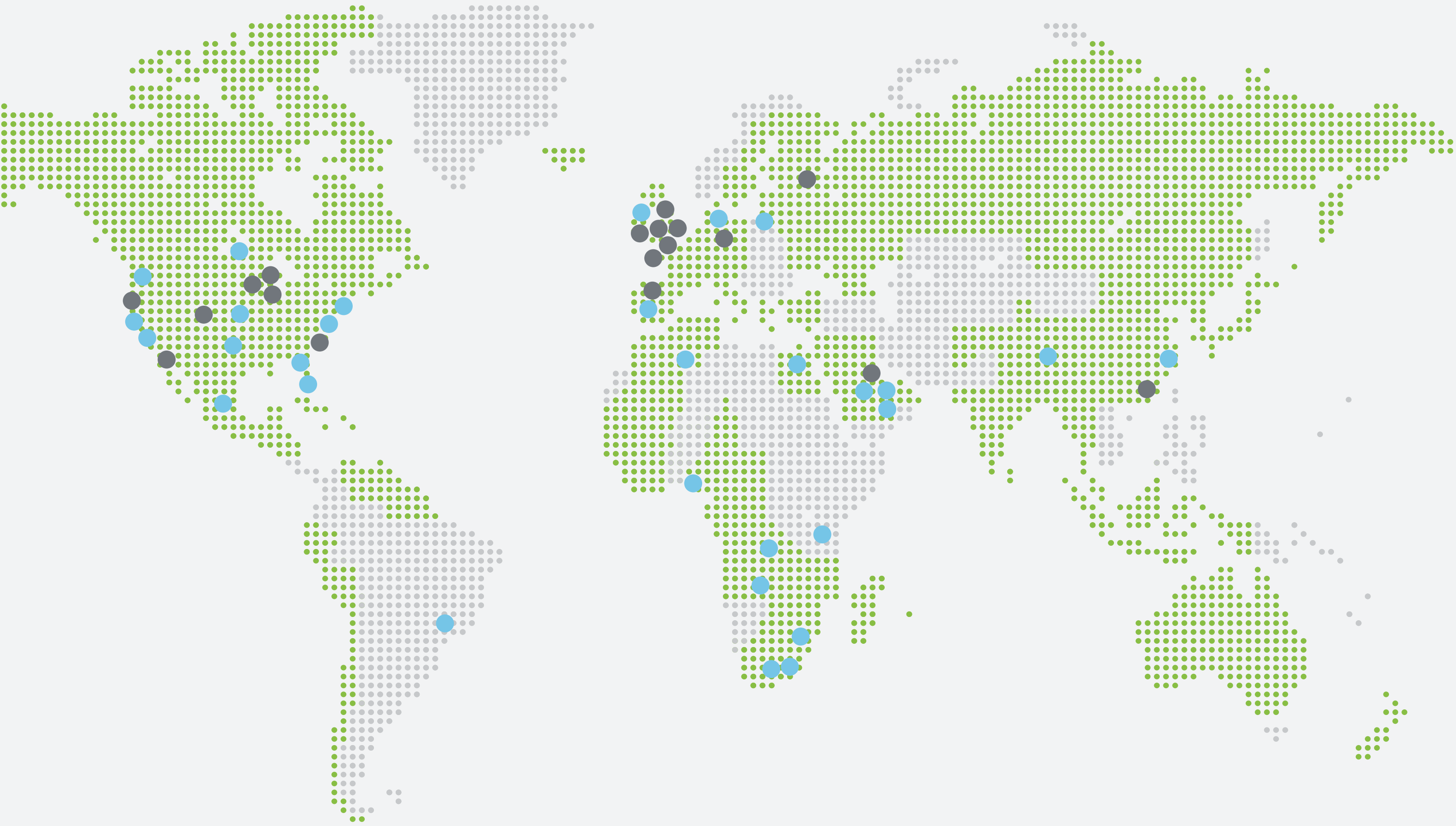
No.1 imported butter in the US

Over 3 million Kerrygold tastings a year in the US

Millions

100s of millions of packets of Kerrygold butter sold each year

IDB Exports to over 110 countries



IDB Export Markets IDB Key Subsidiaries Sales & Business Development Teams

No. 2

Pilgrims Choice is No. 2 cheddar cheese brand in the UK

Exports to over **110 countries** worldwide

Over **€2.3 billion** Turnover

Ireland's **largest dairy exporter**

Over 3,000 staff globally

Over **50 years' experience**

2014 Global Markets – A Year in Review

2014 opened with prices close to the record highs that had been achieved in 2013. Excellent returns and output conditions, combined with relatively low input costs, stimulated milk output to a very significant degree for much of the year.

Milk supply volumes surged across the world's major dairy producing regions; the EU alone adding over 6 billion litres to its output, the US and New Zealand another 3.5 billion between them. The pattern of increased supply was clearly seen closer to home. Milk supplies in Ireland were up approximately 4% on the previous year, while in the UK, growth was even stronger at 9%.

The greatly increased supply proved to be more than global demand could absorb, and prices fell heavily from the Spring, with dairy commodities losing as much as 50% of their value by year-end.

Demand weakness was evident in dairy's two most important import markets, Russia and China, but for very different reasons.

Political difficulties closed the Russian market to EU and US dairy trade from August, depriving Europe especially of an outlet for product which in previous years had accounted for more than 30% of cheese exports and 28% of butter. As this product struggled to find new buyers, prices fell.

In China, massive over-purchasing of whole milk powder in late 2013/early 2014 led to a stock-build of, by some estimates, as much as a year's worth of import requirements. This over-buying was driven by fears in China over security of supply (arising out of drought-related scarcity experienced in late 2012/early 2013) and by speculative purchasing as prices rose dramatically in 2013.

The realisation of large stock-build by market actors, coupled with greater domestic and international availability of product and lower demand (due to high pricing) caused a sudden and dramatic collapse in buying from the end of the first quarter. Chinese buyers are not expected to re-enter the market in a meaningful way until mid-2015, once surplus stocks have been run down, and domestic demand recovers.

The return of these significant buyers will be very important in providing a sustainable lift to market prices in the year ahead. Despite these negatives, there were also some important positives to note on the demand side in 2014.

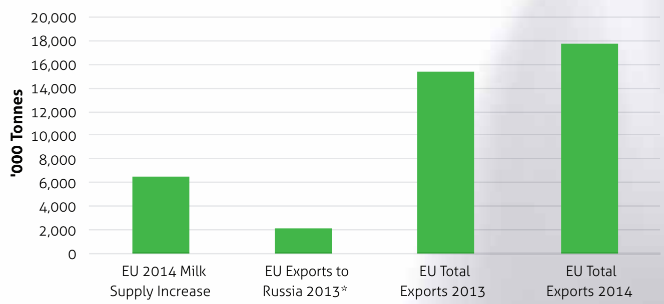
Butterfat demand reached a 40 year high in the US, and had a very welcome lift in Europe as a more positive consumer attitude took hold (backed by a healthier understanding of the nutritional aspects of butter versus alternatives), and a trend towards home-baking gained ground.

This return of butter's popularity was epitomised by its appearance on the cover of Time magazine in June, accompanied by an article declaring an end to the 'war on fat'. The end of the year brought some early signals that the dairy market was beginning to stabilise and pick up, although from very low levels.

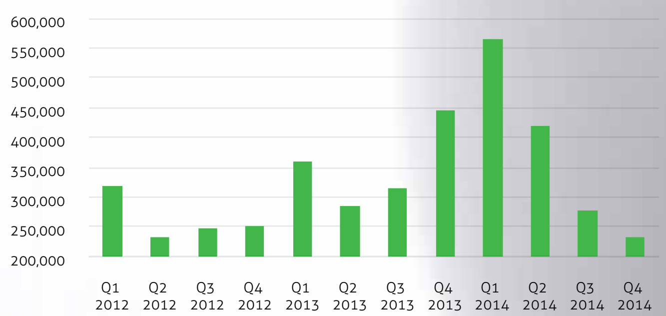
A weakening Euro added to European export competitiveness vis-a-vis the US and New Zealand, and buying activity picked up as customers sought to replenish stocks with low-priced product. This pick up in prices is in some part due to an anticipation of reduced global milk and product supplies in 2015 although the abolishment of EU quota from 1st April will support increased flows within Europe. We await to see if this will be the case.

"The pattern of increased supply was clearly seen closer to home. Milk supplies in Ireland were up approximately 4% on the year previous, while in the UK, growth was even stronger, at 9%."

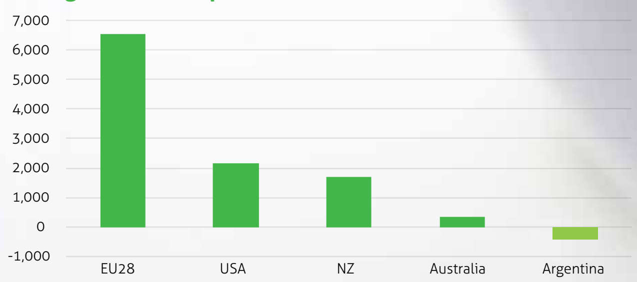
EU Milk & Selected Export Growth in Milk Equivalent



China: Quarterly Dairy Imports (tonnes)



Major Milk Producing Regions: Change in Milk Output 2014 Vs 2013 ('000 mt)



Eurex Prices 2013 & 2014

* Most recent full year of exports

Chairman's Statement

Aaron Forde, Chairman

Group turnover

10%
to €2.3 billion

Profit before Tax

23%
to €28.1 million

As Chairman, I am delighted to report on an excellent financial and trading performance by the IDB in 2014. Group Turnover in 2014 was up 10% to €2.3 billion, while Operating Surplus (EBIT), at €30.3 million, was up 17% and Profit Before Tax grew 23% to €28.1 million. This positive outturn was in addition to IDB's strong product price performance, as reflected in the IDB Purchase Price (PP) Index, the IDB's monthly indicator of market returns.

The Group's net debt position at year-end reflects the number of strategic capital investment and acquisition projects on-going and also the commitment of the IDB to support its members' working capital requirements in the lead up to quota abolition in 2015 and dairy sector expansion. The Society's balance sheet remains strong, with net assets up 4%.

A members' bonus of €12 million was declared from the 2014 results, comprised of a cash element of €7.5 million and a €4.5 million allocation to the annual bonus fund for redemption in five years' time.

Key strategic highlights during the year were the commissioning of expanded facilities in Thiel Cheese & Ingredients in Wisconsin and in IDB Deutschland, the commencement of construction of a new facility by IDB Saudi Arabia in Riyadh, two acquisitions - FoodTec in the UK and IDB España in Spain and the IDB board's decision to invest in a new world class packing plant for Kerrygold butter in Ireland.

IDB's Business Transformation Strategy delivered another year of positive results. Excellent brand performances in both IDB Deutschland and IDB Inc helped off-set the competitive challenges experienced by Consumer UK and International. Our Dairy Trading & Ingredients division also performed well in 2014, with positive performances noted in particular in our trading operation and in our UK subsidiary The Cheese Warehouse. I'm also delighted to report that our US distribution business, DPI Inc., reported an exceptionally strong trading performance in 2014, well ahead of the prior year.

The strong market returns in 2014, and IDB's own excellent 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 2014 averaged 117.7 and, coupled with the 16% volume increase in purchases from members, is evidence of the strength of the Society's brands and the route to market benefits of IDB's recent investments in market expansion, innovation and people.

> In 2014, the IDB board decided that a new corporate identity, Ornua Co-operative Limited, was needed for the Society for the next phase of our journey - a new identity which reflects who we are and where are we going.

While dairy margins per litre in Ireland remained on par with the previous year, 2014 was characterised by declining month-on-month product price returns. High opening milk prices, excellent production conditions across the world's major dairy regions and lower input expenditure, led to a strong growth in global milk supply in 2014, not least in Ireland where production was up 4%. As this increased supply exceeded what a faltering global demand could absorb, prices fell heavily from the Spring, with some dairy commodities losing up to 50% of their value by year-end.

The end of the year brought some early signs that dairy markets were beginning to stabilise, albeit at low price levels. Milk output was constrained in both the EU and Oceania in the first quarter of 2015. The low product prices from 2014 stimulated some buying activity and stock replenishment and a more competitive currency led to an improvement in the EU's export performance. Both the output response from EU milk producers when the EU quota is removed on 1st April and the meaningful return of Chinese buyers to the market later in the year will be important determinant factors for the outturn of 2015.

While 2015 will undoubtedly be a more challenging year for Irish dairy farmers, we should not lose sight of the importance of the year in the context of the strategic development of the industry. After more than 30 years, milk quotas are being removed and the IDB is committed to playing its role in the future of the industry through the development of premium routes to market and, by paying leading product prices and helping manage volatility. Volatility is a reality of competing on global markets, however, we have a number of tools in place to help manage it, not least of which are our brands portfolio, the development of value-added, differentiated ingredients, our sales into diversified markets and sectors, and contract management.

IDB is a business that touches and impacts on the lives of many people and we depend on the patronage of our customers and consumers around the globe. Whilst consumers experience the business through our many brands, our customers experience it through our corporate brand Irish Dairy Board Co-Operative Limited. In 2014, the IDB board decided that a new corporate identity, Ornua Co-Operative Limited, was needed for the Society for the next phase of our journey - a new identity which reflects who we are and where are we going. We have transformed our business over the past number of years and we have steadily built a global commercial infrastructure to ready our business for post quota expansion. Our new name, Ornua, is still rooted in our heritage and is connected with our iconic Kerrygold brand but it signals where we are going. Looking to the future, we are seeking to build a robust and valuable diversified asset for the Irish dairy industry that delivers strong sustainable returns for our members.

I would like to thank my fellow board members once again for their support in electing me Chairman of the board and a special word of thanks to Vice-Chairman Jim Russell for his support. A new board was constituted in June 2014 for the next four years. I would like to thank the six retiring members from the board, Kevin Kiersey, the former Vice Chairman, Jackie Cahill, Vincent Gilhawley, Liam Herlihy, Sean McAuliffe and John O'Brien, for their contribution to the Society during their time on the board. We welcome five new board members, John Comer, Martin Keane, Sean O'Leary, Pat Sheahan and Donal Tobin and wish them well in their stewardship of the IDB. The board is on a journey of governance review and improvement which will support the business as it continues its growth.

In addition to acknowledging our customers throughout the world, I would like to thank the Irish Government, Bord Bia, Teagasc and the other 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 T.D. and his officials is much appreciated. Special thanks once again to the National Dairy Council for their partnership in the NDC Kerrygold Quality Milk Awards which are going from strength to strength.

Finally I would like to extend my appreciation to Kevin Lane, to his management team and to all employees of the IDB Group throughout the world for their hard work and dedication. I would also like to acknowledge the commitment of Ireland's dairy farmers to the Society and to commend them for the quality of the raw material we are so proud to market on their behalf. Our ambition for Irish dairy across the globe is great and we are confident that the markets we are building will generate strong and sustainable returns, which in turn will enable our farmer suppliers to invest for the long term.

Aaron Forde
Chairman

Chief Executive's Report

Kevin Lane, Chief Executive

Group Operating Surplus

17%
to €30.3 million

Over the past number of years IDB has been strategically developing a global infrastructure to take advantage of the opportunities the removal of EU milk quotas will bring to the business. The Group is now ready to enter this period of momentous change – a new era for dairying.

The Group's Business Transformation Strategy is today deeply embedded within the organisation and is successfully steering the business into a period of great growth and opportunity. On behalf of the Group I am very pleased to report in 2014, the business continued to make excellent progress in investing in a sustainable future while also achieving a very strong business performance.

Business Performance

Group Operating Surplus increased by 17% to €30.3 million, delivering an excellent performance. This was achieved despite considerable investment across the business including a €36 million spend in brand development and market support. Group Turnover for the year was €2.34 billion, up 10% year-on-year. The IDB closed the year with €99.3 million debt as significant investment was made through M&A, Capital Expenditure and Working Capital as part of the development of our global infrastructure. The Group's Balance Sheet is very strong with net assets of €436 million.

This strong performance delivered a Members Declared Bonus of €12 million, including a cash element of €7.5 million, up 15.4% on 2013. In addition to the bonus paid to members, IDB Irish operations increased member volume purchases by 16% on 2013.

Despite pronounced weakening of dairy markets from early in 2014, the IDB PP Index returned an average value of 117.7 for the year. This was five points ahead of the three-year average for the period 2011-13 and a strong performance when compared to EU and world market prices in 2014.

2014 - A Year of Investment

2014 saw a continuation of the already substantial investment which IDB has made in recent years in brand, New Product Development (NPD), in-market expansion, acquisitions, operational efficiency and developing its people.

A Strong Brand Performance

Against a backdrop of lower dairy prices, it is now more important than ever that we ensure Irish dairy continues to be marketed as a premium product and that IDB continues to add value through our brands and innovation.

Continued investments in brand growth and NPD have strengthened the position and offering of Kerrygold and other brands such as Pilgrims Choice and Dubliner. Retail sales of the Kerrygold brand are now in excess of €600 million.

2014 was a year that saw some large-scale NPD projects completed and successfully launched across international markets. Some highlights included the launch of Kerrygold Irish Cream Liqueur in the US and Kerrygold UHT under the new Kerrygold Chinese trade mark, 金凯利, pronounced 'Jin Kai Li' in China.

In-Market Expansion

In June 2014, Minister Simon Coveney T.D. officially opened the new facility at Thiel Cheese & Ingredients in Hilbert, Wisconsin. The development of this state-of-the-art facility completed an $80 million investment in our US Food Ingredients business and provides the business with greater scale in the value-added cheese ingredients sector.

IDB Deutschland completed a €14 million investment in expanded storage, packing and NPD facilities in Neukirchen-Vluyn. The modernised facilities will help meet the increased demand for Kerrygold products in Germany and the surrounding regions.

"Continued investments in brand growth and NPD have strengthened the position and offering of Kerrygold and other brands."

Ambitious targets clearly require expansion beyond the existing core markets and that is why we have been focusing a lot of our energies in developing opportunities in emerging regions such as Africa, MENA (Middle East & North Africa) and China. In the past 18 months alone we have placed 35 new people in-market, where they can react quickly to the markets' needs.

Mergers and Acquisitions

IDB has a proven track record of expansion through the careful identification of strategic acquisitions. We invest in high profit growth businesses, often in milk deficit regions, that deliver route to market and to value and leverage shared IP and expertise.

In Spain, the Group acquired a Spanish cheese business which is now trading as IDB España. The business now complements the cheese solution technologies we continue to develop in our other international businesses. Its central location also provides a trading and sales hub to service our growing Southern European customer base. And importantly for Irish farmers, it is an immediate route to market for Irish dairy products with further growth post 2015.

IDB's wholly owned UK subsidiary Adams Food Ingredients Limited acquired the business and assets of FoodTec UK Limited, a specialist ingredients business.

Delivering Operational Excellence

The latest and most exciting of our strategic investments has been the decision to build a Centre of Excellence for Kerrygold butter production and packing in Mitchelstown, Co. Cork. The new development will ensure a world-class supply chain to meet the evolving needs of Kerrygold customers and consumers around the world. This facility will process up to 40,000 tonnes of packet / tub butter a year, and will go a long way towards streamlining our production activities in Ireland. We are planning to be in production in Spring 2016.

Developing our People

The success of our business is underpinned by our people. The Group regards the delivery of development opportunities as an investment in the future of our organisation, and in the Irish dairy industry. We seek to provide opportunities for each member of our team to enable them to maximise their potential and develop a rewarding career.

Ensuring our Financial Strength

Building our capacity to take advantage of the coming increase in milk supply has already seen substantial investment in new infrastructure and strategic acquisitions. Making this investment requires the availability of financial resources. In 2014 we successfully secured a new five year syndicated bank facility. This new increased facility provides IDB and the Irish dairy industry with significant funds to meet domestic expansion and international growth requirements.

Protecting our Competitive Edge

We have built our business on the premiumisation of Irish dairy products. Critical to this is a premium quality product, only made possible with a premium quality raw material.

To preserve the extraordinary value of our industry, we must continue to maintain a sharp focus on production, process, supply efficiency and the quality of the dairy products we produce in all respects. In addition to providing quality assurance to our customers we must also leverage the sustainability of our grass-based production system. That is why we have so strongly supported the Bord Bia Sustainable Dairy Assurance Scheme.

A New Identity

Our business has been steadily building a global infrastructure to take advantage of the opportunities post quota will bring. A business with such reinvigorated ambition needs an identity that is fit for this new purpose - one that reflects our proud dairy heritage whilst clearly embodying our vision for the future. 12 months ago, we began a review of our identity and we are very pleased with the outcome of this project. We believe our new corporate identity, Ornua, represents a modern transformative business.

Building for the Future

All of these investments are being made to secure long-term returns which will be beneficial to our members' dairy farmers. It is our firm belief at the IDB that these developments will provide the right outlets for Irish dairy products, and will generate strong and sustainable returns, so that Irish farmers can be confident that their sustainably produced, high-quality milk will find a home in international markets.

Finally, the success of IDB is based on the hard work and commitment of a team of people. I would like to thank our Chairman, Aaron Forde, our Board of Directors, our staff, the members that we represent and the broader community of Irish dairy farmers for their ongoing support. Their unwavering commitment to the Irish dairy industry is what will shape the future growth of the sector.

Over the past number of years, IDB has been on a momentous journey. We have implemented a strategy which will ensure our preparedness to take full advantage of the opportunities ahead. We look forward to working with the entire Irish dairy industry as we begin a new journey as **Ornua, The Home of Irish Dairy.**

Kevin Lane
Chief Executive

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, Pilgrims Choice, Kerrygold Dubliner, MU, Beo and Shannongold brands. Markets are served by wholly owned subsidiaries in the UK, Germany, the US, Russia and China and in-market by sales and marketing teams, trading teams and local distributors.

Against a backdrop of lower dairy prices, it is now more important than ever that we ensure that Irish dairy continues to be marketed as a premium product and that IDB continues to add value through brands and innovation.

The marketing strategy of the Consumer Foods division is centred on leveraging the unique provenance and quality of Irish milk from grass-fed cows. The story of Kerrygold begins with traditional family farms and a sustainable, low-carbon grass-based dairy system, which is unrivalled anywhere in the world. Marketing activity strives to bring the consumer closer to these farmers.

Continued investments in branding and NPD have strengthened the position and offering of Kerrygold and other brands such as Pilgrims Choice and Kerrygold Dubliner. Extensions of the Kerrygold label to new products such as spreadable blends and continental style cheeses have contributed to growth in Germany, where the brand is the market leader. One of the year's most exciting launches was into a completely new category with Kerrygold Irish Cream Liqueur.

Supporting these product developments has required substantial capital expenditure in upgrading the Group's facilities around the world. The latest and most exciting of these investments has been the decision to build a Centre of Excellence for Kerrygold butter production and packing in Mitchelstown, Co. Cork. This new development will ensure a world-class supply chain to meet the evolving needs of Kerrygold customers and consumers around the world and will support the growth and development of the iconic Kerrygold brand.

International markets

Irish milk from grass-fed cows

Strengthened market positions

IDB Global Business Reports (continued)

Consumer Foods

US - IDB Inc.

2014 marked another significant year for the business in the US market, achieving the highest increase in sales volume growth in 10 years, at 36% year-on-year, contributing to a 39% revenue growth.

Kerrygold butter led the charge in 2014 delivering a 77% increase in sales volumes, making it the number four branded butter in the US. While Kerrygold cheeses now hold three of the top six positions in the cheddar category.

This strong performance has, in part, been driven by a highly successful, fully integrated campaign, which has included traditional and digital media. The campaign, ***Delicious... Because Nature Said So,*** showcases the unique attributes of grass-fed dairy farming and explains why grass-fed milk delivers the very best tasting cheese and butter. A key highlight of the year was the development of a new TV advert filmed on a dairy farm in Co. Waterford.

In addition to the success of its marketing and advertising campaigns, the US Consumer Foods business also achieved growth through product innovation. Kerrygold Butter with Canola Oil was launched in the US, offering consumers increased convenience and superior quality in a rapidly growing category. The US team also introduced two new cheese brands to market, Londoner and Shannonbridge.

2014 saw a deepening of relationships for the US team with key retail partners, leading to expanded distribution with major super stores. Strategic in-store promotions delivered strong sales results during key selling periods.

UK - Adams Foods Ltd

2014 proved to be a challenging trading year in the UK as the market experienced fundamental changes in retail structures, dairy price inflation, record milk production volumes and consumer purchasing habits. Despite all these factors, sales volumes were only marginally down on the record level achieved in 2013 and a strategic review of costs significantly improved efficiency within the business.

The major business project of 2014 was the completion of the long-term strategic cheese supply partnership with First Milk. The 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.

Pilgrims Choice remains the clear number two UK cheddar brand with a retail value of £68 million. However, the brand portfolio had a challenging 2014. Pilgrims Choice declined in volume by 18% due to loss of distribution with a major retailer, the impact of inflation and increased competition from new market entrants and private labels. With a number of new product innovations and a re-invigorated marketing strategy using both digital and traditional media, Pilgrims Choice is well positioned for a good year in 2015.

Kerrygold butter volumes were down on 2013 with the overall branded packet butter market also declining due to retailer focus on private label with £1 price points. Kerrygold maintained its premium price point and benefited from a change in promotional strategy to shallower discounts and a successful on-pack partnership with the iconic Irish designer, Orla Kiely.

IDB Deutschland GmbH

IDB Deutschland continues to build on its record of success over the last 40 years with another year of sales and organisational growth. An investment programme of €14 million was concluded in 2014 with the opening of expanded storage, packing and new product development facilities in Neukirchen-Vluyn.

Kerrygold continues to be the number one butter brand in Germany, in terms of value and volume. Beyond this, its sales performance was in-line with expectations with strong sales performances by Kerrygold Extra. Kerrygold Extra is the clear number two in the spreadable market and is continuing to grow market share. Cheese also performed very strongly with a near 100% increase in volumes.

NPD continues to be at the heart of the IDB Deutschland business. In 2014, IDB launched Kerrygold Extra 400g, a new unsalted sweet cream butter and Kildery cheese which won gold at the Global Cheese Awards.

IDB Global Business Reports (continued)

Consumer Foods

International

IDB China

2014 saw the establishment of IDB China and the opening of its offices in Shanghai and Shenzhen. IDB China sells to over 1,000 retail outlets across 50 cities in China, Hong Kong, Malaysia and Singapore. It imports into China and distributes to a range of direct and distributor customers, serving China's major retailers. It markets the full range of Kerrygold cheeses and butters and now, Kerrygold Whole Milk. The launch of Kerrygold Whole Milk marks IDB China's entry into the mass Chinese market. The business plans to build its in-market presence through product innovation, acquisition and strategic partnership.

IDB Russia

Kerrygold enjoyed a strong start to the year with volumes of butter and cheese exceeding expectations. The business has built a strong distribution network to support its growing partnerships with all the major retailers in Moscow and St Petersburg and with regional retailers.

As with many other businesses, trade sanctions imposed by Russia against the EU have impacted the business. However, the business is maintaining a reduced team in IDB Russia to continue relationships with key retailers so it can respond quickly once this important market reopens to EU dairy.

IDB Europe & Latin America

Kerrygold Regato continues to dominate the Greek market with a 60% market share and number one category position. In 2014 Kerrygold expanded its market portfolio with the launch of Regato slices supported by a new TV advert.

The Iberian team relaunched Kerrygold in the Canary Islands and Portugal and is working closely with IDB España to develop retail opportunities with the recently acquired Spanish cheese business.

The IDB has been developing its business in Trinidad for over 40 years. In 2014 it delivered double-digit growth.

IDB Middle East

IDB Middle East has established a significant presence in the region, with offices based in Dubai, Egypt and Saudi Arabia. The business in the region grew by over one third in 2014 with the launch of Kerrygold and Beo in Iraq and Kerrygold milk and Pilgrims Choice cheese in the U.A.E.

In addition to organic growth, the business seeks to continue to further strengthen its position in the important dairy growth markets in the MENA region through acquisition and strategic partnership, building on the success of the 2013 Al Wazeen acquisition.

IDB Middle East also manages the ingredients sales portfolio for the region which grew by 75% year-on-year.

IDB Africa

The Group's expansion drive has also seen the business deepen its long-standing presence in Africa, expanding activity across the continent, reaching more markets than ever before, with a new headquarters based in Port Elizabeth, South Africa. Africa, a core market for Kerrygold for many years, holds massive promise for the future as its population and incomes grow. IDB Africa's six largest markets are D.R.C., Nigeria, Angola, Algeria, Malawi and South Africa.

2014 was a challenging year for the African business with the spike in milk powder prices, the Ebola crisis and macro-economic factors in a number of markets. The strength of the business' in-market positions gave it the insight and flexibility to manage this.

IDB Africa also manages substantial ingredients sales in the region which grew by over one third year-on-year.

Advert from Kerrygold's 2014 'Taste is Everything' campaign

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.

Growing the DTI business is an important means of developing profitable new routes to market for Irish dairy products. Key activities include dairy commodity trading, product grading and maturing for cheese, and the development and supply of innovative and functional food solutions from Ireland and through a range of subsidiaries in the UK, the US, Spain and Saudi Arabia.

In 2014 the business reported solid results with strong growth in volume with member purchases up 16% and Turnover up 14.5% to €752.8 million. Strong performances were delivered by DTI Republic of Ireland (DTI ROI) and US Food Ingredients. There were mixed performances in the UK where the cheese grating, processing and butter trading businesses performed well but the powder blending business did not meet expectations, however the outlook for 2015 is much more positive.

The highlight of the year was the acquisition of a cheese business in Spain and the establishment of IDB España. The acquisition was in-line with the Group's growth plans to make a strategic investment in Southern Europe, a milk deficit region. IDB España provides expert cheese solutions for the pizza sector that complement the cheese solution technologies being developed in the Group's other international businesses.

DTI is focussed on building a sustainable future through the investment in route to market acquisitions, in-market resources, innovation, lean manufacturing, volatility management and manufacturing capacity and capability. These strategic investments will ensure that the IDB is adding value and building volume outlets for the post quota increased dairy volumes.

Developing routes to market

Strong growth in volume

Establishment of IDB España

IDB Global Business Reports (continued)

Dairy Trading & Ingredients

Ireland

DTI ROI is responsible for the procurement of products from members (Irish dairy processors) and the sale of dairy ingredients to global food manufacturers and brand owners.

2014 was a good year for DTI ROI against the backdrop of a challenging market. Strong purchase prices were paid to members throughout the year and DTI ROI volume purchases were up 16% year-on-year to a record high. These increased purchases strengthened DTI ROI's ingredient position in developing markets as well as ensuring adequate supply to IDB's growing branded business.

Within DTI ROI, the key account and international business units performed particularly well and have ambitious targets for 2015.

The opportunities offered by the end of EU milk quotas remains a crucial focus for DTI ROI and the business' experience in 2014 has given confidence that strategic business objectives with members, subsidiaries and key customer accounts are being delivered on schedule. The DTI division is reaping the benefits of increased integration between the different business units. DTI ROI also increased its in-market presence throughout the year in its strategically important markets of Africa and MENA and now has a strong, in-market presence driving business gains. All business units now operate off a global Customer Relationship Management platform.

DTI ROI will remain focused on cost efficiencies, value added growth and volatility management in 2015 complemented by its trading business which will remain at the forefront of managing volatility in the markets.

UK

Dairy Ingredients (UK) Ltd

Dairy Ingredients (UK) Ltd (DIUK) is a butter trading business and a major supplier to the UK food manufacturing sector. DIUK achieved a steady performance during a year of very turbulent market conditions. Supply, which was constrained in the first half of the year, improved towards year-end, in line with milk output and product stock availability.

In 2015 DIUK looks to enhance its position as a key route to market for Irish butter in the new post quota era and the resultant increase in output of Irish milk based ingredients.

Adams Food Ingredients Limited

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

AFI performed below expectations due to lower than budgeted volumes. During 2014 a strategic review of the business was undertaken, from which a robust management strategy was put in place. Delivery of this management strategy is AFI's main priority and early indications show an improvement in performance in 2015.

The FoodTec business was acquired by AFI during 2014 and is currently being integrated into the Leek site. This will deliver significant efficiencies to the combined business in 2015. Investment is being made in new allergen blending which will facilitate the integration of the FoodTec business as well as add site capacity and increase efficiencies. AFI has also made significant progress in becoming a strategic partner to its key customer accounts and a number of customer-led innovations will be delivered in the first quarter 2015.

The Meadow Cheese Company Limited

The Meadow Cheese Company Limited (Meadow) supplies customised dairy solutions to the food manufacturing and foodservice sectors. An increased focus on developing its formatting capability allowed Meadow to increase sales of chilled and Individual Quick Frozen grated, shredded and form-filled sliceable cheese, despite challenging market conditions. Development of extrusion technology has also seen increased sales in cheese ropes for the fast food industry.

2014 also saw the installation of a new processing line. This will drive technological and quality advantages into the existing client base and enable Meadow to develop additional customers in local and international markets in 2015.

It was another successful year for Meadow with 11 awards at the Nantwich International Cheese Show and eight awards at the Global Cheese Awards. This reflects strong industry recognition of the quality and performance of this company's product range.

The Cheese Warehouse Limited

The Cheese Warehouse specialises in grating natural and processed cheese in a variety of formats. Through scale-led efficiencies, an emphasis on quality, a high level of technical support and a commitment to innovation, it aims to be the UK's foremost supplier of cheese to the food manufacturing and foodservice sectors.

Despite market conditions still in recovery mode, the business enjoyed another successful year under IDB ownership.

In 2014, The Cheese Warehouse sales volume increased by 55%, a 35% increase in Revenue, and a 61% increase in EBITA margin. They also received prestigious awards, winning two Gold and two Silver medals at The International Cheese Awards and the coveted Gold Medal at The Global Cheese Awards, helping to raise its profile and attract new interest for the business.

IDB España

IDB entered into a new venture in Spain in summer 2014 acquiring the business and assets of Luxtor S.A., a Spanish pizza cheese business, from Telepizza. The deal includes a long-term contract for the supply of cheese to Telepizza, the fifth largest pizza chain in the world.

This acquisition strengthens the Group's position as a global provider of pizza cheese and complements similar investments made in specialised cheese solution businesses in the US and the UK. It also provides an immediate route to market for Irish dairy products and opens up further opportunities for Irish dairy products post milk quota removal in 2015.

IDB Saudi Arabia

شركة الوزين للتجارة
Al-Wazeen Trd. Co.

Al Wazeen Trading completed its first full year of trading under IDB's partnership during 2014. The business performed in line with expectations. IDB Saudi Arabia is preparing for the opening of its state-of-art cheese manufacturing facility in Riyadh in late 2015. The site is currently under-construction. In 2014 IDB Saudi Arabia grew its team, further strengthening its in-market presence as it gets ready to embark on a period of growth.

The new facility will produce tailor-made cheese solutions for key manufacturer and foodservice customers in Saudi Arabia. It will also provide a central trading point from which to access the important neighbouring markets of the MENA region.

US

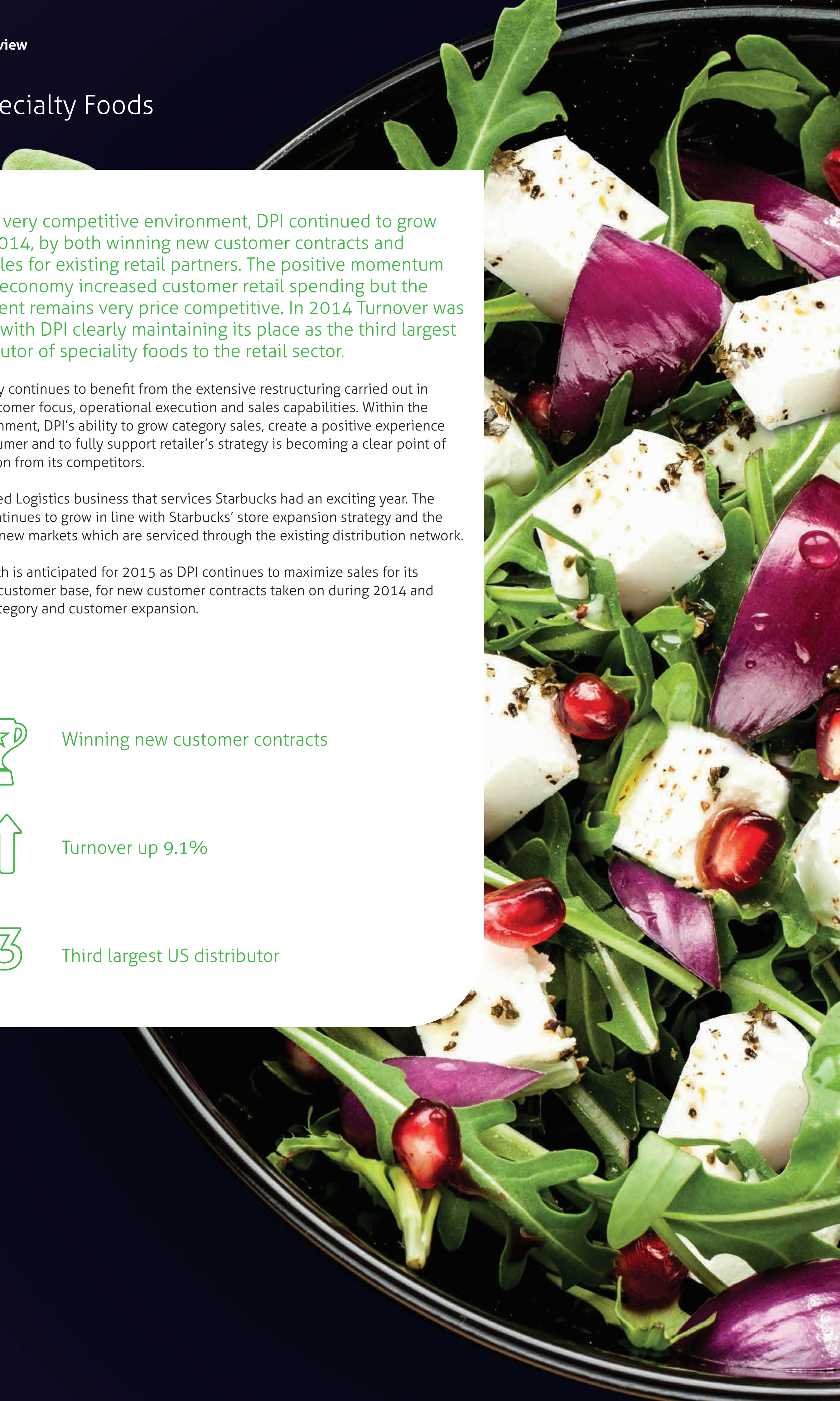
US Food Ingredients

The US Food Ingredients business performed strongly in 2014 meeting Operating Surplus targets through a combination of organic growth, product innovation and new business development.

2014 saw the completion of the latest phase of investment in US Food Ingredients. Amongst the highlights was the completion of a state-of-the-art 30,000 sq. foot facility at the Hilbert site. The centre boasts some of the most advanced dairy processing equipment in the US dairy sector and includes an Innovation Centre that will provide functional cheese solutions to its US Food Ingredient and foodservice customers. This builds on the integration of the Meadow Ingredients business.
A further investment at the Meadow Ingredients facility in Byron has supported double-digit volume growth from this part of the business.

Minister Simon Coveney officially opens new facility in Thiel Cheese & Ingredients, Wisconsin. Also pictured are IDB Chairman Aaron Forde, US Food Ingredients President Neil Cox and IDB CEO Kevin Lane.

DPI Specialty Foods



Despite a very competitive environment, DPI continued to grow sales in 2014, by both winning new customer contracts and driving sales for existing retail partners. The positive momentum in the US economy increased customer retail spending but the environment remains very price competitive. In 2014 Turnover was up 9.1%, with DPI clearly maintaining its place as the third largest US distributor of speciality foods to the retail sector.

The company continues to benefit from the extensive restructuring carried out in terms of customer focus, operational execution and sales capabilities. Within the retail environment, DPI's ability to grow category sales, create a positive experience for the consumer and to fully support retailer's strategy is becoming a clear point of differentiation from its competitors.

The Dedicated Logistics business that services Starbucks had an exciting year. The business continues to grow in line with Starbucks' store expansion strategy and the awarding of new markets which are serviced through the existing distribution network.

Strong growth is anticipated for 2015 as DPI continues to maximize sales for its established customer base, for new customer contracts taken on during 2014 and from new category and customer expansion.

Winning new customer contracts

Turnover up 9.1%

#3 Third largest US distributor

New Product Development 2014

Developing new products that meet the tastes of a changing world is a key part of IDB's growth strategy and at the very core of how IDB is growing its business. We invest in New Product Development (NPD) to ensure that, in the many diverse markets in which we operate, we are exceeding the expectations of our customers. The alchemy of NPD is to take raw ideas and use collective expertise to transform them into viable commercial realities. 2014 was a year which saw some large scale NPD projects reach fruition and be successfully launched in international markets.

A range of Kerrygold UHT milk was launched into the Chinese market in 2014, under the brand name, 金凯利, pronounced 'Jin Kai Li'. The Chinese liquid milk market is estimated to be worth €18 billion with an annual growth rate of over 10%. Over 11 billion litres of liquid milk are consumed in China each year, compared with just 670 million litres in Ireland. It is estimated that this market segment includes over 186 million households in China.

In 2014, Kerrygold Kildery cheese was launched in the German market. Global cheese consumption is increasing and in Europe, Germany is a key cheese market. Kerrygold Kildery cheese is a maasdam style cheese with large round eyes. What differentiates Kerrygold Kildery is its sweet and nutty flavour. It won the Gold medal in the Global Cheese Awards 2014.

Other important cheese launches included the introduction of Kerrygold Light Cheese and Kerrygold Extra Mature. Kerrygold Light Cheese is a great tasting cheese with only half the fat of the original Kerrygold. This product was launched to capitalise on the growing trend of consumers wanting reduced fat products. It was launched across a range of international markets as a 200g prepack block.

Kerrygold Extra Mature Cheddar was developed with care and graded to become a truly remarkable flavoursome cheese with savoury and sweet notes. The launch of this cheese capitalises on an increasing global familiarity with, and demand for, cheddar.

One of the year's most exciting launches was into a completely new category with Kerrygold Irish Cream Liqueur – the new gold standard in Irish cream liqueurs. Launched in the US in September 2014, Kerrygold Irish Cream Liqueur is the finest blend of natural Irish cream, aged Irish whiskey and luxurious chocolate. In 2015 further distribution is planned for the US as well as launches into other markets.

In 2014 the DTI division began supplying skimmed milk yoghurt powder for a key customer in the diet and nutritional sector. This popular natural dieting powder is used for improving metabolism and is for export to the US market.

IDB Deutschland teamed up with German pastry manufacturer Kuchenmeister to launch Kerrygold Butter Milk-Rolls. Made with 10% Kerrygold butter, they are a simple, delicious way to start a day or enjoy a snack between meals.

Some 2014 Innovation Highlights

- Kildery, Gold in the **'Cheese for Export in Commercial Packaging'** category, Global Cheese Awards
- Butterkase, Silver in the **'Cheese for Export in Commercial Packaging'** category, Global Cheese Awards
- The Cheese Warehouse, **'Best UK Grated Cheese'**, Global Cheese Awards
- The Cheese Warehouse, Gold in the **'High-Protein Cheese'**, Global Cheese Awards.
- Kerrygold Vintage Cheese, **'Best Product 2014'**, Product Expo International Exhibition Russia
- Kerrygold Salted Butter, **'Best Product 2014'**, Product Expo International Exhibition Russia
- Pilgrims Choice Extra Mature, Gold in the **'Extra Mature Cheddar'** category, Nantwich Cheese Awards
- Pilgrims Choice Mild, Silver in the **'Irish Cheddar'** category, Nantwich Cheese Awards

Sustainability

2015 will be the beginning of a new era for Irish dairy. At the heart of this new era will be old traditions. Irish dairy farmers have been farming in harmony with nature for thousands of years. Our lush green landscape and temperate climate provide the ideal conditions for sustainable dairy farming and offer Irish produce a unique selling point in international markets. As an industry we are moving in tandem to prove and improve our sustainability credentials. Sustainability is at the heart of the IDB. It is embedded in everything we do and while we are proud of our current position as a world leader in sustainable dairy we look forward to working with the industry to continuously improve every aspect of our business.

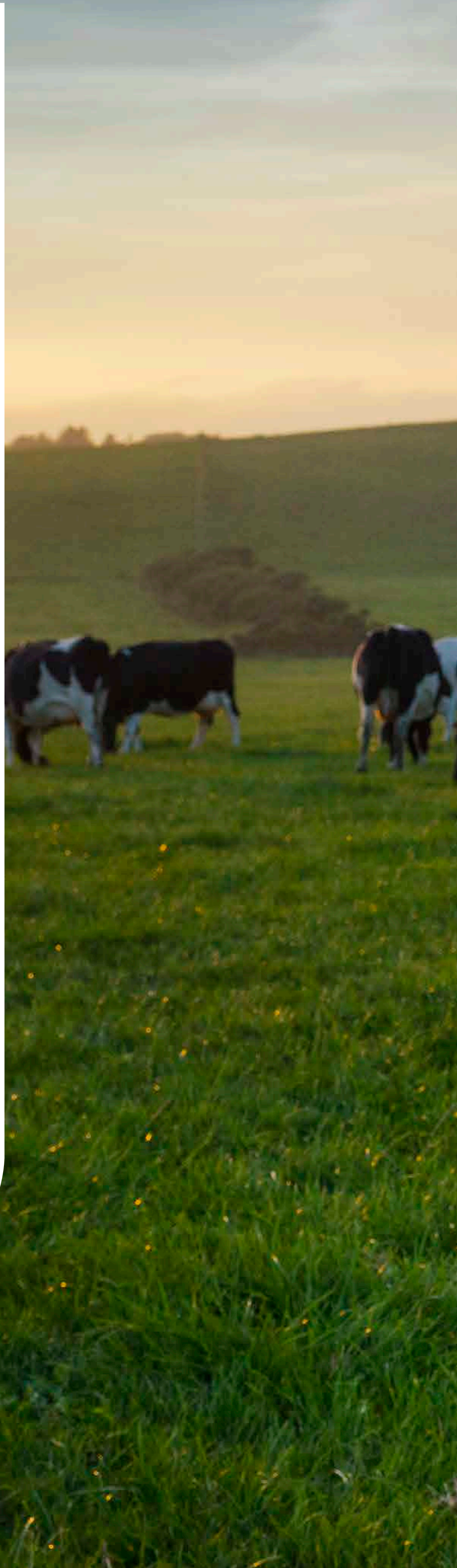
For generations Irish family farms have been practicing sustainable farming methods. Our grass-based production system is amongst the most sustainable in the world. To preserve the extraordinary value of the industry, IDB strives to continuously maintain a sharp focus on the quality of the dairy products it produces. Maintaining the integrity of the industry and its reputation for excellence in food safety and quality is fundamental to growing the business. This is why IDB so strongly supports Bord Bia's Sustainable Dairy Assurance Scheme.

Our Farmers

Our People and Supply Chain

Our Subsidiaries

Our Customers and Consumers



While for many of our competitors the sustainability demands of these customers will present a challenge, for the Irish dairy industry, it presents an opportunity to showcase what we do naturally.

Brian Cleary, Bunmahon, Co. Waterford

Sustainability (continued)

Sustainable Farming

2014 was the International Year of Family Farming. The family is at the heart of Irish dairy farming. The passion for farming is passed down from generation to generation and has shaped the way we farm. It is not uncommon for three generations of an Irish family to work together on the same farm. Land is also passed down through the family; in fact the average Irish farm only changes hands outside the family once every 550 years.

Sustainable Dairy Assurance Scheme (SDAS)

Today's consumer demands high-quality, sustainably produced products. Our customers are moving quickly to react to this consumer demand. They have put stringent programmes in place to ensure sustainable production throughout their entire supply chain. While for many of our competitors the sustainability demands of these customers will present a challenge, for the Irish dairy industry, it presents an opportunity to showcase what we do naturally. Ireland has the perfect attributes for sustainable dairy farming, and with the SDAS we can now prove it. The SDAS audits dairy farmers against over 170 criteria at 18 month intervals. The scheme measures performance in quality and sustainability and determines the carbon footprint of every Irish dairy farm. In this new post quota environment, SDAS, will be a vital tool in proving our sustainability attributes and will enable the IDB, on behalf of the industry, to market and promote the premium attributes of Irish dairy products.

Sustainable Operations

Origin Green

Origin Green is an industry sustainability programme which requires participants to develop and implement sustainability plans in areas such as procurement, operations and social sustainability. In 2013 IDB became the first dairy company to receive Origin Green Accreditation. We are proud to have maintained our accreditation in 2014. In 2014 we also provided support to a number of our members as they sought accreditation. 98% of our Irish product comes from companies engaging in Origin Green. In 2015 we hope to achieve 100% procurement from Origin Green participants in Ireland.

Sustainability Continuous Improvement Programme

To further complement Origin Green, IDB has developed a Sustainability Continuous Improvement Programme at all of our global sites. The programme involves measuring and managing energy, water and waste consumption against key performance indicators at each site. We are proud to have implemented a number of best practice initiatives at our sites and achieved significant results including:

- 16% reduction in electricity consumption at Head Office since 2012
- 18% reduction in thermal energy at Adams Foods Limited in 2014
- Installation of an RO system (Reverse Osmosis) at Thiel facility in Wisconsin which will save around 4.5 million litres of water a year
- 10% reduction of waste at IDB Deutschland

16% reduction in electricity consumption at Head Office since 2012

18% reduction in thermal energy at Adams Foods Limited in 2014

Installation of an RO system (Reverse Osmosis) at Thiel facility in Wisconsin which will save c. 4.5 million litres of water a year

10% reduction of waste at IDB Deutschland

IDB staff taking part in the annual 'Kerrygold Mile' race

The Dwan family from Bohernamona, Co. Tipperary, winners of the NDC & Kerrygold Quality Milk Awards 2014, with Kilkenny hurler Henry Shefflin

In 2014 IDB also incorporated sustainability into the design process for all new construction developments.

Quality

In 2014 the IDB introduced a Global Supply Chain Integrity project to continuously improve how it works with third party stakeholders worldwide, to drive increased quality and food safety standards. In the first year of the project over 30 sites were visited and audited across the world. The IDB also maintained BRC Grade A rating across all Group subsidiary factories including achieving accreditation within three months of the opening of the new Thiel facility in Hilbert, Wisconsin.

Logistics

During 2014 the business worked closely with all transport and logistics partners in preparation for the introduction of Sulphur Emission Control Areas (SECA) and to ensure full compliance for 2015. It continues to include sustainability in the tender process for all transport, logistic and supply chain contracts and partners with service providers to ensure a minimal impact on the environment.

Sustaining Others

As a co-operative organisation IDB's primary objective is to create shared value for the dairy industry and dairy farmers in Ireland. The IDB works tirelessly to ensure that it remains a sustainable supply chain partner for key customers. The business has embedded sustainability in all elements of the business but also has taken steps to empower others to become more sustainable. As well as supporting local schools, charities and sports clubs, some of the initiatives and organisations we supported in 2014 include:

- Agri Aware
- Animal Health Ireland
- Macra na Feirme (Young Farmers Association)
- NDC & Quality Milk Awards
- Grocery Aid
- American Youth Soccer Organisation
- Queens Hospital Neonatal Unit
- "Wear it Pink" for Breast Cancer

Sustaining our Staff

IDB is committed to encouraging its staff to live and work in a sustainable way. The business endeavours to provide the resources to support and develop its staff both professionally and personally.

In 2014 significant progress was continued in the advancement of in-house people development capability, with a strong focus on ensuring the quality of both internal and external development initiatives.

Lunch and Learn

In 2014 IDB introduced lunchtime learning sessions where staff from different parts of the business gave an overview of their role to better inform their colleagues and enhance their working knowledge of the business.

Kerrygold Mile Health Initiative

The second year of IDB's annual staff health initiative encouraged staff at all fitness levels to get active by walking or running at lunchtime. The programme culminated in the 'Kerrygold Mile', a one mile (1.6km) fun race for walkers and runners.

IDB Deutschland became part of a successful world record attempt providing the butter for the most cookies baked in 24 hours

Pictured at Agri Aware's '2015 Farm Walk and Talk' in Teagasc Kildalton, Piltown are: Dr. Vanessa Woods, Chief Executive, Agri Aware and Brian Cleere, Irish Dairy Board, with students from St. Declan's Community College, Kilmacthomas, Co. Waterford

Corporate Governance

The Irish Dairy Board Co-operative Limited (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 (CEO) 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 2014 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. Ongoing training and 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.

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.

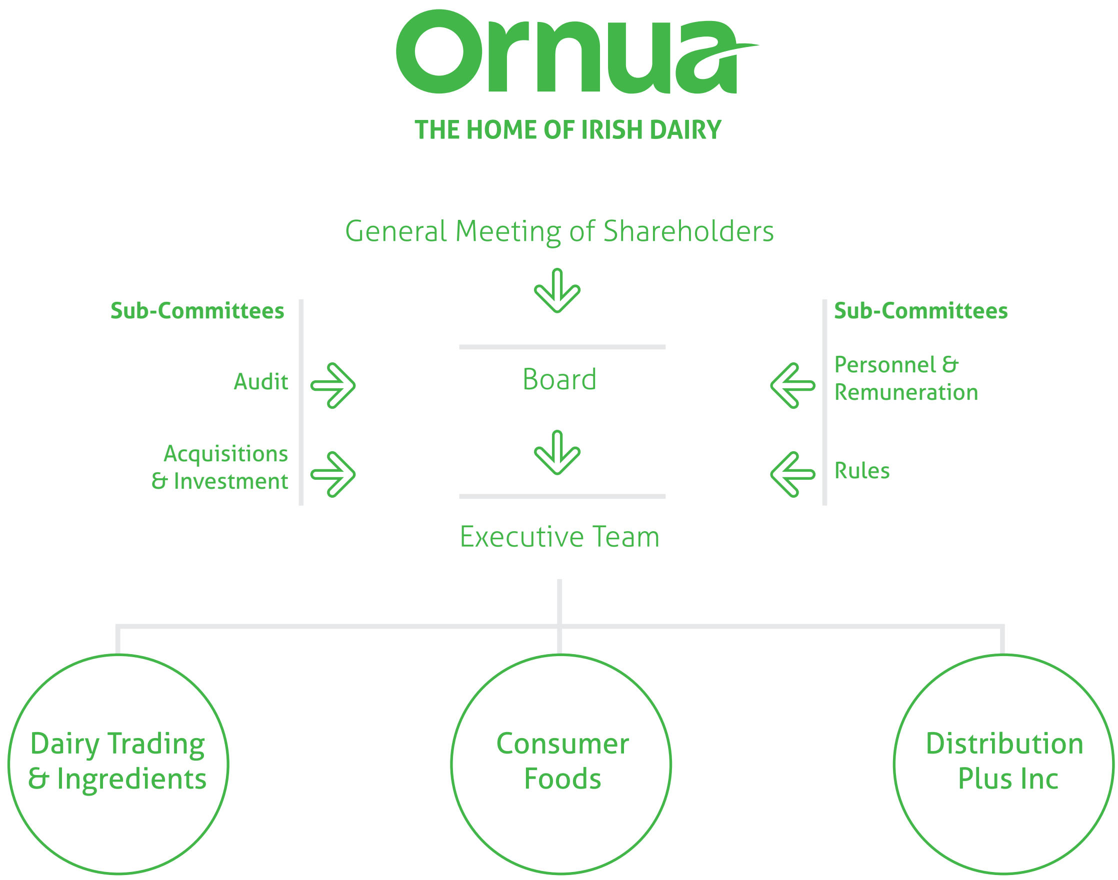
The Non-Executives

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 CEO and Executive Team

The 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 Limited. 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.

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.

Corporate Governance (continued)

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 auditors 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.

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, consistent with Group strategic objectives and of 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's 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 provided to the Audit Sub-Committee 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.

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 on 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. Furthermore, 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, our business may be negatively impacted by political decisions, civil unrest, or any other developments in the countries in which we operate. This leads to heightened integration risks which are closely monitored and managed by the business.

The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow the business in line with its key objectives. Failure to attract, retain and develop creative, committed and skilled employees may impact the Group's ability to achieve its strategic objectives.

Directors' Report

For the period ended 27 December 2014

The Directors submit their report together with the audited financial statements for the period ended 27 December 2014.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations.

Irish law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of the Society's affairs at the end of the financial period and of its profit or loss for the financial period. Under that law the Directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements have been properly prepared in accordance with the requirements of the Industrial and Provident Societies Act, 1893 to 1978. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 agents and distributors. Consumer dairy products are marketed primarily under the Kerrygold, Pilgrims Choice, Kerrygold Dubliner, 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 Spain, 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.

The Group reported a Turnover of over €2.34 billion in 2014, up 10% year-on-year and a very strong Operating Surplus of €30.3 million, up 17% on prior year. The strong operating performance enabled a €12 million bonus to be declared to members, included in this was a cash bonus of €7.5 million, up 15% on the previous year. These strong results built on the excellent performance in 2013.

The Group closed the year with a very strong Balance Sheet, with net assets of €436 million. As part of the drive to increase capacity in advance of the removal of quotas, major capital expenditure and working capital investments were made across our key markets. As a result of this the Group ended the year with net debt of €99.3 million but the significant investments made leave the Group well placed for the post-quota environment.

Access to capital allowing the flexibility and strength to invest in the future of the business is essential to its strategy for growth. In March of 2014, IDB secured a new five year syndicated bank facility of €420 million, replacing its existing three year €350 million syndicated bank facility. These new syndicated five year facilities comprise a financing agreement with facilities available of €165 million and a RID facility with committed facilities of €200 million, stepping up to €255 million over the period of the facility. These new increased facilities were significantly over-subscribed and provide IDB and the Irish dairy industry with significant funds to meet domestic expansion and international growth requirements.

The Group's Consumer Foods division reported a solid result for 2014, with all markets contributing well despite the ongoing challenges faced by customers. Continued investments in brand growth and NPD have strengthened the position and offering of Kerrygold and our other brands such as Pilgrims Choice and Kerrygold Dubliner. 2014 was a year which saw some large-scale NPD projects reach fruition and be successfully launched in international markets.

The Dairy Trading & Ingredients division reported a solid trading performance for 2014, with strong growth in volume, Turnover and Operating Surplus.
The Republic of Ireland and US Food Ingredients businesses continued to perform strongly. The UK market had a challenging year; however DTI UK returned a solid performance. The year's highlights included the opening of a new state-of-the-art facility at the Hilbert site, Wisconsin, the acquisition of a Spanish cheese business and FoodTec in the UK.

DPI, IDB's US based speciality food distributor, continued to grow sales in 2014, by both winning new customer contracts and solid year-on-year growth. In 2014 Turnover was up 9.1% with DPI clearly maintaining its place as the third largest US distributor of speciality foods to the retail sector. The review of operations completed by management in 2013 delivered for the business in 2014 with increased profitability reported.

Operational Highlights

The Group's Business Transformation Strategy is deeply embedded across the business and is successfully delivering real, measureable results.

Key operational highlights from 2014 were:

- Increased investment in brand development and NPD. New product launches included:
  - Kildery Cheese, a maasdam style cheese, launched into the German market
  - Kerrygold Light Cheese launched across a range of international markets
  - Kerrygold Whole Milk launched in China
  - Kerrygold Irish Cream Liqueur launched in selected cities in the US
- Increased in-market presence with 35 new people in-market in the past 18 months.
- Opening of the new facility at Thiel, Wisconsin which marked the completion of an $80 million expansion programme in the US Food Ingredients business
- Completion of a significant expansion of facilities at Neukirchen-Vluyn, Germany
- Acquisition of a Spanish cheese business and establishment of IDB España
- Acquisition of assets and business of FoodTec, a specialist ingredients business in the UK
- Completion of a five year €420 million financing programme
- Approval to build a Centre of Excellence for Kerrygold Butter Production and Packing in Mitchelstown Co. Cork, Ireland
- The implementation of lean manufacturing principles delivered an incremental €1.7 million annualised benefit to the business in 2014. This brings the accumulative annualised benefit to €8.95 million. The principles of lean manufacturing are fully embedded throughout the organisation and will continue to be a key pillar of the IDB strategy into 2015
- Significant investment provided to staff development including: Executive Education, Leadership Development, Mentoring and Coaching Development, Succession Planning and Personal Effectiveness programmes

Future Developments

The Group has made significant investment across the business over the past few years as it prepares 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 ensuring 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 success 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 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 34 to the financial statements.

Directors' and Secretary's Shareholdings

The Directors and Secretary and their families had no interests in the shares of the 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 (2013: nil).

Auditors

The rules of the Society provide that the Auditor shall be appointed at the Annual General Meeting. The incumbent Auditor is eligible for reappointment.

Post Balance Sheet Events

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

Directors' Report (continued)

For the period ended 27 December 2014

Board Members to End December 2014

Board Members		Representing
Aaron Forde (i) (ii) (iii) (iv)	Chairman	Aurivo Co-operative Society Limited
Jim Russell (i) (ii) (iii) (iv)	Vice Chairman	Irish Co-operative Society Limited
Jim Bergin (iii) (iv)		Glanbia Ingredients Ireland Limited
John Comer (iv)	Appointed June 2014	Irish Creamery Milk Suppliers Association
Michael Hanley (i)	Co-opted July 2014	Lakeland Dairies Co-operative Limited
Martin Keane (i)	Appointed June 2014	Glanbia Co-operative Society Limited
Dan MacSweeney (ii) (iv)		Carbery Food Ingredients Limited
Ted O'Connor (iii)		Tipperary Co-operative Creamery Limited
Bertie O'Leary (ii)		Dairygold Co-operative Society Limited
Conor Ryan (ii)		Arrabawn Co-operative Society Limited
Donal Tobin (i) (iii)	Chairman of the Audit Sub-Committee / Appointed June 2014	Carbery Food Ingredients Limited
Sean O'Leary (i)	Appointed June 2014	Irish Farmers Association
Pat Sheahan (ii)	Appointed June 2014	Electoral Area
Jim Woulfe (iii) (iv)	Chairman of the Personnel and Remuneration Sub-Committee	Dairygold Co-operative Society Limited
Jackie Cahill	Resigned June 2014	Irish Creamery Milk Suppliers Association
Vincent Gilhawley	Resigned June 2014	Town of Monaghan Co-operative Limited
Liam Herlihy	Resigned June 2014	Glanbia Co-operative Society Limited
Kevin Kiersey	Resigned June 2014	Irish Farmers Association
Sean McAuliffe	Resigned June 2014	Electoral Area C
John O'Brien	Resigned June 2014	Electoral Area B

Committee Members as at 27 December 2014

(i) Member of the 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
10 March 2015

Donal Tobin
Director

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

We have audited the group financial statements of Irish Dairy Board Co-operative Limited for the period ended 27 December 2014 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).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the group financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the society's members as a body in accordance with Section 13 of the Industrial and Provident Societies Act, 1893 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 group'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 group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on group financial statements

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 27 December 2014 and of its surplus and cash flows for the period then ended; and
- have been prepared in accordance with Generally Accepted Accounting Practice in Ireland.

Matter 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 parent society balance sheet 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.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
10 March 2015

Group Profit & Loss Account

for the period ended 27 December 2014

	Notes	2014 €'000	2013 €'000
Turnover	2	2,339,784	2,124,088
Cost of sales		(2,021,238)	(1,835,082)
Gross surplus		318,546	289,006
Selling and distribution expenses		(221,578)	(211,848)
Administration expenses		(59,166)	(45,841)
Goodwill amortisation		(7,549)	(5,481)
Operating surplus		30,253	25,836
Exceptional items	5	703	473
Surplus on ordinary activities before financing		30,956	26,309
Interest payable (net)	6	(3,116)	(3,050)
Other finance income/(costs) - (net)	30	243	(413)
Surplus on ordinary activities before taxation	3	28,083	22,846
Taxation	7	(6,482)	(3,312)
Surplus on ordinary activities after taxation		21,601	19,534
Attributable to minority interest	25	107	101
Retained surplus for the period		21,708	19,635
Revenue reserves at beginning of period		399,522	378,279
Actuarial (loss)/gain on post retirement liabilities (net of deferred tax)		(22,271)	6,108
Transfer to annual bonus fund	8	(4,500)	(4,500)
Revenue reserves at end of period		**394,459**	**399,522**

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

All of the amounts in the Group Profit & Loss Account for the year relate to continuing operations.

The notes on pages 42 to 62 form part of these financial statements.

On behalf of the board of Directors

Aaron Forde
Chairman
10 March 2015

Donal Tobin
Director

Group Balance Sheet
as at 27 December 2014

	Notes	2014 € '000	2013 € '000
Fixed assets			
Goodwill	9	57,213	38,815
Tangible assets	10	153,893	127,222
Assets held for sale	12	-	8,365
Financial assets	13	147	156
		211,253	174,558
Current assets			
Stock	14	524,170	438,763
Debtors	15	338,717	272,470
Other financial assets	28	7,833	7,239
Cash and bank balances	27	45,266	51,905
		915,986	770,377
Creditors: amounts falling due within one year	16	(500,574)	(494,862)
Net current assets		415,412	275,515
Total assets less current liabilities		626,665	450,073
Creditors: amounts falling due after one year	19	(145,180)	(9,081)
Provision for liabilities	20	(2,096)	(1,888)
Net assets before post retirement liabilities		479,389	439,104
Post retirement liabilities	30	(43,379)	(21,735)
Net assets		**436,010**	**417,369**
Capital and reserves			
Called up share capital	21	19,524	19,523
Revenue reserves		394,459	399,522
Other reserves	22	(4,618)	(28,296)
Capital levy account	23	256	256
Members' equity interest (before annual bonus fund and redeemable loan stock)		409,621	391,005
Annual bonus fund	8	4,500	4,500
Redeemable loan stock	8	20,501	20,501
Members' funds	24	434,622	416,006
Minority equity interest	25	1,388	1,363
		436,010	**417,369**

The notes on pages 42 to 62 form part of these financial statements.

On behalf of the board of Directors

Aaron Forde
Chairman
10 March 2015

Donal Tobin
Director

Group Cash Flow Statement
for the period ended 27 December 2014

	Notes	2014 €'000	2013 €'000
Net cash (outflow)/inflow from operating activities	26	(77,448)	74,660
Return on investments and servicing of finance			
Interest paid		(4,908)	(2,649)
Interest received		806	1,116
		(4,102)	(1,533)
Taxation		(11,384)	(2,727)
Capital expenditure and financial investment			
Purchase of tangible assets	10	(28,807)	(21,556)
Sale of tangible assets		9,005	965
Sale of financial asset		1,875	-
		(17,927)	(20,591)
Acquisitions and disposals			
Acquisition of subsidiary undertakings (net of cash acquired)	11	(36,775)	(346)
Cash (outflow)/inflow before financing		(147,636)	49,463
Financing			
Increase/(decrease) in debt		135,000	(9,000)
Payments in respect of loan stock redeemed		(6,142)	(7,814)
(Increase)/decrease in restricted cash	28	(594)	104
		128,264	(16,710)
(Decrease)/increase in cash in the period		**(19,372)**	**32,753**

Reconciliation of net cash flow to movement in net (debt)/cash

	Notes	€'000	€'000
(Decrease)/increase in cash in the period		(19,372)	32,753
(Increase)/decrease in debt financing		(135,000)	9,000
Movement in net (debt)/cash resulting from cash flows		(154,372)	41,753
Exchange movements		3,139	(577)
Net cash at beginning of period		51,905	10,729
Net (debt)/cash at end of period	27	**(99,328)**	**51,905**

On behalf of the board of Directors

Aaron Forde
Chairman
10 March 2015

Donal Tobin
Director

Statement of Total Recognised Gains & Losses
for the period ended 27 December 2014

	Notes	2014 €'000	2013 €'000
Surplus on ordinary activities after taxation		21,601	19,534
Actuarial (loss)/gain on post retirement liabilities gross of taxation	30	(26,037)	7,194
Deferred tax movement on actuarial (loss)/gain on post retirement liabilities		3,766	(1,086)
Currency translation gain/(loss) on intercompany loans	22	20,396	(6,040)
Currency translation gain/(loss) on foreign currency net investments	22	3,282	(521)
Total recognised gains and losses for the period		**23,008**	**19,081**
Attributable to:			
Equity holders of the Parent		22,983	19,191
Minority Interest	25	25	(110)
		23,008	**19,081**

On behalf of the board of Directors

Aaron Forde
Chairman
10 March 2015

Donal Tobin
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 27 December 2014. 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 significant results and net assets into Euro:

	Average Rates		Period End Rates	
€ 1 =	2014	2013	2014	2013
US$	1.3308	1.3275	1.2195	1.3758
GBP£	0.8069	0.8488	0.7838	0.8353

(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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

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

(h) Tangible Assets
Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is not provided on freehold land. Depreciation on other tangible fixed assets 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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(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.

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 a discounted 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) Post retirement benefits
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 the 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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(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.

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

(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.

Notes to the Financial Statements (continued)

2. Turnover

	2014 €'000	2013 €'000
(a) By activity		
Consumer Foods	856,966	796,175
Dairy Trading & Ingredients	752,758	657,388
US Distribution	730,060	670,525
	2,339,784	**2,124,088**
(b) By destination		
UK	743,971	655,322
Other EU	474,022	423,095
North America	943,184	841,824
Other	178,607	203,847
	2,339,784	**2,124,088**
(c) By origin		
Ireland	1,074,492	1,085,235
UK	378,150	246,933
Other EU	49,868	42,091
North America	831,195	748,817
Rest of the World	6,079	1,012
	2,339,784	**2,124,088**

The disclosure of segmental information in respect of inter-segment turnover, 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 seriously prejudicial to the interests of the Group and, accordingly, has not been disclosed as permitted by SSAP 25.

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

	2014 €'000	2013 €'000
Depreciation	14,072	14,543
Goodwill amortisation	7,549	5,481
Operating lease rentals	10,734	8,114
Auditor's remuneration - audit fee	509	618
Directors' fees	452	352

4. Employees and remuneration

The average number of persons employed by the Group is analysed into the following categories:

	2014 No.	2013 No.
Production	1,163	1,006
Selling and distribution	1,807	1,679
Administration	415	379
	3,385	**3,064**

Notes to the Financial Statements (continued)

4. Employees and remuneration (continued)

The staff costs are comprised of:	2014 €'000	2013 €'000
Wages and salaries*	132,111	119,861
Social welfare costs	18,920	17,316
Pension costs (included in operating surplus)	4,598	3,957
Staff costs included in operating surplus	**155,629**	**141,134**
Pension - other finance (income)/costs (net)	(243)	413
Total charged to profit and loss account	**155,386**	**141,547**
Actuarial loss/(gain) on post retirement liabilities, net of deferred taxation, recognised in equity	22,271	(6,108)
Total aggregate payroll costs	**177,657**	**135,439**

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

Cost of sales	33,978	30,311
Selling and distribution expenses	89,209	84,197
Administration expenses*	32,442	26,626
Included in operating surplus	**155,629**	**141,134**
Other finance (income)/costs (net)	(243)	413
Total charged to profit and loss account	**155,386**	**141,547**
Statement of total recognised gains and losses		
Actuarial loss/(gain) on post retirement liabilities (net of deferred tax)	22,271	(6,108)
Total aggregate payroll costs	**177,657**	**135,439**

*Includes €1.3m (2013: €0.5m) share based payment expense.

5. Exceptional items

	2014 €'000	2013 €'000
Disposal & write off of fixed assets (i)	2,132	473
UK restructuring costs (ii)	(1,429)	-
	703	**473**

2014
(i) During the period the Group disposed of some tangible and financial assets at a profit.
(ii) During the period the Group undertook a restructuring of some of its UK businesses.

2013
(i) In 2013 the Group disposed of tangible assets at a profit and wrote off some obsolete tangible assets.

Notes to the Financial Statements (continued)

6. Interest payable (net)

	2014 €'000	2013 €'000
Interest payable on bank loans and overdrafts :		
Repayable within 5 years, other than by instalments	3,925	4,216
Interest receivable	(809)	(1,166)
	3,116	**3,050**

7. Taxation

	2014 €'000	2013 €'000
(a) Analysis of taxation charge in the period		
Current tax		
Irish corporation tax on the surplus for the period	-	500
Adjustments in respect of previous periods	(359)	(886)
	(359)	(386)
Foreign tax		
Foreign corporation tax on surplus for the period	9,567	3,164
Adjustments in respect of previous periods	307	465
	9,874	3,629
Total current tax	9,515	3,243
Deferred tax		
Origination and reversal of timing differences	(3,033)	69
Tax on surplus on ordinary activities	**6,482**	**3,312**
(b) Factors affecting tax charge for the period		
Surplus on ordinary activities before tax	28,083	22,846
Surplus on ordinary activities at the standard rate of corporation tax in Ireland of 12.5%	3,510	2,856
Effects of:		
Foreign rates of tax different from Irish rates	6,092	4,970
Non utilisation/(utilisation) of tax losses (net)	68	(5,340)
Expenses/income not deductible/taxable (net)	(146)	(805)
Movement in other timing differences	43	1,983
Adjustments in respect of prior periods	(52)	(421)
Current tax charge for the period	**9,515**	**3,243**

Notes to the Financial Statements (continued)

8. 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 2014 is €4.5m (2013 : €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 loan stock to the value of €4.5m (2013 : €7.9m) issued in respect of the 2009 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 €6.1m in 2014 (2013 : €7.8m).

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 2013 and in 2015, intends to distribute redeemable loan stock and bonus shares in respect of the amount transferred to the annual bonus fund in 2014.

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

	2014 €'000	2013 €'000
At beginning of period	20,501	23,966
Transferred from annual bonus fund	4,500	4,500
Redemption of loan stock	(4,455)	(7,920)
Issue of bonus shares	(45)	(45)
At end of period	**20,501**	**20,501**

Notes to the Financial Statements (continued)

9. Goodwill

	2014 €'000	2013 €'000
Cost		
At beginning of period	74,206	67,099
Arising on acquisition of businesses (note 11)	25,947	7,107
	100,153	74,206
Amortisation		
At beginning of period	35,391	29,910
Amortised during the period	7,549	5,481
	42,940	35,391
Net book amount		
At end of period	**57,213**	**38,815**

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 (2013 : €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.

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.

10. 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*	9,038	110,769	9,337	138,797	267,941
Additions in the period	13	8,038	40	20,716	28,807
Arising on acquisition of businesses (note 11)	-	-	-	3,480	3,480
Disposals in the period	-	-	-	(3,074)	(3,074)
Translation adjustment	2,136	6,294	2,935	12,785	24,150
	11,187	125,101	12,312	172,704	321,304
Depreciation					
At beginning of period*	-	43,228	4,008	93,483	140,719
Charge for the period	-	2,716	839	10,517	14,072
Disposals in the period	-	-	-	(2,985)	(2,985)
Translation adjustment	-	2,744	1,750	11,111	15,605
	-	48,688	6,597	112,126	167,411
Net book amount					
At 27 December 2014	**11,187**	**76,413**	**5,715**	**60,578**	**153,893**
At 28 December 2013	**9,038**	**67,541**	**5,329**	**45,314**	**127,222**

*Includes reclassifications.

The buildings, plant, equipment and vehicles are insured at a value of €303.7m (2013 : €251.6m).

Notes to the Financial Statements (continued)

11. Acquisition of subsidiary undertakings

During 2014 the Group acquired the following businesses:
1) In March, some tangible assets and a long term supply contract from First Milk, the UK dairy co-operative;
2) In July, the business and assets of FoodTec UK Limited, a specialist ingredients business; and
3) In August, the trade and assets of Telepizza subsidiary, Luxtor S.A., a Spanish pizza cheese and cheese blends plant and includes a long term supply contract.

	2014 Book Value €'000	2014 Adjustments €'000	2014 Fair Value €'000
Fair value of the net assets acquired at date of acquisition were as follows:			
Tangible fixed assets (note 10)	4,009	(529)	3,480
Stock	3,917	(1,671)	2,246
Debtors	1,388	-	1,388
Creditors	(324)	(142)	(466)
Net assets acquired	8,990	(2,342)	6,648
Goodwill arising on acquisitions (note 9)			25,947
Total acquired			**32,595**
Satisfied by:			
Cash consideration			28,175
Deferred consideration			4,420
			32,595
Consideration paid in 2014:			
On current year acquisitions			28,175
Deferred consideration on prior year acquisition*			8,600
			36,775

*Goodwill arising on acquisitions also includes €0.5m arising on the finalisation of the deferred consideration in relation to the acquisition of Meadow Ingredients USA, LLC in a prior period.

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

12. Assets held for sale

	2014 €'000	2013 €'000
At beginning of period	8,365	8,689
Translation adjustment	3	(324)
Disposal	(8,368)	-
At end of period	**-**	**8,365**

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. This building was sold in 2014 and its carrying value was fully recovered.

Notes to the Financial Statements (continued)

13. Financial assets

	2014 €'000	2013 €'000
At beginning of period	156	157
Disposal in the period	(23)	-
Translation adjustment	14	(1)
At end of period	**147**	**156**

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

14. 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.

15. Debtors

	2014 €'000	2013 €'000
Due within one year:		
Trade debtors	305,107	242,643
Prepayments	14,926	14,556
Corporation tax debtors	1,676	855
Other debtors	12,157	13,576
	333,866	271,630
Due after one year:		
Deferred taxation (i)	4,851	840
	338,717	**272,470**
(i) Arising from:		
Accelerated capital allowances	(3,959)	-
Tax losses carried forward	735	-
Other timing differences	8,075	840
	4,851	**840**
Deferred tax asset at start of period	840	1,788
Credit/(charge) for the period	3,467	(1,049)
Exchange movements	411	(9)
Transfer to pension deficit	133	110
Deferred tax asset at end of period	**4,851**	**840**

The Group has not recognised deferred tax assets of €1.5m (2013: €4.9m) on the basis that there is insufficient evidence that these assets will be recoverable.

16. Creditors : amounts falling due within one year

	2014 €'000	2013 €'000
Trade creditors	217,723	174,924
Amount due to factor (note 18)	141,831	151,296
Accruals	121,664	151,848
Redeemable loan stock	3,606	3,914
Taxation creditors (note 17)	3,736	4,280
Deferred consideration on acquisitions (note 11)	2,420	8,600
Bank overdrafts (note 18)	9,594	-
	500,574	**494,862**

Notes to the Financial Statements (continued)

17. Taxation creditors

	2014 €'000	2013 €'000
Corporation tax	1,478	2,564
PAYE	1,459	1,331
PRSI	799	321
VAT	-	64
	3,736	**4,280**

18. Loans and overdrafts

	2014 €'000	2013 €'000
Amounts falling due within one year	**9,594**	-
Amounts falling due after one year	**135,000**	**-**

In March 2014, the Group entered into a five year syndicated financing agreement with facilities available of €165m.

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, in March 2014, a number of member suppliers to the Group entered into a five 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, with committed facilities of €200m, stepping up to €255m over the period of the facility.

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 (2014: €141.8m, 2013: €151.3m) to Rabobank.

19. Creditors : amounts falling due after one year

	2014 €'000	2013 €'000
Redeemable loan stock	6,534	7,912
Deferred taxation (i)	1,646	1,169
Deferred consideration on acquisition (note 11)	2,000	-
Bank loans (note 18)	135,000	-
	145,180	**9,081**
(i) Arising from :		
Accelerated capital allowances	2,406	1,919
Other timing differences	(760)	(750)
	1,646	**1,169**
Provision for deferred tax at start of period	1,169	2,219
Charge/(credit) for the period	434	(980)
Transfer to pension deficit	(43)	(28)
Exchange movements	86	(42)
Provision for deferred tax at end of period	**1,646**	**1,169**

Notes to the Financial Statements (continued)

20. Provision for liabilities

	Insurance Provision € '000
At beginning of period	1,888
Provided during the period	265
Utilised during the period	(57)
At end of period	**2,096**

The insurance provision relates to reserves within the Group's captive 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.

21. Share capital

Issued share capital	2014 No. of Shares	2014 €'000	2013 No. of Shares	2013 €'000
"A" shares of €1 each	13,335	13	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	143	-	156	-
Bonus shares of €1 each	1,589,843	1,590	1,587,656	1,588
Deferred ordinary shares of €1 each	17,916,961	17,917	17,916,961	17,917
		19,524		**19,523**

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.

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)

22. Reconciliation of movement in other reserves

	Foreign Currency Translation Reserve €'000	Share Premium €'000	Total €'000
At beginning of period	(28,328)	32	(28,296)
Profit on translation of overseas subsidiary companies' net assets	23,678	-	23,678
At end of period	**(4,650)**	**32**	**(4,618)**

23. Capital levy account

	2014 €'000	2013 €'000
Balance at end of period	**256**	**256**

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

24. Reconciliation of movements in members' funds

	2014 €'000	2013 €'000
Surplus for the period	21,708	19,635
Gain/(loss) on translation of overseas subsidiary companies' net assets (note 22)	23,678	(6,561)
Actuarial (loss)/gain on post retirement liabilities (net of deferred tax)	(22,271)	6,108
Redemption of loan stock/share capital	(4,499)	(7,920)
Net addition to members' funds	18,616	11,262
Opening members' funds	416,006	404,744
Closing members' funds	**434,622**	**416,006**

25. Minority interest

	2014 €'000	2013 €'000
Opening minority interest	1,363	479
Loss attributable to minority interest (net)	(107)	(101)
Increase in shareholding	-	(28)
Minority interest on acquisition of subsidiary	-	1,022
Foreign exchange movements	132	(9)
Closing minority interest	**1,388**	**1,363**

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 Wazeen Trading Company LLC giving rise to a minority interest of €1.0m.

Notes to the Financial Statements (continued)

26. Net cash (outflow)/inflow from operating activities

	2014 €'000	2013 €'000
Operating surplus	30,253	25,836
Exceptional items	(1,429)	-
Depreciation of tangible assets	14,072	14,543
Goodwill amortisation	7,549	5,481
Increase in stocks	(69,372)	(33,714)
Increase in debtors	(47,120)	(45,084)
(Decrease)/increase in creditors	(8,847)	109,440
Post retirement liabilities	(748)	(1,633)
Exchange movements	(1,806)	(209)
Net cash (outflow)/inflow from operating activities	**(77,448)**	**74,660**

27. Analysis of net cash/(debt)

	28 December 2013 €'000	Cash flow €'000	Exchange movements €'000	27 December 2014 €'000
Net cash/(debt)				
Cash at bank and in hand	51,905	(9,778)	3,139	45,266
Bank overdraft	-	(9,594)	-	(9,594)
	51,905	(19,372)	3,139	35,672
Loans falling due after one year	-	(135,000)	-	(135,000)
Net cash/(debt)	**51,905**	**(154,372)**	**3,139**	**(99,328)**

28. Other financial assets

	2014 €'000	2013 €'000
Restricted cash on deposit	**7,833**	**7,239**

Deposits of €7.8m (2013 : €7.2m) were held at period end within the Group's captive insurance company and are restricted for use by the Group other than for the purposes of insurance.

Notes to the Financial Statements (continued)

29. Capital commitments

	2014 €'000	2013 €'000
Commitments for which contracts have been placed	**8,332**	**6,660**
Commitments approved but not contracted for	**44,562**	**24,223**

30. Post retirement liabilities

The Group accounts for its post retirement liabilities 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 €1.9m (2013 : €2.2m) of which €2.1m (2013 : €1.8m) has been charged against operating surplus and €0.2m (2013 : €0.4m has been charged) has been credited within other finance costs.

Contributions to defined contribution pension schemes in the period were €2.5m (2013 : €2.1m).

The trustees of the Parent Society scheme have obtained an actuarial valuation dated 1 January 2014 using the projected unit valuation method. The trustees of the Adams Foods Limited scheme have obtained a valuation dated 31 December 2012. Valuations as at 27 December 2014 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 to take account of the requirements of FRS17, in order to assess the liabilities of the schemes as at 27 December 2014.

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 €1.9m. 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 €0.8m.

FRS 17 Retirement benefits

Financial assumptions

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

	2014	2013	2014	2013
	Irish Scheme		Other Schemes	
	%	%	%	%
Inflation rate increase	1.75	2.00	2.10	2.50
Salary rate increase	2.75	3.00	4.25	4.65
Pension payment increases	1.75	2.00	2.10	2.50
Discount rate	2.10	3.80	3.50	4.50
Scheme assets				
Long term rate of return expected at each period end:				
Equities	n/a	7.00	n/a	5.60
Bonds	n/a	3.50	n/a	3.10
Property	n/a	6.00	n/a	5.60
Other	n/a	1.00	n/a	-

Notes to the Financial Statements (continued)

30. Pension scheme (continued)

In valuing the liabilities of the pension fund at 27 December 2014, 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.

*Retiring in 25 years for the Irish scheme and in 20 years for other schemes.

	2014	2013	**2014**	2013	**2014**	2013
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Assets in schemes at period end						
Equities	45,960	59,750	32,871	28,749	78,831	88,499
Bonds	13,346	9,630	12,344	10,563	25,690	20,193
Property	2,062	1,986	4,434	4,121	6,496	6,107
Other	21,066	626	648	1,762	21,714	2,388
	82,434	71,992	50,297	45,195	132,731	117,187
Actuarial value of liabilities	(121,590)	(92,164)	(61,976)	(50,546)	(183,566)	(142,710)
Deficit in schemes	**(39,156)**	**(20,172)**	**(11,679)**	**(5,351)**	**(50,835)**	**(25,523)**
Related deferred tax asset	4,895	2,522	2,561	1,266	7,456	3,788
Net pension liabilities	**(34,261)**	**(17,650)**	**(9,118)**	**(4,085)**	**(43,379)**	**(21,735)**

	2014	2013	**2014**	2013	**2014**	2013
	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	1,450	1,226	662	581	2,112	1,807

	2014	2013	**2014**	2013	**2014**	2013
	Irish Scheme		Other Schemes		Total	
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Analysis of the amount credited/(charged) to other finance costs during the period						
Expected return on pension scheme assets	3,827	3,327	2,227	1,830	6,054	5,157
Interest on pension scheme liabilities	(3,513)	(3,544)	(2,298)	(2,026)	(5,811)	(5,570)
Other finance income/(costs)	**314**	**(217)**	**(71)**	**(196)**	**243**	**(413)**

Notes to the Financial Statements (continued)

30. Pension scheme (continued)

	2014	2013	2014	2013	2014	2013
	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	7,262	6,445	584	2,666	7,846	9,111
Experience gains/(losses) arising on the scheme liabilities	2,896	2,320	(384)	(172)	2,512	2,148
Changes in assumptions underlying the present value of scheme liabilities	(29,939)	(1,597)	(6,456)	(2,468)	(36,395)	(4,065)
Actuarial (loss)/gain recognised in STRGL	**(19,781)**	**7,168**	**(6,256)**	**26**	**(26,037)**	**7,194**
Movement in benefit obligations during the period						
Benefit obligations at beginning of period	92,164	90,843	50,546	47,707	142,710	138,550
Current service cost	1,450	1,226	662	581	2,112	1,807
Interest on scheme liabilities	3,513	3,544	2,298	2,026	5,811	5,570
Plan participant's contributions	333	385	161	160	494	545
Actuarial loss/(gain)	27,043	(723)	6,840	2,640	33,883	1,917
Benefits paid	(2,913)	(3,111)	(1,929)	(1,882)	(4,842)	(4,993)
Exchange adjustment	-	-	3,398	(686)	3,398	(686)
Benefit obligations at end of period	**121,590**	**92,164**	**61,976**	**50,546**	**183,566**	**142,710**
Movement in plan assets during the period						
Fair value of plan assets at beginning of period	71,992	62,867	45,195	41,674	117,187	104,541
Expected return on scheme assets	3,827	3,327	2,227	1,830	6,054	5,157
Actuarial gain	7,262	6,445	584	2,666	7,846	9,111
Employer's contributions	1,933	2,079	1,060	1,355	2,993	3,434
Plan participant's contributions	333	385	161	160	494	545
Benefits paid from plan	(2,913)	(3,111)	(1,929)	(1,882)	(4,842)	(4,993)
Exchange adjustment	-	-	2,999	(608)	2,999	(608)
Fair value of plan assets at end of period	**82,434**	**71,992**	**50,297**	**45,195**	**132,731**	**117,187**

Notes to the Financial Statements (continued)

30. Pension scheme (continued)

History of experience gains and losses

Irish Scheme

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Difference between the expected and actual return on scheme assets:					
Amount	7,262	6,445	5,314	(7,982)	4,006
Percentage of scheme assets	9%	9%	8%	-14%	7%
Experience gains / (losses) on scheme liabilities:					
Amount	2,896	2,320	(53)	508	(3,562)
Percentage of scheme liabilities	2%	3%	0%	1%	-6%
Total amount recognised in STRGL:					
Amount	(19,781)	7,168	(10,625)	(13,239)	(594)
Percentage of scheme liabilities	-16%	8%	-12%	-18%	-1%

Other Schemes

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Difference between the expected and actual return on scheme assets:					
Amount	584	2,666	1,601	(937)	3,090
Percentage of scheme assets	1%	6%	4%	-2%	8%
Experience gains / (losses) on scheme liabilities:					
Amount	(384)	(172)	(108)	77	2,590
Percentage of scheme liabilities	-1%	0%	0%	0%	7%
Total amount recognised in STRGL:					
Amount	(6,256)	26	(736)	(3,182)	4,747
Percentage of scheme liabilities	-10%	0%	-2%	-7%	12%

Total

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Difference between the expected and actual return on scheme assets:					
Amount	7,846	9,111	6,915	(8,919)	7,096
Percentage of scheme assets	6%	8%	7%	-9%	7%
Experience gains / (losses) on scheme liabilities:					
Amount	2,512	2,148	(161)	585	(972)
Percentage of scheme liabilities	1%	2%	0%	1%	-1%
Total amount recognised in STRGL:					
Amount	(26,037)	7,194	(11,361)	(16,421)	4,153
Percentage of scheme liabilities	-14%	5%	-8%	-14%	4%

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 by 0.25%	Decrease/increase by 5.4%	Decrease/increase by 4.7%
Price Inflation	Increase/decrease by 0.25%	Increase/decrease by 4.9%	Increase/decrease by 3.5%
Mortality	Increase/decrease by one year	Increase/decrease by 3.5%	Increase/decrease by 2.4%

31. Financial commitments

a) Operating leases

At 27 December 2014, the Group had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and Buildings €'000	**Other €'000**	Land and Buildings €'000	Other €'000
Expiring within 1 year	617	819	522	468
Expiring between 2 and 5 years	5,703	4,740	5,528	4,716
Expiring after 5 years	378	-	-	-
	6,698	**5,559**	**6,050**	**5,184**

Notes to the Financial Statements (continued)

31. Financial commitments (continued)

b) Bank guarantees

The Group had outstanding guarantees at the period end as follows:

	2014 €'000	2013 €'000
Bank guarantees	**8,086**	**12,477**

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:

	2014 €'000	2013 €'000
Forward foreign currency contracts	**294,093**	**248,128**

32. Related party transactions

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

Sales to members during the financial period ended 27 December 2014 amounted to €22.1m (2013 : €7.9m) and purchases from members amounted to €900.6m (2013 : €869.7m). Amounts receivable from and payable to members arising from the aforementioned sales and purchases transactions as at the balance sheet date are €5.0m (2013 : €3.0m) and €65.4m (2013 : €75.2m) 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.

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.

33. 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 Irish Dairy Board. 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 Chief Executive.

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 3 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 3 years if the annualised compound growth in the value of IDBLTIP as calculated in accordance with the rules of the scheme over the 3 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 3 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 €1.3m (2013: €0.5m) within employee costs in relation to the LTIP.

Notes to the Financial Statements (continued)

34. Significant subsidiary companies

	Incorporated in and operating from	% Holding	Activities
Irish Dairy Board Limited*	Ireland	100	Marketing food products
IDB Investment Limited*	Ireland	100	Group financing
IDB Insurance Limited	Ireland	100	Group captive insurance
IDB Treasury Limited	Ireland	100	Group factoring and financing
Kerrygold Irish Cream Liqueur Limited	Ireland	100	Manufacturing, marketing and distributing drink products
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
Irish Dairy Board España SL	Spain	100	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 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 (Shenzhen) Co., Limited	China	100	Marketing and distributing dairy food products
Irish Dairy Board Inc.	U.S.A.	100	Marketing food 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
DPI Dedicated Logistics	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, Kerrygold Limited, Kerrygold Irish Cream Liqueur and Kerrygold Butter Packing Ireland Limited.

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

35. Approval of financial statements

The financial statements were approved by the Board of Directors on 10 March 2015.

Board of Directors*

Aaron Forde
Chairman

Jim Russell
Vice-Chairman

Jim Bergin
John Comer
Michael Hanley
Martin Keane
Dan MacSweeney

Ted O'Connor
Bertie O'Leary
Sean O'Leary
Conor Ryan
Pat Sheahan

Donal Tobin
Jim Woulfe

Executive*

Kevin Lane
Chief Executive

Anne Randles
Secretary & Director of Administration

Donal Buggy
Group Finance Director

Joe Collins
MD Dairy Trading & Ingredients

Bernard Condon
Director Dairy Trading & Ingredients

John Jordan
CEO of Consumer Foods Europe & LATAM

Fergal McGarry
CEO Consumer Foods International & Global Marketing Director

Mick Mullagh
Group Human Resources Director

Anthony Proctor
Chief Operating Officer

Senior Management*

Consumer Foods

Gisbert Kügler
Managing Director
IDB Deutschland GmbH

Neil Kennedy
Interim Chief Executive
Adams Foods Ltd.

Róisín Hennerty
President
IDB Inc.

John McKenna
Managing Director International

Dairy Trading & Ingredients

Jim Cooney
Interim Managing Director
Adams Foods Ingredients Ltd.

Gary Norcott
Managing Director
Dairy Ingredients (UK) Ltd.

Michael Harte
Managing Director
Meadow Cheese Company Ltd.

Aidan Wilson
Managing Director
The Cheese Warehouse Ltd.

Neil Cox
President
US Food Ingredients

Paul Flynn
Executive Manager
Al Wazeen Trading LLC

David Smyth
Managing Director
IDB España

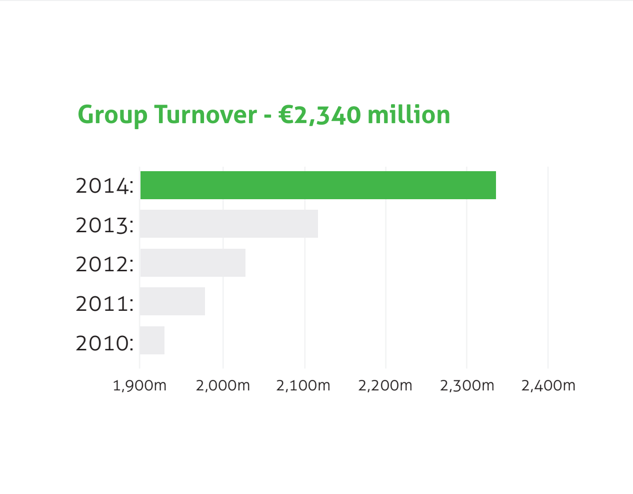
DPI Specialty Foods (USA)

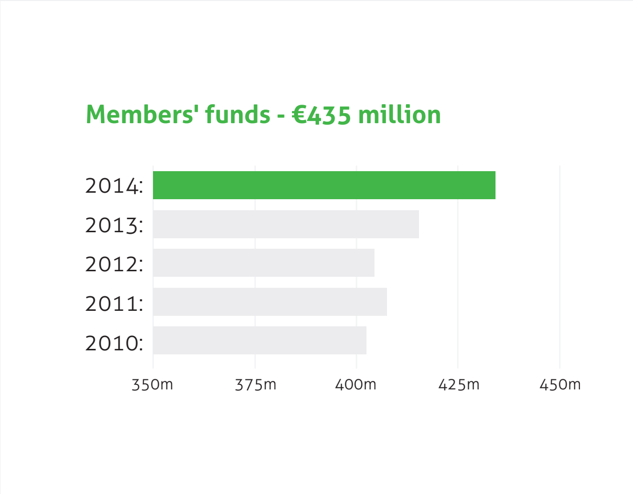
Russ Blake
CEO

Conor Crowley
Chief Financial Officer

* At date of approval of Financial Statements.

Group Five Year Review





	2010 € '000	2011 € '000	2012 € '000	2013 € '000	**2014** **€ '000**
a) Historical values					
Turnover	1,927,525	1,981,126	2,028,167	2,124,088	2,339,784
EBITDA	41,831	38,005	42,130	45,860	51,874
Operating surplus	24,315	20,285	20,677	25,836	30,253
Surplus before taxation and exceptional items	19,216	15,426	16,348	22,373	27,380
Net debt/(cash)	123,342	143,749	(10,729)	(51,905)	99,328
Members' funds	403,021	408,146	404,744	416,006	434,622
b) Financial ratios					
Operating surplus as % of sales	1.3%	1.0%	1.0%	1.2%	1.3%
Leverage (Net debt/(cash)/EBITDA)(times)	2.9x	3.8x	(0.3x)	(1.1x)	1.9x
Interest Cover (EBITDA/Interest Payable)(times)	8.5x	8.2x	12.8x	15.0x	16.6x

Irish Product Utilisation Overview

Total Irish Milk Supply (million litres)

	2013	2014
January	126	132
February	223	214
March	468	471
April	569	697
May	733	786
June	701	728
July	653	689
August	593	609
September	499	520
October	418	434
November	276	237
December	165	137

Total Irish Product Output (tonnes)

	2013	2014
Butter	152,100	165,800
Cheese	182,800	188,300
WMP	30,900	24,850
SMP	49,500	70,600

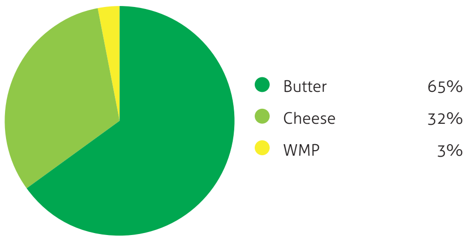
Whole Milk Utilisation in Processing (%)

	2013	2014
Butter	63%	65%
Cheese	33%	32%
WMP	4%	3%

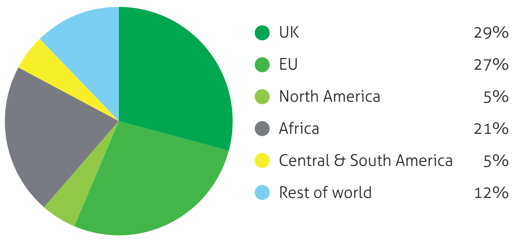
2014 IDB Sales from Ireland by Destination

	2013	2014
UK	29%	29%
EU	16%	27%
North America	5%	5%
Africa	25%	21%
Central & South America	7%	5%
Rest of world	17%	12%

Irish Whole Milk Utilisation 2014



2014 IDB Sales from Ireland by Destination



THE HOME OF IRISH DAIRY

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