A world of dairy
foods and nutritional
ingredients

Annual Report 2005

glanbia

Glanbia market positions

USA

NO.1 USA Barrel Cheese Supplier

NO.1 Whey Protein Isolate Supplier

NO.3 American Cheddar Cheese Supplier

Glanbia's strategy is to build international relevance in cheese,

Global

Leading supplier of advanced technology whey proteins and fractions

and global locations

Ireland

- **NO.1** Dairy Processor
- **NO.1** Liquid Milk and Cream Brands
- **NO.1** Cheese Processor
- **NO.1** Pigmeat Processor

IRELAND

UK

GERMANY

dairy-based nutritional ingredients and selected consumer foods.

Europe

- **NO.1** Pizza Cheese Supplier
- **NO.1** Supplier of Key Customised Nutrient Premixes

CHINA

NIGERIA

Glanbia plc, the international dairy foods and nutritional ingredients Group

Glanbia plc has operations in Ireland, Europe and the USA, with International joint ventures in the UK, USA and Nigeria. The Group is organised into three operating divisions of **Agribusiness & Property**, **Consumer Foods** and **Food Ingredients**, which includes the evolving Nutritionals business.

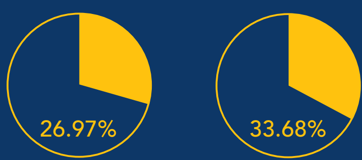
Agribusiness & Property

12.52% of Group Turnover
13.26% of Group Operating Profit

Agribusiness is the primary interface whereby Glanbia trades with its 5,700 Irish farmer suppliers. The business is engaged primarily in feed milling and the marketing of a range of farm inputs, including fertilisers, feed and grain. The Property business has responsibility for the maximisation of the Group's property portfolio.

Consumer Foods

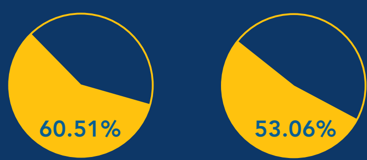
26.97% of Group Turnover
33.68% of Group Operating Profit



Glanbia Consumer Foods incorporates liquid milk, chilled foods and pigmeat. Glanbia is the leading supplier of branded and value-added liquid milk, mineral water, fresh dairy, cheeses, soups and spreads in the Irish retail market. Glanbia Meats is the leading Irish fresh pork and bacon processor selling to Irish and International markets.

Food Ingredients

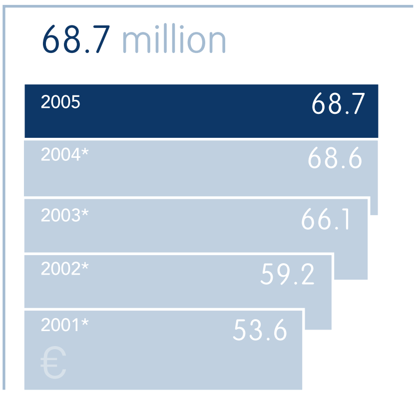
60.51% of Group Turnover
53.06% of Group Operating Profit



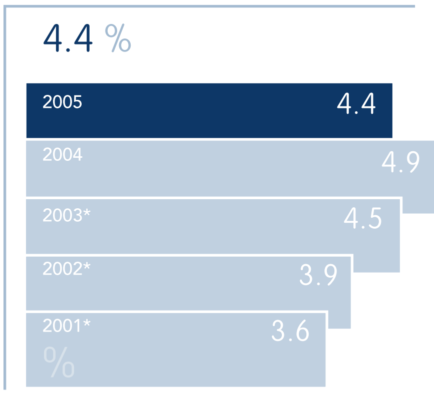
This division has operations of scale in Ireland and the USA and is engaged in the production of cheese, butter, casein, dairy spreads and whey protein ingredients. The division also includes the Group's evolving Nutritionals business which has a growing customer base in Europe, the USA and China.

Financial highlights

Profit before exceptional items and tax

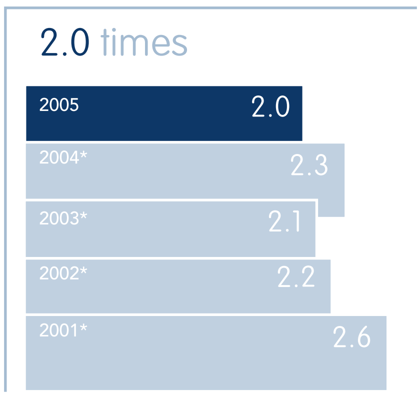


Operating margin (pre-exceptional)

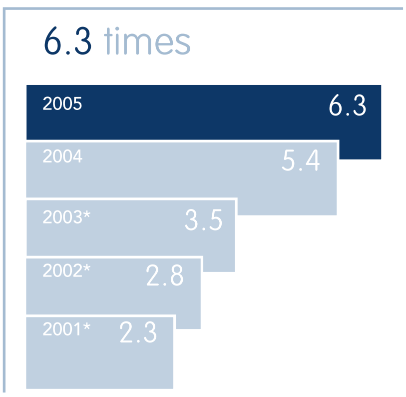


Adjusted earnings per share

Year end net debt/EBITDA



Finance cover



* The figures for the years 2001 to 2003 are as previously stated under Irish GAAP except for profit before exceptional items and tax which is stated after deduction of non-equity minority interest in each year. Profit before exceptional items and tax for 2004 is as restated in accordance with IFRS and adjusted for non-equity minority interest. Net debt in each year includes non-equity minority interest.

1 Chairman's Review

Michael Walsh, Chairman

•• Joint ventures in New Mexico and Nigeria, which are central to the strategic development of the Group, are progressing well, reaching key milestones in plant commissioning and customer performance ••

Glanbia delivered a satisfactory performance overall in 2005. A difficult environment in Ireland impacted the Group's overall profitability and margins, as Irish operations continue to be affected by a combination of ongoing EU reform, inflationary pressures and a competitive market environment. International operations performed well. USA Food Ingredients delivered a solid result, together with strong organic growth in the evolving Nutritionals business. Joint ventures in New Mexico and Nigeria, which are central to the strategic development of the Group, are progressing well, reaching key milestones in plant commissioning and customer performance.

> Glanbia delivered a satisfactory performance in 2005. A difficult environment in Ireland impacted overall profitability and margins, however international operations performed well

Results A detailed commentary on the results for the year is included in the Finance Review (pages 36 and 37). The highlights of the results are as follows:

- Revenue increased by 4% to €1,830.0 million
- Operating profit pre-exceptional was down 7% to €80.6 million
- Profit before tax pre-exceptional, on a comparable basis, was similar to 2004 at €68.7 million
- Profit after tax on a comparable basis increased marginally to €61.1 million
- Operating margin pre-exceptional was 4.4% (2004: 4.9%)
- Share of profits of joint ventures and associates, post interest and tax, recovered from a loss of €1.5 million to a profit of €932,000
- Net exceptional gains for the year amounted to €521,000
- Adjusted earnings per share was up 1% to 20.86 cent
- Net debt at the year end on a comparable basis was down 17% to €215.7 million
- Capital and development expenditure was €71.6 million

Dividends The Board is recommending a 5% increase in the final dividend to 3.24 cent per share, compared with a 3.09 cent per share final dividend in 2004. This brings the total dividend for the year to 5.51 cent per share (2004: 5.25 cent per share). Dividends will be paid on Monday 22 May, 2006 to shareholders on the register as at Friday 21 April, 2006. Irish dividend withholding tax will be deducted at the standard rate where appropriate.

> Glanbia's strategic goal is to build a strong and sustainable business. This requires a careful balance of economic, environmental and social policies

Our Nigerian milk powder brand Nunu being traded in Lagos

Corporate Social Responsibility Glanbia's strategic goal is to build a strong and sustainable business. This requires a careful balance of economic, environmental and social policies, which is at the heart of the Group's Corporate and Social Responsibility programme. On pages 34 and 35 you will find more details of Glanbia's activities in this area.

Board and Management Changes In June 2005, I had the honour of being elected Chairman of the Board, replacing Tom Corcoran who chaired the Group through a challenging period of reorganisation since 2000. Victor Quinlan was elected Vice-Chairman, succeeding myself, and the Board also appointed three new non-executive Directors, Paul Haran, the former Secretary General of the Department of Enterprise, Trade and Employment and Matthew Merrick and Michael Keane both dairy farmers and Directors of Glanbia Co-operative Society Limited. The former Deputy Group Managing Director, Billy Murphy retired during 2005 and was elected to the Board as a non-executive Director. During the year Thomas Heffernan retired as a Director having served five years. On behalf of the Board I would like to welcome all the new members and to thank both Tom Corcoran and Thomas Heffernan for their commitment and contribution to the Board and to wish them well in their retirement.

In June 2005, Glanbia lost a great friend and colleague with the premature passing of Pat Brophy, Chief Executive of our Consumer Foods Ireland business. On behalf of the Board and management of Glanbia I extend my sincere sympathy to Pat's wife Muriel and his family.

People are the bedrock of Glanbia and with our skilled and focused management team, led by Group Managing Director, John Moloney, I look forward to further progress from the Group in 2006. I would like to thank my colleagues on the Board, the Group Managing Director, management and staff for their continued commitment to Glanbia.

Michael Walsh

Michael Walsh
Chairman

2 Group Managing Director's Review

John Moloney, Group Managing Director

•• The 2005 results reflect a year of solid business execution and further progress internationally, which will be the platform for growth and development in the future ••

Trading Environment The global dairy trading environment was relatively strong in 2005, with firm market prices for casein, cheese and whey, in the first half. Growing markets in Asia and in oil producing nations coupled with reductions in output from Australia underpinned market demand.

The Irish Ingredients business was impacted by the implementation of Mid Term Review (MTR) of the EU Common Agriculture Policy (CAP). Product prices were reduced in the second year of MTR and the market prices for casein, which had somewhat offset the affects of MTR, weakened in the second half. This movement towards lower product prices, together with energy cost inflation, represented a significant challenge to the Irish Ingredients business. Poor global grain markets and changing farm purchasing patterns impacted on our Agribusiness during 2005. The Irish liquid milk and chilled foods marketplace also continued to be competitive with challenging retail markets and continued growth in liquid milk imports and the own brand category.

To counteract these challenges in the Irish market, the Group undertook a series of rationalisation initiatives in Consumer Foods, Food Ingredients and Agribusiness during 2005 to improve efficiencies and competitiveness.

Market conditions for the international business were positive overall in 2005. In the USA dietary trends, in particular, the switch to increased protein consumption, underpinned market demand. The growth in American-style cheese, in the natural category, continued to grow primarily driven by food service and retail demand for sliced and shredded cheese applications. Milk production grew 12% in the State of Idaho, where the Group has major production facilities. American-style cheese production continues its western migration following the milk supply growth trend that has developed over the past 15 years. In addition the global nutritional market exhibited strong growth.

Investments

> In 2005 the Group spent €72.6 million on its ongoing capital and development programme focused on strategic development initiatives and organic expansion. The Group's 50:50 investment in the Southwest Cheese joint venture in the USA is progressing to plan as is Nutricima, in Nigeria

During the year we continued a capital expenditure programme in the Irish Food Ingredients business with the installation of advanced butter fractionation technology and a new butter oil facility at Ballyragget, Ireland. This is part of a new joint venture with Corman SA, part of the Bongrain Group, which is the largest butterfat processor in the world.

The Southwest Cheese plant in New Mexico

In February 2005 the Group concluded an agreement with Dairygold Co-operative Society Limited to take on the CMP regional liquid milk, cream and juice brand for a consideration of €10.8m. During the year CMP was integrated into our Consumer Foods business and is performing in line with expectations.

Strategic Vision Overall the strategic development of the Group is progressing well. Our strategy is to build international relevance in cheese, nutritional ingredients and selected consumer foods, balancing our strong market positions in Ireland with an increasing presence in overseas markets. The joint ventures in Nigeria and the USA are central to this strategic development, as is the continuing development of our Nutritionals business. This is being achieved through a focus on international scale, food technologies and growth markets.

Relevance is key to the success of our strategy. Glanbia's strength is in ensuring that we are relevant to customers within the sectors in which we operate.

International Cheese Glanbia's competitive advantage lies in the scale and efficiency of our milk processing businesses, the depth of our partnerships with blue chip customers as well as our strategic locations providing strong market access. Our international cheese strategy is to expand this business-to-business model through ongoing innovation, strategic joint ventures, acquisition and a relentless focus on operational efficiency.

International Nutrition Glanbia is evolving its global nutritional business in the USA, Europe and in 2005 established an Asia headquarters in Shanghai as well as a new network of sales offices in Latin America. A strong innovation agenda reflecting the ongoing consumer interest in health and wellness is the key driver for this business, which is being supported by increased R&D and innovation spend, with particular emphasis on licensing,

Group Managing Director's Review

on technology and on intellectual property management. Our acquisitions focus is on adding complimentary technologies, products and expertise to grow our overall capability to meet customer and consumer needs.

International Joint Ventures Glanbia's international Joint Ventures producing cheese, whey and milk products are central to our strategic vision. Glanbia Cheese, in the UK, Southwest Cheese, in the USA and Nutricima in Nigeria all provide the Group with scale, market access and growth opportunities.

UK: Glanbia Cheese, the joint venture with Leprino Foods, produces mozzarella cheese for the European market. It reported an improved performance in 2005 arising from increased demand and the benefits of investment.

Nigeria: Nutricima is a US$25 million joint venture with PZ Cussons plc. During 2005 the packing facility for fat filled milk powder, which is sourced in Ireland and sold on the Nigerian market in consumer formats, and the manufacturing plant for condensed milk were also completed. Overall progress to date in Nigeria has exceeded expectations.

USA: Commissioning of the Southwest Cheese facility began in October 2005 and is the first phase in an 18 month scale up process towards full production. Southwest Cheese is a US$190 million cheese and whey products facility in New Mexico. This joint venture, with principal partners, Dairy Farmers of America and Select Milk Producers Inc., will make Glanbia the number one producer of American cheese, when it reaches full production. Overall this development is progressing well and initial customer feedback has been very positive.

Innovation Agenda Innovation is central to Glanbia's nutritional strategy. Our ability to innovate and design customer relevant health-based functional food ingredients and consumer foods with a nutritional emphasis is critical in today's market place. Our nutritional development is being supported by two innovation centres – in Ireland and the USA – with a complement of 65 professionals and scientists.

The new Group Innovation Centre in Kilkenny was officially opened by the Minister for Enterprise, Trade and Employment, Mr Michéal Martin TD, in June 2005. The focus of this Innovation Centre is on the European consumer foods and nutritional markets and complements our existing USA innovation centre in Idaho, which has special expertise in whey protein extraction technologies. In its first year of operation the Group Innovation Centre was responsible for the successful commercialisation of a number of new products including an advanced weight management protein beverage mix 'Prolibra', a cereal based, cholesterol reducing product 'Oatvantage' and a new health and wellbeing product range, 'Yoplait Essence'. During 2005 we also established the Scientific Advisory Committee, Chaired by Professor Gerald Fitzgerald of UCC to provide regular collaboration between Glanbia and the international research community.

> Since year end Glanbia launched 'Yoplait Essence', a new development in the area of food nutrition technology, which is a significant initiative of the Glanbia Group Innovation Centre based in Ireland

Glanbia People In June 2005 Michael Walsh was appointed Chairman of the Board and on behalf of management and staff, I would like to convey our appreciation to Michael for his astute stewardship to date and to wish him continued success in this position. The Group also announced a number of senior management changes during the year. Geoffrey J Meagher, Group Finance Director succeeded William G Murphy, who retired in

Investment programme

Glanbia is committed to an on-going investment programme to underpin its development strategy

June, as Deputy Group Managing Director. Siobhán Talbot, Group Secretary was appointed Deputy Group Finance Director and Michael Horan, Group Financial Controller, took on the position of Group Secretary. Jim Bergin was appointed Chief Executive of Food Ingredients Ireland. Ger Mullally, was appointed Chief Executive of our property business, Glanbia Estates and Colm Eustace was appointed Chief Executive of Glanbia Agribusiness.

As the Chairman reported, during the year we suffered the tragic loss, following a brief illness, of one of the heroes of the organisation, Pat Brophy. Pat who was Chief Executive of our Irish Consumer Foods business is sadly missed by his friends and colleagues.

The skill and commitment of our people is Glanbia's greatest asset and will underpin the Group's success into the future. I would like to thank all our stakeholders – shareholders, customers, consumers, our employees and the Board for the strong partnership that is essential in driving the business forward.

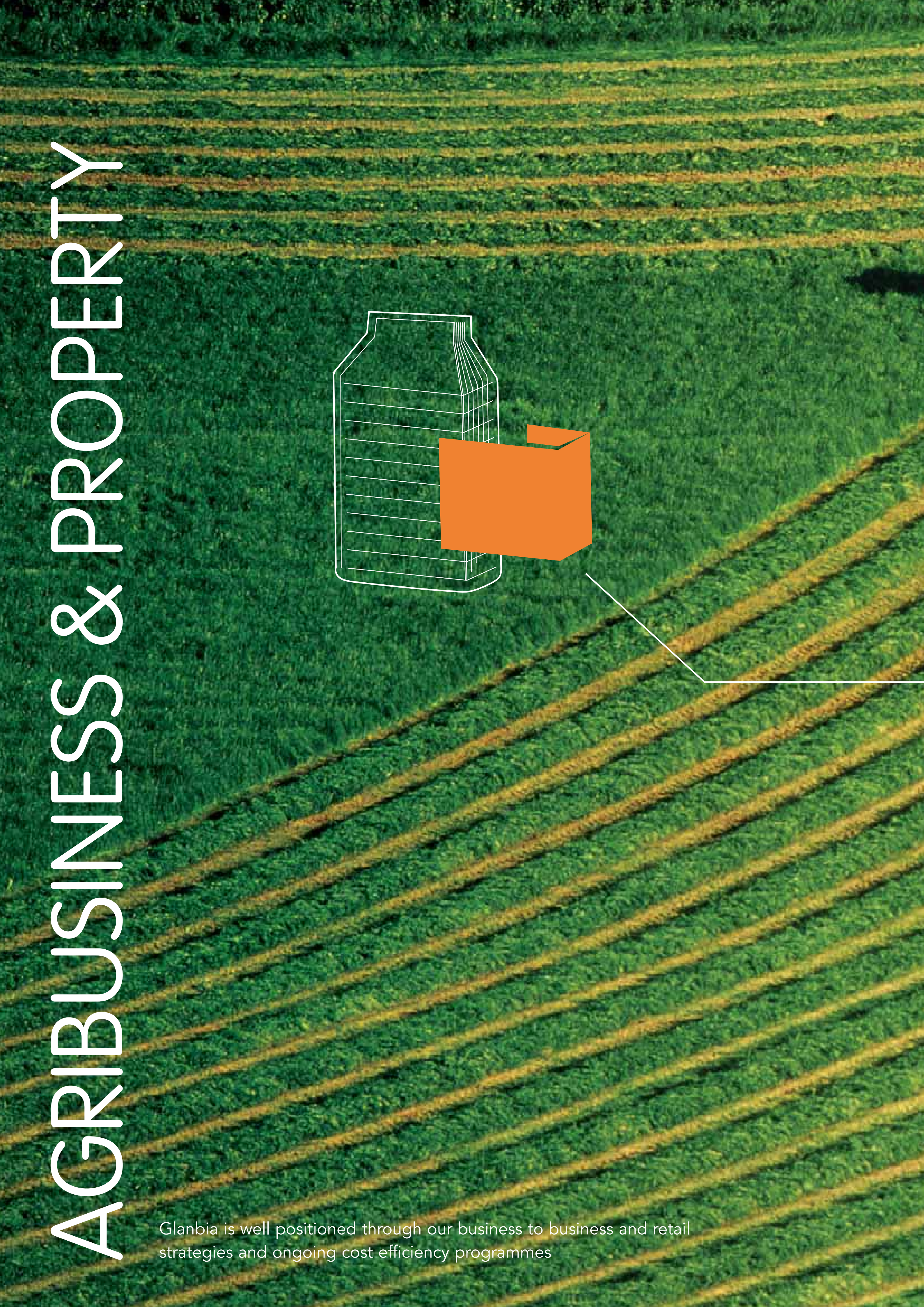
> Since year end Glanbia announced the appointment of Colin Gordon as Chief Executive of the Irish Consumer Foods business. Colin joined Glanbia from C&C Group plc, the drinks and snack food company, where he was Managing Director of C&C (Ireland) Ltd

Outlook While there are ongoing challenges in Irish operations and unpredictability in energy prices, we expect key cost and product development initiatives in these businesses, together with ongoing international development to underpin the 2006 results.

The growing internationalisation and scale of the business, which is now well on track, is critical to future growth and development. Growing momentum within the business maintains Glanbia's steady progress towards double digit growth in 2007.

John Moloney
Group Managing Director

AGRIBUSINESS & PROPERTY



Glanbia is well positioned through our business to business and retail strategies and ongoing cost efficiency programmes

Our inputs

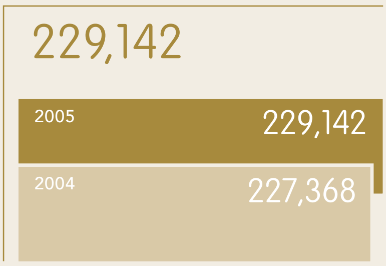
Feed milling, grain drying, fertilisers, malting and port services

3 Operations Review

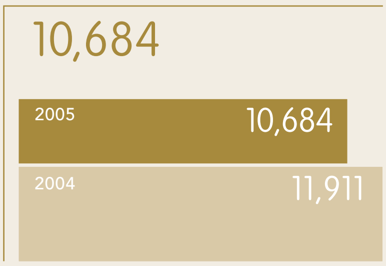
Glanbia plc has operations in Ireland, Europe and the USA, with international joint ventures in the UK, USA and Nigeria. The Group is organised into three operating divisions of Agribusiness and Property, Consumer Foods and Food Ingredients, which includes the evolving Nutritionals business.

Agribusiness & Property

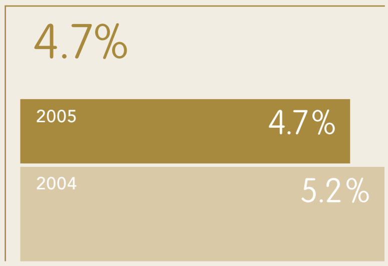
Revenue – up 1%
(€000)



Operating profit – down 10%
(pre-exceptional) (€000)



Operating margin – down 50 bps
(pre-exceptional)



The Agribusiness and Property division has two business units, Agribusiness, the key linkage with the Group's 5,700 Irish farmer supply base and Glanbia Property which has responsibility for the maximisation of value from the Group's property portfolio

AGRIBUSINESS

Results 2005 was a difficult year arising from poor global grain markets and the changing patterns of farm purchasing. These conditions led to a decline in performance and operating margin. Revenue was up 1% to €229.1 million (2004: €227.4 million). Operating profit was down 10% to €10.7 million (2004: €11.9 million) and the operating margin was down 50 basis points to 4.7% (2004: 5.2%). Rationalisation costs of €1.2 million were incurred during the year as part of a wider Group programme to improve competitiveness in the Irish businesses.

Agribusiness is the primary interface whereby Glanbia trades with its farmer suppliers. The business is engaged primarily in feed milling, grain processing and marketing, and the retailing of a range of farm inputs, including fertilisers, feed and grain, as well as a broader 'CountryLife' product offering. Agribusiness also has interests through subsidiaries and associates in fertiliser production, veterinary wholesaling, malting and port services. These include Grassland Fertilisers Kilkenny, South East Port Services, Co-operative Animal Health and The Malting Company of Ireland. The business has 39 grain intake locations, 14 of which are engaged in drying grain for customers and in addition it has two feed mills.The business employs 400 people and operates in 16 counties in Ireland.

In recent years Agribusiness has reorganised its traditional retail branch structure and now operates from 61 locations. Following the closure of 12 branches in 2004, Agribusiness closed a further nine branches in 2005 as part of ongoing cost reduction and efficiency initiatives.

Environment In 2005 Irish grain market prices were depressed due to the recovery in EU harvest yields. The environment for farming is for ongoing change during Mid Term Review (MTR) which impacts Agribusiness. 2005 was the second year of the decoupling of EU area aid payments from farm production which resulted in decreased input usage.

Colm Eustace
CEO Glanbia Agribusiness

Glanbia Agribusiness also commenced a €6m investment in a new retailing initiative under the 'CountryLife' brand which was introduced to three branches in 2005. The retailing strategy is to capture the convenience needs of a growing rural population for pet food, gardening, hardware and outdoor clothing through the CountryLife concept

Investment During the year the business commenced a €7 million programme of investment in new technology and business systems in support of its retail strategy. Glanbia Agribusiness also commenced a €6 million investment in a new retailing initiative under the 'CountryLife' brand in 2005. The retailing strategy is to capture the convenience needs of a growing rural population for pet food, gardening, hardware and outdoor clothing through the CountryLife concept. In deciding to focus on certain locations, difficult decisions had to be made in respect of some branches. The branches are part of the heritage of the Group and have made a strong contribution locally, hence the decision to close branches was taken with regret. Glanbia is committed to ensuring that the needs of customers are well served despite local branch closures. Agribusiness also completed a new 12,500 tonne grain store at Clonroche Feed Mill in Co. Wexford during 2005.

The needs of full time farmers are such that Agribusiness is focused on moving key inputs from factory to farm at minimum cost and to selling these inputs at competitive, up front prices

Ger Mullally
CEO Glanbia Property

Strategy The overall growth strategy for the business is to grow market share in feed and fertiliser organically and by acquisition. Central to this strategy is the consolidation of Glanbia's retail offering to focus on the changing needs of customers. The needs of full time farmers are such that Agribusiness is focused on moving key inputs from factory to farm at minimum cost and to selling these inputs at competitive, up front prices. To be relevant to the part-time farmer and also non farmers living in rural Ireland, we are building on our existing, strategic branch locations with a wider range of retail products under the new 'CountryLife' concept. Concurrent with these developments is the continuation of cost efficiency programmes which are essential to the underlying competitiveness of the business.

Brands With a strong portfolio of leading brands, Glanbia Agribusiness is market leader in animal feeds, fertilisers, seed grain, chemicals and veterinary product sales. Among the brands in the range are : Gain Feeds, IFI, Mastercrop and Mastervet. The new 'CountryLife' retail brand is a further addition to this portfolio.

Outlook In Ireland, the environment for farming is for ongoing change during MTR which impacts Agribusiness. The challenge continues to be to effectively manage the business during this period of change.

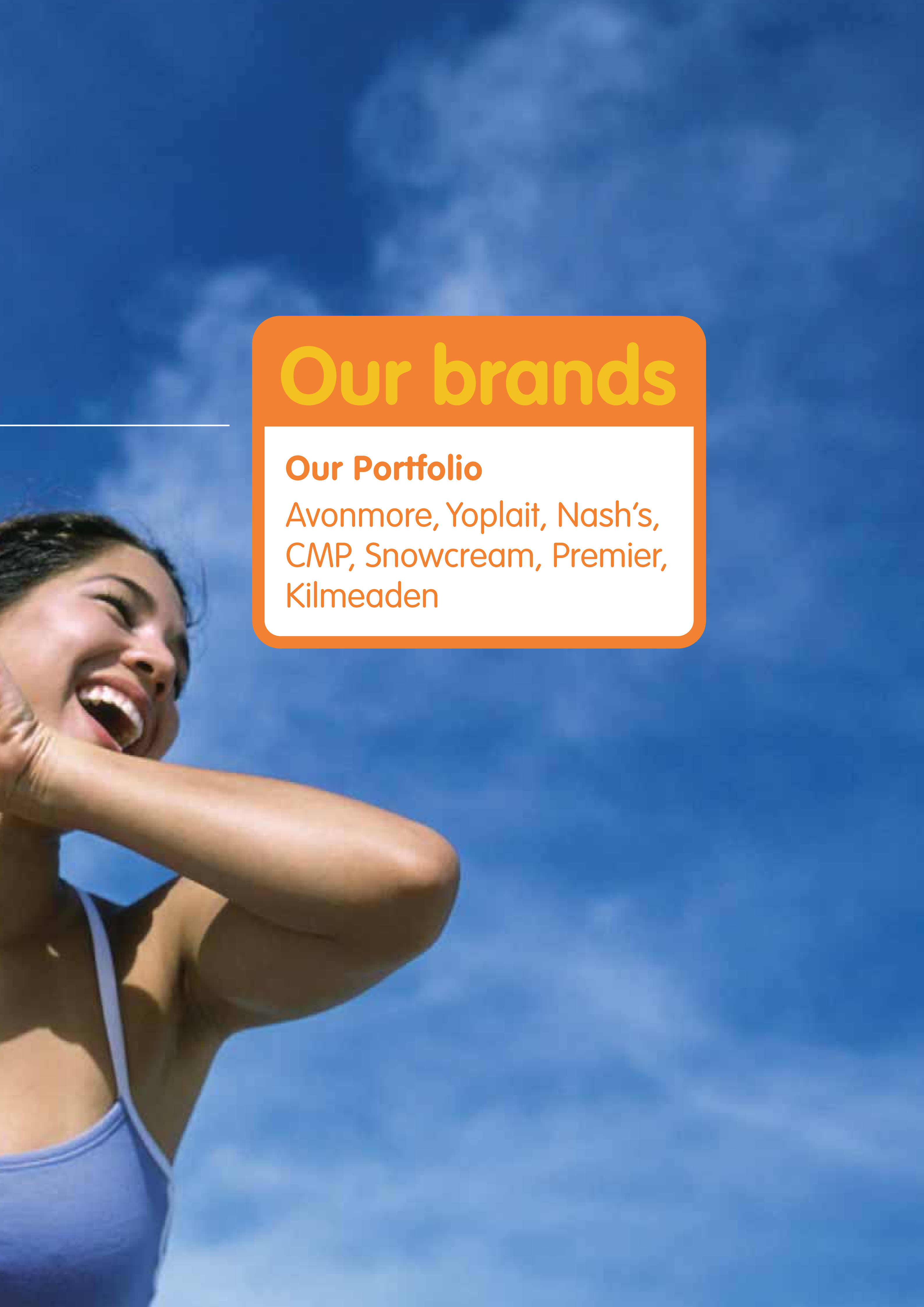
Through our business to business and retail strategies and ongoing cost efficiency programmes, Glanbia Agribusiness is well positioned.

GLANBIA PROPERTY

Recognising the potential value of the Group's property portfolio, in 2005 Glanbia established a dedicated business unit to maximise this value. This business has assumed responsibility for the operations of Glanbia Estates.

CONSUMER FOODS

The benefits of rationalisation, product innovation, marketing and investment underpin the outlook going forward



Our brands

Our Portfolio

Avonmore, Yoplait, Nash's, CMP, Snowcream, Premier, Kilmeaden

4 Consumer Foods

Consumer Foods Ireland is the leading supplier of branded and value added liquid milk, fresh dairy products, natural cheese and fresh soups in the Irish retail market.

Revenue – up 9%
(€000)

493,582

2005	493,582
2004	451,124

Operating profit – down 3%
(pre-exceptional) (€000)

27,139

2005	27,139
2004	27,906

Operating margin – down 70 bps
(pre-exceptional)

5.5%

2005	5.5%
2004	6.2%

The Consumer Foods Division incorporates liquid milk, chilled foods and pig meat.

Results A good improvement in performance from the pig meat business was offset by competitive markets in the liquid milk and chilled foods segments and the effects of rationalisation initiatives undertaken in these businesses during the year. Revenue for the division was up 9% to €493.6 million (2004: €451.1 million), mainly due to stronger pig meat markets. Operating profit was down 3% to €27.1 million (2004: €27.9 million), leading to a 70 basis points reduction in the operating margin to 5.5% for this division overall (2004: 6.2%).

Rationalisation during the year, in liquid milk and chilled foods, focused on improving the competitiveness and productivity of these businesses. The total exceptional cost incurred amounted to €11.9 million. This relates to €5.7 million for the rationalisation plan at the Inch Yoplait facility, €3.3 million for the rationalisation of the Cork distribution business and €2.2 million for the reorganisation of the Dublin distribution operation. Other costs relate to sales and administration redundancies.

CONSUMER FOODS IRELAND

Our Consumer Foods Ireland business is the leading supplier of branded and value-added liquid milk, fresh dairy products, natural cheeses and fresh soups in the Irish retail market. It is the number one supplier to the Irish grocery trade and has number one brand positions in milk, cream, fruit yogurt, kids fromage frais, drinking yogurt, fresh soup and natural cheddar cheese. Its brand portfolio includes: Avonmore; Premier; Yoplait; Kilmeaden, Snowcream and Petits Filous.

Consumer Foods Ireland employs over 800 people at 11 locations throughout Ireland and processes 260 million litres of milk annually. For every ten litres of milk bought by Irish consumers, five of them have been produced and supplied by Glanbia Consumer Foods.

Premier Dairies Yoplait Snowcream Avonmore CMP Dairy Kilmeaden Nash's Mineral Waters

Colin Gordon
CEO
Consumer Foods
Ireland

Environment Competitor promotional activity in defence of market share increased in 2005 with the number of products bought on promotion increasing significantly in the Fresh Dairy market. In most categories the share of retailer own brands increased in 2005 and own label milk imports from Northern Ireland continued to increase.

Consumer demand for fresh dairy products increased with new launches in the functional health area driving double digit growth. In liquid milk an increasing number of consumers are switching from standard milks to more fortified varieties where Avonmore has leading share positions. In cheese, natural grated and sliced products are driving market growth.

> Market research conducted by Glanbia during the year confirmed the growth in consumer interest around the role of diet and health, with consumers looking for additional food solutions to meet their nutritional and health needs

This trend, combined with the aging population in Ireland (within ten years almost half the population will be aged 40 or over) creates implications for food and nutritional innovation. Addressing the needs of this ageing population was a major factor in Glanbia's decision to invest in the development of a new range of nutrient enriched yogurt drinks offering specific health benefits to different age cohorts.

Liquid milk This business performed satisfactorily in a challenging environment, with increasing cost pressures, rising imports from Northern Ireland and the continuing growth of own brand milk in 2005. In February 2005 Glanbia concluded an agreement with Dairygold Co-operative Society Limited to take on the CMP liquid milk, cream and juice brands for a consideration of €10.8 million. This business has been successfully integrated into Glanbia and extends the Group's overall market reach.

Glanbia Consumer Foods Ireland maintained its number one and number two positions for the Avonmore and Premier Milk brands. Growth in the market continues to be driven by demand for more value added products. The Avonmore Flavoured milk range, launched in late 2004, continued to grow in 2005 providing a more nutritious beverage choice for consumers. The business strategy of focusing on more valued added products is proving effective and will continue with the launch of additional milk flavours and the development of more functional offerings.

Chilled foods This business, which incorporates the Group's branded yogurt, cheese, spreads, soup and sauce products, had a challenging year arising from the competitive trading environment.

During the year the business realigned the cost base at the Inch yogurt facility which has resulted in a more flexible and cost competitive environment with a total focus on market requirements.

Marketing investment was made in promoting key brands and new products to improve market share. Kilmeaden cheese "the fillet of cheese" defended its leading market share position in the natural block cheese segment and extended its offering into other premium segments of the market. The increased marketing focus behind Avonmore Fresh Soup helped to drive overall market growth and build share in the Fresh Soup market. In 2005, Consumer Foods maintained its leading market share position in Diet, Kids and Drinking yogurt segments with its Yoplait, WeightWatchers and Petits Filous brands. The focus will be to grow market share through launches into the high growth functional health segment.

Strategy Our vision is to be Ireland's premier supplier of chilled foods and nutritious beverages to the retail and food service sectors and the supplier of choice to key customers. This will be achieved through brand relevance with key customers, continuous innovation and organic growth.

Innovation Innovation is central to Consumer Foods Ireland's growth strategy. Our innovation agenda is based on the continued development of consumer foods with a nutritional emphasis. Consumers are demanding new products, new tastes, a focus on health and well being and convenience – and all without compromising on quality or cost. All our research and development is based on a close study of consumer lifestyle changes and the need for efficient nutrition and ensures that innovations are commercially relevant.

"Nutritious, fresh and natural" continue to be the key drivers of demand for food and beverages among Irish consumers. These attributes are found in all of the Consumer Foods product portfolio and are particularly synonymous with the Avonmore, Yoplait and Kilmeaden brands. Developments under the Avonmore brand in

Avonmore milk

The Avonmore flavoured milk range, launched in late 2004, continued to grow in 2005

Consumer Foods

2005 include additional flavours in the Avonmore flavoured milks range and the extension of Avonmore into snacking with the launch of Avonmore breaded snacks. We also added new juice varieties, Avonmore Cranberry and Multivitamin. The Kilmeaden brand was re-launched during the year, supported by new products such as Kilmeaden White Slices, Kilmeaden Fully Mature Red and new Vintage varieties.

Yoplait Essence

In February 2006 we launched 'Yoplait Essence', which condenses essential nutrients into shot sized yogurt based drinks to offer health benefits

Under the Yoplait brand we introduced the new 'Yoplait 0% Chunky fruit' and '0% Smooth' ranges to deliver more taste and appetite appeal for consumers in the diet segment. We also launched 'Yoplait Everykid', a specially formulated probiotic yogurt drink.

Outlook Although markets remain competitive, the benefits of rationalisation, product innovation and marketing underpin an improving outlook for the liquid milk and chilled foods businesses.

Ongoing investment in our brands is key to growing our relevance with consumers and to building on our strong customer partnerships. Investments such as Yoplait Essence, which is a major innovation for 2006, will help to drive Yoplait's share of the Fresh Dairy Products market.

New initiatives will also be announced under the Kilmeaden and Avonmore brands to extend their relevance in 2006. These innovations combined with our investment in the brands places the business in a strong position to achieve its growth targets in 2006.

PIG MEAT

Glanbia's pig meat business, which trades as Glanbia Meats, is involved in primary processing of pork for sale into the wholesale, retail foodservice and food processing sectors on domestic and export markets. Export markets include: Germany, France, the Netherlands, the USA and Japan. During 2005 the business significantly increased exports to Asia and has carved out a solid position in high value export markets such as Japan and the USA.

> Glanbia is the number one supplier of pork in Ireland servicing all the leading value added processors

The business operates from four facilities, and employs a total of 975 people in these operations in the Republic of Ireland. The main products are fresh and frozen pork and bacon principally in boneless format ready to use either for retail packing or further processing into value added products for the retail and foodservice sectors. A range of canned meats and canned ready meals are also produced.

Environment Business performance improved overall in 2005 as a result of increased capacity arising from the completion of investments at two core facilities and the benefit of increased supply. The global market for pork is expanding at a rate of circa 1% per annum on the back of population growth and economic development in many areas of the world – particularly the USA, Asia, Russia and Eastern Europe. Given the global nature of this market the focus for Glanbia is on being competitive at all stages along the value chain, from production through primary and value added processing.

In Ireland pig production has been declining by 2–3% per annum over the past number of years although this has been compensated to some degree by increases in average carcase weight. The impact of the EU Nitrates directive is a cause for concern to producers and is currently being assessed.

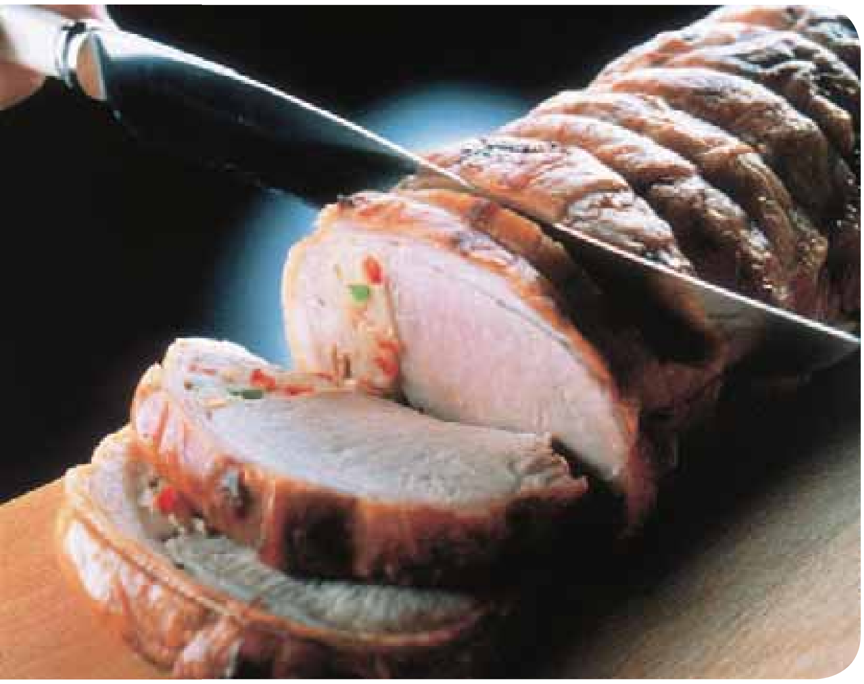
John Madden
CEO
Glanbia Meats

A relentless focus on efficiency and quality at our modern slaughtering facilities, which operate at high levels of utilisation matching best in class in terms of quality, yields and processing cost, is also a key driver of this business

Strategy The business strategy is to be the supplier of choice to our customers, based on the three pillars of quality, efficiency and flexibility. Glanbia Meats competes on the provision of a flexible, quality offering to the broad range to the markets served. Local tastes and preferences vary significantly from one market to the next and this drives demand for specific products in these markets. A relentless focus on efficiency and quality at our modern slaughtering facilities, which operate at high levels of utilisation matching best in class in terms of quality, yields and processing cost, is also a key driver of this business.

Investment The final phase of expansion at our Roscrea and Edenderry facilities was completed at the end of 2004, with plant capacities now at a level equal to that which preceded the fire at the Roosky plant in 2002.

Outlook The outlook for 2006 is for pig meat markets to remain reasonably stable. This allied to the benefits of the investment made in 2004, as well as the business' stong position in the Irish market and its growing international reputation, means it is well positioned for 2006.



SCALE POSITIONS
IDAHO USA

NO.1 USA Barrel Cheese

- Four facilities in Idaho
- Processes 1.6 billion litres – one third of all Idaho milk
- Processes 167,000 tonnes of cheese and 56,000 tonnes of other ingredients
- Gooding facility is the largest producer of barrel cheese in the world

5 Food Ingredients

The Food Ingredients division has operations in Ireland and the USA and is engaged in the production of cheeses, butter, casein, dairy spreads and whey protein ingredients. This division also includes the Group's evolving Nutritionals business which has a growing customer base in the USA, Europe and Asia.

Revenue – up 3% (€000)

1,107,288

2005	1,107,288
2004	1,075,153

Operating profit (pre-exceptional) – down 8% (€000)

42,746

2005	42,746
2004	46,440

Operating margin (pre-exceptional) – down 40 bps

3.9%

2005	3.9%
2004	4.3%

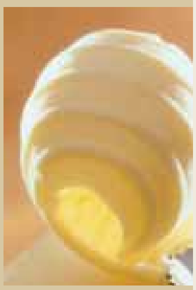
Results The USA operations and Nutritionals delivered a solid performance in 2005, growing profitability and margins. The impact of reduced EU market supports on the Irish portion of the business crystallised in the second half, leading to a significant deterioration in profitability. Overall revenue increased by 3% to €1.11 billion (2004: €1.08 billion). Operating profit was down 8% to €42.7 million (2004: €46.4 million) and the operating margin declined 40 basis points to 3.9% (2004: 4.3%). This was a direct consequence of the decline in the performance of the Irish Food Ingredients business in the latter half of 2005.

IRELAND

Glanbia Ingredients Ireland markets over 240,000 tonnes of dairy ingredients on a business-to-business basis to customers in over 40 countries. It is the largest dairy ingredients business in Ireland, assembling a milk pool of 1.3 billion litres and processing it into butters, casein, cheeses, milk powders and cream mixes.

Glanbia processes one third of the milk pool on the island of Ireland which is processed at two sites in Ballyragget, Co. Kilkenny and Virginia, Co. Cavan. The Ballyragget site is the largest integrated dairy facility in Europe processing 20% of the Irish milk pool. A range of whey products are also manufactured and marketed from Ballyragget where 40% of the Irish whey pool is processed. Glanbia Ingredients is the largest cheddar cheese manufacturer in Ireland, 95% of which is for export markets. Glanbia processes almost 60,000 tonnes of butter and butteroil per year. It markets its butter both directly to international customers and through the Irish Dairy Board.

Glanbia is the largest manufacturer of casein, producing both acid and rennet casein for European and US markets. The three largest infant formula manufacturers in the world have production facilities in Ireland and Glanbia Ingredients is the largest supplier of lactose, in addition to other whey proteins, to these businesses.



Ireland market positions

No 1 Dairy processor

No 1 Cheese

No 1 Casein – Ireland and Europe

Jim Bergin
CEO Glanbia Ingredients Ireland

The Virginia, County Cavan facility is the pre-eminent supplier of cream mix for the manufacture of Baileys Cream Liqueur.

Environment 2005 was the second year of the implementation of the Mid Term Review (MTR) of the Common Agriculture Policy which will result in significant change in dairy markets. In 2004 and early 2005 markets remained reasonably stable, however, these changes began to impact performance in the second half. While revenue was marginally up for the year, pricing and inflationary cost pressures, mainly energy, led to a sharp downturn in profitability and margins.

> Glanbia has a clear strategy of developing industry alliances and co-operation to achieve mutual efficiencies, through initiatives such as joint ventures and contract manufacturing

Glanbia Ingredients Ireland is following a strategic programme to offset these pressures. The relentless pursuit of efficiencies resulted in a reduction of 10% in the workforce in 2005. In addition a continued focus on improved plant performance, conversion efficiencies and quality development continued to deliver increased returns during the year.

Glanbia has a clear strategy of developing industry alliances and co-operation to achieve mutual efficiencies. During the year Glanbia agreed a contract manufacturing arrangement on cheese whereby we consolidated cheddar production between our Ballyragget facility and the Mitchelstown site of Dairygold Co-operative Society Limited. We also announced the decision to cease what was seasonal cheddar cheese production at Kilmeaden, County Waterford. The cost of this restructuring was €2.6 million.

In addressing the particular problems for butterfats posed by the reduction of EU refunds and the lowering of intervention supports, Glanbia sought to secure enhanced technology and sustainable routes to market for the Irish butterfat pool. In November Glanbia reached agreement with Corman SA – a Belgian company and world leader in butterfat technology, part of the French Bongrain Group – to create a new joint venture company to manufacture and market dairy spreads and butterfat products. The new company, known as Corman Miloko Ireland Limited, will manufacture a range of spreadable butters for the home and higher value EU commercial markets. The installation of advanced butter fractionation technology and a new butter oil facility at the Ballyragget site during 2005 will enable the production of butter fractions for customised solutions in the bakery and confectionery industries.

Glanbia Foods Inc plant at Twin Falls, Idaho

The business continues to focus on the effective management of the impact of MTR through a combination of efficiencies, cost control and balanced pricing and product mix.

Strategy The strategic focus of the business is threefold: to continue to maximise efficiencies and scale through co-operation opportunities that will further consolidate the Irish and European dairy industry, to pursue a growth agenda through international market access and the ongoing delivery of an innovative and flexible customer service to our blue chip customers.

The business has been refocused around the strengthening of a global supply chain and the pursuit of further co-operation in the Irish and European dairy industries. The commercial organisation is being further developed to provide customers with innovative customised solutions off a broader base of manufacture, outsourcing and blending.

Innovation Glanbia Food Ingredients Ireland has a comprehensive programme of strategic and applied research, backed up by world class laboratory and pilot process plant facilities at the new Glanbia Innovation

Food Ingredients

Jeff Williams
President
Glanbia Foods Inc.

Centre in Kilkenny. The Innovation Centre has provided a further impetus to our ongoing innovation programme which we implement in partnership with our leading customers. Research is focused on the quality, safety and efficacy of our dairy food ingredients and enables Glanbia to progress from pre to full commercial exploitation with industry clients or partners.

> The outlook for 2006 is for another challenging year with a significant development agenda to mitigate the affects of MTR and an adverse energy cost environment

Outlook Food Ingredients Ireland is a large user of energy and therefore any significant and sustained upward shift in pricing would be a cause for concern for 2006. The overall management and consumption of energy is a key objective for the business.

The outlook for 2006 is for another challenging year with a significant development agenda to mitigate the affects of MTR and an adverse energy environment.

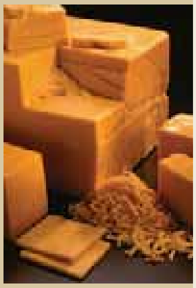
USA

Glanbia's USA Food Ingredients businesses, (Glanbia Foods Inc.), is the largest producer of cheddar barrel cheese in the USA and is one of the top global producers of American-style cheddar cheese and whey-based food ingredients. With headquarters and operations in the State of Idaho, the business processes approximately one third of all milk produced in Idaho – which is the fourth largest milk producing state in the USA. Idaho was the fastest growing milk producing state in the USA in 2005, with milk production growth of 12%.

Customers are business to business, blue chip companies in the food service, food processing and retail sectors.

Glanbia Foods Inc. processes 1.6 billion litres of milk a year and produces 167,000 tonnes of cheese and 56,000 tonnes of other ingredients between its four processing plants located at Gooding, Richfield and Twin Falls where it employs 540 people.

American-style Cheddar Cheese Overall, Glanbia Foods Inc. has a 9.1% share of American-style cheddar cheese production in the USA. Product is sold to leading food service manufacturers for food service, retail and ingredient applications under leading USA cheese labels. Block cheddar is sold for shredding and slicing applications in food service and retail markets. The block cheese facility in Twin Falls produces all varieties of American cheese – cheddar, mozzarella, Monterey Jack, Colby, Colby Jack and Pepper Jack, Glanbia has won several USA and World Cheese Championships for the fine quality American-style cheese produced at the Twin Falls facility.



USA market positions

No. 1 barrel cheese

No. 2 whey protein isolate

No. 3 lactose

No. 3 American-style cheese

> The cheese facility at Gooding is the largest producer of barrel cheese in the world. This one plant produces more cheese than the equivalent of Ireland's national output

Barrel Cheese The cheese facility at Gooding has gone through five expansions since Glanbia acquired it in 1990. The Gooding whey plant, which is located beside the cheese plant, manufactures whey protein concentrate, lactose, lactoferrin and bioferrin which are used in nutritional food formulations by other food manufacturers.

Due to the ongoing demand for our barrel cheese, Glanbia is planning a further expansion in 2006, following on from a 30% expansion to the Gooding barrel plant completed in 2004.

Whey In addition to cheese, Glanbia Foods Inc. manufactures whey protein concentrate and refined edible grade lactose at the Gooding facility and these value-added whey-based nutritional products are marketed by the Nutritionals business.

The whey plant at Richfield processes all the whey from the Twin Falls facility and is one of the largest dedicated whey processing facilities in the USA. It was one of the first facilities in the country to fractionate whey into whey protein concentrate and lactose.

> Demand continues to grow and we predict a 2% increase in the demand for American style natural cheddar, and an even stronger demand for speciality varieties, over the next number of years

Environment In 2005 market prices for cheese were lower than 2004, although market demand and subsequent volume growth was strong and contributed to margin growth. Retail and food service categories are driving the growth as consumers want variety, flavour, functionality and convenience. Retail, food service and ingredient market consolidation will continue which will add increased complexity and competition, leading customers to seek evolving services and relationships.

The growth in American-style cheddar cheese was in the natural category (e.g. blocks) in 2005 and is primarily driven by food service and retail demand for sliced and shredded cheese applications. American-style cheese production continues its western migration, following the milk supply growth trend that has developed over the past 15 years due to economies of scale with several dairy operations milking more than 5,000 cows.

Strategy The business strategy is to continue to develop a tailored strategic approach to delivering solutions to our customers, with the emphasis on being the most relevant business-to-business supplier of American style cheese. This will be achieved through the ongoing provision of a wider portfolio of cheese offerings, joint new product development and innovation as well as supply chain coordination. The continuation of our competitive cost positioning is fundamental to delivering this strategy.

Investment / Innovation During the year Glanbia Foods Inc invested in a calcium expansion, increasing production of the branded calcium `Trucal'. A programme of investment in new technology and business systems was completed in 2005. Additional investment in cheese innovation is also committed in 2006.

Glanbia Foods Inc. utilises cutting edge production technology and the resources of the Glanbia R&D Innovation Centre in Twin Falls to produce what are among the finest quality cheese and nutritional ingredients in the world.

Researchers at the Innovation Centres in Idaho and Kilkenny work with Glanbia Foods to achieve product solutions for customers as well as a range of research designed to move the industry forward, from calcium absorption to studies linking dairy product intake to decreased obesity levels.

Outlook The outlook for 2006 is positive. Following on from a 12% growth in milk production in 2005 growth in Idaho milk production of 8-10% is projected in 2006. Glanbia's customers are expressing a strong demand for cheese, some of which will be supplied by Southwest Cheese, the joint venture in Clovis, New Mexico.

Food Ingredients

Kevin Toland

CEO & President
Glanbia USA &
Nutritionals

GLANBIA NUTRITIONALS

Glanbia Nutritionals is a leading provider of science-based nutritional food solutions that address the growing demand for products with health benefits in addition to their nutritional value. Drawing on Glanbia's international resources – including state-of-the-art production and R&D – the business produces a wide range of specialty whey proteins and other nutritional ingredients for use in ready-to-drink and powdered beverages, nutritional bars, dairy products, snacks, confectionary applications and more.

Glanbia's solutions are used by a broad and growing range of nutrition-based industries including functional foods, sports nutrition, infant nutrition, clinical nutrition, weight management, health and wellness products and nutritional supplements. Its product range includes: whey protein isolates and other whey powders; lactose; calcium; lactoferrin; vitamins and minerals; bars and beverages. These ingredients are the basis for a range of brands such as: Provon; Prolibra; Salibra; Trucal; Tri-Fix; Barflex; BarPro; Barmax; Oatvantage and Glovon. Through these brands the company is building a world-wide reputation for customised products, innovative processing technologies and outstanding customer services.

As an evolving business, Glanbia Nutritionals employs over 100 people at global locations in: Ireland (Kilkenny), the USA (Wisconsin, Idaho and Illinois), Germany, the United Kingdom, Brazil, Uruguay, Argentina and China.

> The business continued to make steady progress in 2005 supported by additional capacity in specialised calcium products at the Group's Idaho facility and the integration of Kortus Foods Ingredients Services GmbH, the German based nutrient delivery systems business

Environment The business continued to make steady progress in 2005 supported by additional capacity in specialised whey protein isolate products at the Group's Idaho facility and the integration of Kortus Foods Ingredients Services GmbH, the German based nutrient delivery systems business. During the year Kortus, which specialises in the production, research and development of customised nutrient systems for customers in the infant nutrition, dietetics and functional foods markets, performed well with sales growth of over 30%.

The global nutritional market exhibited strong growth in 2005.

> Substantial investment was made in 2005 in building a strong team with a blend of skills in science-based research and development and marketing, to drive the business forward

Strategy The Glanbia Nutritionals strategy is to be a key global provider of nutritional ingredients and nutritional solutions. This will be achieved through acquisition and joint ventures, capacity expansion, investment in research and development in both the dairy and non dairy sectors. Innovation in the development of a strong pipeline of new products that will afford Glanbia a point of difference in the market and deliver added value to our customers, is central to this strategy.

Developments / Investments Substantial investment was made in 2005 in building a strong team with a blend of skills in science-based research and development and marketing, to drive the business forward.

Other investments were made to strengthen the business, including the expansion of the new Glanbia Innovation Centre in Ireland and the purchase of a small manufacturer of bars, beverages and powders in the UK. This business adds an additional solutions capability to Glanbia Nutritionals giving it a strategic presence in a key market.

In October 2005 Glanbia expanded the Group Innovation Centre in Kilkenny, with further research and development facilities – comprising additional laboratory space for technologically sophisticated biochemical and microbiological analysis and clinical trial support. The total number of research scientists and commercialisation staff at the Innovation Centre is now over 50.

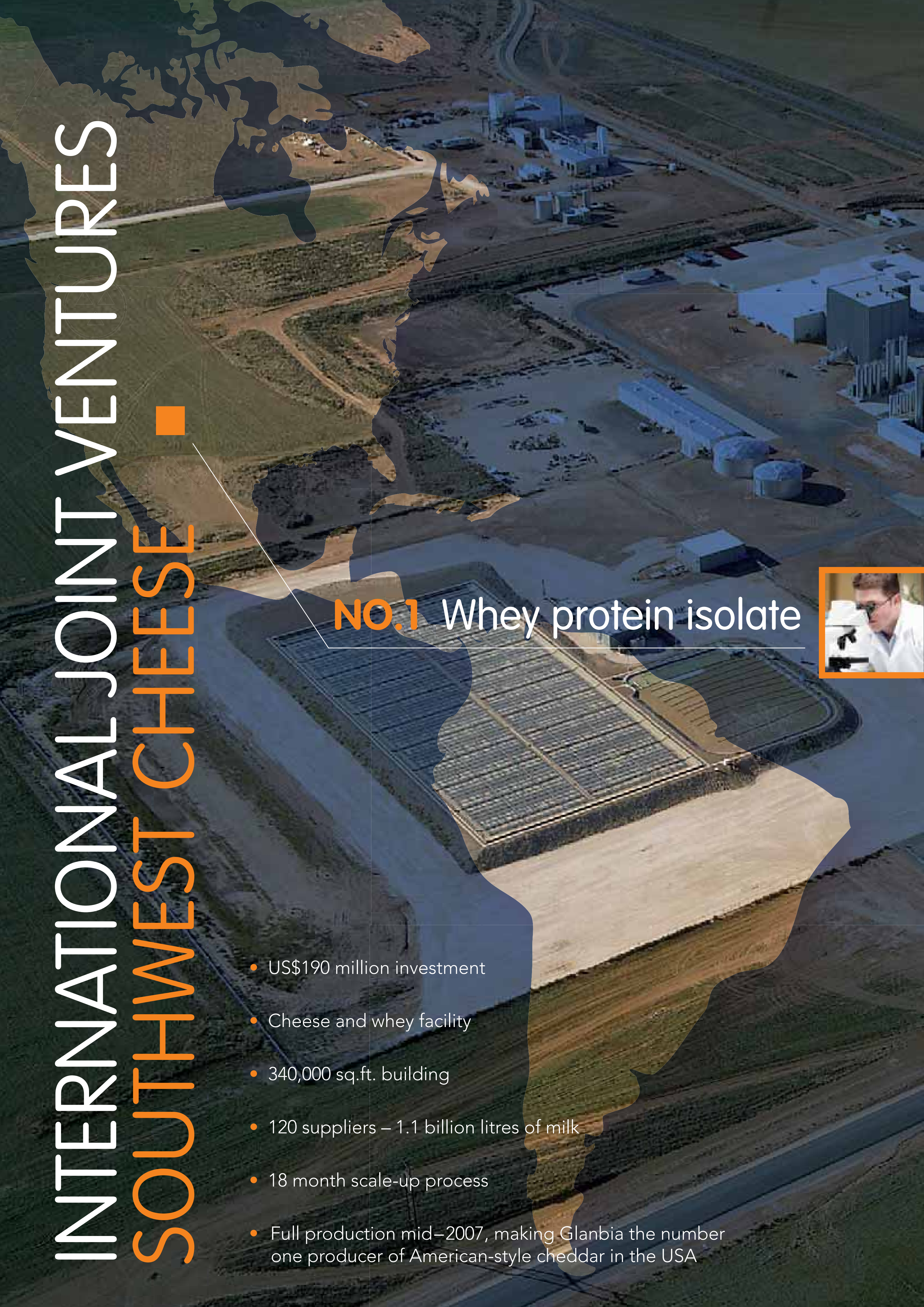
A number of other investments and developments undertaken in 2005, such as the commissioning of additional large scale whey capacity at Southwest Cheese in Clovis, New Mexico and of additional calcium capacity in Idaho, as well as the opening of a representative office in Shanghai and in Argentina, further strengthens Glanbia's position as a leading player in the global nutritionals market

Innovation The development work in the Group's Innovation Centres in Ireland and the USA, carried out in partnership with customers, led to a number of commercial developments in 2005. We continue to develop products and solutions that match a market need, or a customer requirement, working closely with universities and other research agencies.

During the year Glanbia Nutritionals developed and acquired advanced, differentiated and branded ingredients targeted at a range of nutritional requirements such as weight management; immune enhancement; heart health; cancer prevention; endurance and performance.

Among the range of developments progressed during the year was 'Oatvantage(tm)' an oat based product for which Glanbia acquired the exclusive European distribution rights.

Outlook With a strong team and increased innovation resources, overall the outlook for 2006 is positive with anticipated growth from capacity expansion, new product development and acquisitions.



INTERNATIONAL JOINT VENTURES

SOUTHWEST CHEESE

NO.1 Whey protein isolate

- US$190 million investment
- Cheese and whey facility
- 340,000 sq.ft. building
- 120 suppliers – 1.1 billion litres of milk
- 18 month scale-up process
- Full production mid–2007, making Glanbia the number one producer of American-style cheddar in the USA

6 International Joint Ventures

Glanbia's strategy is to build international relevance in cheese, nutritional ingredients and selected consumer foods, balancing our strong market positions in Ireland with an increasing presence in overseas markets. The Group has a number of significant international Joint Ventures producing cheese, whey and milk products which are central to this strategic development.

UK: GLANBIA CHEESE

Glanbia has a 51% interest in Glanbia Cheese, a joint venture with Leprino Foods Company, Europe's leading producer of mozzarella cheese for the pizza sector. The business employs approximately 360 people between its two manufacturing operations based in Llangefni, North Wales and Magheralin, Northern Ireland, and an administration office based in Northwich, Cheshire.

The business services both the food service and industrial pizza manufacturers. It lists the major pizza providers in both sectors among its customer base, and with the majority of the key pizza providers it has a sole or lead supply position. Glanbia Cheese supplies a range of mozzarella products including block, ribbon and string mozzarella.

The Glanbia Cheese strategy is to maintain and build on its position as the leading supplier of pizza cheese in Europe through on-going innovation based on the Leprino proprietary mozzarella production technology, quality and flexibility. These value offerings enable the business to offer a significantly differentiated product, process and economic offering to the marketplace. As a leading supplier of innovative products, the business reported an improved performance in 2005 arising from increased demand and the benefits of investment. The strength of the Glanbia Cheese market position, quality product and unique technology places this business in a good position.

NIGERIA: NUTRICIMA

In 2003 Glanbia entered a 50:50 joint venture with PZ Cussons plc to build a US$25 million facility in Nigeria to supply evaporated milk and milk powder to the local Nigerian market. Glanbia has responsibility for the operation of the plant and sourcing of raw materials. PZ Cussons is responsible for the marketing and distribution of the products through its existing Nigerian subsidiary.

During 2005 the packing facility for fat filled milk powder, which is sourced in Ireland and sold on the local market in consumer formats under the Nunu brand and the manufacturing plant for condensed milk, were commissioned and overall progress to date in Nigeria has exceeded expectations.

> During 2005 commissioning of the packing facility for fat filled milk powder, which is sourced in Ireland and sold on the local market in consumer formats under the Nunu brand, was commenced

USA: SOUTHWEST CHEESE

Commissioning of the Southwest Cheese facility began in October 2005 and is the first phase in an 18 month scale up process towards full production. Southwest Cheese is a US$190 million cheese and whey products facility in New Mexico. This joint venture, with Dairy Farmers of America and Select Milk Producers Inc., will make Glanbia the number one producer of American cheese when it reaches full production. Once fully operational, Southwest Cheese will be one of the largest cheese processors in the world and will have the capacity to process in excess of one billion litres of milk per annum and produce over 110,000 tonnes of cheese. The associated whey plant will be able to produce 7,500 tonnes of high quality value-added whey proteins per annum.

40lb Cheese line at our Southwest Cheese plant New Mexico

> From a greenfield situation in 2004, Glanbia expects Southwest Cheese to achieve full capacity in 2007

Glanbia's partners, DFA and Select, will provide the milk for the new plant and Glanbia has responsibility for operating the plant and for sales and marketing of the products through existing structures.

Overall this development is progressing well and initial customer feedback has been very positive.

OTHERS: MEXICO

Glanbia established a marketing joint venture based in Mexico with Conaprole of Uruguay in 2003. This joint venture company, Conabia, markets dairy ingredients into Central and South American markets and enjoyed growth in sales in 2005.

Glanbia also purchased 100% of Zymalact; a small blending plant in Mexico during 2005 and this business provides a base for producing customised blends for customers in Central America.

7 Corporate Social Responsibility

Our Corporate Social Responsibility programme relies on a careful balance of economic, environmental and social policies while we aim to fulfil our strategic goals of building a sustainable business and long term growth.

Community Support for local services, endeavours and sporting activities in the communities in which we operate is central to our philosophy.

> The sponsorships represent a positive synergy between our mission to promote healthy food products and the GAA's outstanding community values, health and exercise focus and appeal to young people

In 2005, we renewed our long-standing sponsorships of Kilkenny and Waterford hurling at every level from minor to senior with the Avonmore milk brand and new Yoplait Essence brand respectively. The sponsorships represent a positive synergy between our mission to promote healthy food products and the GAA's outstanding community values, health and exercise focus and appeal to young people.

2005 also saw the second year of a two-year commitment by our Irish and USA employees to two causes selected by them – Our Lady's Hospital for Sick Children in Crumlin, Dublin and the Boys & Girls Club in Magic Valley, Idaho. The dedication and commitment shown by our employees to both causes has been outstanding and their willingness to give up their free time in today's busy life schedules demonstrates a social awareness and desire for community involvement.

In Ireland, that comittment saw over €40,000 raised by employees in a campaign that started at the Irish Ploughing Championships and included diverse activities such as sponsored cycling trips in Hungary and promotions at the Ideal Homes Exhibition. These funds, when combined with the Group's financial contribution, were used for such vital facilities as Ireland's first Transitional Care Unit at Crumlin Hospital.

Our Irish employees also continued their association with 'Junior Achievement Ireland', a voluntary school organisation which encourages student interest in the world of work and commerce.

In the USA, our employees worked tirelessly in support of The Boys & Girls Club in Magic Valley, working closely with the Club in organising events and creating awareness of the Club and the Glanbia involvement. One of the highlights of the fund-raising campaign was a highly successful 'Great Glanbia Grilled Cheese Sandwich Event' which contributed significantly to a fund that helped, among other things, to build a new kitchen for the Club.

Environment Protection and preservation of the environment and natural resources lies at the heart of our objective to manage our business in an environmentally responsible manner.

We continue to be committed to sustainable growth in harmony with the environment and the communities in which we operate, which is achieved by attention to such elements as:

- including environmental goals and risk management as part of the overall business strategy;
- maintaining relationships with local communities and authorities, regulatory agencies and interest groups to create better understanding and co-operation;
- recycling and re-using raw materials and reducing

discharges to land, air or water;
- maintaining an Environmental Management System at all our manufacturing plants.

An example of this approach was the creation of a wastewater treatment facility at our Gooding Cheese and Whey Manufacturing plant in the USA which was fully operational by late 2005.

Marketplace Communication with consumers and customers to understand their views and needs has always been a critical factor in our organisation. Research is continuously conducted into consumer attitudes and perceptions of our products and a consumer feedback programme generates significant information on such areas as product safety, packaging, labelling, promotions and advertising.

Our advertising adheres to the relevant legislation and to the Codes of Best Practice demanded by the Advertising Association of Ireland and the Broadcasting Commission of Ireland.

A central thrust of our communication strategy is to encourage awareness of the need for a balanced diet and nutrition to a healthy lifestyle. As part of this approach, we are highly pro-active in communicating ingredients' information on our product labelling.

> The core values of 'Pride In What We Do', 'People Matter', 'Find a Better Way' and 'Be The Best' are very much part of our ethos which has evolved with the organisation since its origins in the Irish co-operative movement

Children at The Boys & Girls Club, Magic Valley, Idaho

Workplace By offering good working conditions, providing personal development opportunities and rewarding employees' on-going commitment to the Group's success, we consistently achieve our objective of being considered an employer of choice at our various locations.

We strive to attract and develop the best people and operate a number of development programmes for all levels within the organisation, in conjunction with various training courses that meet specific individual needs.

We also promote a Group Graduate programme that aims to attract outstanding graduates from diverse disciplines to further enhance our management structure and our future leadership.

Sharon McDonnell, Glanbia Meats presenting the employee fundraising cheque to Eamonn Coghlan, Director of Fundraising and Development at Our Lady's Hospital, Crumlin, Dublin

8

Finance Review

Geoff Meagher, Group Finance Director

Results The 2005 results are prepared under International Financial Reporting Standards (IFRS) and all comparisons are based on a restatement of 2004 financial information. A detailed IFRS restatement document is available on the Group's website at www.glanbia.com.

Revenue grew by 4% in 2005 to €1.83 billion primarily driven by growth in the Consumer Foods and Nutritionals businesses. A difficult environment in Ireland impacted operating profit and margins with pre exceptional operating profit down 7% to €80.6 million. This was offset by a 21% reduction in pre exceptional net financing cost and an improved performance in the Group's associates and joint ventures, which resulted in a pre exceptional profit before taxation of €68.7 million which, on a comparable basis, was similar to the 2004 level.

Details of divisional operating profit are given in the Operations Review on pages 12 to 29.

The Group's pre exceptional net financing cost (on a comparable basis including interest on non equity minority interest) decreased €3.3 million to €12.8 million from €16.1 million in 2004. Financing cover (Group operating profit, pre exceptional, to net financing cost) improved to 6.3 times (compared to 5.4 times in 2004). EBITDA finance cover was 8.4 times (compared to 6.9 times in 2004) and the ratio of year end net debt to EBITDA was 2 times (compared to 2.3 times in 2004).

Net exceptional gains for the year amounted to €521,000 compared with a €1.3 million gain in 2004. These include €11 million profit on the sale of quoted investments, a €3.9 million foreign exchange credit arising from the implementation of IFRS and a €6.9 million tax credit. These gains were offset by restructuring charges to improve competitiveness in Ireland of €15.7 million (Agribusiness and Property €1.2 million, Consumer Foods €11.9 million and Food Ingredients €2.6 million), the cancellation cost of €5.3 million for the prepayment of US$100 million preferred securities and €0.3 million relating to prior disposals.

The Group's share of results of joint ventures and associates, post interest and tax, amounted to a profit of €932,000 in 2005, compared with a loss of €1.5 million in 2004. This result reflects the improved performance in Glanbia Cheese, the Group's UK joint venture with Leprino Foods.

Taxation for the year amounted to €657,000, compared with €8.4 million in 2004. This is as a consequence of an exceptional of €6.9 million, primarily due to a tax credit relating to a prior disposal of assets in the USA. The pre-exceptional taxation charge was €7.6 million which represents an effective tax rate of 11%. This low tax rate reflects the mix of profits in the various tax jurisdictions in which the Group operates and in particular the impact of the Irish manufacturing rate of 10%.

Earnings per share and dividends Earnings per share amounted to 21.04 cent compared with 21.03 cent in 2004. Adjusted earnings per share was up 1% to 20.86 cent (2004: 20.59 cent).

The total dividend per share for the year is 5.51 cent, an increase of 5.0% on the 2004 dividend.

Cash generation Summary cash flows for 2005 and 2004 are set out on page 37.

Total cash generated from operations amounted to €162.9 million including €72.9 million reduction in working capital (including a reduction in seasonal investment in this area). Capital and development expenditure in the year amounted to €72.6 million. The Group has invested significantly in recent years in its international operations both in the USA facilities in Idaho and the joint ventures in New Mexico and Nigeria.

The US$100 million preferred securities were prepaid in June 2005 as part of a refinancing of the Group. The Group has renewed financing facilities of over €400 million to July 2010 with core banking relationships.

Group net debt on a comparable basis reduced by €45.3 million to €215.7 million (2004; €261.0 million).

Balance sheet Equity shareholders' funds increased to €123.7 million at the end of 2005 from €119.9 million in 2004. In accordance with IFRS the Group's balance sheet includes a retirement benefit obligation of €165.0 million (€149.1 million of net of deferred tax asset). The increase in the obligation of €38.3 million arises primarily due to

Summary cash flows

	2005 €'000	2004 €'000
Cash generated from operations	162,905	83,447
Net interest paid	(22,507)	(10,866)
Tax paid	(3,777)	(4,955)
Cash flows from investing activities		
Acquisitions and investments	(26,366)	(65,368)
Capital expenditure	(46,207)	(60,946)
Disposals	18,665	84,686
Cash flows from financing activities		
Share capital issued	2,922	215
Dividends paid	(15,612)	(14,814)
Net increase in borrowings net of cash	70,023	11,399
Borrowings net of cash at the beginning of the year	(260,950)	(269,556)
Effects of exchange rate changes	(24,725)	(2,793)
Borrowings net of cash at the end of the year	(215,652)	(260,950)

a reduction in the discount rate applied to the actuarial calculations.

Financial Instruments and Derivative Financial Instruments The conduct of its ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments by the Group. The main risks arising from issuing, holding and managing these financial instruments typically include liquidity risk, interest rate risk and currency risk. The Group approach is to centrally manage these risks against comprehensive policy guidelines. The Board agrees and regularly reviews these guidelines which are summarised below. With the exception of an amendment to permit the holding of instruments deemed to be speculative under IAS 39, these policies have remained unchanged during the past financial year.

The Group does not engage in holding or issuing speculative financial instruments or derivatives thereof, other than as outlined above. The Group finances its operations by a mixture of retained profits, preference shares, medium and short term committed bank borrowings and uncommitted bank borrowings.

The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis.

Currency risk Although the Group is based in Ireland, it has significant investment in overseas operations in the UK and the US. As a result, movements in the US dollar/euro and sterling/euro exchange rates can significantly affect the Group's euro balance sheet and income statement. The Group seeks to match, to a reasonable extent, the currency of its borrowings with that of its assets, inclusive of goodwill. The Group also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. The Group requires all its operating units to mitigate such currency exposures, by means of forward foreign currency contracts.

Liquidity risk The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities.

In order to preserve continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period.

This means that at any time the lenders providing facilities in respect of this finance requirement are required to give at least 12 months notice of their intention to seek repayment of such facilities.

At the year end, the Group had multi-currency committed bank term facilities of €439.9 million of which €158.3 million was undrawn. The weighted average period to maturity of these facilities was 4.5 years.

Finance and interest rate risk The Group's objective in relation to interest rate management is to minimise the impact of interest rate volatility on interest costs in order to protect reported profitability. This is achieved by determining a long term strategy against a number of policy guidelines, which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability.

The Group borrows at both fixed and floating rates of interest and uses interest rate swaps to manage the Group's exposure to interest rate fluctuations.

Summary The Group made solid progress in 2005 with strong debt reduction and improvements in key financial ratios.

Geoff Meagher
Group Finance Director

Directors and Advisors

Non-executive Directors

Michael J Walsh (aged 63) is Chairman of Glanbia plc. He was appointed to the Board in 1989, was appointed Vice-Chairman of the Company in 1996 and was appointed Chairman of the Company in 2005. He is also Chairman of Glanbia Co-operative Society Limited and is a Director of a number of other Irish societies including Irish Co-operative Organisation Society Limited and The Irish Dairy Board Co-operative Limited. He farms at Coolroe, Graiguenamanagh, Co. Kilkenny.

Liam Herlihy (aged 54) is Vice-Chairman of Glanbia plc. He was appointed to the Board in 1997 and was appointed Vice-Chairman of the Company in 2001. He is also Vice-Chairman of Glanbia Co-operative Society Limited and Chairman of Co-operative Animal Health Limited. He is a Director of a number of other Irish companies/societies. He completed the ICOS Diploma in Corporate Direction in 2002. He farms at Headborough, Tallow, Co. Waterford.

John V Quinlan, B.Agr.Sc., (aged 60) is Vice-Chairman of Glanbia plc. He was first appointed to the Board in 1996, re-appointed in 2001 and appointed Vice-Chairman of the Company in June 2005. He is a Director of a number of Irish companies including Irish Sugar Limited and Malting Company of Ireland Limited. He completed the ICOS Diploma in Corporate Direction in 2004. He farms at Baptistgrange, Lisronagh, Clonmel, Co. Tipperary.

John E Callaghan, FCA, FIB, (aged 63) was appointed to the Board in 1998. He is a Director of a number of Irish companies including Rabobank Ireland plc and Vivas Insurance Limited. He was formerly Managing Partner of KPMG (Ireland), Chief Executive of Fyffes plc and Chairman of First Active plc.

Paul M Haran, MSc, BSc, (aged 48) was appointed to the Board in June 2005. He also serves on the Court of

Directors of the Bank of Ireland and on the Board of the Mater Private Hospital. He was recently appointed as Principal of the UCD College of Business and Law and chairs the Board of the UCD Michael Smurfit Graduate School of Business. He was appointed by the Minister for Justice and Law Reform to chair the Working Group on Legal Costs. He retired in 2004 as Secretary General of the Department of Enterprise, Trade and Employment at the end of his seven-year term of office.

Jerry V Liston, B.A., MBA, (aged 65) was appointed to the Board in 2002. He is a Director of the Michael Smurfit Graduate School of Business, University College Dublin and holds directorships in various other companies including BWG Group and Balcas Limited. He was formerly Chief Executive of United Drug plc, a past Chairman of the Irish Management Institute and past Executive Chairman of the Michael Smurfit Graduate School of Business.

William G Murphy, B. Comm, (aged 60) retired as Deputy Group Managing Director of Glanbia plc in June 2005 but continues on the Board. He joined the Group in 1977 and has held a number of senior management positions including Chief Executive of Dairy Food Ingredients, Chief Executive of Consumer Foods Ireland and Chief Executive of the Agribusiness Division. He was appointed to the Board in 1989. He is a Director of a number of Irish and UK companies including IAWS Group plc.

The following non-executive Directors are farmers and all are Directors of Glanbia Co-operative Society Limited:

Henry V Corbally (aged 51) completed the ICOS Diploma in Corporate Direction in 2002. He is also a Director of Kilmainhamwood Community Employment Scheme Limited. He farms at Kilmainhamwood, Kells, Co. Meath.

John G Fitzgerald (aged 50). He farms at Ross, Kilmeaden, Co. Waterford. He has completed an ICOS course in co-operative training.

Edward P Fitzpatrick (aged 58) is a Director of both South Eastern Cattle Breeding Society Limited and Castlegannon Show Limited. He completed the ICOS Diploma in Corporate Direction in 2003. He farms at Knockmoylan, Mullinavat, Co. Kilkenny.

James A Gilsenan (aged 46) completed the ICOS Diploma in Corporate Direction in 2003. He farms at Drogheda Road, Collon, Co. Louth.

Christopher L Hill B.Agr.Sc., (aged 47) is a Director of Wicklow Rural Partnership Limited and a member of the Wicklow County Development Board. He completed the ICOS Diploma in Corporate Direction in 2002. He farms at Johnstown House, Arklow, Co. Wicklow.

Michael Keane (aged 53) was appointed to the Board in June 2005. He farms at Foxhall, Ballinamona, Ardmore, Youghal, Co. Waterford.

Matthew Merrick (aged 54) was appointed to the Board in 2005. He is the Vice-Chairman of the County Offaly Enterprise Board and a Board member of IFAC Accountants. He farms at Shean, Edenderry, Co. Offaly.

John J Miller (aged 65) is Chairman of the Glen Barrow Farm Producers Group and a Director of Laois Leader Rural Development Company Limited. He is also active in Spink Community Council. He farms at Boleybeg, Abbeyleix, Co. Laois.

Michael Parsons (aged 56) is Chairman of Kilkenny Co-operative Livestock Market Limited and a Director of Kilkenny, Carlow and District Farm Relief Services Society Limited. He farms at Outrath, Kilkenny.

Eamon M Power (aged 51) completed the ICOS Diploma in Corporate Direction in 2004 and is a Master Farmer. He also represents the Group on the Tus Forum and the Progressive Genetic Advisory Committee. He farms at Corse, Fethard-on-Sea, Co. Wexford.

George E Stanley (aged 61) is a Committee Member of the Centenary-Thurles Co-operative Society Limited. He farms at Shinrone, Birr, Co. Offaly.

Executive Directors

John J Moloney, B.Agr.Sc., MBA (aged 51) is Group Managing Director since 2001. He was appointed to the Board in 1997. He was appointed Deputy Group Managing Director in 2000 and assumed the responsibilities of Chief Operating Officer in 2001. He joined the Group in 1987 and held a number of senior management positions including Chief Executive of the Food Ingredients and Agricultural Trading Divisions. He previously worked with the Department of Agriculture, Food and Forestry and in the meat industry in Ireland. He is a Director of The Irish Dairy Board Co-operative Limited and a Council Member of both the Irish Business and Employers Confederation and the Irish Management Institute.

Geoffrey J Meagher, CPA, (aged 56) joined the Board as Group Finance Director in 1993 and is also Deputy Group Managing Director since June 2005. He joined the Group in 1975 and held a number of positions including that of Group Financial Controller. Prior to that he trained and worked with PricewaterhouseCoopers, Chartered Accountants.

Kevin E Toland, FCMA, (aged 40) was appointed to the Board in 2003. He joined the Group in 1999 and is CEO and President of Glanbia USA and Nutritionals, having previously held the positions of Group Development Director and Chief Executive of the Consumer Foods Division. Prior to joining Glanbia, he held a number of senior management positions with Coca-Cola Bottlers in Russia and with Diageo plc in Ireland and Central Europe.

Directors & Advisors

Michael Horan
Group Secretary

Directors offering themselves for re-appointment
The following Directors are retiring by rotation in accordance with the Articles of Association of the Company and, being eligible, offer themselves for re-appointment:

Henry V Corbally (aged 51)
Edward P Fitzpatrick (aged 58)
James A Gilsenan (aged 46)
Liam Herlihy (aged 54)
Jerry V Liston (aged 65)
Eamon M Power (aged 51)
Kevin E Toland (aged 40)
Michael J Walsh (aged 63)

Paul M Haran, Matthew Merrick and Michael Keane were appointed to the Board during the year and retire in accordance with the Articles of Association and, being eligible, offers themselves for re-election.

All are farmers and are Directors of Glanbia Co-Operative Society Limited with the exception of Paul M Haran, Jerry V Liston and Kevin E Toland.

Board Committees
Audit Committee JE Callaghan-Chairman, HV Corbally, JG Fitzgerald, PM Haran, L Herlihy, JV Liston, EM Power, JV Quinlan.

Remuneration Committee JV Liston-Chairman, JE Callaghan, PM Haran, L Herlihy, JV Quinlan, MJ Walsh.

Nomination Committee MJ Walsh-Chairman, JE Callaghan, PM Haran, JV Liston.

Secretary and Registered Office Michael Horan B. Comm, FCA, Glanbia House, Kilkenny, Ireland.

Registrar and Transfer Office Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.
Telephone: +353 1 216 3100; Facsimile: +353 1 216 3151.

Auditors PricewaterhouseCoopers, Ballycar House, Newtown, Waterford, Ireland.

Principal Bankers ABN AMRO Bank N.V., Allied Irish Banks, p.l.c., Bank of Ireland, BNP Paribas S.A., Barclays Bank Ireland PLC, Citibank, N.A., IIB Bank Limited, National Irish Bank Limited, Rabobank Ireland plc, Ulster Bank Ireland Limited.

Solicitors Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland. Pinsent Masons, 3 Colmore Circus, Birmingham B4 6BH, United Kingdom.

Stockbroker J & E Davy, 49 Dawson Street, Dublin 2, Ireland.

Shareholder Enquiries All shareholders' enquiries should be addressed to the Registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18. The Registrar can be contacted on telephone number 01 2475349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by e-mail to webqueries@computershare.ie

Shareholders may check their accounts on the Company's Share Register by accessing the Company's website at www.glanbia.com, clicking on "Investors" and "Shareholder Information". Shareholders may check their shareholdings, recent dividend payment details and can also download forms required to notify the Registrar of changes in their details.

Report of the Directors

Introduction
The Directors are pleased to present their report to shareholders together with the audited financial statements for the year ended 31 December 2005.

Principal Activities
Glanbia plc is an international dairy, consumer foods and nutritional products company. It is principally engaged in the processing and marketing of cheese, dairy-based food ingredient and nutritional products; dairy-based consumer products and meat products; manufacture of animal feedstuffs and trading in agricultural products. Group processing operations are located in Ireland, the UK, Germany and the USA. Sales and marketing activities are undertaken in various European countries and in the USA, South America, Asia and Africa. The Group serves a broad customer base in the retail, food service and food and beverage processing sectors. The Group's strategy is to build international relevance in cheese, nutritional ingredients and selected consumer foods, balancing its strong market positions in Ireland with an increasing presence in overseas markets. The Joint Ventures in Nigeria and the USA are central to this strategic development, as is the continuing development of its Nutritionals business.

Review of Business
The highlights of the results for the year were as follows:
- Revenue increased by 4% to €1,830.0 million
- Operating profit pre exceptional was down 7% to €80.6 million
- Profit before tax pre exceptional, including share of joint ventures and associates, was similar to 2004 at €68.7 million
- Profit after tax pre exceptional increased marginally to €61.1 million
- Operating margin pre exceptional declined 50 basis points to 4.4% (2004: 4.9%)
- Share of results of joint ventures and associates, post interest and tax, went from a loss to a profit of €932,000
- Net exceptionals for the year amounted to €521,000
- Adjusted earnings per share was up 1% to 20.86 cent
- Net debt at the year end was down 17% to €215.7 million
- Capital and development expenditure was €71.6 million

The Group Managing Director's Review on pages 8 to 11 outlines the trading environment and strategic vision of the Group. The Operations Review on pages 12 to 29 includes analysis, by operational division, of the 2005 results, trading environment and current business outlook of each business segment. The Finance Review outlines the financial results for 2005 including commentary on the financial ratios and Group balance sheet.

Share Capital
The authorised share capital of the Company is 306,000,000 ordinary shares of €0.06 each. The issued share capital as at 31 December 2005 was 293,115,684 and is currently 293,238,684 ordinary shares of €0.06 each.

Dividends
On 5 October 2005 an interim dividend of 2.27c per share on the ordinary shares amounting to €6.6 million was paid to shareholders on the register of members as at 9 September 2005. The Directors have recommended the payment of a final dividend of 3.24c per share on the ordinary shares which amounts to €9.5 million. Subject to shareholders approval this dividend will be paid on Monday, 22 May 2006 to shareholders on the register of members as at Friday, 21 April 2006, the record date.

Employees
The Group's 3,800 employees are the key to building sustainable growth and the Glanbia values of "Be the Best", "People Matter", "Find a Better Way" and "Pride in What We Do" are part of the everyday way of working in the organisation.

Research and Development
The Group is committed to an ongoing and extensive innovation programme to support a customer-led business and marketing approach. There is growing consumer awareness of the link between health and diet and Glanbia as a food group is committed to achieving the highest standards of best practice in relation to science based innovation. It is directed towards the development of technically superior dairy-based food ingredient and nutritional products, cheese, high value consumer food products, and the enhancement of proprietary technologies and processes.

The Group opened a new innovation centre in Ireland in 2004 and in conjunction with the Idaho Centre of Excellence in the U.S.A. Glanbia's nutritional business has developed and launched advanced, differentiated and branded ingredients targeted at a range of nutritional requirements such as weight management and immune enhancement.

Substantial Interests
As at 17 February 2006, Glanbia Co-operative Society Limited held 54.7% of the Company's issued ordinary shares. The Company has been advised that as at 17 February 2006, Bank of Ireland Securities Services Limited had a notifiable interest in 7% of the Company's issued ordinary shares.

Directors' and Secretary's Share Interests
The interests of the Directors and Group Secretary and their spouses and minor children in the share capital of the Company, subsidiary companies and the holding society are disclosed in note 44 to the financial statements.

Corporate Governance
The Directors of the Company are committed to maintaining the highest standards of corporate governance and, in particular, have regard to the principles set out in the Combined Code on Corporate Governance published in July 2003.

Report of the Directors

The Board believes that, except in relation to the composition of the Board, the Audit and Remuneration Committees as noted below, the Company has complied throughout the financial period with the principles and provisions of the Combined Code on Corporate Governance.

Directors

The Board The Board is responsible for the leadership and control of the Company.

The Company is a subsidiary of Glanbia Co-operative Society Limited ("the Society"). The Society nominates from its Board of Directors, which is elected on a three-year basis, fourteen non-executive Directors for appointment to the Board of the Company. The Society, an Irish industrial and provident society, owns 54.7% of the share capital of the Company and many of its members supply milk and trade with Irish subsidiaries of the Company. The remaining Directors comprise three executive Directors and four additional non-executive Directors. Biographies of each of the Directors are set out on pages 38 and 39.

The Board considers that the Directors bring to the organisation the range of skills, common knowledge and experience, including international experience, necessary to lead the Company.

The Board agrees a schedule of regular meetings to be held in each financial year and also meets on other occasions as necessary. The Board has a formal schedule of matters reserved to it for decision such as the approval of annual and strategic business plans, capital expenditure, any change in Group strategy and any acquisition or disposal of Group assets, the approval of any dividends and Group treasury and risk management policies.

All Directors have been advised of their fiduciary duties and of their obligation to bring an independent judgement to bear on the issues of strategy, performance, resources, including key appointments and standards of conduct. All Directors receive monthly Group financial statements and reports and full Board papers are sent to each Director in sufficient time before Board meetings. Any required further information is available to all Directors on request.

The roles of the Chairman and Group Managing Director are and always have been separate. The division of responsibilities between the Chairman and Group Managing Director have been clearly established, set out in writing and agreed by the Board. The Chairman of the Company is Mr MJ Walsh. Mr Walsh was appointed as Chairman on 9 June 2005 following the retirement of Mr TP Corcoran. The Chairman is responsible for the efficient and effective working of the Board. He ensures that Board agendas cover the key strategic issues confronting the Group and that Directors receive accurate, timely, clear and relevant information. While Mr Walsh holds a number of other directorships (see details on page 38) and farms at Coolroe, Graiguenamanagh, Co. Kilkenny, the Board considers that these do not interfere with the discharge of his duties to the Company. The Company has two Vice Chairmen, Mr L Herlihy and Mr JV Quinlan. Mr Quinlan was appointed Vice-Chairman on 9 June 2005.

Independence The Board has reviewed the independence of the non-executive Directors under the guidelines specified in the Combined Code. The Board considers Mr JE Callaghan, Mr P Haran and Mr JV Liston to be independent non-executive Directors. As noted earlier, fourteen of the remaining non-executive Directors are nominated by the Board of Glanbia Co-operative Society Limited for appointment to the Board of the Company. Additionally, Mr WG Murphy retired as Deputy Group Managing Director in September 2005 but remains on the Board as a non-executive Director. The Board considers that the fourteen Directors referred to above and Mr WG Murphy are independent of character and judgement, however, the Board recognises that these Directors do not meet the criteria for independence as specified in the Combined Code.

Mr Callaghan is the senior independent Director. As senior independent Director, Mr Callaghan is available to shareholders if they have concerns which contact through the normal channels have failed to resolve.

Information on professional development All new Directors receive a full, formal and tailored induction on joining the Board. As part of this programme, major shareholders are offered an opportunity to meet new non-executive Directors.

All Directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. Committees are provided with sufficient resources to undertake their duties.

During the year, all Directors were advised in relation to the implications of new regulations contained in the Market Abuse (Directive 2003/6/EC) Regulations 2005.

Seven of the Directors nominated to the Board by Glanbia Co-operative Society Limited have completed the ICOS Diploma in Corporate Direction.

All Directors have access to the advice and service of the Group Secretary who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and approval of the Group Secretary is a matter for the Board.

Performance Evaluation During the year a performance evaluation has been conducted of the Board, its Committees and individual Directors which was led by the Chairman.

In completing the performance evaluation, the Chairman met with each Director individually to discuss the performance of the Board and individual Directors. In advance of the meetings, the Chairman circulated a comprehensive questionnaire to Directors for their consideration and encouraged the Directors to raise any other issues on Board matters during the meetings. Based on the verbal and written feedback from the Directors, the Chairman then prepared a report for the Board summarising the outcome of the performance evaluation process and recommending a number of actions.

The performance of the Chairman was considered at a meeting of the Directors which was chaired by Mr JE Callaghan, the Senior Independent Director.

The Audit Committee, Nomination Committee and Remuneration Committee evaluated their performance at specific meetings held for that purpose.

Board Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities. The committees and their membership are detailed on page 40 of this report. All committees of the Board have written terms of reference dealing with their role and authority delegated by the Board and are available on the Group's website at www.glanbia.com. Membership of the Nomination, Audit and Remuneration Committees is comprised exclusively of non-executive Directors. The Group Secretary acts as secretary of each of these committees.

Nomination Committee As noted earlier, fourteen non-executive Directors are nominated by the Board of Glanbia Co-operative Society Limited ("the Society") for appointment to the Board of the Company. For the remaining non-executive and executive Directors, the Nomination Committee of the Company leads the process for Board appointments. The Chairman of the Group chairs meetings of the Nomination Committee except when it is dealing with the appointment of a successor to the Chairmanship.

The appointment to the Board of non-executive Directors nominated by the Society is subject to and co-terminus with their appointment as Directors of the Society and is further subject to their removal as Directors under the Articles of Association. The remaining non-executive Directors are appointed to the Board on the basis of a 3-year term which may be renewed and are also subject to early removal under the Articles.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and to re-election thereafter at intervals of no more than three years. In accordance with the Articles of Association of the Company, Messrs HV Corbally, EP Fitzpatrick, JA Gilsenan, L Herlihy, JV Liston, EM Power, KE Toland and MJ Walsh retire from the Board by rotation and, being eligible, offer themselves for re-appointment. Messrs P Haran, M Keane and M Merrick who were appointed as Directors on 9 June 2005 retire in accordance with the Articles of Association of the Company and, being eligible, offer themselves for re-appointment. Biographical details of Directors offering themselves for re-appointment are set out on pages 38 and 39. None of the Directors proposed for re-appointment has a service contract with the Company. The Chairman wishes to confirm that following the completion of the performance evaluation process all Directors proposed for re-election continue to be effective and these Directors continue to demonstrate commitment to their roles.

The Nomination Committee did not use an external search consultancy or open advertising in the appointment of the new non-executive Directors. Messrs M Keane and M Merrick were appointed by the Board of the Society for appointment to the Board. The Nomination Committee used industry and professional contacts to identify suitable candidates for the appointment of an independent director and following this process, Mr P Haran was recommended to and appointed to the Board.

The Nomination Committee also considered and recommended the appointment of Mr MJ Walsh as Chairman of the Company, the appointment of Mr JV Quinlan as Vice-Chairman and the continuation of Mr L Herlihy as Vice-Chairman. It is the custom and practice that the Chairman and Vice-Chairmen of the Society are also Chairman and Vice-Chairmen of the Company. On an ongoing basis, the Nomination Committee gives consideration to succession planning for Directors and other senior executives.

The terms and conditions of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting of the Company.

The Group Chairman, Mr MJ Walsh is Chairman of the Nomination Committee and he reports to the Board after each meeting of the Committee.

Audit Committee The main role and responsibilities of the Audit Committee are set out in written terms of reference which are available on the Group's website at www.glanbia.com and include:

- to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the Company's internal control and risk management systems;
- to monitor and review the effectiveness of the Company's internal audit function;
- to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

Report of the Directors

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Irish professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- to review the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- to monitor and review the effectiveness of the Group's controls in relation to the Group's compliance under the new Market Abuse (Directive 2003/6/EC) Regulations 2005.

In discharging its responsibilities the Audit Committee met six times during the period. It reviewed the interim and final results for the Group prior to their submission to the Board for approval. It approved the internal audit plan and reviewed progress against this plan at intervals during the year. The Chairman of the Audit Committee received an executive summary of all audit reports issued by the internal audit department and maintains dialogue with the Group internal auditor on a regular basis. The Audit Committee reviewed the independence of the external auditors and reviewed the policy of the Company in relation to the provision of non-audit services by the external auditors.

Mr JE Callaghan is Chairman of the Audit Committee and he reports to the Board after each meeting of the Committee.

Remuneration Committee The Remuneration Committee determines, on behalf of the Board, the Company's framework of executive remuneration and the specific packages and conditions of employment for each of the executive Directors and certain senior executives, as decided by the Board. The Committee consults the Group Managing Director regarding remuneration proposals and obtains internal and external professional advice as deemed appropriate. The Remuneration Committee operates the Company's Share Option and Long Term Incentive Schemes.

The remuneration of the non-executive Directors is determined by the Remuneration Committee within the total amount approved by the Company's shareholders in general meeting from time to time.

The terms of reference of the Remuneration Committee, including its role and the authority delegated to it by the Board are available on the Group's website at www.glanbia.com. Mr JV Liston is Chairman of the Remuneration Committee and formally reports to the Board after each meeting of the Committee.

Remuneration

Remuneration Policy Remuneration policy is based on attracting, retaining and motivating executives to ensure that they perform in the best interests of the Company and its shareholders. Performance related elements of remuneration form a significant proportion of the total remuneration package of executive Directors. The Remuneration Committee obtains external advice on remuneration in comparable companies as necessary and has given full consideration to the Combined Code.

Currently the components of the remuneration package for executive Directors are basic salary and benefits, performance-related annual bonus, participation in the Long Term Incentive Plan ("LTIP") and participation in a defined benefit pension scheme. Executive Directors also participate in the share option scheme of the Company which expired in August 1998.

Basic Salaries and Benefits The basic salaries of executive Directors are reviewed annually having regard to personal performance, competitive market practice or where a change of responsibility occurs. Benefits-in-kind consist principally of a company car. No fees are payable to executive Directors.

Performance-Related Annual Bonus The Group operates a performance-related bonus scheme for executive Directors, senior executives and other management. Payments under the scheme for executive Directors depend on the achievement of pre-determined goals for Group performance and an assessment of individual performance against agreed objectives.

Long Term Incentive Plan In 2002 the shareholders approved the introduction of a Long Term Incentive Plan ("2002 LTIP") for selected Group employees in order to further align the interests of key Group personnel with those of shareholders. Under the 2002 LTIP options cannot be exercised before the expiration of three years from the date of grant and can only be exercised if a predetermined performance criterion for the Company has been achieved. The performance criterion is that there has been an increase in the adjusted earnings per share of the Company of at least the increase in the Consumer Price Index plus 5% compounded over a three-year period.

To encourage participating executives to hold the shares issued to them on the exercise of their options, share awards specified as a percentage of the shares held will be made on the second and fifth anniversary of the exercise of the option. The number of shares which may be the subject of such awards may not exceed 20% and 10% of the number of shares so held on the respective anniversaries.

Benefits under the 2002 LTIP are not pensionable.

Employee Savings – Related Share Options Scheme
In 2002 the shareholders approved the introduction of an employee Savings-Related Share Option ("Sharesave") Scheme. In 2002 options were granted over 2,988,622 ordinary shares under the Sharesave Scheme. During the year, 1,370,464 ordinary shares were transferred to employees of the Company who exercised their options under the Scheme. Options over 109,913 ordinary shares remained unexercised at 31 December 2005.

Pension Benefits Pension benefits for executive Directors are calculated on basic salary only. Benefits, which are agreed on appointment, are designed to provide two-thirds of basic salary at retirement for full service.

Service Contracts No Director has a service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits-in-kind.

Details of Directors' emoluments and attributable pension benefits are set out in note 10 and details of Directors' shareholdings and share options are included in note 44 to the financial statements.

Other Directorships Mr WG Murphy, the former Deputy Group Managing Director of the Company, is a Director of IAWS Group plc, for which he received fees of €46,250 which he retained. The Group Managing Director, Mr JJ Moloney, is a Director of the Irish Dairy Board for which he received fees of €12,000 which he retained.

Share Options As noted above, in 2002 the shareholders approved the introduction of a Long Term Incentive Plan ("2002 LTIP") and Savings-Related Share Option ("Sharesave") Scheme in order to further align the interests of Group personnel with those of shareholders. Options outstanding under the Company's 1988 Share Option Scheme, the LTIP and the Sharesave Scheme as at 31 December 2005 amounted to 3,116,913 ordinary shares (1 January 2005: 5,122,070) made up as shown in the table below.

As detailed in note 28 to the financial statements at 31 December 2005 364,485 ordinary shares were held in an employee benefit trust for the purpose of the Sharesave Scheme ("the Employees' Share Trust").

[1] Guidance for Directors, Internal Control: Guidance for Directors on the Combined Code (the "Turnbull guidance") published in September 1999.

Accountability and Audit

Financial Reporting Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 48 of this report. The Independent Auditors report details the respective responsibilities of Directors and Auditors.

Going Concern After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation and existence for the foreseeable future, and accordingly they continue to adopt a Going Concern basis in preparing the financial statements.

International Financial Reporting Standards It has become mandatory for all EU listed companies to report their consolidated financial statements under International Financial Reporting Standards "(IFRS)" for accounting periods commencing on or after 1 January 2005. This applies to the Group for these financial statements. A full restatement of the 2004 financial statements was published with the interim results in July 2005 and is available on the Group's website at www.glanbia.com.

Internal Control The Directors are required by the Combined Code to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

The Board confirms that there are ongoing procedures for identifying, evaluating and managing significant risks faced by the Group. These, or their equivalent, have been in place for the year covered in this Annual Report and Financial Statements and up to the date of its approval and are themselves regularly reviewed by the Board and accord with the Turnbull guidance which the Board has fully adopted. The Board has also reviewed the effectiveness of the current system of internal control specifically for the purposes of this statement.

While acknowledging its responsibility for the system of internal control, the Board is aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk appetite of the Group is set by the Board. The strategy for managing risk is formulated by the Group Executive Committee, a management committee chaired by the Group Managing Director[1], and recommended to the Board.

	No of Ordinary Shares	Price Range	Dates Exercisable
Share option scheme	3,007,000	€1.55 – €4.25	2006 - 2014
and 2002 LTIP		GBP£2.90	2006 - 2008
Sharesave Scheme	109,913	€1.20 – GBP£0.764	January to March 2006
Total	3,116,913		

Report of the Directors

In judging the effectiveness of the Group's controls, the Board monitors the reports of the Audit Committee and management. Without diminishing its own responsibilities the Board has delegated certain acts to the Audit Committee. These include detailed reviews of key risks inherent in the business and of the systems for managing these risks. The Chairman of the Audit Committee reports to the Board after each meeting of the Committee.

The Group's control systems include:

- a Code of Conduct that defines a set of agreed standards and guidelines for corporate behaviour;
- an organisational structure with clearly defined lines of responsibility and delegation of authority;
- appropriate terms of reference for Board committees with responsibility for policy areas;
- a formal schedule of matters specifically referred to the Board for its decision;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reports against actual results, analysis of variances, review of key performance indicators and regular re-forecasting;
- clearly defined guidelines for capital expenditure, including detailed budgeting, appraisal and post-investment review;
- a Group Financial Management Manual that clearly sets out the accounting policies and financial control procedures to be followed by Business Units;
- a Treasury Risk Management policy approved by the Board which ensures that foreign exchange and interest rate exposures of the Group are managed within defined parameters;
- a Group-wide risk assessment process which is maintained by Business Unit Management reporting to the Group Executive and Board as required;
- a Group Internal Audit function operating globally which monitors and supports the internal financial control system and reports to the Audit Committee and management. Internal audit work is focused on the areas of greatest risk to the Group determined on the basis of a risk management approach to audit; and
- the Audit Committee, a formally constituted committee of the Board comprising non-executive Directors only, meets with internal and external auditors to satisfy itself that control procedures are in place and are being followed.

Finally the Directors, through the use of appropriate procedures and systems, have ensured that measures are in place to secure compliance with the Company's obligation to keep proper books of account. These books of account are kept at the registered office of the Company.

Column A indicates the number of meetings held during the period the Director was a member of the Board and / or Committee. Column B indicates the number of meetings attended during the period the Director was a member of the Board and / or the Committee.

* Retired 9 June 2005 **Appointed 9 June 2005

Attendance at Board and Board Committee Meetings during the year ended 31 December 2005

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
MJ Walsh	14	14	3	3	1	1	3	3
L Herlihy	**14**	**14**	**6**	**6**			**3**	**3**
JV Quinlan	14	14	3	3			1	1
JJ Moloney	**14**	**13**						
JE Callaghan	14	13	6	6	7	7	3	3
HV Corbally	**14**	**14**	**3**	**3**				
T P Corcoran*	7	7			5	5	1	1
JG Fitzgerald	**14**	**14**	**3**	**2**				
EP Fitzpatrick	14	14						
JA Gilsenan	**14**	**13**						
P Haran**	7	7	3	2	1	1	1	1
T Heffernan*	**7**	**6**						
CL Hill	14	12						
M Keane**	**7**	**7**						
JV Liston	14	11	6	6	7	6	3	3
GJ Meagher	**14**	**14**						
M Merrick**	7	7						
JJ Miller	**14**	**14**	**3**	**3**				
WG Murphy	14	13						
M Parsons	**14**	**14**						
EM Power	14	14	6	4				
GE Stanley	**14**	**14**	**3**	**3**				
KE Toland	14	6						

Financial Risk Management
A comprehensive analysis on the financial risk management objectives and policies of the Company and the Group including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure of the Company and the Group to price risk, credit risk, liquidity risk and cash flow risk is contained in notes 3, 32 and 38 to the financial statements.

Relations with Shareholders Dialogue with Institutional Shareholders. The Company has dialogue with institutional shareholders during the year and immediately following the announcement of the half-year and full-year results; the Company presents these results to investors and analysts. The Chairman discusses governance and strategy with major shareholders. Non-executive Directors are offered an opportunity to attend meetings with major shareholders. The Senior Independent Director has also attended meetings with major shareholders. The Company responds to enquiries from all shareholders and welcomes their attendance at the Annual General Meeting.

The Group's website, www.glanbia.com, provides the full text of the Annual and Interim Reports and presentations to analysts and investors through the Investors Section. Stock Exchange announcements are also made available in the Investors Section of the website, after release to the Stock Exchange.

Annual General Meeting The Notice of the 2005 Annual General Meeting was despatched to shareholders not less than 20 working days before the meeting. Separate resolutions were proposed at the meeting on each substantially separate issue, including a resolution to receive and consider the 2004 financial statements and the reports of the Directors and Auditors thereon. The Chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee were present. The level of proxy votes for and against was announced after each resolution had been passed on a show of hands.

Subsidiary and Associated Undertakings
A list of the principal subsidiary and associated undertakings is included in note 45 to the financial statements.

Auditors
The auditors, PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Special Business at the Annual General Meeting
Notice of the 2006 Annual General Meeting with details of the special business to be considered at the meeting is set out in a separate circular which is enclosed with this Annual Report.

Authority to allot shares Under the first item of special business, shareholders are being asked to renew the Directors' authority to allot relevant securities, within the meaning of Section 20 of the Companies (Amendment) Act, 1983, up to an aggregate nominal amount of €765,678.96.

Disapplication of Pre-Emption Rights, Purchase of Company Shares and Treasury Shares
Under the second item of special business, shareholders are being asked to renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate amount of €765,678.96 in nominal value of ordinary shares, representing 4.4% of the nominal value of the Company's issued ordinary share capital for the time being. This authority will expire on the earlier of the close of business on 15 August 2007 or the date of the Annual General Meeting of the Company in 2007.

At the last Annual General Meeting of the Company shareholders passed a resolution to give the Company, or any of its subsidiaries, the authority to purchase up to 10% of its own shares. This authority will expire on 16 May 2006. Under the third item of special business, shareholders are being asked to extend this authority until the earlier of the close of business on 15 August 2007 or the date of the Annual General Meeting of the Company in 2007. While the Directors do not have any current intention to exercise this power, this authority is being sought as it is common practice for public companies.

Shareholders are also being asked under the fourth item of special business to pass a resolution authorising the Company to reissue such shares purchased by it and not cancelled as treasury shares. Such purchases would be made only at price levels which it considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. Furthermore the authority being sought from shareholders will provide that the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be 105% of the then market price of such shares.

Alteration of Articles of Association Under the fifth item of special business, shareholders are being asked to amend the Articles of Association of the Company to permit the use of electronic communications. None of the changes proposed will force either the Company or an individual shareholder to send or receive documents or notices by electronic mail. They merely permit this to occur where appropriate and where both the Company and the relevant shareholder agrees. Shareholders will be notified with full information when the Company proposes to allow electronic communications. A copy of the draft proposed new Articles of Association containing all of the amendments required to permit the use of electronic communications is available for inspection at the registered office of the Company and on the Company's website at www.glanbia.com.

On behalf of the Board
Michael J Walsh Chairman
John J Moloney Group Managing Director
28 February 2006

Report of the Directors

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Act, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with IFRS and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Act, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group 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 Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements – contents

Independent auditors' report: to the members of Glanbia plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Glanbia plc for the year ended 31 December 2005, which comprise the consolidated income statement, the consolidated and Parent Company balance sheets, the consolidated and Parent Company cash flow statements, the consolidated and Parent Company statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Parent financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2005. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005 and Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;
- whether the Directors' Report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the Company to convene an extraordinary general meeting of the Company; such a financial situation may exist if the net assets of the Company, as stated in the Company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement which is included in the Directors' Report, reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Group Managing Director's Report, the Operating Review and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Opinion In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and of its cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2005, of the state of the Parent Company's affairs as at 31 December 2005 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

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

The net assets of the Company, as stated in the Company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Waterford
28 February 2006

Consolidated income statement
for the year ended 31 December 2005

	Notes	Pre-exceptional 2005 €'000	Exceptional 2005 €'000	Total 2005 €'000	Pre-exceptional 2004 €'000	Exceptional 2004 €'000	Total 2004 €'000
Revenue	6	1,830,012	-	1,830,012	1,753,645	-	1,753,645
Cost of sales		(1,590,049)	-	(1,590,049)	(1,529,413)	-	(1,529,413)
Gross profit		239,963	-	239,963	224,232	-	224,232
Distribution expenses		(94,743)	-	(94,743)	(77,857)	-	(77,857)
Administration expenses	8	(64,651)	(1,110)	(65,761)	(60,118)	2,895	(57,223)
Operating profit	7	80,569	(1,110)	79,459	86,257	2,895	89,152
Finance income	11	4,209	-	4,209	3,033	-	3,033
Finance costs (note)	11	(16,995)	(5,304)	(22,299)	(8,756)	-	(8,756)
Share of results of joint ventures and associates		932	-	932	(1,523)	-	(1,523)
Profit before taxation (note)		68,715	(6,414)	62,301	79,011	2,895	81,906
Income taxes	12	(7,592)	6,935	(657)	(8,386)	-	(8,386)
Profit after taxation (note)		61,123	521	61,644	70,625	2,895	73,520
Loss for the year from discontinued operations	13	-	-	-	-	(1,601)	(1,601)
Profit for the year (note)		61,123	521	61,644	70,625	1,294	71,919
Attributable to:							
Equity holders of the Parent				61,327			61,119
Non-equity minority interest				-			10,387
Equity minority interest				317			413
				61,644			71,919
Basic earnings per share (cent)							
— Continuing operations				21.04			21.58
— Discontinued operations				-			(0.55)
	14			21.04			21.03
Diluted earnings per share (cent)							
— Continuing operations				20.96			21.47
— Discontinued operations				-			(0.55)
	14			20.96			20.92

Note:
The prior year comparative figures have been restated in line with the Group's transition to IFRS on 4 January 2004, with the exception of IAS 32 and IAS 39, which were implemented from 2 January 2005. Accordingly, interest on preferred securities and preference shares is shown in the income statement as part of finance cost for 2005 and as non-equity minority interest for 2004. When adjusted for this item, the profit after taxation, pre-exceptional items for 2005 was €61.1 million compared to €60.2 million for 2004.

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Consolidated statement of recognised income and expense
for the year ended 31 December 2005

	Notes	2005 €'000	2004 €'000
Actuarial loss — defined benefit schemes	34	(42,303)	(45,755)
Deferred tax on pension loss	33	4,054	5,059
Currency translation differences	24	(3,042)	(5,257)
Fair value adjustments	24	(3,465)	-
Net expense recognised directly in equity		(44,756)	(45,953)
Profit for the year		61,644	71,919
Total recognised income for the year		16,888	25,966
Attributable to:			
Equity holders of the Parent		16,571	21,254
Non-equity minority interest		-	4,299
Equity minority interest		317	413
		16,888	25,966

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Consolidated balance sheet
as at 31 December 2005

	Notes	2005 €'000	2004 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	332,003	302,057
Intangible assets	17	57,963	36,698
Investments in associates	18	11,090	10,918
Investments in joint ventures	19	59,832	48,281
Available for sale investments	20	29,511	-
Other investments	20	-	28,672
Trade and other receivables	21	56,874	51,942
Derivative financial instruments	38	1,825	-
Deferred tax assets	33	15,869	12,299
		564,967	490,867
Current assets			
Inventories	22	144,250	133,419
Trade and other receivables	21	143,610	172,622
Derivative financial instruments	38	1,125	-
Cash and cash equivalents (note)	23	104,405	51,625
		393,390	357,666
Total assets		958,357	848,533
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital	25	97,964	95,208
Other reserves	26	117,059	116,414
Retained earnings	27	(97,604)	(97,797)
		117,419	113,825
Equity minority interest	31	6,299	6,085
Non-equity minority interest (note)	31	-	110,384
	24	123,718	230,294
LIABILITIES			
Non-current liabilities			
Borrowings (note)	32	319,727	198,682
Deferred tax liabilities	33	34,471	30,375
Retirement benefit obligations	34	165,016	126,676
Provisions for other liabilities and charges	35	6,072	5,348
Capital grants	36	14,855	15,276
		540,141	376,357
Current liabilities			
Borrowings (note)	32	330	3,509
Provisions for other liabilities and charges	35	8,433	1,291
Trade and other payables	37	278,583	228,901
Current tax liabilities		4,605	8,181
Derivative financial instruments	38	2,547	-
		294,498	241,882
Total liabilities		834,639	618,239
Total equity and liabilities		958,357	848,533

Note:
The prior year comparative figures have been restated in line with the Group's transition to IFRS on 4 January 2004, with the exception of IAS 32 and IAS 39, which were implemented from 2 January 2005. This impacts the presentation of net borrowings which when adjusted for this item, were €215.7 million at 31 December 2005 and €260.9 million at 1 January 2005.

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Consolidated cash flow statement
for the year ended 31 December 2005

	Notes	2005 €'000	2004 €'000
Cash flows from operating activities			
Cash generated from operations	41	162,905	83,447
Interest received		670	573
Interest paid		(23,177)	(11,439)
Tax paid		(3,777)	(4,955)
Net cash from operating activities		136,621	67,626
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(19,366)	(10,157)
Purchase of property, plant and equipment		(46,979)	(60,946)
Purchase of available for sale investments		(5,214)	(55,211)
Disposal of subsidiary, net of cash disposed		(147)	83,277
Disposal of available for sale investments		14,394	-
Proceeds from sale of property, plant and equipment		4,418	1,409
Net cash used in investing activities		(52,894)	(41,628)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	25	731	215
Sharesave Scheme — receipt from Trustee		2,191	-
Repayment of borrowings		(20,242)	(8,513)
Finance lease principal payments		(519)	(612)
Dividends paid to Company's shareholders	15	(15,612)	(14,814)
Repayment of minority interest		(7)	-
Capital grants received		772	-
Dividends paid to minority interests	31	-	(9,674)
Net cash used in financing activities		(32,686)	(33,398)
Net increase/(decrease) in cash and cash equivalents		51,041	(7,400)
Cash and cash equivalents at the beginning of the year		51,625	59,775
Effects of exchange rate changes on cash and cash equivalents		1,739	(750)
Cash and cash equivalents at the end of the year	23	104,405	51,625

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Company balance sheet
as at 31 December 2005

	Notes	2005 €'000	2004 €'000
ASSETS			
Non-current assets			
Investments in associates	18	1,395	1,395
Other investments	20	510,469	512,174
		511,864	513,569
Current assets			
Trade and other receivables	21	934	1,481
Cash and cash equivalents	23	16,281	1,507
		17,215	2,988
Total assets		529,079	516,557
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital	25	453,232	450,476
Retained earnings	27	47,437	39,085
Capital reserve	29	4,503	4,624
		505,172	494,185
LIABILITIES			
Non-current liabilities			
Borrowings	32	3,397	3,397
Current liabilities			
Trade and other payables	37	20,510	18,975
Total liabilities		23,907	22,372
Total equity and liabilities		529,079	516,557

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Company statement of recognised income and expense and cash flow statement
for the year ended 31 December 2005

Company statement of recognised income and expense	2005 €'000	2004 €'000
Profit for the year	23,964	28,470
Total recognised income for the year	23,964	28,470

Company cash flow statement	Notes	2005 €'000	2004 €'000
Cash flows from/(funds absorbed by) operating activities			
Cash generated from operations	41	8,281	(8,858)
Interest received		2,053	-
Interest paid		-	(98)
Net cash from/(used in) operating activities		10,334	(8,956)
Cash flows from investing activities			
Disposal of available for sale investments		916	5,401
Dividends received		16,214	19,528
Net cash from investing activities		17,130	24,929
Cash flows from financing activities			
Proceeds from issue of ordinary shares	25	731	215
Sharesave Scheme — receipt from Trustee		2,191	-
Dividends paid to Company's shareholders	15	(15,612)	(14,814)
Net cash used in financing activities		(12,690)	(14,599)
Net increase in cash and cash equivalents		14,774	1,374
Cash and cash equivalents at the beginning of the year		1,507	133
Cash and cash equivalents at the end of the year	23	16,281	1,507

As permitted by Section 148(8) of the Companies Act 1963, a separate income statement for the Parent Company, Glanbia plc, has not been included in these financial statements. The profit for the year dealt with in the financial statements of Glanbia plc, amounts to €23,964,000 (2004: €28,470,000).

On behalf of the Board
MJ Walsh JJ Moloney GJ Meagher
Directors

Notes to the financial statements
for the year ended 31 December 2005

1 General information

Glanbia plc ("the Company") and its subsidiaries (together "the Group") is an international dairy, consumer foods and nutritional products group with operations in Ireland, Europe, the USA and Nigeria. Business units are structured around developing the Group's strategic focus on the consumer foods, food ingredients and nutritionals markets.

The Company is a public limited company incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny, Ireland.

The Company's shares are quoted on the Dublin and London Stock Exchanges.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2006.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union and those parts of the Companies Acts, 1963 to 2005 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, and financial assets and liabilities held for trading. A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The Group's date of transition to IFRS is 4 January 2004. The comparative figures have been restated to reflect IFRS, except where otherwise required or permitted by IFRS 1, First Time Adoption of International Financial Reporting Standards.

In line with the provisions of IFRS 1, the Group has adopted IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) from 2 January 2005. The comparative figures are reported under the previous accounting standards. The Group has opted for early adoption of the amendment to IAS 19 (Employee Benefits) allowing recognition in the statement of recognised income and expense, of actuarial gains and losses in full in the period in which they occur. The Group has also opted for early adoption of IFRS 5 (Non-Current Assets held for Sale and Discontinued Operations) and has applied this standard from transition date.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

These financial statements are prepared for a 52 week period ending on 31 December 2005, comparatives are for the 52 week period ended 1 January 2005. The balance sheets for 2005 and 2004 have been drawn up as at 31 December 2005 and 1 January 2005 respectively.

(b) Consolidation

The Group financial statements incorporate:

(i) The financial statements of Glanbia plc (the Company) and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition less the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the identifiable net assets acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Where necessary, the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Notes to the financial statements (continued)
for the year ended 31 December 2005

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(ii) The Group's share of the results and net assets of associated companies and joint ventures are included based on the equity method of accounting. An associate is an enterprise over which the Group has significant influence, but not control, through participation in the financial and operating policy decisions of the investee. A joint venture is an entity subject to joint control by the Group and other parties. Under the equity method of accounting, the Group's share of the post-acquisition profits and losses of associates and joint ventures is recognised in the income statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate or joint venture.

(c) Segment reporting

The Group reports segment information by class of business and by geographical area. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group's primary reporting segment, for which more detailed disclosures are required, is by class of business.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through the income statement are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(iii) *Group companies*

The income statement and balance sheet of Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each balance sheet date are translated at the closing rate at the date of the balance sheet
- income and expenses in the income statement are translated at average exchange rates for the year.

Resulting exchange differences are taken to a separate translation reserve within equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the balance sheet rate.

Certain inter-company loans had been treated under Irish GAAP as part of the net investment in the foreign entity and foreign exchange gains or losses arising on these loans had been recognised directly in reserves. On transition to IFRS, loans between fellow subsidiaries did not qualify as part of the net investment and therefore gains or losses on these loans are required to be recognised in the income statement.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less subsequent depreciation less any impairment loss.

Certain items of property, plant and equipment that had been revalued prior to the date of transition to IFRS (4 January 2004) are measured on the basis of deemed cost, being the revalued amount depreciated to date of transition. Items of property, plant and equipment that were fair valued at date of transition are also measured at deemed cost, being the fair value at date of transition.

Depreciation is calculated using the straight line method to write-off the cost of each asset over their estimated useful life at the following rates:

	%
Land	Nil
Buildings	2.5 – 5
Plant and equipment	5 – 33
Motor vehicles	20 – 25

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Interest incurred on payments on account of assets under construction is included in the cost of those assets. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(f) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and associates is included in intangible assets.

Goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill is tested for impairment on an annual basis.

In accordance with IFRS 1, goodwill written off to reserves prior to date of transition to IFRS remains written off. In respect of goodwill capitalised and amortised at transition date, its carrying value at date of transition to IFRS remains unchanged.

(ii) *Development costs*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs are amortised over their estimated useful lives, which is normally 5 to 8 years.

(iii) *Intellectual property*

Expenditure to acquire intellectual property is capitalised and amortised using the straight line method over its useful life, which is normally between 15 and 20 years.

(iv) *Computer software*

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing or maintaining computer software programmes, if they meet the recognition criteria of IAS 38. Computer software costs recognised as assets are written off over their estimated useful lives, which is normally between 5 and 10 years.

(g) Financial assets

For 2004:

Financial fixed assets are shown at cost less provision for impairment. Income from financial fixed assets is recognised in the profit and loss account in the year in which it is receivable.

From 2005:

The Group classifies all its investments as available for sale financial assets and they are initially recognised at fair value and are valued at fair value at each balance sheet date. Unrealised gains and losses arising from changes in the fair value of investments classified as available for sale are recognised in equity. When such investments are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value using valuation techniques. Where the range of reasonable fair values is significant and the probability of various estimates cannot be reasonably assessed, the Group measures the investment at cost.

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges, is included in other payables, split between current and non-current as appropriate. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Notes to the financial statements (continued)
for the year ended 31 December 2005

2 Summary of significant accounting policies (continued)

(i) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of selling.

(j) Trade and other receivables

Trade receivables are carried at original invoice amount less provision for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Loan receivables are carried at the original principal amount advanced, plus compounded interest. These are classified as non-current assets, except for those maturing within 12 months of the balance sheet date.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. In the balance sheet, bank overdrafts, if applicable, are included in borrowings in current liabilities.

(l) Income taxes

Current tax represents the expected tax payable or recoverable on the taxable profit for the period, taking into account adjustments relating to prior years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

(m) Employee benefits

(i) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expense in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

Payments to defined contribution schemes are charged as an expense when they fall due.

(ii) *Share-based payments*

Share-based payments include executive share option schemes, employee sharesave schemes and share awards.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted and is spread over the vesting period of the instrument. The fair value of the instruments is calculated using the Trinomial model.

2 Summary of significant accounting policies (continued)

(n) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(o) Revenue recognition

Revenue comprises the fair value of the sale of goods and services to external customers net of value added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, which generally arises on delivery, or in accordance with specific terms and conditions agreed with customers. Revenue from the rendering of services is recognised in the period in which the services are rendered. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to expected maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established. Revenue from the sale of property is recognised when there is an unconditional and irrevocable contract for sale.

(p) Impairment of assets

(i) *Financial assets*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in (j).

(ii) *Non-financial assets*

Assets which have a finite useful life are subject to amortisation and reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying value of the assets exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(q) Share capital

(i) *Preferred securities and preference shares*

For 2004:

Preferred securities and preference shares, with fixed dividend entitlements and fixed redemption dates, are accounted for as non-equity minority instruments within shareholders' funds.

From 2005:

Such preferred securities and preference shares are classified as liabilities.

(ii) *Own shares*

The cost of own shares, held by an Employee Share Trust in connection with the Company's Sharesave Scheme, is deducted from equity.

(r) Dividends

Dividends to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders.

(s) Derivative financial instruments

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments such as foreign exchange contracts and options, interest rate swap contracts and forward rate agreements to hedge these exposures.

For 2004:

Derivative financial instruments used as hedging instruments are matched with their underlying hedged item. Each instrument's gain or loss is brought into the profit and loss account at the same time and in the same place, as is the matched underlying asset, liability, income or cost. For foreign exchange instruments this will be in operating profit matched against the relevant purchase or sale and for interest rate instruments, within interest payable or receivable over the life of the instrument, or relevant interest period. The profit or loss on an instrument may be deferred if the hedged transaction is expected to take place or would normally be accounted for in a future period.

If the matched underlying asset or liability prematurely ceases to exist, or is no longer considered likely to exist prior to the maturity date of any associated financial instrument held as a hedge, the hedging instrument is terminated and any profit or loss arising is recognised in the profit and loss account at that time. Instruments, which cease to be recognised as hedges, are marked to market.

Notes to the financial statements (continued)
for the year ended 31 December 2005

2 Summary of significant accounting policies (continued)

(s) Derivative financial instruments (continued)

From 2005:

The Group accounts for financial instruments under IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(t) Earnings per share

Earnings per share represents the profit in cent attributable to equity holders of the Company, based on the consolidated profit after tax, minority interests and preference dividends, divided by the weighted average number of equity shares in issue in respect of the period.

Adjusted earnings per share is calculated by excluding exceptional items. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(u) Borrowing costs

Borrowing costs incurred for assets under construction are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Provisions

Provisions are recognised when the Group has a constructive or legal obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

2 Summary of significant accounting policies (continued)

(x) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(y) Exceptional items

The Group has adopted an income statement format, which seeks to highlight significant items within the Group results for the year. Such items may include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

(z) New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations are mandatory for accounting periods beginning on or after 1 January 2006. The Group's assessment of the impact of these new standards and interpretations is set out below;

(i) *IAS 21 (Amendment) — Net Investment in a Foreign Operation*
The Group will adopt this amendment for annual periods beginning 1 January 2006. The adoption of this amendment will require that all foreign exchange gains and losses on inter-company loans that form part of the net investment in a foreign operation, including loans between fellow subsidiaries, will be recognised directly in reserves on consolidation.

(ii) *IAS 39 (Amendment) — Cash Flow Hedge Accounting of Forecast Intragroup Transactions*
This amendment will not have a significant impact on the Group's operations. The Group will apply this amendment from 1 January 2006.

(iii) *IAS 39 (Amendment) — The Fair Value Option*
This amendment will not have a significant impact on the Group's operations. The Group will apply this amendment for annual periods beginning 1 January 2006.

(iv) *IAS 39 and IFRS 4 (Amendment) — Financial Guarantee Contracts*
Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group.

(v) *IFRS 1 (Amendment) — First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment) — Exploration for and Evaluation of Mineral Resources*
These amendments are not relevant to the Group's operations.

(vi) *IFRS 6 — Exploration for and Evaluation of Mineral Resources*
IFRS 6 is not relevant to the Group's operations.

(vii) *IFRS 7 — Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures*
The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment to IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 January 2007.

(viii) *IFRIC 4 — Determining whether an Arrangement contains a Lease*
IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.

(ix) *IFRIC 5 — Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IFRIC 5 is not relevant to the Group's operations.

(x) *IFRIC 6 — Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment*
IFRIC 6 is not relevant to the Group's operations.

3 Financial risk management

The conduct of its ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments by the Group. The main risks arising from issuing, holding and managing these financial instruments typically include liquidity risk, interest rate risk and currency risk. The Group approach is to centrally manage these risks against comprehensive policy guidelines, which are summarised below. With the exception of an amendment to permit the holding of instruments deemed to be speculative under IAS 39, these policies have remained unchanged during the past financial year.

Notes to the financial statements (continued)
for the year ended 31 December 2005

3 Financial risk management (continued)

The Group does not engage in holding or issuing speculative financial instruments or derivatives thereof, other than as outlined above. The Group finances its operations by a mixture of retained profits, preference shares, medium and short-term committed bank borrowings and uncommitted bank borrowings. The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis.

Currency risk

Although the Group is based in Ireland, it has significant investment in overseas operations in the USA and the UK. As a result, movements in US dollar/euro and sterling/euro exchange rates can significantly affect the Group's euro balance sheet and income statement. The Group seeks to match, to a reasonable extent, the currency of its borrowings with that of its assets, inclusive of goodwill. The Group also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. The Group requires all its operating units to mitigate such currency exposures, by means of forward foreign currency contracts.

Liquidity and cash flow risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities. In order to preserve continuity of funding, the Group's policy is that, at a minimum, committed facilities should be available at all times to meet the full extent of its anticipated finance requirements, arising in the ordinary course of business, during the succeeding 12 month period. This means that at any time the lenders providing facilities in respect of this finance requirement are required to give at least 12 months notice of their intention to seek repayment of such facilities. At the year end, the Group had multi-currency committed bank term facilities of €439.9 million of which €158.3 million was undrawn. The weighted average period to maturity of these facilities was 4.5 years.

Finance and interest rate risk

The Group's objective in relation to interest rate management is to minimise the impact of interest rate volatility on interest costs in order to protect reported profitability. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and uses interest rate swaps to manage the Group's exposure to interest rate fluctuations.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that credit sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment reviews of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(f). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

The assets of Kortus Food Ingredients Services GmbH, including goodwill arising on acquisition of €10.9 million, were tested for impairment using projected cash flows over a 10 year period. A reduction in projected EBITDA of 10% or an increase in the discount factor used from 9% to 10% would not result in an impairment of the assets.

(b) Fair value reviews of available for sale investments

The Group has used discounted cash flow analysis for fair value reviews of various available for sale investments.

This Group's investment in 25% of the share capital of The Cheese Company Holdings Limited is stated in the balance sheet at €14.5 million. The cash flows, which have been prepared on a conservative basis, support this valuation. A reduction in projected EBITDA of 10% or an increase in the discount factor used from 9% to 10% would not result in an impairment of the assets.

4 Critical accounting estimates and assumptions (continued)

(c) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Notwithstanding the above, the Group believes that it has adequate tax provisions to cover all risks across all jurisdictions.

5 Effects of IFRS implementation

Glanbia plc reported under Irish GAAP in its previously published financial statements for the year ended 1 January 2005. The analysis below shows a reconciliation of net assets and profit as reported under Irish GAAP as at 1 January 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under Irish GAAP to IFRS at the transition date for this Company, being 4 January 2004.

The information in this note is a summary of the impact of the adoption of IFRS on the Group's financial statements. The Group published a comprehensive restatement document on 31 August 2005.

As stated earlier, IFRS 1 and certain other IFRSs contain a number of optional exemptions that can be availed of by companies on transition to IFRS. Glanbia, in common with the majority of listed companies, has elected to avail of the following options:

(i) Business combinations that took place before transition date have not been restated and therefore all goodwill written off to reserves or amortised prior to date of transition remains written off and will not be taken into account either for subsequent impairment reviews or on disposal of the subsidiary.

(ii) Fair value, or a previous revaluation to fair value adjusted for subsequent depreciation, may be used as deemed cost for any item of property, plant and equipment at the date of transition. The Group has opted to regard the fixed asset valuations of 31 December 1988 and 31 December 1992 as deemed cost and the related asset values therefore remain unadjusted on transition to IFRS. Certain assets in the Foods Ingredients and Agribusiness and Property divisions have been fair valued at date of transition.

(iii) The Group has elected to set the cumulative translation differences on foreign subsidiaries to zero at date of transition.

(iv) The actuarial losses on the Group's defined benefit schemes have been recognised in full in the balance sheet at the date of transition, and adjusted against reserves.

(v) Given the delay encountered in securing EU approval, the effective date of the revised versions of IAS 32 and IAS 39 is 1 January 2005 and therefore the Group is adopting these standards only in respect of the 2005 figures. Irish GAAP will apply to the 2004 reported figures.

(vi) In accordance with the transitional arrangements set out in IFRS 2 Share-based Payment, this standard has been applied in respect of share options granted after 7 November 2002, which had not vested by transition date.

(vii) The Group has elected to recognise its interest in joint ventures using the equity method of accounting.

(viii) The Group has opted for early adoption of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and had applied this standard from transition date.

Notes to the financial statements (continued)
for the year ended 31 December 2005

5 Effects of IFRS implementation (continued)

	Notes	As at 4 January 2004 Previously reported €'000	IFRS transition effect €'000	IFRS balance sheet €'000	As at 1 January 2005 Previously reported €'000	IFRS transition effect €'000	IFRS balance sheet €'000
ASSETS							
Non-current assets							
Property, plant and equipment	(a)	363,641	(83,263)	280,378	321,780	(19,723)	302,057
Intangible assets	(a)/(b)	2,466	19,206	21,672	16,652	20,046	36,698
Investments in associates	(c)	9,607	775	10,382	9,908	1,010	10,918
Investments in joint ventures	(c)	12,944	(1,122)	11,822	49,827	(1,546)	48,281
Available for sale investments	(c)	13,035	(810)	12,225	29,869	(1,197)	28,672
Trade and other receivables	(d)	14,082	(14,083)	(1)	58,170	(6,228)	51,942
Deferred tax assets	(g)	-	7,594	7,594	-	12,299	12,299
		415,775	(71,703)	344,072	486,206	4,661	490,867
Current assets							
Inventories	(a)	202,736	(73,269)	129,467	133,419	-	133,419
Trade and other receivables	(a)	200,054	(32,679)	167,375	172,622	-	172,622
Cash and cash equivalents	(a)	59,775	(22,106)	37,669	51,625	-	51,625
		462,565	(128,054)	334,511	357,666	-	357,666
Assets classified as held for sale	(a)	-	200,725	200,725	-	-	-
		462,565	72,671	535,236	357,666	-	357,666
Total assets		878,340	968	879,308	843,872	4,661	848,533
EQUITY							
Share capital		94,321	-	94,321	95,208	-	95,208
Other reserves		116,379	9	116,388	116,286	128	116,414
Retained earnings							
— Profits retained/(losses absorbed)		26,244	(36,689)	(10,445)	70,286	(75,122)	(4,836)
— Currency translation	(e)	(26,970)	26,970	-	(27,028)	27,028	-
— Goodwill write-off	(f)	(33,362)	(60,387)	(93,749)	(33,351)	(59,610)	(92,961)
		176,612	(70,097)	106,515	221,401	(107,576)	113,825
Equity minority interest		5,671	-	5,671	6,085	-	6,085
Non-equity minority interest		115,759	-	115,759	110,384	-	110,384
		298,042	(70,097)	227,945	337,870	(107,576)	230,294
LIABILITIES							
Non-current liabilities							
Borrowings		170,351	-	170,351	198,682	-	198,682
Deferred tax liabilities	(g)	27,559	673	28,232	29,493	882	30,375
Retirement benefit obligations	(d)	-	86,563	86,563	-	126,676	126,676
Provisions	(d)	13,331	(7,951)	5,380	11,680	(6,332)	5,348
Capital grants		16,611	-	16,611	15,276	-	15,276
		227,852	79,285	307,137	255,131	121,226	376,357
Current liabilities							
Trade and other payables	(h)	300,949	(29,176)	271,773	239,181	(8,989)	230,192
Current tax liabilities		8,276	-	8,276	8,181	-	8,181
Borrowings		43,221	-	43,221	3,509	-	3,509
		352,446	(29,176)	323,270	250,871	(8,989)	241,882
Liabilities directly associated with assets classified as held for sale	(a)	-	20,956	20,956	-	-	-
		352,446	(8,220)	344,226	250,871	(8,989)	241,882
Total liabilities		580,298	71,065	651,363	506,002	112,237	618,239
Total equity and liabilities		878,340	968	879,308	843,872	4,661	848,533

5 Effects of IFRS implementation (continued)

The effects of implementing IFRS on the previously reported profit for year ended 1 January 2005 are as follows:

	Notes	€'000
Profit after taxation for the year as previously reported		70,110
Goodwill no longer amortised	(b)	238
Share of results of investment reclassified as an associate	(c)	(152)
Adjustment to pension charge	(d)	2,833
Impact of retirement benefit obligations recognised in joint venture		12
Tax impact of adjusted pension charge	(g)	(281)
Deferred tax credit	(g)	33
Currency losses on repayment of certain inter-company loans	(i)	(749)
Currency losses on change of functional currency of certain Group companies	(j)	(49)
Cost of share options	(k)	(76)
Profit after taxation for the year under IFRS		71,919

(a) Under IFRS 5, non-current assets held for sale and the assets of disposal groups must be presented separately from other assets in the balance sheet. Likewise, liabilities of a disposal group must be presented separately from other liabilities in the balance sheet. Arising from the sale by the Group of a 75% interest in its UK hard cheese business in April 2004, related assets and liabilities have been respectively reclassified as either non-current assets held for sale or liabilities associated with assets held for sale. Further to this, software development costs, amounting to €19,206,000 at 4 January 2004 and €19,808,000 at 1 January 2005, previously capitalised under Irish GAAP as plant and equipment have been reclassified as intangible assets.

(b) Under IFRS 3, goodwill is no longer amortised but measured at cost less impairment losses. Under previous GAAP, goodwill was amortised on a straight line basis over its useful economic life (not exceeding 20 years). The effect of the change is an increase in equity at 1 January 2005 of €238,000 and an increase in profit before tax for 2004 of €238,000. There is no impact on equity at 4 January 2004, as goodwill amortised prior to date of transition remains written off, under IFRS 1.

(c) Following a review of all its investments, the Group has concluded that its holding in Westgate Biological Limited, which had been accounted for at cost within other investments, should be reclassified as an associate. In addition the results of certain associates and joint ventures have been adjusted to take account of the implementation of IFRS within their own accounts. The recognition of a share of the results of the reclassified investment resulted in reductions in equity of €35,000 at 4 January 2004 and €187,000 at 1 January 2005 while the impact of retirement benefit obligations recognised in joint ventures resulted in equity reductions of €1,122,000 at 4 January 2004 and €1,546,000 at 1 January 2005.

(d) Included in non-current receivables at 4 January 2004 and 1 January 2005 were SSAP 24 pension assets of €5,426,000 and €6,228,000 respectively. Non-current receivables at 4 January 2004 also include assets of the UK hard cheese business amounting to €8,657,000 that have been reclassified as assets held for sale. Included in current receivables at 4 January 2004 was a pension asset of €128,000. These assets were reversed on implementation of IAS 19. Included in non-current provisions and other liabilities as at 4 January 2004 and 1 January 2005 were pension provisions amounting to €7,951,000 and €6,332,000 respectively. These were reversed on implementation of IAS 19. Under IAS 19, the retirement benefit obligations at 4 January 2004 and 1 January 2005 were €86,563,000 and €126,676,000. The impact of these changes is a decrease in equity at 4 January 2004 of €84,166,000 and at 1 January 2005 of €126,572,000. There is an increase in profit before tax for 2004 of €2,833,000.

(e) Under previous GAAP, currency translation differences on foreign currency net investments were written off against revenue reserves. The Group has opted to set the cumulative translation differences to zero as at 4 January 2004. Under IAS 21, such translation differences are written off to a separate currency translation reserve. Translation losses of €58,000, which arose in 2004, have been written-off against this new reserve. On implementation of IAS 19, an additional translation gain of €80,000 arises and this is also applied to the currency reserve resulting in a net credit of €43,000 to the reserve. These translation differences will therefore remain written off against revenue reserves and will no longer be separately disclosed.

(f) Goodwill on acquisitions up to 1992 was debited to revaluation reserve until such time as the revaluation reserve was completely written down. The Group has opted to use previous revaluations in arriving at the deemed cost of property, plant and equipment and as required by IFRS 1, the balance on the revaluation reserve was reinstated by transferring goodwill previously written off to revaluation reserve to the goodwill reserve and crediting revenue reserves.

(g) Deferred tax assets amounting to €7,594,000 and €12,299,000 as at 4 January 2004 and 1 January 2005 respectively, arise as a result of the implementation of IAS 19. The impact on the tax charge for 2004 was an increase of €281,000 due to the lower pension charge for the year and an adjustment of €33,000 relating to asset revaluations.

(h) Under IAS 10, final dividends declared after year end are not considered liabilities of the Group. The impact of the write-back of the 2003 and 2004 final dividends on trade and other payables was €8,535,000 at 4 January 2004 and €8,989,000 at 1 January 2005. Trade and other payables at 4 January 2004 also include liabilities of the UK hard cheese business amounting to €20,641,000 that have been reclassified as liabilities directly associated with assets held for sale.

Notes to the financial statements (continued)
for the year ended 31 December 2005

5 Effects of IFRS implementation (continued)

(i) Certain inter-company loans had been treated under Irish GAAP as part of the net investment in the foreign entity and foreign exchange gains or losses arising on these loans had been recognised directly in reserves. On transition, loans between fellow subsidiaries do not qualify under IFRS as part of the net investment and therefore gains or losses on these loans must be recognised in the income statement.

(j) IAS 21 provides specific guidance on how the functional currency (i.e. the currency that an entity should use to record its transactions) of a company should be determined and the functional currencies of a small number of Group companies have altered as a result of the application of this guidance.

(k) Under Irish GAAP, the charge to the profit and loss account was based on the difference between the market value of the shares at the date of grant and the exercise price. Under IFRS 2, the charge to the income statement in respect of share-based payments is based on the fair value of the options granted and is spread over the vesting period of the instrument.

Implementation of IAS 32 and IAS 39

The Group has availed of the exemption under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. The adjustments required for differences between Irish GAAP and IAS 32 and IAS 39 are determined and recognised at 2 January 2005. The effects on equity of adopting these standards at 2 January 2005 is as follows:

	€'000
Fair value uplift of available for sale investments (note 20)	1,165
Fair value uplift of derivatives (note 38)	2,554
Fair value of derivatives in joint ventures (note 19)	(72)
Provision for interest rate swaps not qualifying as hedges (note 38)	(5,609)
Deferred tax effects of the above adjustments (note 33)	(630)
Reduction in equity	(2,592)

In line with the provisions of these standards, non-equity minority interest was reclassified as borrowings on 2 January 2005.

6 Segment information

Primary reporting format — business segments

At 31 December 2005 the Group is organised into three main business segments:

- Consumer Foods
- Food Ingredients
- Agribusiness and Property

The segment results for the year ended 1 January 2005 are as follows:

2004	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Total gross segment revenue	458,103	1,195,646	236,492	-	1,890,241
Inter-segment revenue	(6,979)	(120,493)	(9,124)	-	(136,596)
Revenue	**451,124**	**1,075,153**	**227,368**	**-**	**1,753,645**
Operating profit pre-exceptional items	27,906	46,440	11,911	-	86,257
Exceptional items	2,594	-	1,099	(798)	2,895
	30,500	46,440	13,010	(798)	89,152
Finance income and costs					(5,723)
Share of losses of joint ventures and associates	(1,671)	(152)	300	-	(1,523)
Profit before tax					**81,906**
Tax					(8,386)
Profit for year from continuing operations					73,520
Discontinued operations	(1,601)	-	-	-	(1,601)
Profit for the year					**71,919**

6 Segment information (continued)

The segment results for the year ended 31 December 2005 are as follows:

2005	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Total gross segment revenue	493,667	1,215,559	239,826	-	1,949,052
Inter-segment revenue	(85)	(108,271)	(10,684)	-	(119,040)
Revenue	**493,582**	**1,107,288**	**229,142**	**-**	**1,830,012**
Operating profit pre-exceptional items	27,139	42,746	10,684	-	80,569
Exceptional items	(11,860)	(2,649)	(1,160)	14,559	(1,110)
	15,279	40,097	9,524	14,559	79,459
Finance income and costs					(18,090)
Share of profits of joint ventures and associates	551	(116)	497	-	932
Profit before tax					**62,301**
Tax					(657)
Profit for the year					**61,644**

With effect from 2005, all property trading and development activities across the Group are organised as part of an expanded Agribusiness and Property segment.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Other segment items included in the income statement for the year ended 1 January 2005 are as follows:

2004	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Depreciation	7,103	14,190	3,267	470	25,030
Amortisation	1,525	633	67	333	2,558

Other segment items included in the income statement for the year ended 31 December 2005 are as follows:

2005	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Depreciation	6,870	13,367	2,859	422	23,518
Amortisation	1,976	821	112	404	3,313

Notes to the financial statements (continued)
for the year ended 31 December 2005

6 Segment information (continued)

The segment assets and liabilities at 1 January 2005 and capital expenditure for the year then ended are as follows:

2004	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Assets	171,084	407,954	146,372	63,924	789,334
Associates and joint ventures	10,130	38,151	10,918	-	59,199
Total assets	**181,214**	**446,105**	**157,290**	**63,924**	**848,533**
Liabilities	**(116,145)**	**(193,707)**	**(67,640)**	**(240,747)**	**(618,239)**
Group capital expenditure	**12,486**	**38,478**	**3,909**	**2,266**	**57,139**

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

2005	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Unallocated €'000	Group €'000
Assets	175,389	469,463	122,309	120,274	887,435
Associates and joint ventures	10,925	48,907	11,090	-	70,922
Total assets	**186,314**	**518,370**	**133,399**	**120,274**	**958,357**
Liabilities	**(131,503)**	**(271,859)**	**(72,144)**	**(359,133)**	**(834,639)**
Group capital expenditure	**12,096**	**30,006**	**8,439**	**495**	**51,036**

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, derivatives designated as hedges of future transactions and receivables. They exclude deferred taxation, investments and derivatives held for trading or designated as hedges of borrowings.

Segment liabilities comprise operating liabilities. They exclude items such as taxation, corporate borrowings and related hedging derivatives.

Secondary reporting format — geographical segments

The Group's three main business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

Sales	2005 €'000	2004 €'000
Ireland	735,034	730,636
Rest of Europe	226,545	202,740
USA/other	868,433	820,269
	1,830,012	1,753,645

Sales are allocated based on the country in which the customer is located.

6 Segment information (continued)

Total assets	2005 €'000	2004 €'000
Ireland	537,167	536,104
Rest of Europe	11,673	22,427
USA/other	218,321	166,879
	767,161	725,410
Associates and joint ventures	70,922	59,199
Unallocated assets	120,274	63,924
Total assets	958,357	848,533

Total assets are allocated based on where the assets are located.

Capital expenditure	2005 €'000	2004 €'000
Ireland	35,922	27,331
Rest of Europe	685	1,241
USA/other	14,429	28,567
	51,036	57,139

Capital expenditure is allocated based on where the assets are located.

7 Operating profit

The following items have been included in arriving at operating profit:	2005 €'000	2004 €'000
Depreciation of property, plant and equipment (note 16)		
— Owned assets	21,878	21,299
— Leased assets under finance leases	1,640	3,731
Profit on disposal of property, plant and equipment	(2,509)	(920)
Repairs and maintenance expenditure on property, plant and equipment	25,891	27,712
Amortisation of intangible assets (note 17)		
— Software costs	2,784	2,523
— Other intangible assets	529	35
Increase/(decrease) in inventories of finished goods and work in progress	10,831	(69,317)
Raw materials and consumables used	1,356,020	1,369,921
Trade receivables — (decrease)/increase in impairment charge for bad and doubtful debts	(270)	130
Amortisation of government grants received (note 36)	(1,424)	(1,228)
Operating lease rentals payable		
— Plant and machinery	2,798	2,826
— Other	5,767	5,399
Auditors' remuneration	549	513
Research and development costs	5,991	4,331
Net foreign exchange losses	196	634
Gain on interest rate swaps not qualifying as hedges	(2,098)	-

Notes to the financial statements (continued)
for the year ended 31 December 2005

8 Exceptional items	Notes	2005 €'000	2004 €'000
Foreign currency translation	(a)	3,931	(798)
(Loss)/profit on sale or termination of operations	(b)	(331)	3,693
Restructuring cost	(c)	(15,669)	-
Profit on sale of quoted investments	(d)	10,959	-
		(1,110)	2,895

(a) The foreign currency translation gain arises on the repayment of loans between fellow subsidiaries. Under IFRS, for 2005, loans between fellow subsidiaries do not qualify as part of the net investment and therefore any gains or losses on these loans are recognised in the income statement.

(b) This represents the revision of losses arising in prior years on disposals, restructuring and termination of operations.

(c) The restructuring cost relates to costs of rationalisation programmes carried out mainly in the Consumer Foods and Food Ingredients divisions in Ireland.

(d) During the year, the Group benefited from the exchange of shares held in Irish Agricultural Wholesale Society Limited for shares in IAWS Group plc. The profit arises from the subsequent sale of these shares.

9 Employee benefit expense	2005 €'000	2004 €'000
Wages and salaries	143,623	141,879
Termination payments	12,331	1,502
Social security costs	14,364	15,283
Share option and Sharesave Scheme costs	259	109
Pension costs — defined contribution plans (note 34)	738	534
Pension costs — defined benefit plans (note 34)	5,789	5,103
	177,104	164,410

The average number of employees in 2005 was 3,837 (2004: 3,831) and is analysed into the following categories:

	2005	2004
Consumer Foods	1,879	2,095
Food Ingredients	1,299	1,073
Agribusiness and Property	659	663
	3,837	3,831

10 Directors' remuneration

The salary, fees and other benefits for each of the Directors during the year were:

	Salary €'000	Fees €'000	Performance bonus €'000	Long term incentive plan €'000	Other payments €'000	Pension contribution €'000	Other benefit €'000	2005 Total €'000	2004 Total €'000
Executive									
JJ Moloney	399	-	115	-	-	115	13	642	748
GJ Meagher	251	-	75	-	-	76	18	420	489
WG Murphy (note (f))	146	14	-	-	-	27	9	196	488
KE Toland	257	-	123	-	-	72	10	462	594
2005	**1,053**	**14**	**313**	**-**	**-**	**290**	**50**	**1,720**	
2004	1,098	-	629	137	88	307	60		2,319
Non-executive									
MJ Walsh (note (a))	-	57	-	-	-	-	-	57	35
L Herlihy	-	36	-	-	-	-	-	36	35
JV Quinlan (note (b))	-	29	-	-	-	-	-	29	16
JE Callaghan	-	52	-	-	-	-	-	52	50
TP Corcoran (note (c))	-	32	-	-	-	-	-	32	73
HV Corbally	-	16	-	-	-	-	-	16	16
J Fitzgerald	-	16	-	-	-	-	-	16	8
EP Fitzpatrick	-	16	-	-	-	-	-	16	16
JA Gilsenan	-	16	-	-	-	-	-	16	16
P Haran (note (d))	-	31	-	-	-	-	-	31	-
TP Heffernan (note (e))	-	8	-	-	-	-	-	8	16
CL Hill	-	16	-	-	-	-	-	16	16
M Keane (note (d))	-	10	-	-	-	-	-	10	-
JV Liston	-	52	-	-	-	-	-	52	50
M Merrick (note (d))	-	10	-	-	-	-	-	10	-
JJ Miller	-	16	-	-	-	-	-	16	16
M Parsons	-	16	-	-	-	-	-	16	16
EM Power	-	16	-	-	-	-	-	16	16
GE Stanley	-	16	-	-	-	-	-	16	16
F Quigley (note (g))	-	-	-	-	-	-	-	-	8
2005	**-**	**461**	**-**	**-**	**-**	**-**	**-**	**461**	
2004	-	419	-	-	-	-	-		419
Total 2005	**1,053**	**475**	**313**	**-**	**-**	**290**	**50**	**2,181**	
Total 2004	1,098	419	629	137	88	307	60		2,738

(a) Mr MJ Walsh was appointed Chairman on 9 June 2005.
(b) Mr JV Quinlan was appointed Vice Chairman on 9 June 2005.
(c) Mr TP Corcoran resigned both as Chairman and Director on 9 June 2005.
(d) Messrs P Haran, M Keane and M Merrick were appointed as Directors on 9 June 2005.
(e) Mr TP Heffernan resigned as a Director on 9 June 2005.
(f) Mr WG Murphy retired as an executive Director on 9 September 2005 and remains on the Board as a non-executive Director.
(g) Mr F Quigley resigned as Director on 10 June 2004.
(h) No fees are payable to executive Directors.
(i) Details of Directors' share options are set out in note 44 to the financial statements.
(j) The Remuneration Committee of the Board, which comprises solely of non-executive Directors, determines the Company's policy on executive Director remuneration and sets the remuneration package of each of the executive Directors. There are no contracts of service for executive Directors which are required to be made available for inspection.

Notes to the financial statements (continued)
for the year ended 31 December 2005

10 Directors' remuneration (continued)

	Transfer value of increase in accrued pension €'000	Annual pension accrued in 2005 in excess of inflation €'000	Total annual accrued pension at 31 December 2005 €'000
JJ Moloney	17	3	229
GJ Meagher	272	13	178
WG Murphy	295	11	197
KE Toland	64	8	45
2005	**648**	**35**	**649**
2004	852	52	440

11 Finance income and costs

(a) Finance income	2005 €'000	2004 €'000
Interest income (i)	4,209	3,033

(b) Finance costs — pre-exceptional	2005 €'000	*2004 €'000
Interest expense		
— Bank borrowings repayable within five years	(10,291)	(3,970)
— Bank borrowings repayable after five years	-	(3,779)
— Senior notes	-	(917)
— Finance lease	(109)	(90)
	(10,400)	(8,756)
Finance cost of preferred securities and preference shares	(6,595)	(10,387)
Total finance costs — pre-exceptional (ii)	(16,995)	(19,143)
Finance costs — exceptional		
Cancellation of preferred securities (iii)	(5,304)	-
Total finance costs (ii)	(22,299)	(19,143)

* The Group has availed of the option under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. The figures for 2004 above include the finance cost of preferred securities and preference shares for comparability purposes only.

(i) Interest income consists mainly of interest on a Stg£35 million subordinated secured loan note granted by The Cheese Company Holdings Limited in 2004, representing part proceeds on the sale by the Group of a 75% interest in its UK hard cheese business.

(ii) The comparative figures for the year ended 1 January 2005 have been restated in accordance with IFRS, with the exception of IAS 32 and IAS 39, which were implemented from 2 January 2005. As a result, interest on preferred securities and preference shares is shown as an interest charge in the year ended 31 December 2005, and as non-equity minority interest in the 2004 comparative numbers. On a comparable basis the net financing costs, pre-exceptional item, for 2005 was €12.8 million compared to €16.1 million for 2004.

(iii) On 15 June 2005 the Group prepaid the US$100 million 7.99% cumulative guaranteed preferred securities, giving rise to a cost of €5.3 million, which has been disclosed as an exceptional item.

12 Taxation

	2005 €'000	2004 €'000
Irish corporation tax	2,460	5,409
Adjustments in respect of prior years	(1,285)	(859)
Current tax on income for the year	1,175	4,550
Foreign tax	594	444
Adjustments in respect of prior years	(1,056)	(134)
Current tax on income for the year	(462)	310
Total current tax	713	4,860
Deferred tax (note 33)	6,879	3,526
Pre-exceptional tax charge	7,592	8,386
Exceptional tax credit	(6,935)	-
	657	8,386

A taxation benefit arising from the disposal of certain US operations in prior years, which previously had not been recognised in the financial statements, has now been finalised. This has given rise to a gain, which by virtue of its scale and nature, has been separately disclosed as an exceptional item in the financial statements.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the corporation tax rate in Ireland, as follows:

	2005 €'000	2004 €'000
Profit before tax (pre-exceptional items)	68,715	79,011
Tax calculated at Irish rate of 12.5% (2004: 12.5%)	8,589	9,876
Earnings at reduced and higher Irish rates	(759)	(937)
Difference in effective tax rates on overseas earnings	3,072	(451)
Utilisation of previously unrecognised tax losses	(3,781)	(7)
Adjustment to tax charge in respect of previous periods	(59)	(1,363)
Tax on profits of joint ventures and associates shown in profit before tax	(116)	(190)
Expenses not deductible for tax purposes and other differences	646	1,458
Pre-exceptional tax charge	7,592	8,386

Details of deferred tax charged or credited directly to equity during the year are outlined in note 33.

Notes to the financial statements (continued)
for the year ended 31 December 2005

13 Discontinued operations

On 23 February 2004, the Group publicly announced its intention to sell a 75% interest in its UK hard cheese business (Glanbia Foods Limited). The sales, results, cash flows and net assets of this business were as follows:

	2005 €'000	2004 €'000
Sales	-	92,400
Operating costs	-	(91,481)
Loss on disposal	-	(2,520)
Loss from operations	-	(1,601)
Finance cost	-	-
Loss before tax	-	(1,601)
Tax	-	-
Loss for the year from discontinued operations	-	(1,601)
Cash flows of discontinued operations up to date of disposal:		
Operating cash flows	-	(19,010)
Investing cash flows	-	(224)
Total cash flows	-	(19,234)
The loss on disposal recognised in the year was determined as follows:		
Net assets sold	-	(153,520)
Costs of disposal	-	(13,149)
Write-back of goodwill	-	(30,517)
Proceeds from sale	-	145,520
Loss on disposal	-	(51,666)
Provision for loss on disposal in prior year	-	49,146
Loss on disposal recognised in the year	-	(2,520)
The net cash inflow on sale is determined as follows:		
Proceeds from sale, net of disposal costs	-	132,371
Less secured loan note received as part proceeds	-	(49,094)
Net cash inflow on sale	-	83,277

14 Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 28).

	2005 €'000	2004 €'000
Profit attributable to equity holders of the Company	61,327	61,119
Weighted average number of ordinary shares in issue	291,469,902	290,617,359
Basic earnings per share (cent per share)	21.04	21.03

The basic earnings per share, excluding the results of discontinued operations, for the year 2004 is 21.58 cent per share.

14 Earnings per share (continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options are dilutive potential ordinary shares. In respect of share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2004
Weighted average number of ordinary shares in issue	291,469,902	290,617,359
Adjustments for share options	1,134,139	1,532,995
Adjusted weighted average number of ordinary shares	292,604,041	292,150,354
Diluted earnings per share (cent per share)	20.96	20.92

The diluted earnings per share, excluding the results of discontinued operations, for the year 2004 is 21.47 cent per share.

At year end options over 1,505,000 ordinary shares could potentially dilute basic earnings per share in the future but are anti-dilutive during the year ended 31 December 2005.

Adjusted	2005 €'000	2004 €'000
Profit attributable to equity holders of the Company	61,327	61,119
Exceptional items	(521)	(1,294)
	60,806	59,825
Adjusted earnings per share (cent per share)	20.86	20.59
Diluted adjusted earnings per share (cent per share)	20.78	20.48

15 Dividends

The dividends paid in 2005 and 2004 were €15.6 million (5.36 cent per share) and €14.8 million (5.10 cent per share) respectively. An interim dividend in respect of the year ended 31 December 2005 of 2.27 cent per share was paid during the year. A final dividend of 3.24 cent per share, amounting to a total dividend in respect of 2005 of €16.1 million (5.51 cent per share), is to be proposed at the Annual General Meeting on 16 May 2006. These financial statements do not reflect this final dividend payable.

Notes to the financial statements (continued)
for the year ended 31 December 2005

16 Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
At 4 January 2004				
Cost	176,838	459,426	17,805	654,069
Accumulated depreciation	(53,460)	(303,751)	(16,480)	(373,691)
Net book amount	**123,378**	**155,675**	**1,325**	**280,378**
Year ended 1 January 2005				
Opening net book amount	123,378	155,675	1,325	280,378
Exchange differences	(1,537)	(5,252)	(6)	(6,795)
Additions	9,289	44,259	421	53,969
Disposals	(77)	(637)	249	(465)
Reclassification	-	1,063	(1,063)	-
Depreciation charge	(6,726)	(17,873)	(431)	(25,030)
Closing net book amount	**124,327**	**177,235**	**495**	**302,057**
At 1 January 2005				
Cost	184,019	495,186	17,359	696,564
Accumulated depreciation	(59,692)	(317,951)	(16,864)	(394,507)
Net book amount	**124,327**	**177,235**	**495**	**302,057**
Year ended 31 December 2005				
Opening net book amount	124,327	177,235	495	302,057
Exchange differences	3,644	9,247	16	12,907
Acquisition of subsidiaries (note 42)	1,637	1,146	32	2,815
Additions	11,573	31,334	1,159	44,066
Disposals	(3,210)	(3,035)	(79)	(6,324)
Reclassification	(1,054)	1,054	-	-
Depreciation charge	(3,783)	(19,192)	(543)	(23,518)
Closing net book amount	**133,134**	**197,789**	**1,080**	**332,003**
At 31 December 2005				
Cost	194,766	527,039	18,204	740,009
Accumulated depreciation	(61,632)	(329,250)	(17,124)	(408,006)
Net book amount	**133,134**	**197,789**	**1,080**	**332,003**

The total depreciation expense of €23,517,839 (2004: €25,030,355) has been charged as follows: €21,230,641 (2004: €23,478,484) to cost of sales, €1,915,298 (2004: €753,164) to distribution costs and €371,900 (2004: €798,707) to administration expenses.

As required by IAS 16, a review of the useful lives of the Group's property, plant and equipment was carried out during the year. This resulted in the revision of the remaining useful lives of certain buildings with an overall reduction in the depreciation charge of €2,146,000, as compared with the previous useful lives.

16 Property, plant and equipment (continued)

Leased assets, comprising plant and equipment, included in the table on page 78, where the Group is a lessee under a finance lease, comprise as follows:

	2005 €'000	2004 €'000
Cost — capitalised finance leases	34,898	35,370
Accumulated depreciation	(22,180)	(22,540)
Net book amount	12,718	12,830

Operating lease rentals amounting to €8,564,871 (2004: €8,224,632) are included in the income statement.

Included in the cost of plant and equipment is an amount of €14,881,934 (2004: €15,823,108) incurred in respect of assets under construction.

Borrowing costs incurred on significant capital projects are capitalised. The amount capitalised, using the Group's incremental cost of borrowing, amounted to €623,000 in 2005 (2004: €nil).

17 Intangible assets

	Goodwill €'000	Other intangibles €'000	Software €'000	Development costs €'000	Total €'000
At 4 January 2004					
Cost	2,466	-	27,422	-	29,888
Accumulated amortisation and impairment	-	-	(8,216)	-	(8,216)
Net book amount	**2,466**	**-**	**19,206**	**-**	**21,672**
Year ended 1 January 2005					
Opening net book amount	2,466	-	19,206	-	21,672
Exchange differences	(60)	-	(45)	-	(105)
Additions	-	-	3,170	-	3,170
Acquisition of subsidiaries	10,157	4,362	-	-	14,519
Amortisation	-	(35)	(2,523)	-	(2,558)
Closing net book amount	**12,563**	**4,327**	**19,808**	**-**	**36,698**
At 1 January 2005					
Cost	12,563	4,362	30,547	-	47,472
Accumulated amortisation and impairment	-	(35)	(10,739)	-	(10,774)
Net book amount	**12,563**	**4,327**	**19,808**	**-**	**36,698**
Year ended 31 December 2005					
Opening net book amount	12,563	4,327	19,808	-	36,698
Exchange differences	33	-	210	-	243
Additions	493	-	4,652	1,825	6,970
Disposals	-	-	(508)	-	(508)
Acquisition of subsidiaries (note 42)	8,968	8,905	-	-	17,873
Reclassification	1,035	(1,035)	-	-	-
Amortisation/impairment charge	-	(529)	(2,784)	-	(3,313)
Closing net book amount	**23,092**	**11,668**	**21,378**	**1,825**	**57,963**
At 31 December 2005					
Cost	23,092	12,232	34,995	1,825	72,144
Accumulated amortisation and impairment	-	(564)	(13,617)	-	(14,181)
Net book amount	**23,092**	**11,668**	**21,378**	**1,825**	**57,963**

Other intangibles include intellectual property (primarily unpatented know-how) and brands recognised at the time of acquisition of subsidiary undertakings. The amounts included above on acquisition of subsidiaries are provisional valuations of the intangible assets relating to Pro-Fibe and CMP.

Notes to the financial statements (continued)
for the year ended 31 December 2005

17 Intangible assets (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment level summary of the goodwill allocation is presented below:

	Consumer Foods €'000	Food Ingredients €'000	Agri-business and Property €'000	Total €'000
At 1 January 2005				
Ireland	774	540	671	1,985
Rest of Europe	-	9,789	-	9,789
USA/other	-	789	-	789
	774	11,118	671	12,563
At 31 December 2005				
Ireland	4,135	540	691	5,366
Rest of Europe	-	16,580	-	16,580
USA/other	-	1,146	-	1,146
	4,135	**18,266**	**691**	**23,092**

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using estimated growth rates consistent with forecasts included in industry reports. Gross margin assumptions are based on past performance and management's expectations for market development. Discount rates used reflect specific risks relating to the relevant segments.

The value in use calculations are prepared using discount rates, which range from 7.5% to 10%.

18 Investments in associates

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
At the beginning of the year	**1,395**	**10,918**	**1,395**	**10,382**
Share of profit after tax	-	341	-	149
Exchange differences	-	182	-	-
Additions	-	-	-	387
Disposals	-	(190)	-	-
Deferred tax liability	-	(161)	-	-
At the end of the year	**1,395**	**11,090**	**1,395**	**10,918**

The Group's share of the results of principal associates, all of which are unlisted, and its share of the assets (including goodwill) and liabilities are as follows:

2004	Assets €'000	Liabilities €'000	Revenues €'000	Profit / (loss) €'000	Interest held %
Co-operative Animal Health Limited	7,677	4,972	13,205	141	50
South Eastern Cattle Breeding Society Limited	1,758	353	1,651	(136)	57
Malting Company of Ireland Limited	5,494	3,260	2,769	26	33.33
South East Port Services Limited	4,111	2,275	1,220	228	49
Westgate Biological Limited	244	46	-	(152)	28
Other	425	273	1,166	42	
	19,709	**11,179**	**20,011**	**149**	

18 Investments in associates (continued)

2005	Assets €'000	Liabilities €'000	Revenues €'000	Profit / (loss) €'000	Interest held %
Co-operative Animal Health Limited	8,578	5,718	14,664	155	50
South Eastern Cattle Breeding Society Limited	1,839	449	1,642	(15)	57
Malting Company of Ireland Limited	4,939	2,562	3,458	143	33.33
South East Port Services Limited	4,004	1,989	1,223	179	49
Westgate Biological Limited	80	38	-	(156)	28
Other	475	288	1,210	35	
	19,915	**11,044**	**22,197**	**341**	

Further details in relation to principal associates are outlined in note 45.

19 Investments in joint ventures

	2005 €'000	2004 €'000
At the beginning of the year	**48,281**	**11,822**
Implementation of IAS 32 and IAS 39	(72)	-
Share of profit/(loss) after tax	591	(1,672)
Actuarial loss on defined benefit pension scheme	-	(436)
Exchange differences	6,573	(366)
Additions	4,459	38,933
At the end of the year	**59,832**	**48,281**

The following amounts represent the Group's share of the assets and liabilities, and revenue and results in joint ventures:

	2005 €'000	2004 €'000
Assets		
Non-current assets	118,802	61,477
Current assets	33,355	25,155
	152,157	86,632
Liabilities		
Long-term liabilities	61,948	22,599
Current liabilities	30,377	15,752
	92,325	38,351
Net assets	59,832	48,281
Revenue	90,187	75,016
Expenses	(89,596)	(76,688)
Profit after income tax	591	(1,672)
Proportionate interest in joint venture's commitments	510	138

A listing and description of interests in significant joint ventures is outlined in note 45.

Notes to the financial statements (continued)
for the year ended 31 December 2005

20 Investments

	Other investments	Available for sale investments	Other investments	
	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Balance at 1 January 2005	**512,174**	**28,672**	**515,253**	**12,224**
Implementation of IAS 32 and IAS 39	-	1,165	-	-
Restated balance at 2 January 2005	**512,174**	**29,837**	**515,253**	**12,224**
Exchange differences	-	460	-	-
Acquisition of subsidiaries (note 42)	-	14	-	-
Disposals/redemption	(1,705)	(3,977)	(3,079)	(442)
Additions	-	3,177	-	16,890
Balance at 31 December 2005	**510,469**	**29,511**	**512,174**	**28,672**
Non-current	510,469	29,511	512,174	28,672
Current	-	-	-	-
	510,469	**29,511**	**512,174**	**28,672**

The Group has availed of the option under IFRS to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. Therefore, the 2004 figures above are stated at cost less provision for impairment, rather than at fair value.

Investments include the following:

	Other investments	Available for sale investments	Other investments	
	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Listed securities				
— Equity securities — eurozone countries	1	762	19	80
Unlisted securities				
— The Cheese Company Holdings Limited	-	14,481	-	11,009
— Irish Dairy Board	-	9,215	-	9,555
— Glanbia Enterprise Fund Limited	1,290	1,290	1,290	1,290
— Moorepark Technology Limited	-	245	-	289
— Other Group companies	509,178	-	510,865	-
Loan to joint venture	-	2,905	-	5,658
Other	-	613	-	791
	510,469	29,511	512,174	28,672

Available for sale investments are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

The Group has availed of the option under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. Therefore, values stated above in respect of 2004 continue to represent the cost of the particular investments.

Available for sale investments are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they will need to be sold to raise operating capital.

The Group's 25% interest in The Cheese Company Holdings Limited has not been treated as an associated undertaking as the company is controlled by its majority shareholders and the Group does not have significant influence over its operations.

21 Trade and other receivables

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Trade receivables	-	120,560	-	152,610
Less provision for impairment of receivables	-	(11,716)	-	(12,143)
Trade receivables — net	-	108,844	-	140,467
Prepayments	934	15,378	1,481	15,179
Receivable from associates and joint ventures	-	1,529	-	716
Loans to related parties	-	56,874	-	51,942
Valued added tax	-	5,670	-	5,623
Other receivables	-	12,189	-	10,637
	934	200,484	1,481	224,564
Less non-current portion: loans to related parties	-	(56,874)	-	(51,942)
	934	143,610	1,481	172,622

The Stg£35 million subordinated secured loan note was granted by The Cheese Company Holdings Limited in 2004, representing part proceeds arising on the sale by the Group of its 75% interest in its UK hard cheese business. The loan note yields interest at 1.75% above LIBOR. The principle amount and compounded interest is repayable over 40 quarterly instalments from 1 April 2008 to 1 January 2018.

Under a Debt Purchase Agreement with a financial institution, the Group has transferred credit risk and retained late payment risk on certain trade receivables, amounting to €25 million. The Group has continued to recognise an asset of €549,000, representing the extent of its continuing involvement, and an associated liability of a similar amount.

The fair values of receivables are not materially different to the book values. The net movement in the provision for impairment of receivables has been included in distribution expenses in the income statement.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

22 Inventories

	2005 €'000	2004 €'000
Raw materials	21,404	11,140
Finished goods	107,512	110,525
Expense	15,334	11,754
	144,250	133,419

Included in the above are inventories carried at fair value less costs to sell amounting to €34.2 million (2004: €20.2 million).

23 Cash and cash equivalents

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Cash at bank and in hand	16,281	104,405	1,507	51,625

Notes to the financial statements (continued)
for the year ended 31 December 2005

24 Reconciliation of changes in equity

	Notes	Share capital €'000 (note 25)	Other reserves €'000 (note 26)	Retained earnings €'000 (note 27)	Minority interest €'000 (note 31)	Total €'000
Restated balance at 4 January 2004		**94,321**	**116,388**	**(104,194)**	**121,430**	**227,945**
Actuarial loss — defined benefit schemes	34	-	-	(45,755)	-	(45,755)
Deferred tax on pension loss	33	-	-	5,059	-	5,059
Currency translation differences		-	43	788	(6,088)	(5,257)
Net income/(expense) recognised directly in equity		-	43	(39,908)	(6,088)	(45,953)
Profit for the year		-	-	61,119	10,800	71,919
Total recognised income for 2004		-	43	21,211	4,712	25,966
Increase in minority interest in subsidiaries		-	-	-	1	1
Shares issued	25	8	-	-	-	8
Premium on shares issued	25	207	-	-	-	207
Cost of share options	29	-	76	-	-	76
Sharesave Scheme — discount cost	29	-	33	-	-	33
Sharesave Scheme — options exercised	25	546	-	-	-	546
Sharesave Scheme — discount on options	29	126	(126)	-	-	-
Dividend paid to non-equity minority interest		-	-	-	(9,674)	(9,674)
Dividends paid in 2004		-	-	(14,814)	-	(14,814)
		887	(17)	(14,814)	(9,673)	(23,617)
Balance at 1 January 2005		**95,208**	**116,414**	**(97,797)**	**116,469**	**230,294**
Implementation of IAS 32 and IAS 39 — Financial derivatives and available for sale investments	5	-	3,017	(5,609)	-	(2,592)
Reclassification as borrowings	31	-	-	-	(110,384)	(110,384)
Restated balance at 2 January 2005		**95,208**	**119,431**	**(103,406)**	**6,085**	**117,318**
Actuarial loss — defined benefit schemes	34	-	-	(42,303)	-	(42,303)
Deferred tax on pension loss	33	-	-	4,054	-	4,054
Currency translation differences		-	(1,378)	(1,664)	-	(3,042)
Fair value adjustments	26	-	(873)	-	-	(873)
Net expense recognised directly in equity		-	(2,251)	(39,913)	-	(42,164)
Profit for the year		-	-	61,327	317	61,644
Recognised income post IAS 32/39		-	(2,251)	21,414	317	19,480
Total recognised income for 2005		-	766	15,805	317	16,888
Change in minority interest in subsidiaries		-	-	-	(103)	(103)
Shares issued	25	28	-	-	-	28
Premium on shares issued	25	703	-	-	-	703
Cost of share options	29	-	161	-	-	161
Sharesave Scheme — discount cost	29	-	98	-	-	98
Sharesave Scheme — options exercised	25	1,645	-	-	-	1,645
Sharesave Scheme — discount on options	29	380	(380)	-	-	-
Dividends paid in 2005		-	-	(15,612)	-	(15,612)
		2,756	(121)	(15,612)	(103)	(13,080)
Balance at 31 December 2005		**97,964**	**117,059**	**(97,604)**	**6,299**	**123,718**

25 Share capital

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium Company €'000	Own shares €'000	Total Company €'000
At 4 January 2004	**292,514**	**17,551**	**435,273**	**(3,235)**	**449,589**
Sharesave Scheme — options exercised	-	-	-	546	546
Sharesave Scheme — discount on options	-	-	-	126	126
Issue of shares — option scheme	130	8	207	-	215
At 1 January 2005	**292,644**	**17,559**	**435,480**	**(2,563)**	**450,476**
Sharesave Scheme — options exercised	-	-	-	1,645	1,645
Sharesave Scheme — discount on options	-	-	-	380	380
Issue of shares — option scheme	472	28	703	-	731
At 31 December 2005	**293,116**	**17,587**	**436,183**	**(538)**	**453,232**

Group	Number of Shares (thousands)	Ordinary Shares €'000	Share Premium Group €'000	Own Shares €'000	Total Group €'000
At 4 January 2004	**292,514**	**17,551**	**80,005**	**(3,235)**	**94,321**
Sharesave Scheme — options exercised	-	-	-	546	546
Sharesave Scheme — discount on options	-	-	-	126	126
Issue of shares — option scheme	130	8	207	-	215
At 1 January 2005	**292,644**	**17,559**	**80,212**	**(2,563)**	**95,208**
Sharesave Scheme — options exercised	-	-	-	1,645	1,645
Sharesave Scheme — discount on options	-	-	-	380	380
Issue of shares — option scheme	472	28	703	-	731
At 31 December 2005	**293,116**	**17,587**	**80,915**	**(538)**	**97,964**

The total authorised number of ordinary shares is 306 million shares (2004: 306 million shares) with a par value of €0.06 per share (2004: €0.06 per share). All issued shares are fully paid.

Share options

Share options are granted to Directors and to employees. Movements in the number of share options outstanding are as follows:

	2005		2004	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At the beginning of the year	**2.34**	**3,608,500**	**2.10**	**2,949,500**
Granted	-	-	2.70	1,295,000
Exercised	1.55	(471,500)	1.66	(130,000)
Lapsed	3.78	(130,000)	1.86	(506,000)
At the end of the year	**2.41**	**3,007,000**	**2.34**	**3,608,500**
Sharesave Scheme (note 28)	1.20	109,913	1.20	1,513,570
Total at the end of the year		**3,116,913**		**5,122,070**

Notes to the financial statements (continued)
for the year ended 31 December 2005

25 Share capital (continued)

Expiry date in	Exercise price	2005 Number of options	2004 Number of options
2006	1.20	109,913	1,513,570
2008	Stg£2.90	10,000	10,000
2008	4.25	390,000	480,000
2012	1.55	1,192,000	1,663,500
2013	1.90	160,000	160,000
2014	2.73	1,105,000	1,145,000
2014	2.47	150,000	150,000
		3,116,913	5,122,070

Total options over 2,607,000 ordinary shares were outstanding at 31 December 2005 under the 2002 Long Term Incentive Plan ("LTIP"), at prices ranging between €1.55 and €2.73. Furthermore, in accordance with the terms of the LTIP, certain executives to whom options were granted in 2002 and 2004 are eligible to receive share awards related to the number of ordinary shares which they hold on the second anniversary of the exercise of the option, up to a maximum of 191,300 ordinary shares.

In May 2002, the Company established an Employee Share Trust to operate in connection with the Company's Sharesave Scheme. As detailed in note 28 to the financial statements, the Employee Share Trust held 364,485 ordinary shares at 31 December 2005. In accordance with the terms of the Company's 2002 Sharesave Scheme, options over 109,913 ordinary shares which were granted in 2002, remain outstanding on 31 December 2005 and are exercisable, under normal circumstances, in 2006. The dividend rights in respect of these shares have been waived.

Options over 400,000 ordinary shares, which were granted in 1998, under the Avonmore Foods plc 1988 Share Option Scheme remain outstanding at a price of €4.25 or Stg£2.90.

Under the LTIP and the 1988 Share Option Scheme, options cannot be exercised before the expiration of three years from the date of grant and can only be exercised if a predetermined performance criterion for the Group has been achieved. The performance criterion is that there has been an increase in the adjusted earnings per share of the Group of at least the Consumer Price Index plus 5% over a three year period.

The fair value of share options had been calculated using the Trinomial Model. Options over 1,701,913 ordinary shares were exercisable at 31 December 2005.

26 Other reserves

	Notes	Capital and mergers reserves €'000	Currency reserve €'000	Fair value reserves €'000	Total €'000
Restated balance at 4 January 2004		**116,388**	**-**	**-**	**116,388**
Translation differences on foreign currency net investments		-	43	-	43
Cost of share options	29	76	-	-	76
Discount on own shares vested	29	(126)	-	-	(126)
Sharesave Scheme — discount cost	29	33	-	-	33
Balance at 1 January 2005		**116,371**	**43**	**-**	**116,414**
Implementation of IAS 32 and IAS 39	5	-	-	3,017	3,017
Restated balance at 2 January 2005		**116,371**	**43**	**3,017**	**119,431**
Translation differences on foreign currency net investments		-	(1,378)	-	(1,378)
Gains on interest rate swaps		-	-	2,467	2,467
Foreign exchange contracts — loss in year		-	-	(1,466)	(1,466)
Transfers to income statement					
— Foreign exchange contracts		-	-	(1,631)	(1,631)
— Available for sale investments		-	-	(410)	(410)
Revaluation of forward commodity contracts		-	-	(253)	(253)
Deferred tax on fair value adjustments		-	-	420	420
Cost of share options	29	161	-	-	161
Discount on own shares vested	29	(380)	-	-	(380)
Sharesave Scheme — discount cost	29	98	-	-	98
Balance at 31 December 2005		**116,250**	**(1,335)**	**2,144**	**117,059**

27 Retained earnings

	Company retained earnings €'000	Group retained earnings €'000	Group goodwill write-off €'000	Group Total €'000
Restated balance at 4 January 2004	**25,429**	**(10,445)**	**(93,749)**	**(104,194)**
Actuarial loss — defined benefit schemes	-	(45,755)	-	(45,755)
Deferred tax on pension loss	-	5,059	-	5,059
Currency translation differences	-	-	788	788
Net (expense)/income recognised directly in equity	-	(40,696)	788	(39,908)
Profit for the year	28,470	61,119	-	61,119
Recognised income for 2004	28,470	20,423	788	21,211
Dividends paid in 2004	(14,814)	(14,814)	-	(14,814)
Balance at 1 January 2005	**39,085**	**(4,836)**	**(92,961)**	**(97,797)**
Implementation of IAS 32 and IAS 39 (note 5)	-	(5,609)	-	(5,609)
Restated balance at 2 January 2005	**39,085**	**(10,445)**	**(92,961)**	**(103,406)**
Actuarial loss — defined benefit schemes	-	(42,303)	-	(42,303)
Deferred tax on pension loss	-	4,054	-	4,054
Currency translation differences	-	-	(1,664)	(1,664)
Net expense recognised directly in equity	-	(38,249)	(1,664)	(39,913)
Profit for the year	23,964	61,327	-	61,327
Recognised income/(expense) post IAS 32/39	23,964	23,078	(1,664)	21,414
Total recognised income/(expense) for 2005	23,964	17,469	(1,664)	15,805
Dividends paid in 2005	(15,612)	(15,612)	-	(15,612)
Balance at 31 December 2005	**47,437**	**(2,979)**	**(94,625)**	**(97,604)**

28 Own shares

	2005 €'000	2004 €'000
At the beginning of the year	**(2,563)**	**(3,235)**
Sharesave Scheme — options exercised	1,645	546
Sharesave Scheme — discount on options	380	126
At the end of the year	**(538)**	**(2,563)**

The amount included above as own shares relates to 364,485 (2004: 1,734,949) ordinary shares in Glanbia plc held by an Employee Share Trust which was established in May 2002 to operate in connection with the Company's Saving Related Share Option Scheme ("Sharesave Scheme"). The trustee of the Employee Share Trust is Mourant & Co; a Jersey based trustee services company.

The shares purchased by the Employee Trust cost €538,344 and had a market value of €874,764 at 31 December 2005. The transfer from capital reserve represents the excess of the purchase price over the option price in respect of 1,370,464 ordinary shares (2004: 455,049 ordinary shares) on which options vested during the year.

The purpose of the Sharesave Scheme, which was open to Irish and UK employees, was to provide a tax efficient method for employees to save money for the purpose of acquiring shares in the Company. To participate in the Sharesave Scheme in 2002, employees agreed to save a fixed amount between €12 and €320 (Stg£10 and Stg£250 in the UK) each month for a three year period in a Revenue approved Save as You Earn ("SAYE") contract.

Notes to the financial statements (continued)
for the year ended 31 December 2005

29 Capital reserves

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
At the beginning of the year	**4,624**	**3,223**	**4,641**	**3,240**
Sharesave Scheme — discount on options	(380)	(380)	(126)	(126)
Sharesave Scheme — discount cost	98	98	33	33
Cost of share options	161	161	76	76
At the end of the year	**4,503**	**3,102**	**4,624**	**3,223**

30 Merger reserve

	2005 €'000	2004 €'000
Share premium — representing excess of fair value over nominal value of ordinary shares issued in connection with the merger of Avonmore Foods plc and Waterford Foods plc	355,271	355,271
Merger adjustment	(327,085)	(327,085)
Share premium and other reserves relating to nominal value of shares in Waterford Foods plc	84,962	84,962
	113,148	113,148

The merger adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods plc, and the fair value of the shares issued by Avonmore Foods plc in 1997 (now named Glanbia plc).

31 Minority interests

	2005 Equity €'000	2005 Non-equity €'000	2004 Equity €'000	2004 Non-equity €'000
At the beginning of the year	**6,085**	**110,384**	**5,671**	**115,759**
Reclassified as borrowings	-	(110,384)	-	-
Share of profit for the year	317	-	413	10,387
Currency translation adjustment	-	-	-	(6,088)
Dividend paid	-	-	-	(9,674)
Reduction in minority interest in subsidiaries	(104)	-	-	-
Increase in minority interest in subsidiaries	1	-	1	-
At the end of the year	**6,299**	**-**	**6,085**	**110,384**

The Group has availed of the option under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. On 2 January 2005, the non-equity minority interests were reclassified as borrowings.

Non-equity minority interest in 2004 included US$100 million 7.99% cumulative guaranteed preferred securities which were prepaid on 15 June 2005. It also included €38.2 million 8.50% cumulative redeemable preference shares.

32 Borrowings

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Current				
Bank overdrafts	-	-	-	2,958
Finance lease liabilities	-	330	-	551
	-	330	-	3,509
Non-current				
Bank borrowings	3,397	281,581	3,397	198,224
Cumulative redeemable preference shares	-	37,986	-	-
Finance lease liabilities	-	160	-	458
	3,397	319,727	3,397	198,682
Total borrowings	3,397	320,057	3,397	202,191

32 Borrowings (continued)

Bank borrowings are secured by cross-guarantees from Group companies. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The 8.50% cumulative redeemable preference shares were classified as non-equity minority interest in the prior year.

The maturity of non-current borrowings is as follows:	2005 €'000	2004 €'000
Between 1 and 2 years	38,146	102,127
Between 2 and 5 years	281,581	160
Over 5 years	-	96,395
	319,727	198,682

The exposure of the Group's total borrowings to interest rate changes having consideration for the interest rate swaps in place and the contractual repricing dates at the balance sheet date are as follows:

	2005 €'000	2004 €'000
6 months or less	163,598	161,923
6 to 12 months	-	7,073
1 to 5 years	156,459	33,195
	320,057	202,191

The effective interest rates at the balance sheet date, having consideration for the interest rate swaps in place, were as follows:

	EUR 2005	2004	GBP 2005	2004	USD 2005	2004
Bank overdrafts	3.06%	2.96%	5.10%	5.50%	9.25%	7.25%
Bank borrowings	5.23%	* 4.85%	5.21%	6.27%	4.69%	* 6.39%

* The rates for 2004 have been restated for comparative purposes and include the effect of the €38.2 million 8.50% cumulative redeemable preference shares (EUR), and the US$100 million 7.99% cumulative guaranteed preferred securities (USD), which for 2004 are classified in the balance sheet as non-equity minority interest.

The carrying amounts and fair values of non-current borrowings are as follows:	Net carrying amount 2005 €'000	2004 €'000	Estimated fair values 2005 €'000	2004 €'000
Non-current borrowings	319,727	198,682	322,783	198,682

The carrying amounts of the Group's total borrowings are denominated in the following currencies:	2005 €'000	2004 €'000
Euro	95,793	76,593
GBP Sterling	74,074	80,294
US Dollar	150,190	45,304
	320,057	202,191

Notes to the financial statements (continued)
for the year ended 31 December 2005

32 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

	2005 €'000	2004 €'000
Floating rate:		
— Expiring within one year	17,856	17,782
— Expiring beyond one year	158,327	171,977
	176,183	189,759
Finance lease liabilities minimum lease payments:		
Not later than 1 year	343	593
Later than 1 year and not later than 5 years	164	476
	507	1,069
Future finance charges on finance leases	(17)	(60)
Present value of finance lease liabilities	490	1,009
The present value of finance lease liabilities is as follows:		
Not later than 1 year	330	551
Later than 1 year and not later than 5 years	160	458
	490	1,009

33 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005 €'000	2004 €'000
Deferred tax assets	(15,869)	(12,299)
Deferred tax liabilities	34,471	30,375
	18,602	18,076

The gross movement on the deferred income tax account is as follows:	2005 €'000	2004 €'000
At the beginning of the year	**18,076**	**20,638**
Implementation of IAS 32 and IAS 39	630	-
Income statement — pre-exceptional charge (note 12)	6,879	3,526
Income statement — exceptional credit	(6,421)	-
Transfer to associate	(161)	-
Acquisition of subsidiary and purchase of intellectual property	1,791	-
Transfer arising on discontinued operations	-	315
Deferred tax charged to the fair value reserve (note 26)	(420)	-
Deferred tax credit relating to the actuarial loss in the year	(4,054)	(5,059)
Exchange differences	2,282	(1,344)
At the end of the year	**18,602**	**18,076**

33 Deferred income taxes (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation €'000	Fair value gains €'000	Deferred development costs €'000	Other €'000	Total €'000
At 4 January 2004	**20,967**	**-**	**-**	**7,265**	**28,232**
Charged/(credited) to income statement	3,278	-	-	(106)	3,172
Transfer arising on discontinued operations	315	-	-	-	315
Exchange differences	(1,122)	-	-	(222)	(1,344)
At 1 January 2005	**23,438**	**-**	**-**	**6,937**	**30,375**
Implementation of IAS 32 and IAS 39	-	630	-	-	630
Charged/(credited) to income statement	4,144	-	228	(4,398)	(26)
Credited to equity (note 26)	-	(420)	-	-	(420)
Transfer to associate	-	-	-	(161)	(161)
Acquisition of subsidiaries and intellectual property	104	-	-	1,687	1,791
Exchange differences	2,056	-	-	226	2,282
At 31 December 2005	**29,742**	**210**	**228**	**4,291**	**34,471**

Deferred tax assets	Retirement obligations €'000	Impairment of assets €'000	Tax losses €'000	Other €'000	Total €'000
At 4 January 2004	**(7,594)**	**-**	**-**	**-**	**(7,594)**
Charged to income statement	354	-	-	-	354
Credited to equity	(5,059)	-	-	-	(5,059)
At 1 January 2005	**(12,299)**	**-**	**-**	**-**	**(12,299)**
Charged to income statement	484	-	-	-	484
Credited to equity	(4,054)	-	-	-	(4,054)
At 31 December 2005	**(15,869)**	**-**	**-**	**-**	**(15,869)**

The deferred tax credited to equity during the year is as follows:	2005 €'000	2004 €'000
Fair value reserves in shareholders equity		
— Available for sale investments	(82)	-
— Hedging reserve	(338)	-
Impact of increase in retirement benefit obligations	(4,054)	(5,059)
	(4,474)	(5,059)

The increase in retirement benefit obligations has given rise to the recognition of a deferred tax asset on the basis that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of €67.2 million (2004: €55.8 million) to carry forward against future taxable income.

Deferred tax liabilities have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, associates and joint ventures.

Notes to the financial statements (continued)
for the year ended 31 December 2005

34 Retirement benefit obligations

Pension benefits

The Group operates a number of defined benefit and defined contribution schemes which provide retirement and death benefits for the majority of employees. The schemes are funded through separate trustee controlled funds.

The contributions paid to the defined benefit schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 1 July 2002 and 5 April 2005. The contributions paid to the scheme in 2005 are in accordance with the contribution rates recommended in the actuarial valuation reports.

	2005 €'000	2004 €'000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(502,499)	(411,847)
Fair value of plan assets	337,483	285,171
Liability in the balance sheet	(165,016)	(126,676)
The pension plan assets do not include the Company's ordinary shares.		
The amounts recognised in the income statement are as follows:		
Current service cost	(8,440)	(6,468)
Interest cost	(15,718)	(14,780)
Expected return on plan assets	16,908	15,611
Curtailment	723	-
Total, included in staff costs (note 9)	(6,527)	(5,637)
The actual return on plan assets was €49.6 million (2004: €25.2 million).		
The movement in the liability recognised in the balance sheet over the year is as follows:		
At the beginning of the year	**(126,676)**	**(86,563)**
Exchange differences	(751)	54
Movements relating to disposed operations	(607)	(607)
Liability assumed on acquisition of CMP	(350)	-
Total expense — as shown above	(6,527)	(5,637)
Actuarial losses — shown in equity	(42,303)	(45,755)
Contributions paid	12,198	11,832
At the end of the year	**(165,016)**	**(126,676)**
The movement in obligations over the year is as follows:		
At the beginning of the year	**(412,052)**	**(342,984)**
Exchange differences	(2,085)	151
Movements relating to disposed operations	(4,589)	(4,151)
Liability assumed on acquisition of CMP	(350)	-
Current service cost	(7,702)	(5,934)
Interest cost	(15,718)	(14,780)
Actuarial losses — shown in equity	(70,686)	(51,317)
Contributions by plan participants	(4,578)	(4,152)
Curtailments	2,929	-
Benefits paid	10,986	11,115
At the end of the year	**(503,845)**	**(412,052)**
The movement in the fair value of plan assets over the year is as follows:		
At the beginning of the year	**285,376**	**256,421**
Exchange differences	1,334	(97)
Movements relating to disposed operations	3,982	3,544
Expected return on plan assets	16,908	15,611
Actuarial gains — shown in equity	28,383	6,040
Contributions by plan participants	4,578	4,152
Contributions by employer	11,460	10,820
Curtailments	(2,206)	-
Benefits paid	(10,986)	(11,115)
At the end of the year	**388,829**	**285,376**

34 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2005 IRL	2005 UK	2004 IRL	2004 UK
Discount rate	4.3%	4.9% – 5.0%	4.8%	5.5%
Expected return on plan assets	4.8% – 8.5%	4.1% – 8.0%	4.8% – 8.5%	4.0% – 8.5%
Future salary increases	3.5%	3.55%	3.5%	3.5%
Future pension increases	2.25% – 3.5%	2.0% – 3.25%	2.25% – 3.5%	1.85% – 3.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

	2005 €'000	2004 €'000
Actuarial losses recognised in the statement of recognised income and expense	42,303	45,755
Cumulative actuarial losses recognised in the statement of recognised income and expense	88,058	45,755

Plan assets are comprised as follows:

	2005 €'000	2005 %	2004 €'000	2004 %
Equity	222,943	66	173,525	61
Bonds	89,660	27	83,746	29
Other	24,880	7	27,900	10
	337,483	100	285,171	100

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2006 are broadly in line with 2005 contributions.

35 Provisions for other liabilities and charges

	Restructuring €'000	UK Pension €'000	Other €'000	Total €'000
At 1 January 2005	**1,291**	**5,000**	**348**	**6,639**
Charged to the consolidated income statement				
— Additional provisions	15,669	-	-	15,669
— Unused amounts reversed	-	-	(64)	(64)
Net amounts charged/(credited) to provision	(8,527)	401	200	(7,926)
Exchange differences	-	134	53	187
At 31 December 2005	**8,433**	**5,535**	**537**	**14,505**
Non-current	-	5,535	537	6,072
Current	8,433	-	-	8,433
	8,433	**5,535**	**537**	**14,505**

(a) The restructuring provision relates to amounts payable in respect of programmes commenced and committed to during 2005 in the Consumer Foods, Food Ingredients and Agribusiness and Property divisions. These amounts are expected to be paid during 2006.

(b) The UK pension provision relates to administration and related costs associated with schemes within businesses disposed of in prior years.

Notes to the financial statements (continued)
for the year ended 31 December 2005

36 Capital grants

	2005 €'000	2004 €'000
At the beginning of the year	**15,276**	**16,611**
Receivable for year	772	3
In disposed subsidiaries	-	(115)
In acquired subsidiaries	231	-
Currency translation adjustment	-	5
Released to income statement	(1,424)	(1,228)
At the end of the year	**14,855**	**15,276**

37 Trade and other payables

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Trade payables	20	118,874	10	115,822
Amounts due to associates and joint ventures	-	10,823	-	1,497
Amounts due to other related parties (note 43)	551	6,271	504	1,828
Amounts due to subsidiary companies	18,512	-	18,220	-
PAYE and PRSI	-	3,677	-	3,004
Accrued expenses	1,427	134,526	241	105,397
Other payables	-	4,412	-	1,353
	20,510	278,583	18,975	228,901

The fair value of payables are not materially different to the book values.

38 Derivative financial instruments

	2005 Assets €'000	2005 Liabilities €'000	*2004 Assets €'000	*2004 Liabilities €'000
Interest rate swaps not qualifying as hedges	-	(630)	-	(5,609)
Interest rate swaps — cash flow hedges	2,752	-	285	-
Interest rate swaps — fair value hedges	-	-	-	-
Forward foreign exchange contracts — cash flow hedges	92	(1,558)	2,342	(73)
Forward foreign exchange contracts — fair value hedges	-	-	-	-
Other cash flow hedges	44	(297)	-	-
Other fair value hedges	62	(62)	576	(576)
Total	2,950	(2,547)	3,203	(6,258)
Less non-current portion				
Interest rate swaps — cash flow hedges	1,825	-	188	-
Current portion	1,125	(2,547)	3,015	(6,258)

* The Group has availed of the option under IFRS 1 to implement IAS 32 and IAS 39 only in respect of the 2005 figures and not the comparative period. Therefore, the 2004 figures stated above represent the estimated fair value of derivative financial instruments at 1 January 2005 and are not reflected in the Group balance sheet as at that date.

Other cash flow hedges and other fair value hedges represent commodity futures.

Forward foreign exchange contracts

The notional principal amounts of the outstanding foreign exchange contracts at 31 December 2005 are €75.1 million (2004: €38.2 million).

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2005 will be released to the income statement at various dates within one year from the balance sheet date.

38 Derivative financial instruments (continued)

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as hedges, at 31 December 2005 were €118.3 million (2004: €25.7 million).

At 31 December 2005, the fixed interest rates vary from 3.2375% to 4.3300% (2004: 3.2375% to 3.2475%) and the main floating rates are set in advance by reference to inter-bank interest rates (€LIBOR, £LIBOR, $LIBOR).

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2005 will be continuously released to the income statement until repayment of the bank borrowings.

39 Contingent liabilities

Company

The Company has guaranteed the liabilities of certain subsidiaries in Ireland in respect of any losses or liabilities (as defined in Section 5 (c) of the Companies (Amendment) Act 1986) for the year ended 31 December 2005 and the Directors are of the opinion that no losses will arise therefrom. These subsidiaries avail of the exemption from the filing of audited financial statements, as permitted by Section 17 of the Companies (Amendment) Act, 1986.

Group

(i) Bank guarantees, amounting to €15,252,000 (2004: €17,304,000) are outstanding as at 31 December 2005, mainly in respect of payment of EU subsidies.

(ii) The Group together with the other shareholders in Southwest Cheese Company LLC (“the Joint Venture”) is a party to a Sponsor Support Agreement, as part of the financing of the Joint Venture. Under the agreement, each sponsor severally agrees to provide support to the Joint Venture either by equity contributions or by way of loan;

— to enable the Joint Venture to achieve the project construction completion date; and
— to indemnify the Joint Venture for any amounts necessary to discharge Mechanics Liens.

(iii) Under the terms of a sale and purchase agreement concluded with Milk Link Limited dated 21 February 2004, the Group retains a 25% interest in its UK hard cheese business through The Cheese Company Holdings Limited (“TCCH”). A subsidiary of TCCH, The Cheese Company Limited (“TCC”) has become the subject of an investigation by the Office of Fair Trading (“OFT”) in the UK under Chapter 1 of the Competition Act 1998 into whether TCC agreed and/or concerted with other undertakings on prices in the supply of cheese and other products at the wholesale/retail level during periods between July 2002 and December 2003. We understand TCC are assisting the OFT in their investigation and will address any concerns they may have.

40 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2005 €’000	2004 €’000
Property, plant and equipment	23,258	25,908

Capital commitments not contracted for amounted to €55.6 million (2004: €37.2 million).

Operating lease commitments — where the Group is the lessee

The Group leases items such as properties and various types of equipment including cars, trucks and forklifts. Generally operating leases are on a short-term basis with no purchase options. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2005 €’000	2004 €’000
Not later than 1 year	6,595	7,986
Later than 1 year and not later than 5 years	14,204	17,097
Later than 5 years	7,258	13,462
	28,057	38,545

Notes to the financial statements (continued)
for the year ended 31 December 2005

41 Cash generated from operations

	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Profit for the year	21,879	61,644	28,470	71,919
Non-cash restructuring costs	-	2,172	-	-
Loss on disposal/termination of operations	-	-	-	156
Share of results of associates and joint ventures	-	(932)	-	1,523
Income taxes	-	657	-	8,386
Depreciation	-	23,518	-	25,030
Amortisation	98	3,313	33	2,558
Cost of share options	161	161	76	76
Exchange losses	-	196	-	634
Exchange gains — exceptional	-	(3,931)	-	-
Gain on disposal of investments	(898)	(10,959)	(2,321)	-
Loss on write-off of investments	1,687	-	-	-
Gain on disposal of property, plant and equipment	-	(2,509)	-	(1,849)
Interest income	(2,053)	(4,209)	-	(3,033)
Interest expense	-	22,299	98	8,756
Dividends received	(16,214)	-	(19,528)	-
Amortisation of government grants received	-	(1,424)	-	(1,228)
Net profit before changes in working capital	4,660	89,996	6,828	112,928
Change in net working capital				
— Increase in inventory	-	(5,501)	-	(10,498)
— Decrease/(increase) in short-term receivables	1	35,419	17	(1,807)
— Increase/(decrease) in short-term liabilities	3,620	35,849	(15,703)	(17,176)
— Increase in provisions	-	7,142	-	-
Cash generated from/(funds absorbed by) operations	8,281	162,905	(8,858)	83,447

42 Business combinations

(a) CMP Dairy

On 2 February 2005, the Group announced an agreement with Dairygold Co-operative Society Limited to operate the CMP liquid milk, cream and juice brands for a total consideration of €10,784,000. The agreement took effect on 11 April 2005. The acquired business contributed revenues of €14,920,000 for the period from 11 April to 31 December 2005. The CMP business has been incorporated into the Group's broader Consumer Foods business maximising available synergies and on that basis it is impracticable to disclose separately, the operating profit of this business since the date of acquisition.

(b) Pro-Fibe Nutrition

On 19 August 2005, the Group acquired 100% of the share capital of Pro-Fibe Nutrition Limited, a UK company specialising in customised solutions for the sports nutrition market for a consideration of Stg£4,129,000. The acquired business contributed revenues of €1,257,695 and operating profit of €53,387 to the Group for the period from 20 August to 31 December 2005, and its assets and liabilities at 31 December 2005 were respectively €2,985,927 and €2,204,460. The results for the period from 2 January 2005 to the date of acquisition are not available due to non-coterminous accounting periods.

(c) Zymalact

In March 2005, the Group acquired 51% of the share capital of Zymalact Mexico S.A. de C.V., a small family owned dairy blending and processed cheese manufacturing company. The shareholding was increased to 100% in September 2005. The total consideration was US$400,000.

Details of net assets acquired and goodwill arising from the above business combinations are as follows:

	€'000
Purchase consideration:	
— Cash paid	14,046
— Contingent consideration	3,156
— Direct costs relating to the acquisitions	1,021
Total purchase consideration	18,223
Fair value of assets acquired	(9,255)
Goodwill (note 17)	8,968

The goodwill is attributable to the profitability of the acquired businesses and the benefits associated with the extension of Glanbia's scale and specific capabilities to the acquired businesses.

42 Business combinations (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value €'000	Acquiree's carrying amount €'000
Cash and cash equivalents	11	11
Property, plant and equipment (note 16)	2,815	2,815
Intellectual property and brands (note 17)	8,905	-
Available for sale investments (note 20)	14	14
Inventories	1,288	1,288
Receivables	1,223	1,223
Payables	(1,258)	(1,258)
Borrowings	(1,786)	(1,786)
Net deferred tax liabilities (note 33)	(1,376)	(63)
Retirement benefit obligations (note 34)	(350)	-
Capital grants (note 36)	(231)	(231)
Net assets acquired	9,255	2,013

Purchase consideration settled in cash	18,223
Contingent consideration	(3,156)
Repayment of borrowings in acquirees	1,732
Cash outflow on acquisitions	16,799

The contingent consideration is dependant on the achievement of a targeted earnings figure.

The fair values assigned to the identifiable assets and liabilities have been determined provisionally. Any adjustments to these provisional valuations will be recognised within twelve months of the acquisition dates.

In the year ended 1 January 2005, the Group acquired Kortus Food Ingredients Services GmbH, a German-based nutrient delivery systems business.

43 Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited ("the Society"), which holds 54.68% of the issued share capital of the Company and is the ultimate parent of the Group.

The following transactions were carried out with related parties:	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
(a) Sales of goods and services				
Sales of goods:				
— Associates	-	3,496	-	4,504
— Joint ventures	-	21,931	-	25,137
— Key management	-	527	-	693
	-	25,954	-	30,334
Sales of services:				
— The Society	-	1,849	-	1,807
— Joint ventures	-	902	-	417
— Subsidiaries	7,377	-	7,420	-
	7,377	2,751	7,420	2,224

Sales to related parties were carried out on normal commercial terms and conditions.

Notes to the financial statements (continued)
for the year ended 31 December 2005

43 Related party transactions (continued)

(b) Purchases of goods and services	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Purchases of goods:				
— Associates	-	10,628	-	8,504
— Joint ventures	-	18,313	-	7,728
— Key management	-	1,762	-	1,753
	-	30,703	-	17,985
Purchases of services:				
— The Society	254	254	254	254
— Subsidiaries	1,539	-	2,124	-
	1,793	254	2,378	254

Purchases from related parties were carried out on normal commercial terms and conditions.

(c) Key management compensation	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Salaries and other short-term employee benefits	-	1,891	-	2,206
Post-employment benefits	-	290	-	307
Other long-term benefits	-	-	-	137
Share-based payments	-	-	-	88
	-	2,181	-	2,738

(d) Year end balances arising from sales/purchases of goods/services	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Receivables from related parties:				
— Associates	-	217	-	84
— Joint ventures	-	1,312	-	632
— Key management	-	67	-	58
	-	1,596	-	774
Payables to related parties:				
— The Society	551	6,271	504	1,828
— Associates	-	1,233	-	1,206
— Joint ventures	-	9,590	-	290
— Key management	-	11	-	4
— Subsidiaries	18,512	-	18,220	-
	19,063	17,105	18,724	3,328

(e) Other related party balances	2005 Company €'000	2005 Group €'000	2004 Company €'000	2004 Group €'000
Loan to The Cheese Company Holdings Limited	-	56,874	-	51,942
Loan to Glanbia Cheese Limited	-	2,905	-	5,658

44 Directors' and Secretary's interests

The interests of the Directors and Secretary and their spouses and minor children in the share capital of the Company, the holding Society and subsidiary companies/societies were as follows:

(a) Glanbia plc

		Ordinary shares of €0.06	
Beneficial		31/12/2005	02/01/2005 **
Directors			
MJ Walsh		23,708	23,708
L Herlihy		81,804	81,804
JV Quinlan		21,347	21,347
JJ Moloney	*	84,593	70,000
JE Callaghan		35,000	35,000
HV Corbally		1,495	1,495
JG Fitzgerald		24,171	24,171
EP Fitzpatrick		50,501	50,501
JA Gilsenan		2,842	2,842
P Haran	§	7,462	7,462
CL Hill		31,966	31,966
M Keane	§	22,104	22,104
JV Liston		5,000	-
GJ Meagher	*	212,327	212,327
JJ Miller		61,136	61,136
WG Murphy		230,827	230,827
M Parsons		26,344	26,344
EM Power		37,893	37,893
GE Stanley		28,724	28,724
KE Toland	*	23,243	18,650
Secretary			
M Horan	§	4,593	-

* Executive Director.

** Or at date of appointment if later.

§ Appointed on 9 June 2005.

Notes to the financial statements (continued)
for the year ended 31 December 2005

44 Directors' and Secretary's interests (continued)

(a) Glanbia plc (continued)

Details of movements on outstanding options over the Company's ordinary share capital are set out below. Outstanding options are exercisable on dates between 2005 and 2014.

		Options—ordinary shares of €0.06			
Beneficial		02/01/2005 **	Exercised during year	31/12/2005	Exercise price €
Directors					
JJ Moloney	1988 Share Option Scheme	150,000	-	150,000	4.25 (a)
	2002 Long Term Incentive Plan	290,000	-	290,000	1.55 (b)
	2002 Long Term Incentive Plan	150,000	-	150,000	2.73 (c)
	Sharesave Scheme	4,593	(4,593)	-	1.20 (d)
GJ Meagher	1988 Share Option Scheme	75,000	-	75,000	4.25 (a)
	2002 Long Term Incentive Plan	205,000	-	205,000	1.55 (b)
	2002 Long Term Incentive Plan	75,000	-	75,000	2.73 (c)
WG Murphy	1988 Share Option Scheme	75,000	-	75,000	4.25 (a)
	2002 Long Term Incentive Plan	225,500	(225,500)	-	1.55 (b)
KE Toland	2002 Long Term Incentive Plan	164,000	-	164,000	1.55 (b)
	2002 Long Term Incentive Plan	100,000	-	100,000	2.73 (c)
	Sharesave Scheme	4,593	(4,593)	-	1.20 (d)
Secretary					
M Horan	Sharesave Scheme	4,593	(4,593)	-	1.20 (d)

** Or at date of appointment if later.

Options:

(a) Exercisable by Directors at any time up to May 2008.
(b) Exercisable by Directors and Secretary at any time up to 2012.
(c) Exercisable by Directors and Secretary between 2007 and 2014.
(d) Exercisable by Directors and Secretary, under normal circumstances, at any time up to March 2006.

There were no other changes in the interests of the Directors and Secretary between 31 December 2005 and 17 February 2006.

GJ Meagher, JJ Moloney and KE Toland as participants of the 2002 Long Term Incentive Plan as noted at (b) above, are eligible for a share award of 10% of the ordinary shares they continue to hold following the second anniversary of the exercise of the option.

GJ Meagher as a participant of the 2002 Long Term Incentive Plan as noted at (c) above, is eligible for a share award of 10% of the ordinary shares he continues to hold following the second anniversary of the exercise of the option.

JJ Moloney as participant of the 2002 Long Term Incentive Plan as noted at (c) above, is eligible for a share award of 6.6% of the ordinary shares he continues to hold following the second anniversary of the exercise of the option.

The market price of the ordinary shares as at 31 December 2005 was €2.40 and the range during the year was €2.30 to €3.25. The average price for the year was €2.71. The 1988 Share Option Scheme expired on 31 August 1998.

44 Directors' and Secretary's interests (continued)

(b) Glanbia Co-operative Society Limited

Beneficial	'A' Ordinary shares of €1		Convertible Redeemable 'B' shares of €0.01	
	31/12/2005	02/01/2005 **	31/12/2005	02/01/2005 **
Directors				
MJ Walsh	13,774	13,293	-	481
L Herlihy	87,916	87,192	-	724
JV Quinlan	9,090	8,975	-	115
HV Corbally	4,265	4,156	-	109
JG Fitzgerald	22,457	22,230	-	227
EP Fitzpatrick	23,044	22,701	-	343
JA Gilsenan	2,365	2,302	-	63
CL Hill	18,396	15,273	-	123
M Keane	18,381	18,245	-	136
M Merrick	1,504	1,454	-	50
JJ Miller	22,771	22,491	-	280
M Parsons	6,820	6,563	-	257
EM Power	25,082	24,801	-	281
GE Stanley	632	632	-	-

** Or at date of appointment if later.

There have been no changes in the above interests between 31 December 2005 and 17 February 2006.

Beneficial	Convertible loan stock units of €0.01269738		'C' shares of €0.01	
	31/12/2005	02/01/2005 **	31/12/2005	02/01/2005 **
Directors				
MJ Walsh	242,589	190,075	1,100,000	1,100,000
L Herlihy	1,866,068	1,455,858	16,626,637	16,626,637
JV Quinlan	-	-	1,067,686	1,067,686
JJ Moloney *	-	-	4,634,869	4,634,869
HV Corbally	374,467	294,956	63,498	63,498
JG Fitzgerald	637,924	504,173	-	-
EP Fitzpatrick	416,134	330,717	6,497,492	6,497,492
JA Gilsenan	335,196	251,757	3,714,146	3,714,146
CL Hill	-	-	3,426,974	3,426,974
M Keane	539,623	478,050	253,948	253,948
GJ Meagher *	-	-	8,880,921	8,880,921
M Merrick	469,002	402,980	-	-
JJ Miller	477,627	379,348	6,309,314	6,309,314
WG Murphy	-	-	2,904,610	2,904,610
M Parsons	344,734	252,039	1,269,738	1,269,738
EM Power	416,623	330,172	4,945,207	4,945,207

* Executive Director.
** Or at date of appointment if later.

There have been no changes in the above interests between 31 December 2005 and 17 February 2006.

Notes to the financial statements (continued)
for the year ended 31 December 2005

45 Principal subsidiary and associated undertakings
(a) Subsidiaries

Incorporated and operating in	Principal place of business	Principal activities	Group interest %
Ireland			
Glanbia Foods Society Limited	Ballyragget, Co. Kilkenny and Citywest, Dublin 24	Dairying, liquid milk, consumer food products and general trading	100
Glanbia Consumer Foods Limited	Inch, Co. Wexford and Kilkenny	Fresh dairy products and soups	100
Glanbia Ingredients (Ballyragget) Limited	Ballyragget, Co. Kilkenny	Milk products	100
Glanbia Ingredients (Virginia) Limited	Virginia, Co. Cavan	Milk products	100
Glanbia Fresh Pork Limited	Edenderry, Co. Offaly	Pork and bacon products	100
Glanbia Farms Limited	Cavan and Mayo	Pig rearing	100
Glanbia Feeds Limited	Enniscorthy, Co. Wexford and Portlaoise, Co. Laois	Manufacture of animal feed products	100
Glanbia Estates Limited	Kilkenny	Property and land dealing	100
Avonmore Proteins Limited	Kilkenny	Financing	100
Glanbia Financial Services	Kilkenny	Financing	100
Glanbia Investments (Ireland) Limited	Kilkenny	Holding company	100
Glassonby	Kilkenny	Investment holding	100
Waterford Foods plc	Kilkenny	Holding company	100
D. Walsh & Sons Limited	Palmerstown, Co. Kilkenny	Grain and fertilizers	60
Grassland Fertilizers (Kilkenny) Limited	Palmerstown, Co. Kilkenny	Fertilizers	73.34
Britain and Northern Ireland			
Glanbia Feedstuffs Limited	Tamworth, Staffordshire	Supply of animal feeds	100
Glanbia (UK) Limited	Tamworth, Staffordshire	Holding company	100
Glanbia Holdings Limited	Tamworth, Staffordshire	Holding company	100
Glanbia Investments (UK) Limited	Tamworth, Staffordshire	Investment holding	100
Glanbia Nutritionals (UK) Limited	Middlesborough	Sports nutrition products	100
Glanbia Foods (NI) Limited	Portadown, Co. Armagh	Consumer food products	100
United States			
Glanbia Foods Inc.	Twin Falls, Idaho	Milk products	100
Glanbia Inc.	Delaware	Holding company	100
Germany			
Kortus Food Ingredients Services GmbH	Orsingen-Nensingen	Nutrient delivery systems	100
Netherlands			
Glanbia Foods BV	Moergestel	Holding company	100
Mexico			
Zymalact Mexico S.A. de C.V.	Lerma	Dairy blending and processed cheese	100

45 Principal subsidiary and associated undertakings (continued)

(b) Associates and joint ventures

Incorporated in	Date to which results included	Principal place of business	Principal activities	Group interest %
Ireland				
Co-operative Animal Health Limited	31 December 2004	Tullow, Co. Carlow	Agri-chemicals	50
South Eastern Cattle Breeders Society Limited	31 December 2004	Thurles, Co. Tipperary	Cattle breeding	57
Malting Company of Ireland Limited	31 October 2005	Togher, Co. Cork	Malting	33.33
South East Port Services Limited	31 December 2005	Kilkenny	Port services	49
Nashs Mineral Waters (Marketing) Limited	31 December 2005	Newcastle West, Co. Limerick	Mineral waters and soft drinks	50
Corman Miloko Ireland Limited	31 December 2005	Carrick-on-Suir, Co. Tipperary	Butter products	45
Britain and Northern Ireland				
Glanbia Cheese Limited	31 December 2005	Magheralin and Llangefni	Cheese products	51
Milk Ventures (UK) Limited	30 November 2005	Nigeria	Evaporated and powdered milk	50
United States				
Southwest Cheese Company, LLC	31 December 2005	Clovis, New Mexico	Milk products	50
Mexico				
Conabia de Mexico S.A. de C.V.	31 December 2005	Mexico City	Dairy ingredients	50

Pursuant to Section 16 of the Companies Act, 1986 a full list of subsidiaries, joint venture and associated undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

Notes

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2005

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