transforming & growing

Annual Report 2006

Glanbia plc is a leading international dairy foods and nutritional ingredients Group, headquartered in Ireland. The Group is successfully developing a strategic international presence, which today represents nearly 40% of revenue. At the same time, the Group continues to consistently improve the cost base, productivity and long-term sustainability of the Irish operations. Combined these give Glanbia a strong platform from which to continue to grow and develop.

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Performance Highlights

Revenue billion	Operating profit million (Pre-exceptional)	Profit before tax million
€2.1*	€88.4*	€74.4*
€1.9	€85.6	€71.5

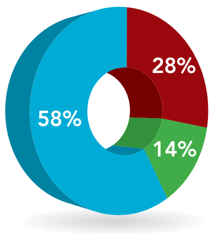
* Including share of results of joint ventures and associates

Operating margin (Pre-exceptional)	Adjusted earnings per share	Dividend per share
4.6%	22.6 cent	5.8 cent

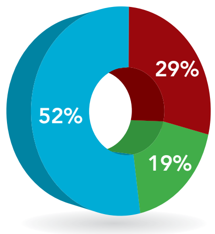
- 2006 was a good year for Glanbia. Results were in line with expectations, despite a particularly tough first half in Ireland.
- Glanbia completed a major nutritionals acquisition and commissioned a world-class dairy processing plant, both in the USA.
- Key financial performance indicators are trending positive and international operations and joint ventures are progressing well.
- As to the future, Glanbia is on target to deliver double digit earnings growth in 2007 and the outlook is for sustained high growth.

Our Business

Revenue
€1.9 billion



Operating Profit
€85.6 million



Glanbia is organised into three divisions and has operations in Ireland, Europe and the USA, with international joint ventures in the UK, USA and Nigeria. 2006 revenue amounted to €1.9 billion and was €2.1 billion, including the Group's share of joint ventures and associates, with approximately 40% generated by international operations.

- CONSUMER FOODS
- AGRIBUSINESS & PROPERTY
- FOOD INGREDIENTS & NUTRITIONALS

IRELAND

Consumer Foods
Leading brands & market positions

Business Review Page 12

Locations: 10 facilities in Ireland.

Description: The key business unit is dairy-based consumer foods. The second business is the processing of pigs and the manufacture of pigmeat products.

Products: Branded liquid milk, dairy products, cheeses and fresh soups; fresh pork and bacon products.

Market positions:
No. 1 liquid milk
No. 1 cream brand
No. 1 pigmeat processor.

Brands: Avonmore, Yoplait, Nash's, CMP, Snowcream, Premier, Kilmeaden.

Agribusiness & Property
Key linkage to farmer supply base

Business Review Page 16

Locations: Agribusiness: 61 locations nation-wide.

Description: Agribusiness is the Group's key linkage with it's large farmer supply base. Property is newly formed and is focused on maximising the value of the Group's property portfolio.

Products: feed, fertilisers, farm inputs and the CountryLife retail range.

Brands: Gain Feeds, IFI fertilisers, CountryLife.

Food Ingredients Ireland
Largest dairy processor in Ireland

Business Review Page 18

Locations: Two manufacturing facilities located at Virginia, County Cavan and Ballyragget, County Kilkenny.

Description: This business unit processes one-third of the total milk pool in Ireland and markets over 190,000 tonnes of dairy products and ingredients on a business-to-business basis worldwide.

Products: Butters, acid and rennet casein, cheese, milk powders, cream mixes and other whey protein ingredients.

Market positions:
No. 1 dairy processor
No. 1 cheese processor
No. 1 casein producer in Europe.

TOTAL GROUP
(including joint ventures)

4,481
employees

5,312
milk suppliers

4.73 billion
litres of milk processed

370,000 tonnes
of cheese produced

210,000 tonnes
of food ingredients manufactured

INTERNATIONAL

Food Ingredients USA
Large scale, modern plants

Business Review Page 20

Locations: Three processing plants in Idaho, which is the fourth largest and fastest growing milk state in the USA.

Description: This business unit is a leading manufacturer of cheese and whey-based food ingredients. The operations process 1.7 billion litres of milk per annum.

Products: American-style cheddar cheese and whey products.

Market positions:
No. 1 American-style cheddar
No. 2 whey protein
No. 3 lactose.

Nutritionals
Science based innovation

Business Review Page 21

Locations: Global operations include Ireland, UK, Germany, USA, South America and China.

Description: This new business focuses on providing science based nutritional solutions in areas such as sports & performance, weight management, health & wellness and infant nutrition.

Products: Whey protein isolates and other whey powders, lactose, calcium, lactoferrin, vitamin & mineral premixes.

Market positions:
No. 1 supplier of customised nutrient premixes
Leading global supplier of advanced technology whey proteins and fractions.

Brands: Provon, Thermax, Avonlac, Prolibra, Bioferrin, Salibra, Barflex, Barpro, Bartex, Barmax.

Joint Ventures
Key element of growth strategy

Business Review Page 24

Locations: UK, USA and Nigeria.

Description: The Group currently has three key International joint ventures. Glanbia Cheese in the UK, Southwest Cheese in the USA and Nutricima in Nigeria.

Products: Pizza cheese for the UK and European markets. Cheese and whey products in the USA. Milk and milk powder in Nigeria.

Market positions:
No. 1 pizza cheese supplier in Europe.

Chairman's Statement

2006 was a good year for the Group. Our results were in line with market expectations and taking our share of the revenue of our joint ventures and associates into account, we delivered top line revenue growth of 8% to €2.1 billion in 2006 (excluding joint ventures and associates revenue increased by 1% to €1.9 billion). This 2006 performance was against a background of a particularly tough first half and ongoing challenges in Ireland.

A solid operating performance, the changing mix of business and the benefits of prior year rationalisation initiatives improved profitability and margins. Operating profit pre-exceptional was up 6% to €85.6 million (2005: €80.9 million) and the operating margin pre-exceptional increased 20 basis points to 4.6% (2005: 4.4%).

Net financing costs pre-exceptional increased by €0.9 million to €14.0 million (2005: €13.1 million). This reflects an increase in average debt in the year primarily driven by the acquisition of Seltzer, a leading USA nutritional solutions business in the second half.

The Group's share of results of joint ventures and associates, post interest and tax, increased to €2.8 million in 2006 (2005: €0.9 million). This result primarily reflects the improved performance in Glanbia Cheese, the Group's UK joint venture with Leprino Foods and a small first time contribution from Southwest Cheese in the USA.

Profit before tax pre-exceptional, including share of joint ventures and associates, increased 8% to €74.4 million (2005:€68.7 million). 2006 pre-exceptional tax charge was €8.0 million (2005: €7.6 million). Profit after tax pre-exceptional increased 9% to €66.4 million (2005:€61.1 million). Net exceptionals for the year amounted to €0.1 million (2005: €3.4 million). In 2006 exceptional costs associated with the closure of the Pigmeat cannery operations in Ireland and the disposal of the remaining 25% interest in the Cheese Company Holdings Limited were offset by exceptional tax credits relating to former UK operations. Earnings per share grew 14% to 22.5 cent (2005: 19.7 cent), while adjusted earnings per share increased 8% to 22.6 cent (2005: 20.9 cent).

Business environment

The EU dairy sector is in its fourth and final year of the implementation of the Mid-Term Review (MTR) of the Common Agriculture Policy. Managing a reduced level of EU support to the dairy industry was challenging in 2006, however world market conditions improved in the latter part of the year. Glanbia will continue to respond to this changing environment, seeking out new opportunities to offset the challenges that have come from the implementation of the MTR in a globalising dairy market. It is becoming increasingly apparent that Glanbia is well positioned to supply the improvement in world market conditions in light of its significant production platforms in Europe and the USA.

Changing EU policy, the potential evolution of the WTO driven trade liberalisation and changing supply and demand dynamics, means that global dairy markets are in transition. Global markets are reasonably firm at present and the outlook is currently positive for 2007. While this is a challenging time for the industry and for farmers, there is a sense of optimism with commercial farmers taking a positive, long term view supported by an ongoing Glanbia response to changes in the market place.

Global demand for dairy products is expected to grow at close to 2% per annum. While developed markets will continue to dominate dairy consumption in absolute terms, in the near term, significant growth opportunities will come from developing countries. It is anticipated that global dairy supply may slow down from a trading perspective in the next five years, arising from higher costs of production - particularly in grain reliant dairy economies, - inherent supply constraints and changing climatic conditions in Oceania. The continuation of the quota regime in the EU up to 2015 also limits supply. However, some movement on quota policy could occur in advance of 2015. Other unknowns at this time are the degree to which USA dairy policy will be revised stemming from the legislative debate taking place in 2007. The outcome of the WTO Doha negotiations remain uncertain. It is essential that any possible agreement would not go beyond the reforms already undertaken by the dairy sector under MTR.

The global nutritional market exhibited strong growth in 2006, estimated at €127 billion (US$159 billion), with half of this represented by the USA market. The weight management, health and wellness, sports and infant nutrition sectors are key targets for Glanbia Nutritionals where it is building strong positions. With the acquisition of Seltzer in 2006, the Group is now a leading global supplier of customised nutrient premixes – a market that is growing strongly year on year.

Corporate and Social Responsibility

Glanbia has a long and proud heritage of social and community involvement and as the organisation has evolved, so too has our Corporate and Social Responsibility Programme. In the last four years we have adopted an integrated programme that underpins our commitment to key stakeholders through four key pillars: Community, Workplace, Environment and Marketplace. The programme respects all stakeholders, encourages our role in building strong communities, guides our sustainable engagement with the environment and ensures we deliver the very best product to marketplace. This programme integrates business unit strategy with sustainability and is being extended to all business units.

Dividends and Annual General Meeting (AGM)

The Board is recommending a final dividend of 3.4 cent per share, compared with a 3.2 cent per share final dividend in 2005. This brings the total dividend for the year to 5.8 cent per share (2005: 5.5 cent per share), representing a 5% increase. Subject to shareholders approval, dividends will be paid on 22 May 2007 to shareholders on the register as at 27 April 2007. Irish dividend withholding tax will be deducted at the standard rate where appropriate. The AGM will be held on Wednesday 16 May 2007 and the Annual Report post out date is 13 April 2007.

Board changes

Two new Directors were elected to the Board in May 2006, these are Patrick Gleeson and Martin Keane, both farmers. They replaced John Miller and Eric Stanley, who retired as longstanding Board members. On behalf of the Board I would like to welcome the new Directors to the Board and to thank John Miller and Eric Stanley for their commitment to Glanbia and their contributions to the Board over the years.

Vision

The transformation of the Group to date is a strong reflection of the vision and leadership provided by the Group Managing Director, John Moloney, supported by a strong management team and expert staff throughout the Group.

8% top line growth
including joint ventures

9% increase in profit after tax
pre-exceptional items

Glanbia has a strong strategic platform and is on target to deliver double digit growth in 2007 and beyond

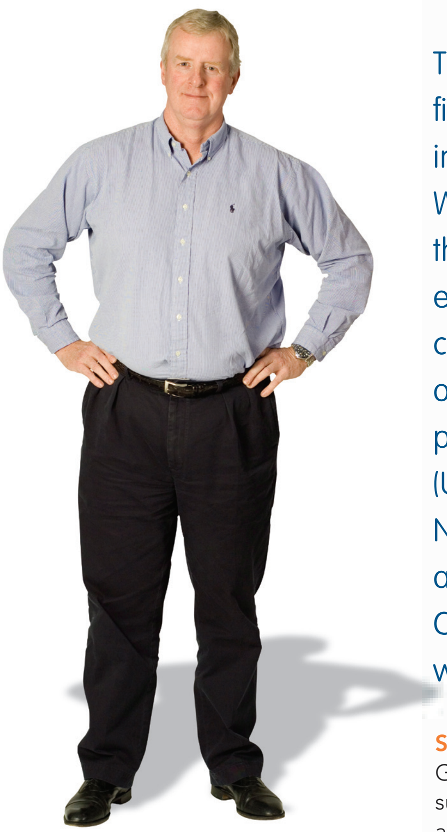
The Board would like to thank the Group Managing Director, management and staff for their continued commitment to building strong and sustainable foundations for the future and our customers for their continuous support for Glanbia.

I am confident that with our growing international presence and strong Irish operations, Glanbia has a solid strategic platform and is on target to deliver double digit growth in 2007 and beyond.

Michael Walsh

Michael Walsh
Chairman

Group Managing Director's Review



The 2006 results reflect a year of growth and progress with financial performance indicators trending positively and international operations and joint ventures progressing well. We achieved key strategic milestones during the year including the €81.8 million (US$105 million) Seltzer acquisition, which will enhance the scope and scale of our Nutritionals Division. In conjunction with our joint venture partner we also successfully opened one of the largest natural cheese and whey processing plants in the world, Southwest Cheese, which is a €151 million (US$190 million) 50:50 joint venture and makes Glanbia the No. 1 supplier of American-style cheddar in the USA. The Seltzer acquisition is performing ahead of expectations. The Southwest Cheese plant is fully commissioned and is producing product to a world class standard.

Strategy

Glanbia's vision is to be the most relevant supplier in international cheese, nutritional and dairy ingredients and selected consumer foods. This relevance to our customers will be achieved through a focus on international scale, leading technologies and growth markets.

Our strategic objectives are to achieve and sustain double digit earnings growth, to improve operating margins, allocate capital to a mix of higher growth opportunities and to diversify the Group's earning base to reduce volatility. Our adjusted earnings per share targets are within a range of 10% to 14%. Our potential development spend in 2007 is €150 million which we will fund within robust financial ratios.

Significant progress was achieved in the pursuit of our objectives in 2006. We are developing a strategic international presence, which at this time represents nearly 40% of revenue. This gives the Group a strong platform from which to continue to grow and develop overseas. The scale agenda is being progressed through organic growth, acquisition and joint ventures.

Glanbia has a clear acquisition strategy focusing on value, extending our geographic reach and achieving a strong complementary fit, particularly in the nutritionals sector where our vision is to be a key global provider of nutritional ingredients and nutritional solutions. This will be achieved by building a scalable, sustainable business. As I referenced above, the Seltzer acquisition last year is a significant milestone for the Group giving scale to our Nutritionals business in strong growth segments.

Acquisition capability remains and is an ongoing focus for the Group. In particular we continue to examine nutritional ingredient companies with specialist or complementary products and technologies.

Joint ventures have become an important part of Glanbia's development strategy over the last number of years as we leverage our dairy and nutritionals technology and operational strength in strategic partnerships with complementary world class companies. We are building new businesses at first cost from the ground up, both in terms of physical asset construction and market development and now have a number of key platforms in place to drive growth and earnings momentum.

In Glanbia Cheese, with our partner, Leprino Foods, we have leveraged unique technology and this business reported a good performance in 2006. We are confident of a continued good performance in 2007. In the case of Nutricima in Nigeria, our joint venture with PZ Cussons plc, this business is expected to have annualised revenues of approximately US$100 million by the end of 2007. Southwest Cheese, the joint venture with key milk supply organisations in New Mexico, was commissioned on time and on budget in 2006 and will reach full capacity in 2007. We expect annualised revenues of US$350 million in 2007. Overall revenue in our joint ventures and associates grew strongly in 2006, with Glanbia's share of revenue growing to €262.9 million from €131.4 million and we expect to see strong growth in 2007.

Investment

During 2006 the Group committed €50 million in development capital expenditure, including €5 million to build the Group's first nutritionals operation in China and €22.5 million for a planned capacity expansion and new plant in the Nigerian joint venture, Nutricima. Acquisition and investment expenditure in 2006 totalled €73.3 million which primarily related to the acquisition of Seltzer. In December 2006 we divested our remaining 25% interest in The Cheese Company Holdings Limited realising €70 million for the Group.

The Group has had a strong programme of investment behind its growth strategy in recent years with €214 million invested in development opportunities since 2004.

Innovation

Continuous innovation and market knowledge, clearly linked to the business, is critical to Glanbia. Our innovation platform is founded on an ongoing investment in R & D, successful commercialisation of research and effective partnerships with third level educational establishments. We have invested in defined and strategically important technical innovation skills around nutritional and dairy ingredients that are driving formats and applications and that underpin our intellectual property offering to customers.

€214 million
development investment since 2004

Glanbia has a clear acquisition strategy and acquisitions are an ongoing focus for the Group

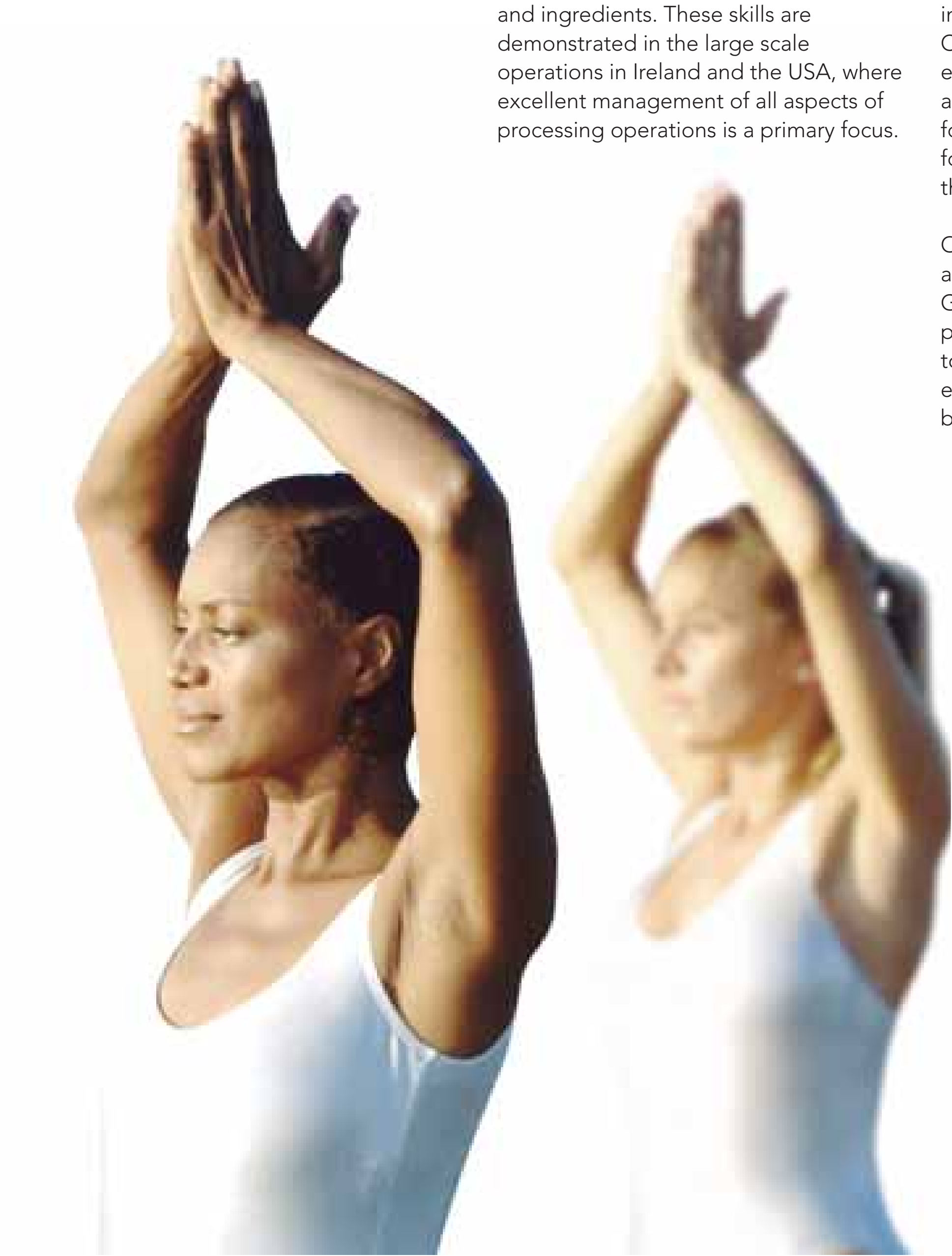
Group Managing Director's Review (continued)

Continuous innovation and market knowledge, clearly linked to the business, is critical to Glanbia.

Glanbia innovation is based on a close study of consumer lifestyle changes and consumer food choices. In order to be relevant and provide the most effective nutritional solution to customers, the Group continuously tracks health and wellness developments. There is also a growing market for convenient, on-the-move products and foods aimed at special diets. Trends like this provide the fuel for innovation and ensures that innovations are commercially relevant.

Our capabilities

We continue to underpin our strategic development through the ongoing evolution of our capabilities. We have achieved world class manufacturing skills in a wide variety of dairy products and ingredients. These skills are demonstrated in the large scale operations in Ireland and the USA, where excellent management of all aspects of processing operations is a primary focus.



To deliver our stated strategy of being increasingly relevant to our customers we have developed the breadth, depth and strength of our customer relations and contacts in all key beverage, dairy food and food ingredients segments through strong technical and innovation skills. We work with our customers driving new solutions to meet consumer trends and needs.

As stated earlier we have in 2006 developed our international joint ventures with key partners. In our Southwest Cheese joint venture in the USA we delivered a commissioned, large scale manufacturing facility from a greenfield site. Similarly we are building another business from the ground up in Nigeria where with our partner, PZ Cussons plc, we have committed further expenditure to maximise the opportunity afforded by the Nigerian consumer food market. With our partners, we look forward to the further development of these operations.

Our capabilities stem from our people and ultimately the implementation of the Group growth strategy is dependant on people. The ability of the Glanbia team to change and adapt to the ever evolving environment in which we operate, is the basis for future growth and success.

Joint ventures have become an important part of Glanbia's development strategy over the last number of years as we leverage our dairy and nutritionals technology and operational strength in strategic partnerships with complementary world class companies.

The Group has a constant focus on people development, at all levels, and operates three core programmes - senior leadership, management development and a graduate programme.

2007 outlook

Ireland will remain challenging in light of the competitive retail environment and the ongoing effects of the implementation of EU dairy reform. Irish operations continue to focus on key aspects of business execution which drive performance, productivity and cost competitiveness. International operations are expected to perform well in 2007 and are well positioned for good growth going forward.

Glanbia is successfully developing a strategic international presence, which today represents nearly 40% of revenue. This gives the Group a strong platform from which to continue to grow and develop overseas. At the same time, the Group continues to consistently and solidly improve the long-term sustainability of the Irish operations.

As to the future, Glanbia is on target to deliver double digit earnings growth in 2007 and we believe the outlook is positive for sustained high growth.

John Moloney
Group Managing Director

Glanbia is developing a strategic international presence, which today represents nearly

40% of revenue

Working with our customers, driving new solutions, meeting consumer trends and needs

Our Strategy Explained

Glanbia is entering a different phase as the Group moves into 2007. It is timely, therefore, to clearly set out the Group's vision and strategic roadmap for the next three years.

VISION

Glanbia's vision is to be the most relevant Group in international cheese, nutritional and dairy ingredients and selected consumer foods.

We will achieve this relevance for our customers through a focus on international scale, leading technologies and growth markets.

STRATEGIC OBJECTIVES

Our objectives are to:

Achieve and sustain double digit earnings growth.

Improve operating margins.

Diversify the Group's earning base to reduce volatility.

Allocate capital to a mix of higher growth opportunities.

FINANCIAL TARGETS

Adjusted earnings per share growth

10-14%

Operating margin pre joint ventures

5%+

Operating profit from international operations & joint ventures

>50%

Potential development spend 2007

€150 million

Free cash flow

€45 million+

EBIT interest cover

5-6 times

We are aware that we have a lot to deliver on. However, the investment and rationalisation programme undertaken in recent years has created, we believe, an excellent platform from which to drive the business forward.

STRATEGIC IMPERATIVES	KEY INITIATIVES	GLANBIA'S CAPABILITIES
1 Deliver growth and performance in the period 2007 to 2009.	**Consumer Foods:** expand beverages, food service and convenience offering. **Pigmeat:** maintain stable performance. **Agribusiness:** continue to reshape the business to fit changes in farming. **Property:** to maximise the value of the Group's property assets. **Food Ingredients Ireland:** sustain cost competitiveness and manage remaining MTR impacts. **Food Ingredients USA:** deliver strong growth including integration with Southwest Cheese. **Nutritionals:** Deliver organic growth/ NPD. Leverage Seltzer acquisition. **Joint ventures:** drive growth and earnings momentum.	World class manufacturing skills in a wide variety of dairy products and ingredients. Depth and strength of customer relations and contacts in all key beverage, dairy food and food ingredients segments. Strong technical and innovation skills driving new formats, products and services. Partnering with leading companies and organisations in high growth markets. Project, plant and investment management skills to deliver from greenfield sites to full commissioning large scale manufacturing facilities.
2 Extend growth and performance beyond 2009.	Further acquisitions, with focus on nutritionals. Expansion of international operations. Focus on cost reduction, competitiveness and productivity throughout the Group.	
3 Improve financial flexibility.	Maintain progress towards financial flexibility and improving ratios.	

Consumer Foods

Consumer Foods

This division includes Consumer Foods Ireland which incorporates nutritional beverages, fresh dairy products and cheeses, soups and spreads; and Pigmeat, which produces a range of pork and bacon products.

Revenue was up 3.5% to €511 million (2005: €493.6 million), 28% of total Group sales. Operating profit was down 10% to €24.5 million (2005: €27.1 million), leading to a 70 basis points reduction in the operating margin to 4.8% (2005: 5.5%). A steady performance from the consumer foods business was more than offset by difficulties in Pigmeat, including margin erosion due to lower prices in certain segments and losses at the cannery operation.

Consumer Foods Ireland

Consumer Foods Ireland is focused on three distinct sectors of the Irish fast moving consumer goods market: nutritious beverages; fresh dairy products and cheeses, soups and spreads. Glanbia is the leading supplier of branded and value-added milk, yogurts, cheddar cheeses and fresh soups to the grocery trade.

With household brands including 'Avonmore', 'Premier', 'Yoplait', 'Kilmeaden', 'Snowcream', 'Petits Filous' and 'CMP' Glanbia has No. 1 market positions in fresh milk, fresh cream, fruit yogurt, kids fromage frais, drinking yogurt and fresh soup.

Consumer Foods Ireland employs over 800 people at 10 locations throughout Ireland and processes 260 million litres of milk annually. Overall the consumer foods business had a demanding but satisfactory year and revenue, operating profits and margins were broadly similar to last year. The business significantly increased marketing investment, maintaining leading market share positions in key categories. In the context of increased energy and labour costs, the re-structuring of the fresh dairy production facilities at Inch, County Wexford and the integration of CMP, purchased from Dairygold in 2005, had a positive impact.

The position of the brand portfolio in the Top 100 list of grocery brands improved significantly in 2006 with Avonmore Fresh Milk moving up from No. 5 to No. 3. Also the launch of Yoplait Essence resulted in a significant increase in market share position in the important functional segment of the fresh dairy products market.

Environment

The Irish grocery market is intensely competitive and concentrated with promotional activity a constant feature of the fresh dairy market. In most categories the share of retailer own brands increased in 2006.

Health and convenience are the drivers of new product development and innovation in the Irish retail food sector. According to independent research conducted by both the Irish Food Board and Glanbia Consumer Foods, Irish consumers regard health and nutrition as the most important factor affecting their food purchase decisions, ahead of price. When asked what they wanted most to see next from their local convenience store, over 70% of respondents said that they wanted more health foods on-the-go. Against this background Glanbia continued its investment in product innovation and extension during 2006 with a strong pipeline of healthy and convenient offerings.

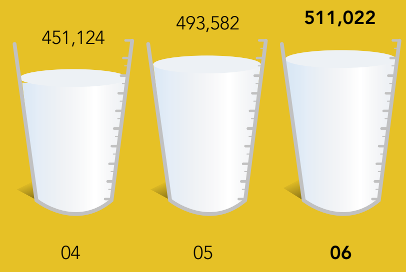
Nutritional beverages

The nutritional beverages business includes milks and juices and this business performed well in 2006, retaining its leading market share position in milk in the context of increased Northern Ireland imports and the growth of own label brands. Consumer Foods Ireland increased its marketing investment significantly and benefited from volume increases from the integration of the CMP brand and the ongoing launch of new products. Glanbia commenced a series of Irish TV weather sponsorships in 2006 which have proved effective at driving awareness and recall of the Avonmore brand nationally.

Colin Gordon
CEO Consumer Foods Ireland

Jim Hanley
CEO Glanbia Meats

Three year revenue analysis (€'000)



Market Positions:

No.1 Liquid Milk

No.1 Cream Brand

No.1 Pigmeat Processor

Consumer Foods (continued)

Progress was also made in extending the product range targeting the growing consumer trend towards more nutritious and healthier beverages. The launch of Avonmore probiotic milk extended the brand's presence in the all important functional area while the launch of Avonmore coffee milk has provided incremental volume growth to the flavoured milk range targeting older consumers. Growth in the market continues to be driven by demand for more value added products where the Avonmore brand has a leading share position.

The CMP brand was integrated successfully into existing operations, allowing the business to extend its beverage portfolio into water and juice categories where performance was in line with expectations.

Fresh dairy products

In 2006 the business successfully stabilised its overall market share and improved its position in the growing functional foods area with the launch of products targeting health benefits. The manufacturing cost base continues to improve, despite increased energy and labour costs, as a result of competitiveness initiatives including the rationalisation of the Yoplait production facilities undertaken in 2005 together with ongoing improvements in supply chain management and capacity consolidation.

Within the functional segment, the Yoplait brand increased its share position significantly as a result of the launch of its Essence range of health shots while Everybody/Everykid had a positive year overall, assisted by brand extensions.

Cheese, soups and spreads

A concerted marketing and innovation focus helped Glanbia's cheese, soup and spreads businesses defend and grow their overall market share positions in these increasingly competitive food categories during 2006.

Kilmeaden cheese extended its offering further into the premium segment of the market, which saw it grow its leading market share position in the natural block cheese segment, while Avonmore cheese also defended its position.

Avonmore soup retained its leading market position and achieved overall market growth in this sector. Soups also benefited from the re-launch of the core range with a more contemporary image and the introduction of a new fresh soup meal, under the Avonmore Fresh Fare banner, which brings greater convenience and freshness to today's time conscious consumer.

The key opportunity for this business will be to continue to deliver fresh and convenient product solutions and to extend the product range, focusing on the growing consumer trend for more innovative foods in convenient formats.

Strategy

The strategy of the business is to grow market share by building the relevance of the core brands, increased customer partnerships and through sustained innovation growth.

Outlook

Nutritious, fresh and natural continue to be the key drivers for food and beverages among Irish consumers. However, the marketplace is becoming more competitive which is driving the need for a lower cost base. Against this background Consumer Foods will continue with its product innovation and cost management programmes, underpinned by strong marketing investment to maintain the relevance of its product portfolio to customers and consumers.

Pigmeat

The pigmeat business, Glanbia Meats, is the leading pork processor in Ireland producing a range of pork and bacon products for domestic and export markets. The business, which employs 975 people, operates from three facilities including two modern slaughtering plants at Roscrea, County Tipperary and Edenderry, County Offaly.

In 2006 Glanbia Meats processed 1.3 million animals, or 50% of national supply. Products include a wide range of boneless pork and bacon cuts. Sales are evenly split between domestic and export markets. Key export markets in 2006 were the UK, Japan, China and Russia.

Segments of the business had a difficult 2006 and its overall performance declined. The two key factors affecting performance were margin erosion due to lower prices in certain segments of the business and the accelerated decline of the cannery operation leading eventually to the decision to close this business in November 2006. Investment in labour and energy saving projects as well as improved operational efficiency and product and customer mix, helped to offset market difficulties.

The closure of the cannery operation gave rise in 2006 to an exceptional item of €3.3 million primarily relating to redundancy costs. The overall cost associated with this rationalisation is expected to be largely neutral when the property element of this business is disposed of in due course.

Primary processing
The slaughtering and deboning business performed satisfactorly in 2006 with sales improvement domestically and on export markets, in particular in the Russian market where consumer buying power is increasing year on year.

Canned meats
The canned meats sector has been in decline as a result of changing consumer needs and a growing preference for fresh and chilled foods. As a result, significant competitive pressures had built up within the sector and this, together with significant increases in meat, tinplate and energy prices in 2006, resulted in the decision to focus investment on primary meat processing and to close the cannery operation in Ireland.

Environment
2006 was a satisfactory year for European pork markets with product prices high during the summer due to strong demand on domestic and export markets.

Production of pigs in Ireland declined by 3% in 2006, continuing the trend of the last few years. The business expectation is for Irish pig production to stabilise as confidence returns to the sector.

Consumption of pork continues to grow on a global basis by 1% annually and demand from Asia remains strong as a result of population growth and increasing wealth. Domestic demand in Ireland strengthened within retail and foodservice channels and this has been as a result of strong population growth, a growing consumer preference for added value products (where pig meat is often the protein of choice) as well as the comparative price advantage that pig meat enjoys relative to prime beef cuts.

Strategy
The Glanbia Meats strategy is to focus activities on primary pork processing. The business continues to hold a very strong position as supplier of choice to all of the major multiples and value added processors in Ireland and it has strengthened its relationship with customers in all key export markets.

Outlook
The outlook for the pigmeat business is for an improved performance in 2007. Pig production is expected to stabilise and improvements in operational efficiency continue as a consequence of ongoing consolidation and modernisation of the sector.

Over 70%
of consumers tell us they want more health foods-on-the-go from their local stores

Agribusiness and Property

Gain Feeds

Agri-Link

think...

CountryLife

Glanbia Estates

Mastercrop

Fertiliser

Agribusiness and Property

Revenue was up 15% to €264.5 million (2005: €229.1 million). Operating profit was up 58% to €16.9 million (2005: €10.7 million), substantially driven by Property. The operating margin was up 170 basis points to 6.4% (2005: 4.7%). The Agribusiness margin was 3.7% (2005: 3.6%).

Agribusiness

Agribusiness is the primary interface through which 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. Glanbia Agribusiness also has a modest involvement in the bio energy sector through a shareholding in Eilish Oils, a County Wicklow based business which pioneered the commercial production and use of pure plant oil biofuel from oilseed rape.

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: CountryLife, Gain Feeds, IFI, Mastercrop and Mastervet. In recent years Agribusiness has reorganised its retail branch structure and now operates from 61 locations – of which nine are CountryLife stores. The business employs 400 people and operates in 16 counties in Ireland.

Environment

2006 was a satisfactory year for the business with some improvement in revenue, profits and margins. This performance is measured against a background of ongoing challenges in farming due to the implementation of EU policy changes under MTR.

The 2006 result was driven by good demand in key segments, such as feed and fertiliser, and growth in market share as a result of competitive pricing and strong promotional activity. The business continued to rollout the Countrylife format with nine branches redeveloped to date.

As a key assembler of tillage crops in Ireland, Glanbia has called for a meaningful level of Government support for the fledgling bio energy industry to encourage energy diversity and the establishment of a domestic bio fuels infrastructure linked to agricultural production.

Strategy

The strategy for the business is to grow market share in core sectors while continuing to reshape the business to fit the changing face of farming. Irish agriculture is in transition from an era characterised by strong price support systems to one with reduced production supports, concerns for environmental management and greater reliance on direct income payments. While undoubtedly 2006 was a challenging time for farmers, there is a sense of optimism as the industry reaches the final year of MTR with commercial farmers taking a positive, long term view.

Glanbia is responding to these changes with a tailored service to meet the needs of farmers while also recognising the potential created by growing rural populations. The needs of farmers are such that Agribusiness is moving inputs from factory to farm at minimum cost and selling these inputs at competitive prices. To be relevant to the part-time farmer and also non farmers living in rural Ireland, the business is building on strategic branch locations with a wider range of retail products under the CountryLife concept. The retailing strategy is to capture the convenience needs of a growing rural population for pet food, gardening, hardware and outdoor clothing through CountryLife while also catering for the needs of the core farmer customer base. It is planned that 19 branches will be redeveloped under this CountryLife concept by the end of 2007.

The competitiveness of the business is also sustained by continuous cost efficiency programmes and technology upgrades, which are an integral element in the reshaping of the business.

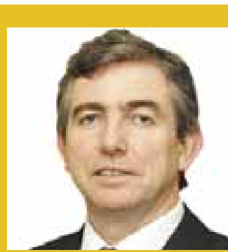
Outlook

Agribusiness will continue to evolve with a continued expansion of the product offering. In particular Agribusiness continues to work to meet the challenges of the implications of EU Reform and to remain relevant and competitive for its growing customer base.

Property

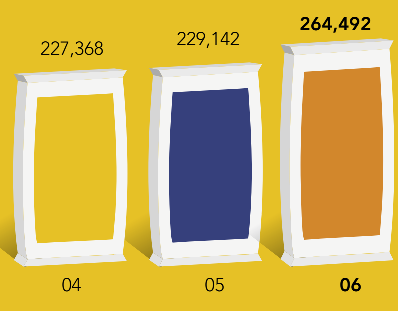
In 2005 Glanbia established a dedicated property business to create a strategic focus on the Group's property portfolio which for many years has been an integral feature of the Irish businesses.

Colm Eustace
CEO Glanbia Agribusiness



Ger Mullally
CEO Glanbia Property

Three year revenue analysis (€'000)



Agribusiness has 61 locations nationwide including nine CountryLife outlets

The remit of this business, based in Ireland and trading as Glanbia Estates, is to maximise the potential value of the Group's property portfolio and to review options for key sites.

2006 was a good year for the business which successfully completed the disposal of non-core assets arising mainly as a result of Agribusiness branch network rationalisation. Property values in Ireland grew strongly in 2006 with residential prices increasing by approximately 15% and development activity in both residential and commercial sectors reaching record levels.

Outlook

Glanbia Estates has identified a pipeline of potential transactions and these are expected to be completed at a steady pace over the medium term.

Food Ingredients and Nutritionals

Food Ingredients and Nutritionals

Revenue decreased by 3% to €1.08 billion (2005: €1.11 billion) due to lower market prices in dairy ingredients. Despite lower revenue, operating profit was up 3% to €44.2 million (2005: €43.1 million) and the operating margin grew 20 basis points to 4.1% (2005: 3.9%), mainly because of the increased contribution from the higher margin Nutritionals business. Overall, this division delivered a good performance, particularly in light of the difficult market environment in the first half.

Food Ingredients Ireland

Glanbia is the largest dairy ingredients business in Ireland, assembling a milk pool of 1.4 billion litres from the Group's 5,000 Irish milk suppliers and processing it into butter, cheese, milk proteins and whey derivatives. It markets over 190,000 tonnes of dairy products and ingredients on a business-to-business basis to customers in over 40 countries.

Food Ingredients Ireland employs over 400 people at two locations, Ballyragget, County Kilkenny and Virginia, County Cavan.

The Ballyragget facility is the largest integrated dairy site in Europe, processing 20% of the Irish milk pool and has a significant whey output, with 40% of the Irish whey pool processed into a range of infant formula and nutritional ingredients. Food Ingredients Ireland is the largest supplier of lactose and other whey proteins to the three largest infant formula manufacturers in the world, all of which have production facilities in Ireland. It is also the largest manufacturer of casein – another protein found in milk – and the Ballyragget facility produces both acid casein and rennet casein for European and USA markets.

The Virginia facility in County Cavan produces a range of fat filled milk powders and fresh cream. It has been the principal cream supplier to Baileys Irish Cream Liqueurs for over thirty years. It is also the main supplier of milk powder to Nutricima, the Glanbia PZ Cussons plc joint venture in Nigeria.

Environment

2006 was the third year of implementation of EU reform through MTR, and as such was a particularly challenging time for both producers and processors in the Irish dairy industry. The reduction of market supports to dairy processors progressed aggressively in 2006, with a number of supports, including casein aid, reduced to zero. Market returns in the first half of the year were weak with the added difficulty of reduced milk supply due to difficult weather conditions. The second half was stronger with an increase in volumes and more stable world markets.

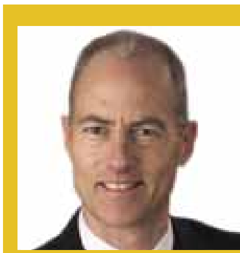
Energy costs eased somewhat in the second half of 2006 following a period of historically high prices.

The case for rationalisation of the industry at both supplier and processor level remains compelling in an Irish context. Consequently the Irish Government launched a €100 million Dairy Capital Fund in 2006 which offers grant aid of up to 50% for capital projects, subject to competitive tender. Glanbia has submitted a number of projects for consideration and the outcome is expected in quarter two 2007.

Strategy

Food Ingredients Ireland continues to strive to maximise product mix in a changing global dairy market. Recognising that EU policy changes are rebalancing the relative performance of certain dairy products, we are restructuring our product offerings to reflect global trends and are exploring opportunities in growing segments of the market.

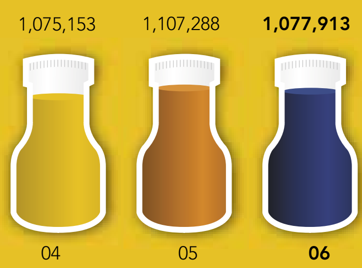
The Irish manufacturing environment continues to present cost and competitive challenges. The business maintains its relentless pursuit of efficiencies to offset these challenges and our cost reduction programmes are delivering considerable benefits in plant performance, conversion efficiencies and quality development. We further augmented the management team in 2006 which we believe will strengthen the business in meeting challenges and maximising the opportunities ahead.



Jeff Williams
President Glanbia Foods Inc

Jim Bergin
CEO Food Ingredients Ireland

Three year revenue analysis (€'000)



Process and manufacturing capability to a world class standard

Food Ingredients and Nutritionals (continued)

Implementation of our co-operation agreement with Dairygold was completed in 2006 with the contract manufacture by Dairygold of cheese for Glanbia and by Glanbia of butter for Dairygold. Our joint venture with Corman SA, which is the largest butterfat processor in the world, progressed steadily through 2006. Advanced butter fractionation has commenced and will enable the production of butter fractions for customised solutions in the bakery and confectionery industries.

The Glanbia Innovation Centre provides a further platform for our innovation programme. The demands of our new consumer business in Nigeria in addition to joint innovation programmes with our leading customers underpin our commitment to organic growth through our experience and technical capabilities.

Outlook
The outlook for 2007 is for another challenging year, notwithstanding a more favourable dairy market outlook and a less penal energy environment.

Global dairy markets are currently reasonably firm. In Ireland, the final year of MTR continues to affect producers and processors and there is no expectation of a material uplift in performance from Food Ingredients Ireland. However, this business continues to pursue productivity, quality and efficiency gains and is reorganising it's product offering to reflect changes in market demand.

Food Ingredients USA

Glanbia Foods, Inc. with our joint venture Southwest Cheese, is the largest manufacturer of American-style cheddar cheese in the USA , with a market share of 16% and also is one of the worlds leading producers of whey based nutritional ingredients. Glanbia Foods Inc. is located in Idaho - the third fastest growing milk state in the USA behind Texas and New Mexico. It employs 540 people and operates three plants - two cheese facilities at Twin Falls and Gooding, which is the largest barrel cheese plant in the world, as well as a specialist nutritionals facility at Richfield.

Cheese
Over 80% of the Idaho milk supply goes into cheese production, with Glanbia producing half of Idaho cheese output.

Glanbia Foods Inc processes 1.7 billion litres of milk into over 180,000 tonnes of cheese in its two Idaho cheese factories. Cheese is sold on a business to business basis to USA customer s predominantly as "natural" American-style cheese in a block format, for the retail or food service sectors. Approximately a quarter of production is in a 500 pound barrel format sold primarily to the food service channel as an American "processed" cheese slice which is used in quick serve restaurants.

Nutritional ingredients
Glanbia is a global leader in the supply of dairy based nutritional ingredients, producing over 47,000 tonnes. The world market for dairy based nutritional ingredients, and in particular for whey products, is growing as consumers become more familiar with the benefits of whey.

Environment
Cheese is a growing market in the USA with American-style cheese production growing at 3.3% in 2006. American-style cheddar is the most popular cheese type, representing approximately 42% of the total cheese production in the USA. This category has a historical average annual growth rate of 1.8%, however, it grew at a robust rate of 4% in 2006.

Production volumes in Glanbia Foods Inc. reached record levels in 2006 and demand was excellent for all cheese types. Milk supply in Idaho was up 7% year on year. While cheese pricing was volatile, there was a strong demand for dairy proteins, especially in the second half of the year and this lifted whey protein and lactose prices to near record levels by the year end.

Food Ingredients USA delivered a good performance in 2006 with excellent management of manufacturing costs.

Strategy
The business strategy is to be the number one supplier of American-style cheese to key industrial customers. Glanbia markets the cheese and whey output of the Southwest Cheese joint venture in New Mexico and the successful commissioning of this plant further consolidated Glanbia's position of scale in regions with growing milk supply. In 2006 Glanbia Foods Inc made significant progress in integrating the supply chain network comprising the Idaho plants and Southwest Cheese.

Glanbia Foods Inc has strong and long standing relationships with customers of scale who are linked to growth opportunities in the consumer market place. These relationships are the bedrock of the business and are based on shared strategic direction. Joint new product and innovation projects focus on new consumer trends, such as the growing demand for organic and BST free products. The business strives for product excellence and regularly is an award winner at the World and USA Cheese Championships. In addition constant innovation is essential to expand the product offering and develop product variants which utilise existing assets, expertise and routes to market.

Outlook
In the USA, demand and milk availability are expected to be strong in 2007. Idaho milk supply is forecast to grow further in the current year and our USA operations are expected to run at full capacity. This business is expected to perform well in 2007 and will continue its focus on operational excellence and increasing it's market position.

Nutritionals

Glanbia Nutritionals

Glanbia Nutritionals is a growing business in a growth market, delivering innovative, science-based nutritional solutions to the global nutrition industry.

Glanbia is a leading supplier of advanced technology whey proteins and fractions and in recent years has expanded its portfolio to include customised nutrient vitamin and mineral premixes and olive-based antioxidants. Glanbia's growth in the premix market was strengthened considerably with the acquisition of Seltzer, a leading USA nutritional solutions company.

Glanbia Nutritionals services the health and wellness, functional foods, sports nutrition, infant and clinical nutrition sectors with a range of patented or branded products. Through these patents and brands the Company is building a worldwide reputation for customised products, innovative processing technologies and outstanding customer service. The business produces a wide range of speciality whey proteins and other nutritional ingredients for use by food and beverage companies in ready-to-drink and powdered beverages, nutritional bars, dairy products, snacks and confectionery applications.

The business continues to evolve with over 240 employees at global locations in Ireland (Kilkenny); USA (Wisconsin, Idaho, Illinois and California); Germany; UK; Belgium; Brazil; Uruguay; Argentina; China and Singapore.

Environment

The global nutritional market exhibited strong growth in 2006, estimated at US$159 billion with half of this represented by growth in the USA.

Key sectors, such as weight management, sports nutrition, health/wellness and infant nutrition had positive growth trends during the year.


Science of Nutritionals
OlivActivw
ProLibra
think...
Health &
Wellness
c stomised
n trition uars
Glovon TM
Sports performance
Weight
management

Nutritionals (continued)

With over 300 million adults obese worldwide (reference: WHO and the International Obesity Task Force), the anti-obesity effect of dietary calcium - supported by cellular, animal, human epidemiological studies and clinical trials - presents a strong growth opportunity for Glanbia.

The sports nutrition market is expected to grow at 4% to 6% per annum over the next three years due to the increasing popularity of sports supplements. This market is valued at US$2.4 billion and Glanbia Nutritionals, with its guaranteed scale supply of whey protein, has a strong position within the sector.

Glanbia Nutritionals is a leading supplier to the infant nutrition market, which is worth US$15 billion and growing at 3% to 4% per annum. China, with a population of 1.3 billion and growing at 0.9% per annum, is expected to become the largest market in the world for infant formula by 2009. Glanbia will further augment its position in the infant formula sector when the €5 million investment in a nutritional manufacturing facility in China is complete in 2008.

A development focus of Glanbia Nutritonals is the growing premix market. Key markets are beverages, cereals and functional foods all of which exhibit positive growth trends.

Strategy
The vision of Glanbia Nutritionals is to become one of the most relevant players in the delivery of science-based nutritional solutions to the global nutrition industry. This will be achieved through acquisition and joint venture, capacity expansion and through continued investment in research and development, in both dairy and non dairy sectors, to deliver new and innovative products and solutions that will afford Glanbia a point of difference in the market and deliver value added to customers. A key platform in successful delivery is strong customer partnerships - based on continuous research and a clear focus on finding innovative solutions to achieve commercialisation.

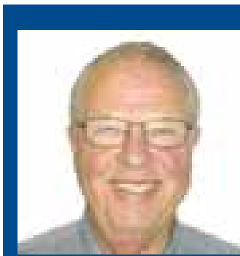
Development/Investments
During 2006 additional investments were made in building a strong team with a blend of science based research and development, marketing and operational skills to drive the business forward.
The most significant development in this business in 2006 was the acquisition of Seltzer in September. This acquisition is a strong fit with the existing Nutritionals business and with its strategy of building a nutritional premix business of scale to pursue global growth in this fast growing sector. This acquisition, combined with the Glanbia premix business in Germany and the planned €5 million investment in a new facility in China, will further advance the international development of the Glanbia Nutritonals strategy.

Innovation
The development work in the Group's Innovation Centres in the USA and Ireland, assisted by teams in Germany and the UK, led to a number of commercial developments in 2006.
The business continues to develop products and solutions that match a market need, or a customer requirement, working closely with universities and other research agencies. During 2006 we invested heavily in a number of clinical trials to support the products and applications being developed in the innovation centres.

Outlook
The Nutritionals business is expected to deliver a strong performance in 2007. Existing operations are expected to continue to grow organically and Seltzer will contribute for a full year in 2007.


Jerry O'Dea
CEO Glanbia Nutritionals Americas


Hugh McGuire
CEO Glanbia Nutritionals Europe and Asia Pacific


Wayne Seltzer
President of Seltzer Companies Inc.

Nutritional solutions
Consumer products

Protein fortification
Bars and drinks

Sports and performance nutrition
Ready to mix powders

Weight management
Bars and beverages

Health and wellness
Bars and protein fortified drinks

Nutrition bar solutions

Mineral and vitamin premixes

Joint Ventures and Associates

Joint Ventures and Associates

Revenue (€'000)[1]	Profit after interest and tax (€'000)[2]
Up 100%	Up 205%
2006: €262,871	2006: €2,842
2005: €131,444	2005: €932

(1) Not included in Group revenue
(2) Included in the income statement as share of results of joint ventures and associates

International joint ventures are a key platform in developing a **strategic international presence**

The Group currently has three key international joint ventures which leverage Glanbia's strength in world class dairy operations and are an important part of the Group's growth strategy. These are Glanbia Cheese in the UK, Southwest Cheese in the USA and Nutricima in Nigeria.

Overall the joint ventures and associates grew strongly in 2006 with Glanbia's share of revenue up 100% to €262.9 million and profit after interest and tax up 205% to €2.8 million. This result primarily reflects the improved performance in Glanbia Cheese, the Group's UK joint venture with Leprino Foods and a small first time contribution from Southwest Cheese in the USA.

UK - Glanbia Cheese

Glanbia has a 51% interest in Glanbia Cheese which is a joint venture with Leprino Foods in the USA. Glanbia Cheese produces mozzarella cheese for the European market in QLC, chilled, shredded, ribbon, block and string formats. It is the number one mozzarella supplier to the European market.

The business employs 350 people at three sites, which includes two cheese processing facilities at Magheralin, Northern Ireland, Llangefni, North Wales and an administrative centre in Northwich, England.

Glanbia Cheese reported an improved performance in 2006 arising from increased demand and the benefits of product development for existing and new customers. In the last five years Glanbia Cheese has invested €52 million (Stg£35 million) in the introduction of the Leprino patented and proprietary technology to its manufacturing facilities. The Glanbia Cheese strategy is to maintain and build on its position as the leading supplier of mozzarella cheese in Europe. This will be achieved through a combination of on-going innovation in mozzarella production technology - product quality, flexibility and functionality. These value offerings enable the business to offer significantly differentiated products to the marketplace.

Outlook

The ongoing investment in technology transfer will continue in 2007 with a new string cheese plant in Magheralin.The business had a good performance in 2006 and this is expected to continue in 2007.

Nigeria - Nutricima

Glanbia entered a 50:50 joint venture with PZ Cussons plc - Nutricima - which supplies evaporated milk and milk powder to the local Nigerian market.

Glanbia brings to this joint venture a knowledge of the operation of food plants and food innovation, while PZ Cussons, which has over a century of experience in trading in Nigeria has significant knowledge of the Nigerian marketplace.

Building new businesses at first cost, from the ground up

Joint Ventures and Associates (continued)

Nutricima employs 244 people at its facility – an evaporated milk manufacturing plant and a milk powder packing facility. Much of the milk powder packed and sold in Nigeria is sourced in Ireland. In December 2006 the partners announced plans to double the capacity of the evaporated milk facility and to develop a second facility to produce a further range of beverages to meet the increasing requirements of Nigeria's fast growing, dynamic consumer market. Glanbia is to invest €22.5 million in these projects over the next two years.

Despite strong competition Nutricima grew market share and delivered strong top line growth in 2006. The business performed satisfactorily although overall results were impacted by significant market development expenditure. The product portfolio was strengthened in 2006 with two new brands 'Coast' a powdered milk product and 'Powerfist' an energy drink, complementing the successful 'Nunu' powdered milk brand.

A pipeline of new products, including flavoured milk powders under the 'Nunu' brand and capacity expansion is underway and this business is forecast to achieve further top line growth in 2007.

USA: Southwest Cheese

Southwest Cheese, located in Clovis, New Mexico, is one of the largest natural cheese and high protein whey processing plants in the world. It is a €151 million (US$190 million) 50:50 joint venture between Glanbia plc and the Greater Southwest Agency.

Given our knowledge of large scale dairy operations, Glanbia was responsible for the plant design and construction of the Southwest Cheese facility, which was commissioned on time and on budget in 2006. Glanbia Foods Inc and Glanbia Nutritionals sell the cheese and whey produced by Southwest Cheese on a commission basis. The milk is supplied by the Greater Southwest Agency who co-ordinate supplies from Dairy Farmers of America, Select Milk Producers, Inc., Lone Star Milk Producers and Zia Milk Producers.

During 2006 both the cheese line and the whey plant were commissioned. At full capacity in 2007, Southwest Cheese will process 250 million gallons of milk and 230 million gallons of high value-added whey per annum into American-style cheeses and proteins for the global nutritional market. The large scale, automated, state of the art plant allows Southwest Cheese to produce a high quality product in high volume to meet the needs of the national and growing international markets.

Milk supply continues to grow in the New Mexico/West Texas region. Sales of natural cheese in the USA continues to grow at 1% to 2% per annum and also global demand for high quality milk proteins continues to grow. During its first year of operation, in addition to serving the domestic USA market, Southwest Cheese product has been sold into markets in Mexico, Africa, South America, Asia and Europe. Southwest Cheese has built a strong team capable of delivering world class performance in an ever changing marketplace. Currently over 200 people are employed at Southwest Cheese where quality, consistency and efficiency are the key drivers of success.

Outlook

Southwest Cheese will continue its ramp up to full capacity in 2007. It is already producing product to world class standards and is forecast to perform as planned in 2007.

Overall Outlook

Glanbia is successfully developing a strategic international presence and our international joint ventures are a key platform for this development. We are pleased with the progress made in 2006 and our international joint ventures are all well positioned for growth in 2007.

Corporate Social Responsibility

As a Group whose origins are rooted in the founding principles of the Co-Operative Movement, Glanbia has evolved a strong Corporate & Social Responsibility (CSR) programme which respects all stakeholders, encourages our role in building strong communities, guides our sustainable engagement with the environment and ensures we deliver the very best product to the marketplace. Over the last number of years the Group has established the four key pillars of its CSR programme: Community, Workplace, Environment and Marketplace. Through strong and progressive programmes we are seeking to further deploy the principles across all elements of the Group's businesses, bringing more employees and stakeholders into the process of operating a holistic CSR programme.

"Glanbia is a wonderful supporter of the Boys and Girls Clubs and through their contributions have allowed us to provide nutritious meals for club members from our new modern commercial kitchen"

Don Hall,
Executive Director,
Boys and Girls Club, Magic Valley

Community

Glanbia endeavours to be an active and willing participant in local communities in the areas in which it operates. A formal community programme encourages and facilitates a range of initiatives – principally in Ireland and the USA – to foster this spirit of community involvement. The Group's key community initiatives include: a programme of corporate giving to employee nominated charities, a volunteering programme with Junior Achievement Ireland and local sports sponsorships that link in to the Group ethos.

Through a policy of volunteering, Glanbia employees elect to become 'Community Champions' which means that employees, in the corporate giving programme, direct not only the selection of charities but also the area of giving within these initiatives.

Community – USA

In 2006, the Food Ingredients USA employees hosted a number of events for their chosen charity, The Boys & Girls Club of Magic Valley, Idaho.

The mission of the Boys & Girls Clubs of Magic Valley is "to inspire and enable all young people, especially those from disadvantaged circumstances, to realise their full potential as productive, responsible and caring citizens". It has five core programming areas:

- Character & Leadership Development
- Education & Career Development
- Health & Life Skills
- The Arts
- Sports, Fitness & Recreation

During 2006, local Champions hosted a number of initiatives to raise funds and widened the circle of awareness of the Boys and Girls Club.

Overall 2006 was a successful year for the USA Champions who helped to install a full commercially enhanced kitchen for the Magic Valley Club and plans are progressing rapidly on the development of a new Club in the neighbouring town of Buhl.

Community – Ireland

In 2006 the employees of Glanbia operations in Ireland hosted a number of events for their chosen charity, Our Lady's Children's Hospital, Crumlin, Dublin.

Corporate Social Responsibility (continued)

> "Glanbia's enormous commitment to helping others is highly commended by all the staff in Our Lady's"
>
> Eamonn Coghlan,
> Director Fundraising & Development,
> Our Lady's Children's Hospital

Our Lady's Children's Hospital Crumlin is an acute paediatric teaching hospital with 243 beds, employing 1,200 staff. It is Ireland's largest paediatric hospital and is responsible for the provision of the majority of tertiary care services for children and medical research for childhood illnesses.

In 2006 the Glanbia corporate contribution to the hospital commissioned seven much needed food trolleys to improve transportation, at optimum temperature, from kitchen to patient.

Complementing the corporate contribution the Glanbia Champions raised a total of €35,000 by organising a variety of fund-raising events with the end goal of fitting out of a dedicated Air Ambulance for the hospital. During the year a number of female employees ran in the Dublin Mini Marathon and the Champions organised a special sponsored cycle. A golf classic, which brought together teams of employees, customers and suppliers, proved a success both from a funding and a general awareness perspective.

In September the Champions brought the cause to the heart of the farming community, with another fundraising event at the National Ploughing Championships, Ireland's biggest annual outdoor festival. All these and a number of other events contributed to this year's special Air Ambulance project, which made its inaugural flight in early 2007.

In Ireland, a significant number of Glanbia personnel contribute their time to another company cause, Junior Achievement Ireland. Junior Achievement is helping to create a culture of enterprise within the education system. Programmes begin at primary school level, teaching children how they can impact the world around them as individuals, employees and consumers and continue through to secondary school, preparing students for their future careers. Business volunteers recruited from supporting organisations teach the Junior Achievement programmes including 15 Glanbia volunteers who taught over 460 pupils in 2006.

Glanbia continued its support for the GAA in 2006 with the sponsorship of the Kilkenny and Waterford senior hurling teams. These sponsorships – which reach deep into these local communities - provide a positive link between the GAA, which represents strong community values and actively promotes health and fitness and Glanbia as a food and nutrition business.

The workplace

The Group employs 3,926 people worldwide and is proud to be regarded as an employer of choice in what is a dynamic and challenging food industry environment.

In our unfolding Workplace programme our objective in 2006 was twofold - to enhance Internal Communications and Health and Safety.

Community

What we have in place

- Employee driven programmes for corporate charities - USA and Ireland.
- Commitment to local sports and well being sponsorships.
- A volunteering programme with Junior Achievement Ireland.

Workplace

What we have in place

- Extensive employee communication via face to face briefings and other mediums.
- A commitment to achieving an injury free work environment.
- A Health and Safety Forum which allows sharing of best practice and discussion and review of legislation changes.

Environment

What we have in place

- Integrated environmental and business unit goals.
- ISO 14001 accredited environmental management at all Irish sites.
- In the USA all manufacturing sites have adopted the EPA framework and are accredited to this environmental management system.

Marketplace

What we have in place

- We consider consumer needs and wants in framing all consumer communications.
- Commitment to Guideline Daily Amount (GDA) communication.
- Both the Idaho and Ballyragget ingredients businesses won gold for their cheese at the USA and World Cheese Awards 2007.

Internal communication
The internal communications policy encourages and facilitates dialogue and face-to-face communication. Internal communication methodology was enhanced in 2006 with systems and solutions deployed to enable quicker and more open channels of communications. Communication tools, such as publications, magazines and an intranet function, were further enhanced to complement the face-to-face meetings and bring Group wide news and events consistently to Group employees.

Health and Safety
The Group's Health and Safety policy places the utmost importance on the safety of our staff, contractors and the public. A Group Health and Safety Task Forum is in place to facilitate the sharing of best practice and review legislative changes and impacts on health and safety policy. The Forum also ensures that policy is clearly communicated to all employees and implemented throughout the organisation. In addition we have implemented an annual health and safety audit to measure the effectiveness of the policy.

The environment
Our primary objective is to manage our business in an environmentally responsible manner. We are deeply conscious of our role in managing our environmental impacts and are committed to sustainable growth in harmony with our environment and the communities where we operate. This commitment is delivered by:

- Environmental goals and risk management being intrinsic to overall business strategy;
- Ongoing communications with local communities and authorities, regulatory agencies and interest groups;
- recycling and re-using raw materials and reducing discharges to land, air or water;
- maintaining an environmental management system at all our manufacturing plants.

In 2006 the Group achieved the ISO14001 Environmental Management System at all Irish manufacturing plants.

In the USA our new wastewater treatment facility, commissioned in 2006 at our Gooding, Idaho plant was awarded the Pacific Northwest Clean Water Association Idaho Outstanding Water Reuse Award.

The marketplace
The objective of the marketplace programme is to manage our corporate brand reputation. As a business we are conscious that we must bring to the market the very best product we can. This requires a strong commitment to customers and consumers, from the public consumer to industrial user. These relationships are the very foundation of our brand.

During 2006 the Irish Consumer Foods business brought forward initiatives involving greater market research, a strong investment in nutritional education, as well as a new programme for tracking and reporting complaints, consumer satisfaction and measuring consumer satisfaction within a qualitative matrix.

As part of the nutritional education initiative, Guideline Daily Amount communication has been adopted by Glanbia to appear in 2007. This development complements our commitment to highlighting the BIG 8 (information on the content of key nutrients) on all packaging.

Finance Review

Accounting policies

The consolidated financial statements of the Group have been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS"), IFRIC interpretations and Companies Acts, 1963 to 2006 applicable to companies reporting under IFRS. Further details of the basis of preparation and significant accounting policies of the Group are included in pages 55 to 64.

Results

Revenue grew by 1% in 2006 to €1.9 billion primarily driven by growth in the Consumer Foods, Nutritionals and Agribusiness segments of the business. Including the Group's share of revenue of its joint ventures and associates, revenue grew by 8% in 2006 to €2.1 billion. A solid operating performance, the changing mix of business and the benefits of prior year rationalisation initiatives improved profitability and margins. Operating profit pre-exceptional was up 6% to €85.6 million (2005: €80.9 million) and the operating margin pre-exceptional increased 20 basis points to 4.6%. Pre-exceptional profit before taxation was up 8% to €74.4 million. The Group's pre-exceptional net financing cost increased €0.9 million to €14.0 million in 2006. Details of divisional operating performance are given in the Business Review on pages 12 to 26.

Net finance cost ratios

	2006	2005	2004
EBIT: Net finance cost (times)	6.1	6.2	5.4
Net debt: EBITDA (times)	1.9	2.1	2.3

These ratios are a measure of performance and financial strength of the Group which has been improving in recent years. The Group has strong net finance cost cover and despite significant development expenditure, which has amounted to €214 million since 2004, net debt to EBITDA ratios have declined.

Operating margins

	2006	2005	2004
Ireland	4.3%	4.4%	5.2%
International	5.3%	4.5%	4.2%
Group	4.6%	4.4%	4.9%

International operations now represent almost 40% of total Group revenue. The Group's international margins grew by 80 basis points to 5.3% in 2006, demonstrating continued successful expansion of the Group's international operations. Ireland continues to remain challenging with the Group's focus on business execution, improving productivity and management of the cost base.

Exceptional items

Net exceptional loss for the year amounted to €0.1 million compared with a restated 2005 loss of €3.4 million. The 2006 exceptional items include, €3.3 million restructuring costs related to the closure of Pigmeat Cannery operations, €9.1 million relating to disposal of the Group's remaining 25% interest and related Stg£35 million loan note from The Cheese Company Holdings Limited and an exceptional credit of €12.3 million which is the recognition of a deferred tax asset relating to tax losses in former UK operations which are now being utilised.

Joint ventures and associates

The Group has three key international joint ventures, producing cheese, whey and milk products; Glanbia Cheese, in the UK, Southwest Cheese in the USA and Nutricima in Nigeria. Glanbia's share of revenues increased 100% in 2006 to €262.9 million, driven by strong growth in Southwest Cheese. The Group's share of profit after interest and tax increased 205% to €2.8 million. This result primarily reflects the improved performance in Glanbia Cheese and a small first time contribution from Southwest Cheese.

Joint ventures and associates

€ million (Glanbia share)	2006	2005	2004
Revenues	262.9	131.4	95.0
Operating profit after interest and tax	2.8	0.9	(1.5)

The Group has invested significantly in its joint ventures and associates, whose net assets were €66.4 million at December 2006. The Group has committed to further investments of €22.5 million in Nutricima during 2007.

Geoff Meagher
Group Finance Director

Taxation

2006 Group tax of €8.0 million (2005: €7.6 million) was offset by an exceptional tax credit of €12.3 million, which was the recognition of a deferred tax asset relating to tax losses in former UK operations which are now being utilised.

The pre-exceptional taxation charge of €8.0 million represents an effective tax rate of 11%, reflecting the mix of profits in the various tax jurisdictions in which the Group operates.

Earnings per share

Earnings per share grew 14% to 22.5 cent (2005: 19.7 cent), while adjusted earnings per share increased 8% to 22.6 cent (2005: 20.9 cent).

Cash generation

Summary cash flows for 2006, 2005 and 2004 are set out on page 31. Net cash generated from operations amounted to €33.2 million compared to €137.6 million in 2005. 2006 net cash generated from operations included a €40 million working capital increase arising from continued business expansion and year end cash flow timing. Acquisition and investment expenditure during the year amounted to €73.3 million, consisting primarily of the purchase of Seltzer, a leading USA nutritionals solutions business. The Group realised €70 million from the disposal of the Group's remaining interest in The Cheese Company Holdings Limited. The Group has made solid progress in strengthening its cash generation characteristics, which has ensured that debt levels at December 2006 remain consistent with 2005.

Cash flow

	2006 €'000	2005 €'000	2004 €'000
Profit for the year (pre-exceptional items)	66,404	61,123	70,625
Exceptional items	(134)	(3,410)	1,294
Depreciation, amortisation and other adjusting items	32,692	33,017	41,009
Cash generated from operations pre working capital movements	98,962	90,730	112,928
Working capital movements	(40,476)	73,105	(29,481)
Net interest and taxes paid	(25,241)	(26,284)	(15,821)
Net cash generated from operations	33,245	137,551	67,626
Cash flows from investing activities			
Acquisitions and investments	(73,298)	(24,580)	(65,368)
Capital expenditure	(37,962)	(46,214)	(60,946)
Disposals of assets and investments	83,349	18,665	84,686
Cash flows from financing activities			
Share capital issued	312	2,376	761
Dividends paid	(16,472)	(15,612)	(14,814)
Net (increase)/decrease in net debt	(10,826)	72,732	11,399
Net debt at the beginning of the year	(224,152)	(272,167)	(269,556)
Effect of exchange rate changes, fair value and IFRS adjustments	10,484	(24,717)	(14,010)
Net debt at the end of the year	(224,494)	(224,152)	(272,167)

Balance sheet

Equity shareholders' funds increased by €76.8 million to €200.5 million at the end of 2006. This increase was delivered through profit for the year of €66.3 million and a reduction of €40.1 million in the deficit in the Group's defined benefit pension schemes. The benefit of actuarial gains, combined with improvements in investment returns resulted in an overall reduction in the Group's retirement benefit obligation to €124.9 million (€113.2 million net of deferred tax asset). The Group continues to invest in capital projects to support its growth strategy and capital expenditure of €37.9 million amounted to 1.27 times depreciation (2005:1.69 times). Group net debt of €224.5 million remains consistent with the restated 2005 level of €224.2 million. The Group's net debt as a percentage of shareholder's equity has improved to 112% from 181% in 2005, as has the Group's net debt as a percentage of market capitalisation, with an improvement to 26% (2005: 32%)

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.

Currency risk

The Group has significant investment in overseas subsidiaries. As a result the Group's Euro denominated balance sheet can be significantly affected by rate movements. The Group seeks to mitigate the effects of these structural currency exposures by borrowing in the same currencies as the operating or functional currencies of its main operating entities, thereby matching to some extent the currency of its borrowings with that of its assets. The Group also has transactional currency exposures that arise from sales or purchases by an operating entity in currencies other than the operating functional currency. The Group requires all its operating entities to mitigate such currency exposures under strategies agreed by the Board and utilising approved currency hedging instruments.

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 two year period. At the year end, the Group had multi-currency committed bank term facilities of €622.1 million of which €138.3 million was undrawn. The weighted average period to maturity of these facilities was 4.3 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. 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.

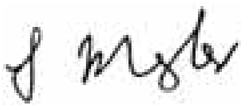
At the year end 41% (2005: 50%) of debt was held at floating rates. Further information on borrowings and financial liabilities is contained in note 30 to the financial statements.

Share price

The Company's ordinary shares traded in the range €1.93 to €3.13 during 2006. The year end share price was €2.96 (2005: €2.40), representing a capital appreciation in 2006 of 23%.

Summary

2006 was a good year for the Group with earnings growth and further strengthening of the Group's balance sheet. The Group continues its programme of investment behind its growth strategy within robust financial parameters. With the positive trends achieved in key financial performance indicators, the Group is well positioned to take advantage of value enhancing development opportunities.



Geoff Meagher
Deputy Group Managing Director/Group Finance Director

Board of Directors

Executive Directors

1. John J Moloney B.Agr.Sc., MBA, (aged 52) 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.

2. Geoffrey J Meagher CPA, (aged 57) 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.

3. Kevin E Toland FCMA, (aged 41) was appointed to the Board in 2003. He is CEO & President Glanbia USA & Nutritionals, having previously held the positions of Group Development Director and Chief Executive of the Consumer Foods Division. Prior to joining Glanbia in 1999, he held a number of senior management positions with Coca-Cola Bottlers in Russia and with Grand Metropolitan plc in Ireland and Central Europe.

Non-Executive Directors

4. Michael J Walsh (aged 64) 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.

5. Liam Herlihy (aged 55) 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 a Director of Irish Co-operative Organisation Society Limited. He completed the Institute of Directors Development Programme (2006) and holds a certificate of merit in Corporate Governance from the Institute of Directors Centre for Corporate Governance at UCD. He also completed the ICOS Diploma in Corporate Direction in 2002. He farms at Headborough, Knockanore, Tallow, Co. Waterford.

6. John V Quinlan B.Agr.Sc., (aged 61) 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 Chairman of Irish Co-operative Society Limited and a Director of a number of Irish companies including Malting Company of Ireland Limited. He completed the ICOS Diploma in Corporate Direction in 2004. He farms at Baptistgrange, Lisronagh, Clonmel, Co. Tipperary.

7. John E Callaghan FCA, FIB, (aged 64) 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.

8. Paul Haran (aged 49) was appointed to the Board in 2005. He also serves on the Court of Directors of the Bank of Ireland and the Board of the Mater Private Hospital. He is a member of the Road Safety Authority. He is Principal of the UCD College of Business and Law. Paul Haran chairs the Boards of the UCD Michael Smurfit Graduate School of Business, the National Qualifications Authority and Edward Dillon and Company. He also chairs the Working Group on Legal Costs. He retired in 2004 as Secretary General of the Department of Enterprise, Trade and Employment.

9. Jerry V Liston B.A., MBA, (aged 66) was appointed to the Board in 2002. He is Chairman of the Irish Aviation Authority and holds directorships in various other companies including Balcas Timber Limited and Kevin Broderick 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.

10. William G Murphy B. Comm, (aged 61) retired as Deputy Group Managing Director of Glanbia plc in 2005. He joined the Group in 1977 and has held a number of senior management positions. He was appointed to the Board in 1989. He is a Director of IAWS plc and a number of unlisted companies.

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

11. Henry V Corbally (aged 52) completed the ICOS Diploma in Corporate Direction in 2002. He is also Vice-Chairman of the National Dairy Council and a Director of Kilmainhamwood Community Employment Scheme Limited. He farms at Kilmainhamwood, Kells, Co. Meath.

12. John G Fitzgerald (aged 51) farms at Ross, Kilmeaden, Co. Waterford. He has completed an ICOS course in co-operative training.

13. Edward P Fitzpatrick (aged 59) 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.

14. James A Gilsenan (aged 47) completed the ICOS Diploma in Corporate Direction in 2003. He farms at Drogheda Road, Collon, Co. Louth.

15. Patrick Gleeson (aged 45) was appointed to the Board in May 2006. He is also a Committee Member of Centenary Thurles Co-operative Society Limited and farms at Loughmore, Templemore, Co. Tipperary.

16. Christopher L Hill B.Agr.Sc., (aged 48) 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.

17. Martin Keane (aged 51) was appointed to the Board in May 2006. He is also a Director of Donaghmore Famine Work House and Agricultural Museum Co-operative Society Limited and farms at Errill, Portlaoise, Co. Laois.

18. Michael Keane (aged 54) farms at Foxhall, Ballinamona, Ardmore, Youghal, Co. Waterford.

19. Matthew Merrick (aged 55) is the Vice-Chairman of the County Offaly Enterprise Board and a board member of IFAC Accountants. He farms at Shean, Edenderry, Co. Offaly.

20. Michael Parsons (aged 57) 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.

21. Eamon M Power (aged 52) 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.

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:

JE Callaghan (aged 64)
CL Hill (aged 48)
JJ Moloney (aged 52)
WG Murphy (aged 61)
M Parsons (aged 57)
Messrs Mn Keane and P Gleeson were appointed to the Board of Directors during the year and retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

In accordance with the provisions of the 2003 Combined Code on Corporate Governance of the Irish and London Stock Exchanges, Messrs MJ Walsh, JV Quinlan and L Herlihy, being directors who have each served a period in excess of nine years on the Board will retire at the AGM and, being eligible, offer themselves for re-appointment.

All are farmers and are Directors with the exception of JE Callaghan, JJ Moloney and WG Murphy.

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

22. 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.

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, UK.

Stockbroker

J & E Davy, 49 Dawson Street, Dublin 2, Ireland. (Corporate Broker)
Oriel Securities Limited, 125 Wood Street, London EC2V 7AN. (London Broker)

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.

Electronic Communication

For Shareholders who wish to avail of the convenience of electronic communication, you may register your e-mail address by accessing our Registrar's website at www.computershare.com/register/ie , selecting Glanbia plc from the drop down menu "Company Selection" and clicking on "submit". You will need your Shareholder Reference Number (SRN) which is located on your share certificate or dividend counterfoil. This will allow shareholders to receive communications (interim/annual reports, etc) as soon as they are published and should benefit the environment and reduce the Company's costs. We also have a system to allow you to submit your proxy via the internet and via the CREST system. Please see proxy form for details of how to operate such systems.

Senior Management

A Senior Executive Management team is chaired by John Moloney, Group Managing Director and oversees the development and execution of the Group's strategy. It also has overall responsibility for achieving business results.

Members:

John Moloney, Group Managing Director
Geoff Meagher, Deputy Group Managing Director and Group Finance Director
Kevin Toland, CEO and President, Glanbia USA and Nutritionals
Siobhan Talbot, Deputy Group Finance Director
Jim Bergin, CEO , Food Ingredients Ireland
Colin Gordon, CEO, Consumer Foods Ireland
Brian Phelan, Group HR Director

Biographies

John Moloney B.Agr.Sc., MBA, (aged 52) 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.

Geoff Meagher CPA, (aged 57) 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 Toland FCMA, (aged 41) was appointed to the Board in 2003. He is CEO & President Glanbia USA & Nutritionals, having previously held the positions of Group Development Director and Chief Executive of the Consumer Foods Division. Prior to joining Glanbia in 1999, he held a number of senior management positions with Coca-Cola Bottlers in Russia and with Grand Metropolitan plc in Ireland and Central Europe.

Siobhan Talbot (B.Comm, FCA) age 43 was appointed Deputy Group Finance Director of Glanbia plc in June 2005. She was formerly Group Secretary. Prior to this she held a number of senior positions in finance since she joined the Group in 1992, including Group Operations Controller. Prior to joining the Group she worked with PricewaterhouseCoopers in Dublin and Sydney, Australia.

Brian Phelan (B. Comm, FCA) age 40, is Group Human Resources Director of Glanbia plc. Brian was appointed to this role in 2004. Prior to this he was Chief Financial Officer of the Consumer Foods Division. He also worked in Glanbia Ingredients in Ireland and the USA. Prior to joining the Group in 1994 he worked with KPMG.

Jim Bergin (B. Comm, MSc Mngt Practice) age 44 is Chief Executive of Glanbia Ingredients Ireland. He was appointed in March 2005. He joined the Group in 1984 and has held a number of senior positions including Group IT Manager and subsequently Group Business Process Director. He joined the Ingredients Business as Operations Manager in May 2003.

Colin Gordon (BBS, MBS, FMII) age 45, is Chief Executive of Glanbia Consumer Foods Ireland. He joined the Group in March 2006. He previously worked in C&C Group plc, the drinks and snack food company where he held a number of senior positions including, most recently Managing Director of C&C (Ireland) Ltd.

Group CEO's

The Group CEO's are as follows:

Consumer Foods – Colin Gordon
Pigmeat – Jim Hanley
Agribusiness – Colm Eustace
Property – Ger Mullally
Food Ingredients Ireland – Jim Bergin
Food Ingredients USA – Jeff Williams
Nutritionals USA – Jerry O'Dea
Nutritionals Europe and Asia Pacific – Hugh McGuire
Seltzer Companies Inc. – Wayne Seltzer

Biographies

Jim Hanley age 44, was appointed Chief Executive of Glanbia Meats in March 2007. He joined the Group in 1989 and has worked in the pigmeat sector for 25 years. Since joining Glanbia he has held a number of positions including General Sales Manager and more recently Deputy CEO for Meats.

Ger Mullally (B.Agr Sc. MBA) age 49, is Chief Executive of Glanbia Estates. He was appointed to this role in November 2005 after six years as Chief Executive of Agribusiness. He joined the Group in 1980 where he has held a number of senior positions within Agribusiness.

Colm Eustace ((B. Agr Sc. MBA) age 46, is CEO for Glanbia Agribusiness since November 2005. He joined the Group in 1986 where he has held a number of senior positions.

Jeff Williams (BSC Sc. Marketing, MBA) age 50, is President of Glanbia Foods, Inc., a position he has held since January 2005. He joined the Group in 1990 during which time he has held a number of senior positions. Prior to this he was involved in Commercial and Investment Banking. He is a member of the International Dairy Foods Association Board, National Cheese Institute Board and the Leadership Idaho Agriculture Board of Trustees.

Hugh McGuire (M.Sc, Dip Finance) age 36, is CEO for Glanbia Nutritionals in Europe and Asia Pacific. He joined the Group in 2003 from McKinsey & Co. where he worked as a Consultant across a range of industry sectors. Prior to this he worked in the consumer goods industry with Nestle and Leaf.

Jerry O'Dea (BSC Food Sc., MBA) age 47, is President of Glanbia Nutritionals, Inc., a position he has held since October 2002. He joined the Group in 1981 and has held a number of senior positions including Vice President, General Manager of Glanbia Ingredients USA. He is a member of the Nominations Committee of the United States Dairy Export Council (USDEC) and the board of the American Dairy Products Institute (ADPI).

Wayne Seltzer age 64, is President of Seltzer Companies Inc., which he founded in 1981. He is a graduate of University of California at Los Angeles and has been with the Group since Glanbia acquired Seltzer in September of last year. Prior to establishing Seltzer Companies he held a senior position at Gillies International.

In February 2007 John Madden, CEO of Glanbia Meats, retired after 12 years in the organisation.

Report of the Directors

for the year ended 30 December 2006

Introduction

The Directors are pleased to present their report to shareholders together with the audited financial statements for the year ended 30 December 2006.

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; and maximising the value of the Group's property assets. 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 it's 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.

Business review

Full-year results were in line with market expectations, despite a tough first half and ongoing challenges in Ireland. A solid operating performance, the changing mix of business and the benefits of prior year rationalisation initiatives improved profitability and margins. Key financial performance indicators are trending positively and international operations and joint ventures are progressing well.

The highlights of the results for the year were as follows:

Key strategic milestones were reached during the year including a US$105 million US Nutritionals acquisition, Seltzer, and the opening of one of the largest natural cheese and whey processing plants in the world, Southwest Cheese, which is a US$190 million 50:50 joint venture. The Seltzer acquisition is performing ahead of expectations. The Southwest Cheese plant is fully commissioned and is manufacturing product to a world class standard.

A further €50 million of development capital expenditure was committed in 2006, including €5 million to build the Group's first nutritionals operation in the Asia Pacific region and €22.5 million for a planned capacity expansion and new plant in the Nigerian joint venture.

The Group Managing Director's review on pages 6 to 9 provides an overview of the Group's vision and strategy for the next three years. The Business Review on pages 12 to 26 includes analysis, by operational division, of the 2006 results, trading environment and current business outlook of each business unit including joint ventures. The Finance Review on pages 30 to 31 analyses the financial results for 2006 including commentary on the financial ratios and Group balance sheet.

	2006	2005 (as restated)	Change
Revenue	€1,853.4 m	€1,830.0 m	**Up 1%**
Operating profit pre-exceptional	€85.6 m	€80.9 m	**Up 6%**
Operating margin pre-exceptional	4.6%	4.4%	**Up 20 bps**
Net financing costs pre-exceptional	(€14.0 m)	(€13.1 m)	**Up €0.9 m**
Share of results of joint ventures and associates after interest and tax	€2.8 m	€0.9 m	**Up 205%**
Profit before tax pre-exceptional	€74.4 m	€68.7 m	**Up 8%**
Profit after tax pre-exceptional	€66.4 m	€61.1 m	**Up 9%**
Exceptional items	(€0.1 m)	(€3.4 m)	**See note**
Earnings per share	22.5 c	19.7 c	**Up 14%**
Adjusted earnings per share	22.6 c	20.9 c	**Up 8%**
Dividend per share in respect of the year	5.8 c	5.5 c	**Up 5%**
Net debt	€224.5 m	€224.2 m	**Similar**

Exceptional items are €3.3 million restructuring costs relating to the closure of the Pigmeat cannery operation, €9.1 million being the cost of the disposal of the Group's remaining 25% interest and related loan note in The Cheese Company Holdings Limited to Milk Link Limited for €70 million and €12.3 million being the recognition of a deferred tax asset relating to the Group's former UK operations.

Report of the Directors (continued)

for the year ended 30 December 2006

Outlook

The Group's aim is to achieve strong leadership positions in markets that offer profitable long-term growth. The Group looks to achieve this through a combination of being relevant to its customers, growing its existing businesses, acquiring complementary new businesses, with emphasis on Nutritionals opportunities and achieving a high level of operational efficiency and productivity.

Ireland will remain challenging in light of the competitive retail environment and the ongoing effects of the implementation of the Mid Term Review of the Common Agricultural Policy. Irish operations continue to focus on key aspects of business execution which drive performance, productivity and cost competitiveness. International operations are expected to perform well in 2007 and are well positioned for good growth.

The Group is successfully developing a strategic international presence, which today represents nearly 40% of revenue. This gives the Group a strong platform from which to continue to grow and develop overseas. At the same time, the Group continues to consistently and solidly improve the long-term sustainability of the Irish operations.

As to the future, the Group is on target to deliver double digit earnings growth in 2007 and the Group believe the outlook is positive for sustained high growth.

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 30 December 2006 was 293,238,684 ordinary shares of €0.06 each.

Dividends

On 4 October 2006 an interim dividend of 2.4c per share on the ordinary shares amounting to €6.9 million was paid to shareholders on the register of members as at 15 September 2006. The Directors have recommended the payment of a final dividend of 3.4c per share on the ordinary shares which amounts to €10 million. Subject to shareholders approval this dividend will be paid on Tuesday, 22 May 2007 to shareholders on the register of members as at Friday, 27 April 2007, the record date.

Directors

Messrs GE Stanley and JJ Miller retired on 24 May 2006.

Messrs P Gleeson and MN Keane were appointed to the Board on 24 May 2006. In accordance with the Articles of Association of the Company, they will retire at the 2007 Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with the Articles of Association of the Company, Messrs JE Callaghan, CL Hill, JJ Moloney, WG Murphy and M Parsons retire from the Board by rotation and, being eligible, offer themselves for re-appointment.

In accordance with the provisions of the 2003 Combined Code on Corporate Governance of the Irish and London Stock Exchanges, Messrs MJ Walsh, L Herlihy and JV Quinlan, being Directors who have each served a period in excess of nine years on the Board will retire at the AGM and, being eligible, offer themselves for re-appointment.

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.

Employees

The Group's 3,926 employees are the key to building sustainable growth through delivery of the strategy. The Group provides opportunity, development and reward to those who enjoy working in a challenging delivery focussed environment and is proud to be an employer of choice at its worldwide locations.

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 the 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, other products and the enhancement of proprietary technologies and processes.

Through its research and development facilities in Kilkenny and Idaho, USA, the Group's business has developed and launched advanced, differentiated and branded ingredients and consumer products targeted at a range of nutritional benefits such as weight management and immune enhancement.

Substantial Interests

As at 23 February 2007, the Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	No. of ordinary: shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.7%
Bank of Ireland Nominees Limited*	25,309,608	8.6%
Bank of Ireland Asset Management Limited**	14,163,481	4.8%

* Bank of Ireland Nominees Limited has confirmed that it has no beneficial interest in the 25,309,608 shares.

** Bank of Ireland Asset Management Limited has confirmed that it has no beneficial interest in the 14,163,481 shares of which 14,038,750 are included in the Bank of Ireland Nominees Limited holding.

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 42 to the financial statements.

Principal risks and uncertainties and financial risk management
Under Irish company law (Statutory Instrument 116.2005-European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Group is required to give a description of the principal risks and uncertainties which it faces. These appear on page 44 of the Corporate Governance Report.

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, 30 and 36 to the financial statements.

Subsidiary and associated undertakings
A list of the principal subsidiary and associated undertakings is included in note 43 to the financial statements.

Political donations
The Electoral Act, 1997 requires companies to disclose all political donations over €5,079 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company.

Books of account
The measures taken by the Directors to secure compliance with the Company's obligations to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Glanbia House, Kilkenny, Ireland.

Corporate governance
The Directors of the Company are committed to maintaining the highest standards of corporate governance and a statement of how the Company applies the main and supporting principles of the 2003 Combined Code on Corporate Governance of the Irish and London Stock Exchanges ("the Combined Code") appears on pages 38 to 41.

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 2007 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 2008 or the date of the Annual General Meeting of the Company in 2008.

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 2007. 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 2008 or the date of the Annual General Meeting of the Company in 2008. 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.

On behalf of the Board

MJ Walsh	**JJ Moloney**
Chairman	Group Managing Director

Glanbia House
Kilkenny
6 March 2007

Directors' Statement of Corporate Governance

Glanbia plc ("the Company") has primary listings on the Irish and London Stock Exchanges.

The Directors of the Company are committed to maintaining the highest standards of corporate governance and this statement describes how the Company applies the main and supporting principles of the 2003 Combined Code on Corporate Governance of the Irish and London Stock Exchanges ("the Combined Code").

Board of Directors

Role

The Board is responsible for the leadership, direction and control of the Company and its subsidiary companies ("the Group") and is accountable to shareholders for financial performance.

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.

The role of the Chairman, which is non-executive, is separate (and always has been separate) from the role of the Group Managing Director. The division of responsibilities between the Chairman and Group Managing Director have been clearly established, set out in writing and agreed by the Board.

Board composition

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 non-executive Directors. Biographies of each of the Directors are set out on pages 32 and 33.

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

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.

Chairman and Vice-Chairmen

Mr MJ Walsh has been Chairman of the Board since 9 June 2005. 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 MJ Walsh holds a number of other directorships (see details on page 32) and farms at Coolroe, Graiguenamanagh, County Kilkenny, the Board considers that these do not interfere with the discharge of his duties to the Group.

The Company has two Vice-Chairmen, Mr L Herlihy and Mr JV Quinlan.

Senior Independent Director

Mr JE 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 has failed to resolve.

Managing Director

The day to day management of the Group has been delegated to the Group Managing Director, Mr JJ Moloney, whose appointment to that position was effective from July, 2001. His responsibilities include the formulation of strategy and related plans and, subject to Board approval, their execution. He is also responsible for ensuring an effective organisation structure, for the appointment and direction of the senior executive management and for the operational management of all the Group's businesses.

Company Secretary

Mr M Horan is the Group Secretary. 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 and that applicable rules and regulations are followed. Both the appointment and removal of the Secretary is a matter for the Board.

Terms of appointment

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.

Information on professional development

Directors are provided with a comprehensive information pack on joining the Company and advised of their legal and other duties and obligations as a director of a listed company. In addition, all new Directors receive induction on their appointment covering such matters as the operation and activities of the Company and the Group, the role of the Board and the Group's corporate governance procedures. As part of this programme, major shareholders are offered an opportunity to meet new non-executive Directors.

Directors are also briefed, where appropriate, on changes to legislation, regulation or market practices, as well as receiving briefings from business groups throughout the year.

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

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

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 non-executive Directors which was chaired by Mr JE Callaghan, the Senior Independent Director.

The Board also evaluated the performance of the Audit Committee, Nomination Committee and Remuneration Committee.

Independence
The Board has evaluated the independence of the non-executive Directors under the guidelines specified in the Combined Code.

Following this assessment, the Board has determined that throughout the reporting period, Mr JE Callaghan, Mr P Haran and Mr JV Liston were independent. In particular, the Board reviewed the position of Mr JE Callaghan in the context of the guidance in the Combined Code and determined that, despite his 9 years on the Board, he remains independent. In the same manner as the other non-executive Directors, he discharges his duties in a proper and consistently independent manner and constructively and appropriately challenges the executive Directors and the Board.

Fourteen of the remaining fifteen 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 2005 but remains on the Board as a non-executive Director. The Board recognises that these Directors do not meet the criteria for independence as specified in the Combined Code however, the Board considers that they are independent in character and judgement.

All of the non-executive Directors bring an independent perspective to their advisory and monitoring roles.

Share ownership and dealing
In order to maintain investor confidence in the stock markets, quoted companies have an obligation to ensure that their directors and employees, and anyone closely associated or connected to them, do not place themselves in positions where investors might suspect them of abusing inside information. For this reason, the Company issued in early 2006 revised rules covering share dealings by Directors and employees who regularly, or even occasionally, have access to inside information.

The main principle underlying the rules is that no one should trade in shares of the Company while in possession of inside information about the Company. Likewise, no one should deal in the shares of the Company, if it would give rise to a suspicion that they are abusing inside information. As a safeguard against any actual or potential abuse of these rules, the Company has appointed as Compliance Officers, the Group Secretary and the Deputy Group Finance Director from whom approval must be obtained, in advance, for any share dealings by persons to whom the rules apply.

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 are set out on pages 103.

Board succession planning
The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board considers the knowledge and experience necessary to allow it to meet the strategic vision for the Company and the Group.

Meetings
There were 12 scheduled meetings of the Board during 2006. Details of Directors' attendance at those meetings are set out in the table on the next page:

Directors' Statement of Corporate Governance (continued)

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
MJ Walsh	12	12			1	1	2	2
L Herlihy	12	12	5	5			2	2
JV Quinlan	12	12	5	5			2	2
JJ Moloney	12	12						
JE Callaghan	12	12	5	5	1	1	2	2
HV Corbally	12	12	5	5				
EP Fitzpatrick	12	12						
JG Fitzgerald	12	12	5	5				
JA Gilsenan	12	12						
P Gleeson**	8	8						
P Haran	12	12	5	5	1	1	2	2
CL Hill	12	12						
Mn Keane**	8	8						
Ml Keane	12	12						
JV Liston	12	12	5	4	1	1	2	2
GJ Meagher	12	12						
M Merrick	12	12						
JJ Miller*	4	4						
WG Murphy	12	12						
M Parsons	12	12						
EM Power	12	11	5	4				
GE Stanley*	4	4						
KE Toland	12	9						

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 24 May 2006 ** Appointed 24 May 2006

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 33 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 to each of these committees.

Nomination Committee

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 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 addition, in accordance with the provisions of the Combined Code, non-executive Directors serving for more than nine years must seek re-election annually.

The Nomination Committee did not use an external search consultancy or open advertising in the appointment of the new non-executive Directors, Messrs Mn Keane and P Gleeson, as they were nominated by the Board of the Society for appointment to the Board. The Nomination Committee uses industry and professional contacts to identify suitable candidates for the appointment of independent Directors.

The Nomination Committee also considers and recommends the appointment of the Chairman of the Company and the Vice-Chairmen. It is the custom and practice that the Chairman and Vice-Chairmen of the Society are also Chairman and Vice-Chairmen of the Company.

The Chairman of the Company chairs meetings of the Nomination Committee except when it is dealing with the appointment of a successor to the Chairmanship. The Chairman of the Nomination Committee 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, and to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' 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 auditors 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; and
- 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.

In discharging its responsibilities the Audit Committee met five 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 and Members 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 has approved a policy on the engagement of the external auditors to provide non-audit services. This policy provides that the Group shall not retain its independent auditors to provide services other than audit and audit related services other than in exceptional circumstances. The following services are prohibited unless approved under the terms of the Policy:
- Bookkeeping or other administrative services related to the Group's accounting records or financial statements;
- Financial information systems design and implementation
- Internal audit services;
- Management functions, executive searches for the Group Managing Director or Group Finance Director and legal services.

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

US Advisory Board
During 2005, a US Advisory Board was established to assist the Board in developing a greater awareness of activities and market trends in the relevant USA industry sectors. Mr T Corcoran, Glanbia Group Chairman from 2000 to 2005, is Chairman of the US Advisory Board. The membership of the Advisory Board also currently comprises Mr JE Callaghan, Senior Independent Director, Mr K Toland, Executive Director, Mr L Herlihy, Mr JV Quinlan, Vice Chairmen, and Messrs J McCullough and P Rogers and Ms S Davis, USA based members.* The Group Chairman and Group Managing Director also attend meetings of the US Advisory Board.

* Mr McCullough recently retired as Chief Executive Officer of CRH Americas Products and Distribution. He joined CRH in 1979 and has held a number of senior management positions with that company.

Mr Rogers, retired, was previously President of Nabisco Foods Americas and held a variety of other senior positions in food companies.

Ms Davis is Chairperson of Susan Davis International, a Washington D.C based public affairs agency.

Remuneration Committee
The Remuneration Committee determines, on behalf of the Board, the Group'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 Liston is Chairman of the Remuneration Committee and formally reports to the Board after each meeting of the Committee.

Directors' Statement of Corporate Governance (continued)

Remuneration

Remuneration Policy

Remuneration policy is based on attracting, retaining and motivating executives to ensure that they perform in the best interests of the Group 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 participated 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 for their attendance at board meetings.

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, 101,982 ordinary shares were transferred to employees of the Group who exercised their options under the Scheme. The options granted under the Sharesave Scheme in 2002 expired on 31 March 2006.

Pension Benefits

Pension benefits for executive Directors are calculated on basic salary only. Benefits, which are agreed on appointment, are designed to provide a percentage 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 exceed one year's salary and benefits-in-kind.

Directors' Emoluments and Attributable Pension Benefits

Details of Directors' emoluments and attributable pension benefits are set out in note 9 and details of share options are included in note 42 to the financial statements.

Other Directorships

The Group Managing Director, Mr JJ Moloney, is a Director of The Irish Dairy Board Co-operative Limited for which he received fees of €12,000 which he retained.

Share Options

Options outstanding under the Company's 1988 Share Option Scheme and the LTIP as at 30 December 2006 amounted to 2,734,000 ordinary shares (31 December 2005: 3,116,913 inclusive of 109,913 options outstanding as at 31 December 2005 under the Sharesave Scheme, which expired on 31 March 2006) made up as follows:

	No of ordinary shares	Price range	Dates exercisable
Share option scheme and 2002 LTIP	2,734,000	€1.55 - €4.25	2006 – 2016
		GBP£2.90	2006 – 2008

As detailed in note 42 to the financial statements at 30 December 2006, 262,503 ordinary shares were held in an employee benefit trust for the purpose of the Sharesave Scheme ("the Employees' Share Trust").

Corporate Social Responsibility

The Group's Corporate Social Responsibility Programme relies on a careful balance of economic, environmental and social policies while the Group aims to fulfil its strategic goals of building a sustainable business and long term growth. Group policies and implementation systems are summarised on pages 27 to 29.

Accountability and Audit

Financial Reporting

Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 35. The external 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.

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 purpose 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's Executive Committee, a management committee chaired by the Group Managing Director, and recommended to the Board.

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.

Directors' Statement of Corporate Governance (continued)

Principal Risks and Uncertainties and Financial Risk Management

Under Irish Company Law (Statutory Instrument 116.2005 – European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Company is required to give a description of the principal risks and uncertainties which it faces. The principal risks are set out below:

1. Food Safety

The Board is committed to maintaining the highest standards of food safety. To manage food safety risks, our processing sites operate world class quality and food safety systems which are regularly reviewed to ensure they remain effective and follow best practice, including compliance with all regulatory requirements.

2. 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. The Group continues to be committed to sustainable growth in harmony with the environment and the communities in which it operates, which is achieved by attention to such elements as:

- the inclusion of environmentally friendly goals and risk management as part of the overall business strategy;
- the maintenance of relationships with local communities and authorities, regulatory agencies and interest groups to create better understanding and co-operation; and
- the recycling and the re-using of raw materials and the reducing of discharges to land, air and water.

3. Health and Safety

The Board are committed to protecting the health, safety and welfare of all employees, visitors and the public in general. Processes have been put in place to ensure that workplace conditions, practices and procedures are maintained to the highest possible level of safety and in full compliance with relevant health, safety and welfare legislation.

4. Energy

The efficient consumption of energy is a key objective for the Company. In order to minimise the impact on energy costs of price volatility, the Company will, where necessary, enter into fixed price arrangements to cover certain future energy requirements.

5. Loss of a Major Site

The Group operates from many key sites the loss or significant destruction of any one of which would present significant operational difficulties. The Group's operations have business continuity and communication plans in place to manage the impact of such an event. The Group also has insurance programmes designed to mitigate the financial consequences.

6. Growth

The Group pursues a strategy of growth through acquisitions and investment in existing businesses. There is a risk to the business if the Group is unable to continue to grow as outlined in its business plan due to an inability to identify attractive targets, complete acquisitions and integrate the operations of the acquired businesses. The Group's management team has significant experience in the areas of both pre-acquisition due diligence and post acquisition integration. Where appropriate, external resources are engaged to assist with acquisitions and investments.

7. Legislation and Regulation

The Group's operations in the processing, distribution, packaging and labelling of food are governed by extensive legislation, regulations, codes of practice and guidance. The Group conforms to international and local food safety, quality and environmental regulations and is committed to sustainable growth in harmony with the environment and the communities where it operates.

8. Competition

The Group operates in competitive markets. Significant product innovations, technical advances or the intensification of price competition could adversely affect the Group. The Group invests in research and development and ensures that the introduction of new products and improved production processes positions the Group well in its chosen markets. The Group also continually works to streamline its cost base to ensure it remains competitive.

9. Attracting and Retaining High Quality Senior Management and Staff

The on-going success of the Group is dependent on attracting and retaining high quality senior management and staff. The Group mitigates any risk associated with loss of key personnel through robust succession planning, strong recruitment processes, long term management incentives and retention initiatives.

10. Supply Chain

The Group's ability to fulfil the demand for its products is dependent on no significant disruptions to its supply chain. The Group mitigates this risk by maintaining a broad supplier base and the Group is committed to ensuring that suppliers continue to choose the Group as the partner of choice.

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 note 3 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 2006 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 2005 financial statements and the reports of the Directors and auditors thereon. The level of proxy votes for and against was announced after each resolution had been passed on a show of hands.

It is our policy for all Directors to attend the Annual General Meeting. In normal circumstances, the Chairman of the Audit, Nomination and Remuneration Committee attend the Annual General Meeting and are available to answer relevant questions.

Compliance

The Board believes that, except in relation to the composition of the Board and Remuneration Committee, as noted above, the Company has complied throughout the financial period with the principles and provisions of the Combined Code.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006 and, as regards the group financial statements, 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 web site. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

MJ Walsh
Chairman

JJ Moloney
Group Managing Director

Glanbia House
Kilkenny
6 March 2007

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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 30 December 2006, 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 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 2006. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006 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.

Independent auditors' report: to the members of Glanbia plc (continued)

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 30 December 2006 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 2006, of the state of the Parent Company's affairs as at 30 December 2006 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 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 30 December 2006 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
6 March 2007

Consolidated income statement

for the year ended 30 December 2006

	Notes	Pre-exceptional 2006 €'000	Exceptional 2006 €'000	Total 2006 €'000	Pre-exceptional 2005 (as restated) €'000	Exceptional 2005 (as restated) €'000	Total 2005 (as restated) €'000
Revenue	5	1,853,427	-	1,853,427	1,830,012	-	1,830,012
Cost of sales		(1,596,547)	-	(1,596,547)	(1,589,686)	-	(1,589,686)
Gross profit		256,880	-	256,880	240,326	-	240,326
Distribution expenses		(105,724)	-	(105,724)	(94,743)	-	(94,743)
Administration expenses	7	(65,589)	(12,455)	(78,044)	(64,651)	(5,041)	(69,692)
Operating profit	6	85,567	(12,455)	73,112	80,932	(5,041)	75,891
Finance income	10	4,883	-	4,883	4,209	-	4,209
Finance costs	10	(18,918)	-	(18,918)	(17,358)	(5,304)	(22,662)
Share of results of joint ventures and associates		2,842	-	2,842	932	-	932
Profit before taxation		74,374	(12,455)	61,919	68,715	(10,345)	58,370
Income taxes	11	(7,970)	12,321	4,351	(7,592)	6,935	(657)
Profit for the year		66,404	(134)	66,270	61,123	(3,410)	57,713
Attributable to:							
Equity holders of the Parent				65,934			57,396
Minority interests				336			317
				66,270			57,713
Basic earnings per share (cent)	12			22.51			19.69
Diluted earnings per share (cent)	12			22.47			19.62

On behalf of the Board

MJ Walsh **JJ Moloney** **GJ Meagher**

Directors

Consolidated statement of recognised income and expense for the year ended 30 December 2006

	Notes	2006 €'000	2005 (as restated) €'000
Actuarial gain/(loss) - defined benefit schemes	32	**36,852**	(42,303)
Deferred tax on actuarial gain/(loss)	31	**(3,923)**	4,054
Share of actuarial gain - joint venture	22	**230**	-
Currency translation differences	22	**(9,401)**	889
Fair value adjustments			
- Group	22	**2,367**	(873)
- Joint venture	22	**367**	-
Net income/(expense) recognised directly in equity		**26,492**	(38,233)
Profit for the year		**66,270**	57,713
Total recognised income for the year		**92,762**	19,480
Attributable to:			
Equity holders of the Parent		**92,426**	19,163
Minority interest		**336**	317
		92,762	19,480
Effects of changes in accounting policy (adoption of IAS 32 and IAS 39):			
Equity holders of the Parent		**-**	(2,592)
Minority interest		**-**	-
		-	(2,592)

On behalf of the Board

MJ Walsh JJ Moloney GJ Meagher

Directors

Consolidated balance sheet

as at 30 December 2006

	Notes	2006	2005 (as restated)
ASSETS		€'000	€'000
Non-current assets			
Property, plant and equipment	14	**335,152**	340,503
Intangible assets	15	**138,724**	57,963
Investments in associates	16	**10,933**	11,090
Investments in joint ventures	17	**58,668**	59,832
Available for sale investments	18	**12,527**	29,511
Trade and other receivables	19	**-**	56,874
Derivative financial instruments	36	**2,095**	1,825
Deferred tax assets	31	**23,923**	15,869
		582,022	573,467
Current assets			
Inventories	20	**145,158**	144,250
Trade and other receivables	19	**169,540**	143,610
Derivative financial instruments	36	**6,776**	1,125
Cash and cash equivalents	21	**259,311**	104,405
		580,785	393,390
Total assets		**1,162,807**	966,857
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital	23	**98,304**	97,964
Other reserves	24	**113,696**	120,192
Retained earnings	25	**(18,116)**	(100,737)
		193,884	117,419
Minority interests	29	**6,635**	6,299
	22	**200,519**	123,718
LIABILITIES			
Non-current liabilities			
Borrowings	30	**444,570**	327,424
Deferred tax liabilities	31	**38,611**	34,471
Trade and other payables	35	**11,373**	-
Retirement benefit obligations	32	**124,888**	165,016
Provisions for other liabilities and charges	33	**6,032**	6,072
Derivative financial instruments	36	**3,406**	-
Capital grants	34	**10,660**	14,855
		639,540	547,838
Current liabilities			
Borrowings	30	**39,235**	1,133
Provisions for other liabilities and charges	33	**7,110**	8,433
Trade and other payables	35	**270,773**	278,583
Current tax liabilities		**1,942**	4,605
Derivative financial instruments	36	**3,688**	2,547
		322,748	295,301
Total liabilities		**962,288**	843,139
Total equity and liabilities		**1,162,807**	966,857

On behalf of the Board

MJ Walsh **JJ Moloney** **GJ Meagher**

Directors

Consolidated cash flow statement

for the year ended 30 December 2006

	Notes	2006 €'000	2005 €'000
Cash flows from operating activities			
Cash generated from operations	39	**58,486**	163,835
Interest received		**1,000**	670
Interest paid		**(19,967)**	(23,177)
Tax paid		**(6,274)**	(3,777)
Net cash from operating activities		**33,245**	137,551
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(69,892)**	(19,366)
Purchase of property, plant and equipment		**(38,085)**	(46,979)
Purchase of available for sale investments		**(3,406)**	(5,214)
Disposal of subsidiary, net of cash disposed		**(323)**	(147)
Disposal of available for sale investments		**22,185**	14,394
Repayment of loan note		**52,822**	-
Proceeds from sale of property, plant and equipment		**8,665**	4,418
Net cash used in investing activities		**(28,034)**	(52,894)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	**190**	731
Sharesave Scheme		**122**	2,191
Increase/(decrease) in borrowings		**169,851**	(20,242)
Finance lease principal payments		**(1,077)**	(1,449)
Dividends paid to Company's shareholders	13	**(16,472)**	(15,612)
Repayment of minority interest		**-**	(7)
Capital grants received		**123**	772
Net cash from/(used in) financing activities		**152,737**	(33,616)
Net increase in cash and cash equivalents		**157,948**	51,041
Cash and cash equivalents at the beginning of the year		**104,405**	51,625
Effects of exchange rate changes on cash and cash equivalents		**(3,042)**	1,739
Cash and cash equivalents at the end of the year	21	**259,311**	104,405

	2006 €'000	2005 €'000
Reconciliation of net cash flow to movement in net debt		
Net increase in cash and cash equivalents	**157,948**	51,041
Cash (outflow)/inflow from debt financing	**(168,774)**	21,691
	(10,826)	72,732
Debt acquired with subsidiaries	**-**	(1,786)
Fair value of interest rate swaps qualifying as fair value hedges	**3,978**	-
Exchange translation adjustment on net debt	**6,506**	(24,717)
Movement in net debt in the year	**(342)**	46,229
Net debt at the beginning of the year	**(224,152)**	(270,381)
Net debt at the end of the year	**(224,494)**	(224,152)

On behalf of the Board

MJ Walsh **JJ Moloney** **GJ Meagher**

Directors

Company balance sheet

as at 30 December 2006

	Notes	2006 €'000	2005 €'000
ASSETS			
Non-current assets			
Investments in associates	16	**1,395**	1,395
Investments in subsidiaries	18	**510,412**	510,469
		511,807	511,864
Current assets			
Trade and other receivables	19	**1,881**	934
Cash and cash equivalents	21	**4,376**	16,281
		6,257	17,215
Total assets		**518,064**	529,079
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital	23	**453,572**	453,232
Retained earnings	25	**47,924**	47,437
Capital reserve	27	**4,674**	4,503
Total equity		**506,170**	505,172
LIABILITIES			
Non-current liabilities			
Borrowings	30	**-**	3,397
Current liabilities			
Trade and other payables	35	**11,894**	20,510
Total liabilities		**11,894**	23,907
Total equity and liabilities		**518,064**	529,079

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 30 December 2006

Company statement of recognised income and expense

	2006 €'000	2005 €'000
Profit for the year	**16,959**	23,964
Total recognised income for the year	**16,959**	23,964

Company cash flow statement

	Notes	2006 €'000	2005 €'000
Cash flows from operating activities			
Cash generated from operations	39	**(4,981)**	8,281
Interest received		**2,125**	2,053
Net cash from operating activities		**(2,856)**	10,334
Cash flows from investing activities			
Disposal of available for sale investments		**-**	916
Dividends received		**10,508**	16,214
Net cash used in investing activities		**10,508**	17,130
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	**190**	731
Sharesave Scheme - receipt from Trustees		**122**	2,191
Decrease in borrowings		**(3,397)**	-
Dividends paid to Company's shareholders	13	**(16,472)**	(15,612)
Net cash used in financing activities		**(19,557)**	(12,690)
Net increase in cash and cash equivalents		**(11,905)**	14,774
Cash and cash equivalents at the beginning of the year		**16,281**	1,507
Cash and cash equivalents at the end of the year	21	**4,376**	16,281

As permitted by Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies Amendment Act, 1986 the Parent Company is availing of the exemption from presenting its separate income statement in these financial statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the financial statements of Glanbia plc, amounts to €16,959,000 (2005: €23,964,000).

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

Notes to the financial statements

for the year ended 30 December 2006

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 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 6 March 2007.

2 Summary of significant accounting polices

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 consolidated financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS"), IFRIC interpretations and the Companies Acts, 1963 to 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by use of fair values for available for sale financial assets and derivative financial instruments. A summary of the more important Group accounting policies is set out below.

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 30 December 2006, comparatives are for the 52 week period ended 31 December 2005. The balance sheets for 2006 and 2005 have been drawn up as at 30 December 2006 and 31 December 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 entity 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 incurred or assumed 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.

(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 directly in equity. 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.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(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.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment.

(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 held at fair value through profit or loss 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 currency 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. In accordance with IFRS 1, the cumulative translation differences on foreign subsidiaries was set to zero on IFRS transition date (4 January 2004).

(e) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less subsequent depreciation less any impairment loss. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of properties, plant and equipment.

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 on 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.

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.

Property, plant and equipment is tested for impairment when indicators arise. 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 identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill associated with the acquisition of associates is included within the investment in associates.

Goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill is tested for impairment on an annual basis. Goodwill impairments are not reversed.

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.

The fair values of intangible assets acquired as part of business combinations are based on the discounted cash flows expected to be derived from the eventual use and sale of those assets, unless impaired. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(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 using the straight line method 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 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) Investments

The Group classifies all its investments as available for sale financial assets. They are initially recognised at fair value and are subsequently adjusted to 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.

Investments in subsidiaries held by the Company are carried at cost.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(h) Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. A determination is also made as to whether the substance of an arrangement could equate to a finance lease, considering whether fulfilment of the arrangement is dependant upon the use of a specific asset and the arrangement contains the right to use an asset. If the specified criteria are met, the arrangement is classified as a finance lease. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset 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 borrowings, 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.

(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 cost of selling expenses.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within distribution costs. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution costs in the income statement.

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 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. The fair value of plan assets are measured at their bid value.

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 the income statement, 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*

The Group operates a number of equity settled share based compensation plans which 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. In accordance with the transition arrangements set out in IFRS 2 (Share Based Payments), this standard has been applied in respect of share options granted after 7 November 2002 which had not vested by transition date (4 January 2004).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(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 using the effective interest method. 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.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(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) above.

(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. Goodwill is reviewed at least annually for impairment. 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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

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.

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 at balance sheet date.

The fair value of forward foreign currency contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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 hedged 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 recycled 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 recycled 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) *Net investment hedge*
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are transferred to the income statement when the foreign operation is partially disposed of or closed.

(iv) *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.

(v) *Financial guarantee contracts*
Financial guarantee contracts are issued to banking institutions by the entity Glanbia plc on behalf of certain of its subsidiaries. These subsidiaries engage in ongoing financing arrangements with these banking institutions. Under the terms of amended IAS 39 (Financial Instruments: Recognition and Measurement) financial guarantee contracts are required to be recognised at fair value at inception and subsequently measured as a provision under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) on the Glanbia plc company balance sheet.

(t) Earnings per share
Earnings per share represents the profit in cent attributable to equity holders of the Company, 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.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(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.

(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) Business combinations

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries by the Group.

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable costs. To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the income statement over the life of the obligation.

Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the adjustment is included in the cost at the acquisition date if the adjustment can be reliably measured. Contingent consideration is included in the acquisition balance sheet on a discounted basis.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within 12 months of the acquisition date.

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the intangible asset meets the definition of an asset and the fair value can be reliably measured on initial recognition.

In accordance with IFRS 1, business combinations that took place before the transition date (4 January 2004) have not been restated. All goodwill written off to reserves or amortised prior to the transition date remains written off.

(aa) New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations are mandatory for accounting periods beginning on or after 31 December 2006. The Group's assessment of the impact of these new standards and interpretations is set out below;

(i) *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 on or after 31 December 2006.

Amendments to existing standards and interpretation effective in 2006 and adopted by the Group:

The following amendments and interpretations of existing standards have been adopted by the Group in the current period and have resulted in a change in accounting policy for the Group:

- IAS 21 (Amendment) – Net Investment in a Foreign Operation,
- IAS 39 and IFRS 4 (Amendment) – Financial Guarantee Contracts, and
- IFRIC 4 – Determining whether an Arrangement contains a Lease.

These changes in accounting policies are outlined in more detail at note (bb).

Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations:

The following standards, amendments and interpretations are mandatory for the Group for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment) – the Fair Value Option;
- IFRS 6 – Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 6 – Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment;
- IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments to and interpretations to existing standards have been published and are mandatory for future accounting periods and have not been early adopted:

(ii) *IFRS 8 – Operating segments*
This standard is effective for accounting periods beginning on or after 1 January 2009. IFRS 8 sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The IFRS replaces IAS 14 Segment Reporting. The Group will apply IFRS 8 from 1 January 2009 and is currently considering the impact of this standard on its disclosures.

(iii) *IFRIC 7 – Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for periods beginning on or after 1 March 2006)*
IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations;

(iv) *IFRIC 8 – Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006)*
IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 31 December 2006, but it is not expected to have any impact on the Group's financial statements;

(v) *IFRIC 9 – Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006)*
IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is not expected to have any impact on the Group's financial statements.

(vi) *IFRIC 10 – Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)*
IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 31 December 2006, but it is not expected to have any impact on the Group's financial statements.

(vii) *IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)*
Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. As the Group is not a service concession operator IFRIC 12 is not relevant to the Group's activities.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(bb) Prior year adjustments

(i) *Foreign currency*

The Group has adopted the amendment to IAS 21, 'Net Investment in a Foreign Operation', in the Group's financial statements from 1 January 2006. The adoption of this amendment has resulted in a change in accounting policy. The adoption of this amendment requires 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, are recognised directly in equity on consolidation. Prior period comparative figures have been restated to reflect the impact of this change. In the prior year, such loans between fellow subsidiaries did not qualify as part of the net investment and therefore the exchange gains and losses on these loans were recognised directly in the income statement.

This change results in the recognition of a gain of €3.9 million, previously included within administration expenses in the income statement in the prior year, directly in equity in the currency reserve. There is no net impact on equity as a result of this change. The overall impact represents an increase in currency reserve amounting to €3.9 million and a decrease in retained earnings amounting to €3.9 million.

The change in accounting policy has resulted in a decrease in basic and diluted EPS for the year ended 31 December 2005 of 1.35 cent and 1.30 cent respectively.

(ii) *Leases*

The Group has adopted IFRIC 4, Determining whether an Arrangement contains a Lease, in the Group's financial statements from 1 January 2006. The Group reviews arrangements that do not take the legal form of a lease and a determination is also made as to whether the substance of an arrangement could equate to a finance lease, considering whether fulfilment of the arrangement is dependant upon the use of a specific asset and the arrangement contains the right to use an asset. If the specified criteria are met, the arrangement is classified as a finance lease. In prior years the annual cost of this arrangement was recognised as an expense as incurred. The effect of this change in accounting policy has resulted in an increase in property, plant and equipment and lease liabilities amounting to €8.5 million and €8.5 million respectively at 31 December 2005. This has also resulted in a decrease in administration expenses of €0.93 million, an increase in depreciation of €0.57 million and an increase in interest expense of €0.36 million in the year ended 31 December 2005.

The change in accounting policy has resulted in no impact to basic or diluted EPS for the year ended 31 December 2005.

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.

The Group does not engage in holding or issuing speculative financial instruments or derivatives thereof. 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 primarily in the USA. As a result movements in US dollar/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. 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 term facilities of €622.1 million of which €138.3 million was undrawn. The weighted average period to maturity of these facilities was 4.3 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 Seltzer Companies, Inc., including goodwill arising on acquisition of €62.1 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. A rate of 0% has been used to estimate cash flow growth between 5 and 10 years.

(b) 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

(c) Post-employment benefits

The Group operates a number of post employment defined benefit plans. The rates of contributions payable, the pension cost and the Group's total obligation in respect of defined benefit plans is calculated and determined by independent qualified actuaries and updated at least annually. The Group also has plan assets totalling €376.6 million giving a net pension liability of €124.9 million for the Group. The size of the obligation and cost of the benefits are sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels and the level of contributions from the Group.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(d) Establishing lives for depreciation of property, plant and equipment and intangible assets

Long-lived assets comprising primarily of property, plant and equipment and intangible assets, represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these useful lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, pattern of consumption, the physical condition and expected economic utilisation of the asset. Changes in the useful lives can have a significant impact on the depreciation and amortisation charge for the period. Details of the useful lives are included in the accounting policy 2(e) and 2(f). The impact of any change could vary significantly depending on the individual changes in assets and the classes of assets impacted.

(e) Providing for doubtful debts

The Group trades with a large and varied number of customers on credit terms. Some debts due will not be paid as a result of the default of a small number of customers. The Group uses estimates based on historical experience and current information in determining the level of debts for which a provision for impairment is required. Factors that the Group will consider include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments. Any significant impact on the level of customers that default on payment would have a consequential impact on operating result. The level of provision required is reviewed on an ongoing basis.

5 Segment information

Primary reporting format – business segments

At 30 December 2006 the Group is organised into three main business segments:
- Consumer Foods
- Food Ingredients and Nutritionals
- Agribusiness and Property

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

2005	Consumer Foods €'000	Food Ingredients and Nutritionals (as restated) €'000	Agribusiness and Property €'000	Unallocated (as restated) €'000	Group (as restated) €'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	43,109	10,684	-	80,932
Exceptional items	(11,860)	(2,649)	(1,160)	10,628	(5,041)
	15,279	40,460	9,524	10,628	75,891
Finance income and costs					(18,453)
Share of results of joint ventures and associates					932
Profit before tax					**58,370**
Tax					(657)
Profit for the year					**57,713**

The segment results for the year ended 30 December 2006 are as follows:

2006	Consumer Foods €'000	Food Ingredients and Nutritionals €'000	Agribusiness and Property €'000	Unallocated €'000	Group €'000
Total gross segment revenue	511,077	1,186,890	264,492	-	1,962,459
Inter-segment revenue	(55)	(108,977)	-	-	(109,032)
Revenue	**511,022**	**1,077,913**	**264,492**	**-**	**1,853,427**
Operating profit pre-exceptional items	24,525	44,166	16,876	-	85,567
Exceptional items	(3,277)	-	-	(9,178)	(12,455)
	21,248	44,166	16,876	(9,178)	73,112
Finance income and costs					(14,035)
Share of results of joint ventures and associates					2,842
Profit before tax					**61,919**
Tax					4,351
Profit for the year					**66,270**

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 31 December 2005 are as follows:

2005	Consumer Foods €'000	Food Ingredients and Nutritionals (as restated) €'000	Agribusiness and Property €'000	Unallocated €'000	Group (as restated) €'000
Depreciation restated	6,870	14,356	2,859	-	24,085
Amortisation of intangibles	2,380	821	112	-	3,313
Capital grants released to income statement	(1,411)	(7)	(6)	-	(1,424)
Restructuring costs	11,860	2,649	1,160	-	15,669

Other segment items included in the income statement for the year ended 30 December 2006 are as follows:

2006	Consumer Foods €'000	Food Ingredients and Nutritionals €'000	Agribusiness and Property €'000	Unallocated €'000	Group €'000
Depreciation	7,989	15,000	2,426	-	25,415
Amortisation of intangibles	2,567	1,607	278	-	4,452
Capital grants released to income statement	(4,269)	(12)	(41)	-	(4,322)
Restructuring costs - exceptional item	3,277	-	-	-	3,277

Notes to the financial statements (continued)

for the year ended 30 December 2006

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 and Nutritionals (as restated) €'000	Agribusiness and Property €'000	Unallocated €'000	Group (as restated) €'000
Assets	175,389	477,963	122,309	120,274	895,935
Associates and joint ventures	-	-	-	70,922	70,922
Total assets	**175,389**	**477,963**	**122,309**	**191,196**	**966,857**
Liabilities	**(131,503)**	**(280,359)**	**(72,144)**	**(359,133)**	**(843,139)**
Group capital expenditure and acquistions	**12,096**	**30,006**	**8,439**	**495**	**51,036**

The segment assets and liabilities at 30 December 2006 and capital expenditure for the year then ended are as follows:

2006	Consumer Foods €'000	Food Ingredients and Nutritionals €'000	Agribusiness and Property €'000	Unallocated €'000	Group €'000
Assets	149,129	488,926	140,632	314,519	1,093,206
Associates and joint ventures	-	-	-	69,601	69,601
Total assets	**149,129**	**488,926**	**140,632**	**384,120**	**1,162,807**
Liabilities	**(77,232)**	**(161,113)**	**(35,000)**	**(688,943)**	**(962,288)**
Group capital expenditure and acquisitions	**6,275**	**102,817**	**11,252**	**(71)**	**120,273**

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.

Revenue

	2006 €'000	2005 €'000
Ireland	**781,940**	735,034
Rest of Europe	**214,942**	226,545
USA/other	**856,545**	868,433
	1,853,427	1,830,012

Revenue is allocated based on the country in which the customer is located.

Total assets

	2006 €'000	2005 (as restated) €'000
Ireland	**471,259**	545,667
Rest of Europe	**30,382**	11,673
USA/other	**277,046**	218,321
	778,687	775,661
Associates and joint ventures	**69,601**	70,922
Unallocated assets	**314,519**	120,274
Total assets	**1,162,807**	966,857

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

Capital expenditure

	2006 €'000	2005 €'000
Ireland	**31,720**	35,922
Rest of Europe	**799**	685
USA/other	**87,754**	14,429
	120,273	51,036

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

Notes to the financial statements (continued)

for the year ended 30 December 2006

6 Operating profit

The following items have been included in arriving at operating profit:

	2006 €'000	2005 (as restated) €'000
Depreciation of property, plant and equipment (note 14)		
- Owned assets	**23,730**	21,878
- Leased assets under finance leases	**1,685**	2,207
Profit on disposal of property, plant and equipment	**(7,531)**	(2,509)
Repairs and maintenance expenditure on property, plant and equipment	**25,264**	25,891
Amortisation of intangible assets (note 15)		
- Software costs	**3,370**	2,784
- Other intangible assets	**1,082**	529
Increase in inventories	**908**	10,831
Raw materials and consumables used	**1,355,388**	1,356,020
Trade receivables - impairment charge for bad and doubtful debts	**696**	(270)
Amortisation of government grants received (note 34)	**(1,180)**	(1,424)
Operating lease rentals payable		
- Plant and machinery	**3,317**	2,798
- Other	**4,715**	5,767
Employee benefit expense	**178,671**	177,104
Auditors' remuneration	**599**	561
Research and development costs	**6,275**	5,991
Net foreign exchange (gains)/losses	**(2,008)**	196
Gain on interest rate swaps not qualifying as hedges	**-**	(2,098)
Other	**172,879**	142,824
Total operating expenses - pre-exceptional	**1,767,860**	1,749,080
Exceptional items (note 7)	**12,455**	5,041
Total operating expenses	**1,780,315**	1,754,121

7 Exceptional items

	Notes	2006 €'000	2005 (as restated) €'000
Restructuring cost	(a)	**(3,277)**	(15,669)
The Cheese Company Holdings Limited	(b)	**(9,178)**	-
(Loss) on sale or termination of operations		**-**	(331)
Profit on sale of quoted investments		**-**	10,959
		(12,455)	(5,041)
Exceptional tax credit (note 11)		**12,321**	6,935
Exceptional finance cost (note 10)		**-**	(5,304)
Net exceptional items		**(134)**	(3,410)

(a) Restructuring costs relate to the closure of the Pigmeat cannery operation. Costs include redundancy and the release of unamortised capital grants.

(b) On 29 December 2006, the Group disposed of its 25% interest and related 2008-2018 loan note in The Cheese Company Holdings Limited to the majority shareholder, Milk Link Limited.

8 Employee benefit expense

	2006 €'000	2005 €'000
Wages and salaries	**152,358**	143,623
Termination costs (including exceptional items - note 7)	**7,232**	12,331
Social security costs	**17,093**	14,364
Share option and Sharesave Scheme costs	**290**	259
Pension costs - defined contribution plans (note 32)	**1,026**	738
Pension costs - defined benefit plans (note 32)	**6,435**	5,789
	184,434	177,104

The average number of employees in 2006 was 3,926 (2005: 3,837) and is analysed into the following categories:

	2006	2005
Consumer Foods	**1,894**	1,879
Food Ingredients and Nutritionals	**1,349**	1,299
Agribusiness and Property	**683**	659
	3,926	3,837

Notes to the financial statements (continued)

for the year ended 30 December 2006

9 Directors' remuneration

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

	Salary €'000	Fees €'000	Performance bonus €'000	Pension contribution €'000	Other benefits €'000	2006 Total €'000	2005 Total €'000
Executive							
JJ Moloney	438	-	329	126	34	**927**	642
GJ Meagher	263	-	206	79	21	**569**	420
KE Toland	287	-	226	85	7	**605**	462
WG Murphy (note (a))	-	-	-	-	-	**-**	182
2006	**988**	**-**	**761**	**290**	**62**	**2,101**	
2005	1,053	-	313	290	50		1,706
Non-executive							
MJ Walsh (note (b))	-	80	-	-	-	**80**	57
L Herlihy	-	38	-	-	-	**38**	36
JV Quinlan (note (c))	-	38	-	-	-	**38**	29
JE Callaghan	-	57	-	-	-	**57**	52
HV Corbally	-	17	-	-	-	**17**	16
J Fitzgerald	-	17	-	-	-	**17**	16
EP Fitzpatrick	-	17	-	-	-	**17**	16
JA Gilsenan	-	17	-	-	-	**17**	16
P Gleeson (note (d))	-	11	-	-	-	**11**	-
P Haran (note (e))	-	57	-	-	-	**57**	31
CL Hill	-	17	-	-	-	**17**	16
ML Keane (note (e))	-	17	-	-	-	**17**	10
MN Keane (note (d))	-	11	-	-	-	**11**	-
JV Liston	-	57	-	-	-	**57**	52
M Merrick (note (e))	-	17	-	-	-	**17**	10
JJ Miller (note (f))	-	7	-	-	-	**7**	16
WG Murphy (note (a))	-	57	-	-	-	**57**	14
M Parsons	-	17	-	-	-	**17**	16
EM Power	-	17	-	-	-	**17**	16
GE Stanley (note (f))	-	7	-	-	-	**7**	16
TP Corcoran (note (g))	-	-	-	-	-	**-**	32
TP Heffernan (note (h))	-	-	-	-	-	**-**	8
2006	**-**	**573**	**-**	**-**	**-**	**573**	
2005	-	475	-	-	-		475
Total 2006	**988**	**573**	**761**	**290**	**62**	**2,674**	
Total 2005	1,053	475	313	290	50		2,181

(a) Mr WG Murphy retired as an executive Director on 9 September 2005 and remains on the Board as a non-executive Director.
(b) Mr MJ Walsh was appointed Chairman on 9 June 2005.
(c) Mr JV Quinlan was appointed Vice Chairman on 9 June 2005.
(d) Messrs P Gleeson and MN Keane were appointed as Directors on 24 May 2006.
(e) Messrs P Haran, ML Keane and M Merrick were appointed as Directors on 9 June 2005.
(f) Messrs JJ Miller and GE Stanley resigned as Directors on 24 May 2006.
(g) Mr TP Corcoran resigned both as Chairman and Director on 9 June 2005.
(h) Mr TP Heffernan resigned as a Director on 9 June 2005.

Details of Directors' share options are set out in note 42 to the financial statements.

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.

	Transfer value of increase in accrued pension €' 000	Annual pension accrued in 2006 in excess of inflation €' 000	Total annual accrued pension at 30 December 2006 €' 000
JJ Moloney	361	20	259
GJ Meagher	128	6	192
KE Toland	135	14	62
2006	**624**	**40**	**513**
2005	648	35	649

10 Finance income and costs

(a) Finance income

	2006 €'000	2005 €'000
Interest income (i)	**4,883**	4,209

(b) Finance costs - pre-exceptional

	2006 €'000	2005 (as restated) €'000
Interest expense		
- Bank borrowings repayable within five years	**(15,096)**	(10,291)
- Finance lease	**(380)**	(472)
	(15,476)	(10,763)
Finance cost of preferred securities and preference shares	**(3,442)**	(6,595)
Total finance costs - pre-exceptional	**(18,918)**	(17,358)
Finance costs - exceptional		
Cancellation of preferred securities (ii)	**-**	(5,304)
Total finance costs	**(18,918)**	(22,662)

(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. On 29 December 2006, the Group disposed of its remaining 25% interest in The Cheese Company Holdings Limited and related 2008-2018 loan note, to the majority shareholder, Milk Link Limited.

(ii) 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 was disclosed as an exceptional item.

Notes to the financial statements (continued)

for the year ended 30 December 2006

11 Income taxes

	2006 €'000	2005 €'000
Irish corporation tax	**3,080**	2,460
Adjustments in respect of prior years	**238**	(1,285)
Current tax on income for the year	**3,318**	1,175
Foreign tax	**1,035**	594
Adjustments in respect of prior years	**(46)**	(1,056)
Current tax on income for the year	**989**	(462)
Total current tax	**4,307**	713
Deferred tax (note 31)	**3,663**	6,879
Pre-exceptional tax charge	**7,970**	7,592
Exceptional tax credit	**(12,321)**	(6,935)
	(4,351)	657

A deferred tax asset of €12.1 million arising from the expected use in future years of UK tax losses, which previously had not been recognised due to uncertainty as to recoverability, has been recognised in the 2006 financial statements. Also, in 2006, the restructuring provision in the Pigmeat Division resulted in a corporation tax credit of €699,000 and a deferred tax charge of €489,000.

In 2005, a taxation benefit arising from the disposal of certain US operations in prior years, which previously had not been recognised in the financial statements was finalised and gave rise to a gain of €6.9 million.

The tax credits in 2006 and 2005, by virtue of their size and nature, have been separately disclosed as exceptional credits 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:

	2006 €'000	2005 €'000
Profit before tax (pre-exceptional items)	**74,374**	68,715
Tax calculated at Irish rate of 12.5% (2005: 12.5%)	**9,297**	8,589
Earnings at reduced and higher Irish rates	**(622)**	(759)
Difference due to overseas tax rates	**2,489**	3,072
Utilisation of previously unrecognised tax losses	**(544)**	(3,781)
Adjustment to tax charge in respect of previous periods	**(58)**	(59)
Tax on profits of joint ventures and associates shown in profit before tax	**(355)**	(116)
Expenses not deductible for tax purposes and other differences	**(2,237)**	646
Pre-exceptional tax charge	**7,970**	7,592
Exceptional tax credit	**(12,321)**	(6,935)

Details of deferred tax charged or credited directly to equity during the year are outlined in note 31.

12 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 own shares (note 26).

	2006 €'000	2005 (as restated) €'000
Profit attributable to equity holders of the Company	**65,934**	57,396
Weighted average number of ordinary shares in issue	**292,958,667**	291,469,902
Basic earnings per share (cent per share)	**22.51**	19.69

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 as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006 €'000	2005 €'000
Weighted average number of ordinary shares in issue	**292,958,667**	291,469,902
Adjustments for share options	**480,072**	1,134,139
Adjusted weighted average number of ordinary shares	**293,438,739**	292,604,041
Diluted earnings per share (cent per share)	**22.47**	19.62

At year end options over 1,405,000 ordinary shares could potentially dilute basic earnings per share in the future but are anti-dilutive during the year ended 30 December 2006.

Adjusted

	2006 €'000	2005 €'000
Profit attributable to equity holders of the Company	**65,934**	57,396
Exceptional items	**134**	3,410
	66,068	60,806
Adjusted earnings per share (cent per share)	**22.55**	20.86
Diluted adjusted earnings per share (cent per share)	**22.52**	20.78

13 Dividends

The dividends paid in 2006 and 2005 were €16.5 million (5.62 cent per share) and €15.6 million (5.36 cent per share) respectively. On 4 October an interim dividend of 2.38 cent per share on the ordinary shares amounting to €6.98 million was paid to shareholders on the register of members as at 15 September 2006. The Directors have recommended the payment of a final dividend of 3.41 cent per share on the ordinary shares which amounts to €10.0 million. Subject to shareholders approval this dividend will be paid on Tuesday, 22 May 2007 to shareholders on the register of members as at Friday, 27 April 2007, the record date. These financial statements do not reflect this final dividend payable.

Notes to the financial statements (continued)

for the year ended 30 December 2006

14 Property, plant and equipment – Group

	Land and buildings (as restated) €'000	Plant and equipment €'000	Motor vehicles €'000	Total (as restated) €'000
Previously stated at 1 January 2005				
Cost	184,019	495,186	17,359	**696,564**
Accumulated depreciation	(59,692)	(317,951)	(16,864)	**(394,507)**
Previously stated net book amount	**124,327**	**177,235**	**495**	**302,057**
Implementation of IFRIC 4	9,067	-	-	**9,067**
Restated net book amount	**133,394**	**177,235**	**495**	**311,124**
Year ended 31 December 2005				
Opening net book amount	133,394	177,235	495	**311,124**
Exchange differences	3,644	9,247	16	**12,907**
Acquisition of subsidiaries	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	(4,350)	(19,192)	(543)	**(24,085)**
Closing net book amount	**141,634**	**197,789**	**1,080**	**340,503**
At 31 December 2005				
Cost	203,833	527,039	18,204	**749,076**
Accumulated depreciation	(62,199)	(329,250)	(17,124)	**(408,573)**
Net book amount	**141,634**	**197,789**	**1,080**	**340,503**
Year ended 30 December 2006				
Opening net book amount	141,634	197,789	1,080	**340,503**
Exchange differences	(3,102)	(7,489)	(11)	**(10,602)**
Acquisition of subsidiaries (note 40)	419	859	-	**1,278**
Additions	6,337	24,544	376	**31,257**
Disposals	(1,543)	(225)	(101)	**(1,869)**
Reclassification	-	(29)	29	**-**
Depreciation charge	(4,745)	(20,074)	(596)	(25,415)
Closing net book amount	**139,000**	**195,375**	**777**	**335,152**
At 30 December 2006				
Cost	202,932	537,849	18,123	**758,904**
Accumulated depreciation	(63,932)	(342,474)	(17,346)	**(423,752)**
Net book amount	**139,000**	**195,375**	**777**	**335,152**

Depreciation expense of €25,415,366 (2005: €24,084,506) has been charged to cost of sales €22,647,360 (2005: €21,797,308), €2,053,075 (2005: €1,915,298) in distribution costs and €714,931 (2005: €371,900) in administration expenses.

Leased assets, comprising plant and equipment, included in the table on page 76, where the Group is a lessee under a finance lease, comprise as follows:

	2006 €'000	2005 (as restated) €'000
Cost - capitalised finance leases	**43,976**	43,965
Accumulated depreciation	**(24,998)**	(22,747)
Net book amount	**18,978**	21,218

Operating lease rentals amounting to €8,031,578 (2005: €8,564,871) are included in the income statement.

Included in the cost of plant and equipment is an amount of €4,652,730 (2005: €14,881,934) 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 €517,000 in 2006 (2005: €623,000).

Capitalised borrowing costs will be amortised to the income statement and will be deducted in determining taxable profit over the life of the underlying asset.

Notes to the financial statements (continued)

for the year ended 30 December 2006

15 Intangible assets

	Goodwill €'000	Other intangibles €'000	Software €'000	Development costs €'000	Total €'000
At 1 January 2005					
Cost	12,563	4,362	30,547	-	**47,472**
Accumulated amortisation	-	(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	8,968	8,905	-	-	**17,873**
Reclassification	1,035	(1,035)	-	-	**-**
Amortisation	-	(529)	(2,784)	-	**(3,313)**
Previously stated closing net book amount	**23,092**	**11,668**	**21,378**	**1,825**	**57,963**
Adjustment to provisional fair values	1,500	(1,500)	-	-	**-**
Restated closing net book amount	**24,592**	**10,168**	**21,378**	**1,825**	**57,963**
At 31 December 2005					
Cost	24,592	10,732	34,995	1,825	**72,144**
Accumulated amortisation	-	(564)	(13,617)	-	**(14,181)**
Net book amount	**24,592**	**10,168**	**21,378**	**1,825**	**57,963**
Year ended 30 December 2006					
Opening net book amount	24,592	10,168	21,378	1,825	**57,963**
Exchange differences	(1,780)	(254)	(355)	(135)	**(2,524)**
Additions	172	300	6,459	2,069	**9,000**
Acquisition of subsidiaries (note 40)	62,148	16,589	-	-	**78,737**
Amortisation	-	(868)	(3,370)	(214)	**(4,452)**
Closing net book amount	**85,132**	**25,935**	**24,112**	**3,545**	**138,724**
At 30 December 2006					
Cost	85,132	27,367	41,099	3,759	**157,357**
Accumulated amortisation	-	(1,432)	(16,987)	(214)	**(18,633)**
Net book amount	**85,132**	**25,935**	**24,112**	**3,545**	**138,724**

Other intangibles include intellectual property (primarily unpatented know-how), customer relationships and brands recognised at the time of acquisition of subsidiary undertakings. Formal valuations have been completed on these assets associated with the acquisition of Pro-Fibe and CMP, with the resulting adjustment to provisional values applied at the time of acquisition being treated as a restatement (€1.5 million). As outlined in note 40 fair values assigned to the identifiable assets and liabilities associated with the acquisition of Seltzer have been determined provisionally.

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 (as restated) €'000	Food Ingredients and Nutritionals €'000	Agribusiness and Property €'000	Total (as restated) €'000
At 31 December 2005				
Ireland	5,635	540	691	**6,866**
Rest of Europe	-	16,580	-	**16,580**
USA/other	-	1,146	-	**1,146**
	5,635	18,266	691	**24,592**
At 30 December 2006				
Ireland	5,650	540	691	**6,881**
Rest of Europe	-	16,852	-	**16,852**
USA/other	-	61,399	-	**61,399**
	5,650	**78,791**	**691**	**85,132**

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. Key assumptions include management's estimates of future profitability, capital expenditure requirements and working capital investment. Discount rates used reflect specific risks relating to the relevant segments.

The value in use calculations are prepared using pre tax discount rates, which range from 7.5% to 10%, and incorporate terminal values.

16 Investments in associates

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
At the beginning of the year	**1,395**	**11,090**	1,395	10,918
Share of profit after tax	**-**	**66**	-	341
Exchange differences	**-**	**(142)**	-	182
Additions	**-**	**367**	-	-
Disposals	**-**	**(448)**	-	(190)
Deferred tax liability	**-**	**-**	-	(161)
At the end of the year	**1,395**	**10,933**	**1,395**	**11,090**

Notes to the financial statements (continued)

for the year ended 30 December 2006

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:

	Assets €'000	Liabilities €'000	Revenues €'000	Profit/ (loss) €'000	Interest held %
2005					
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**	

	Assets €'000	Liabilities €'000	Revenues €'000	Profit/ (loss) €'000	Interest held %
2006					
Co-operative Animal Health Limited	8,064	6,047	14,718	155	50
South Eastern Cattle Breeding Society Limited	1,842	460	1,647	(8)	57
Malting Company of Ireland Limited	4,966	2,583	3,391	6	33.33
South East Port Services Limited	3,930	1,867	1,388	82	49
Westgate Biological Limited	209	76	-	(169)	41.8
Other	27	288	-	-	
	19,038	**11,321**	**21,144**	**66**	

Further details in relation to principal associates are outlined in note 43.

17 Investments in joint ventures

	2006 €'000	2005 €'000
At the beginning of the year	**59,832**	**48,281**
Implementation of IAS 32 and IAS 39	**-**	(72)
Share of profit after tax	**2,776**	591
Other reserve movements	**568**	-
Exchange differences	**(4,514)**	6,573
Additions	**6**	4,459
At the end of the year	**58,668**	**59,832**

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

	2006 €'000	2005 €'000
Assets		
Non-current assets	**113,644**	118,802
Current assets	**50,965**	33,355
	164,609	152,157
Liabilities		
Long-term liabilities	**61,848**	61,948
Current liabilities	**44,093**	30,377
	105,941	92,325
Net assets	**58,668**	59,832
Revenue	**241,727**	109,247
Expenses	**(238,951)**	(108,656)
Profit after income tax	**2,776**	591
Proportionate interest in joint venture's commitments	**14,600**	510

A listing and description of interests in significant joint ventures is outlined in note 43.

18 Investments

	Investments in subsidiaries 2006 Company €'000	Available for sale investments 2006 Group €'000	Investments in subsidiaries 2005 Company €'000	Available for sale investments 2005 Group €'000
At the beginning of the year	**510,469**	**29,511**	**512,174**	**28,672**
Implementation of IAS 32 and IAS 39	**-**	**-**	-	1,165
Exchange differences	**-**	**376**	-	460
Acquisition of subsidiaries	**-**	**-**	-	14
Disposals/redemption	**(57)**	**(17,811)**	(1,705)	(3,977)
Fair value adjustment	**-**	**102**	-	-
Additions	**-**	**349**	-	3,177
At the end of the year	**510,412**	**12,527**	**510,469**	**29,511**

Notes to the financial statements (continued)

for the year ended 30 December 2006

Investments include the following:

	Investments in subsidiaries 2006 Company €'000	Available for sale investments 2006 Group €'000	Investments in subsidiaries 2005 Company €'000	Available for sale investments 2005 Group €'000
Listed securities				
- Equity securities – eurozone countries	**1**	**864**	1	762
Unlisted securities				
- The Cheese Company Holdings Limited	**-**	**-**	-	14,481
- Irish Dairy Board	**-**	**9,558**	-	9,215
- Glanbia Enterprise Fund Limited	**1,290**	**1,290**	1,290	1,290
- Moorepark Technology	**-**	**202**	-	245
- Other Group companies	**509,121**	**-**	509,178	-
Loan to joint venture	**-**	**-**	-	2,905
Other	**-**	**613**	-	613
	510,412	**12,527**	510,469	29,511

The Group sold its 25% interest in The Cheese Company Holdings Limited on 29 December 2006 to the majority shareholder, Milk Link Limited.

Available for sale investments are fair valued annually at year end. 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.

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.

19 Trade and other receivables

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Trade receivables	**-**	**142,336**	-	120,560
Less provision for impairment of receivables	**-**	**(10,439)**	-	(11,716)
Trade receivables - net	**-**	**131,897**	-	108,844
Prepayments	**1,881**	**16,025**	934	15,378
Receivable from associates and joint ventures	**-**	**3,301**	-	1,529
Loans to related parties (note 41)	**-**	**4,929**	-	56,874
Valued added tax	**-**	**4,725**	-	5,670
Other receivables	**-**	**8,663**	-	12,189
	1,881	**169,540**	934	200,484
Less non-current portion: loans to related parties	**-**	**-**	-	(56,874)
	1,881	**169,540**	934	143,610

In 2004 a Stg£35 million subordinated secured loan note was granted by The Cheese Company Holdings Limited, representing part proceeds arising on the sale by the Group of its 75% interest in its UK hard cheese business.
The loan note yielded interest at 1.75% above LIBOR with the principle amount and compounded interest repayable over 40 quarterly instalments from 1 April 2008 to 1 January 2018. On 29 December 2006, the Group sold its remaining 25% interest, in The Cheese Company Holdings Limited, and Stg£35 million loan note to the majority shareholder, Milk Link Limited.

In 2006, 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 €24.5 million. The Group has continued to recognise an asset of €557,000, 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.

20 Inventories

	2006 €'000	2005 €'000
Raw materials	**18,852**	21,404
Finished goods	**111,045**	107,512
Expense	**15,261**	15,334
	145,158	144,250

Included in the above are inventories carried at fair value less costs to sell amounting to €32.7 million (2005: €34.2 million).

21 Cash and cash equivalents

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Cash at bank and in hand	**4,376**	**63,596**	16,281	59,536
Short term bank deposits	**-**	**195,715**	-	44,869
	4,376	**259,311**	16,281	104,405

The fair value of cash and cash equivalents are not materially different to the book values.

Notes to the financial statements (continued)

for the year ended 30 December 2006

22 Reconciliation of changes in equity

	Notes	Share capital €'000 (note 23)	Other reserves €'000 (note 24)	Retained earnings €'000 (note 25)	Minority interest €'000 (note 29)	Total €'000
Balance at 1 January 2005		**95,208**	**116,414**	**(97,797)**	**6,085**	**119,910**
Adoption of IAS 32 and IAS 39		-	3,017	(5,609)	-	**(2,592)**
Amendment to IAS 21 (note 2)		-	(798)	798	-	**-**
Restated balance at 2 January 2005		**95,208**	**118,633**	**(102,608)**	**6,085**	**117,318**
Actuarial loss - defined benefit schemes	32	-	-	(42,303)	-	**(42,303)**
Deferred tax on pension loss	31	-	-	4,054	-	**4,054**
Currency translation differences		-	2,553	(1,664)	-	**889**
Fair value adjustments		-	(873)	-	-	**(873)**
Net expense recognised directly in equity		-	1,680	(39,913)	-	**(38,233)**
Profit for the year		-	-	57,396	317	**57,713**
Total recognised income for 2005		-	1,680	17,483	317	**19,480**
Change in minority interest in subsidiaries		-	-	-	(103)	**(103)**
Shares issued	23	28	-	-	-	**28**
Premium on shares issued	23	703	-	-	-	**703**
Cost of share options	27	-	161	-	-	**161**
Sharesave Scheme - discount cost	27	-	98	-	-	**98**
Sharesave Scheme - options exercised	23	1,645	-	-	-	**1,645**
Sharesave Scheme - discount on options	27	380	(380)	-	-	**-**
Dividends paid in 2005		-	-	(15,612)	-	**(15,612)**
		2,756	(121)	(15,612)	(103)	**(13,080)**
Restated balance at 31 December 2005		**97,964**	**120,192**	**(100,737)**	**6,299**	**123,718**
Actuarial gain - defined benefit schemes	32	-	-	36,852	-	**36,852**
Deferred tax on pension gain	31	-	-	(3,923)	-	**(3,923)**
Share of actuarial gain - joint ventures		-	-	230	-	**230**
Currency translation differences		-	(9,401)	-	-	**(9,401)**
Fair value adjustments	24	-	2,734	-	-	**2,734**
Net expense recognised directly in equity		-	(6,667)	33,159	-	**26,492**
Profit for the year		-	-	65,934	336	**66,270**
Total recognised income for 2006		-	(6,667)	99,093	336	**92,762**
Shares issued	23	7	-	-	-	**7**
Premium on shares issued	23	183	-	-	-	**183**
Cost of share options	27	-	199	-	-	**199**
Sharesave Scheme - options exercised	23	122	-	-	-	**122**
Sharesave Scheme - discount on options	27	28	(28)	-	-	**-**
Dividends paid in 2006		-	-	(16,472)	-	**(16,472)**
		340	171	(16,472)	-	**(15,961)**
Balance at 30 December 2006		**98,304**	**113,696**	**(18,116)**	**6,635**	**200,519**

23 Share capital

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium Company €'000	Own shares €'000	Total Company €'000
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**
Sharesave Scheme - options exercised	-	-	-	122	**122**
Sharesave Scheme - discount on options	-	-	-	28	**28**
Issue of shares - option scheme	123	7	183	-	**190**
At 30 December 2006	**293,239**	**17,594**	**436,366**	**(388)**	**453,572**

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium Group €'000	Own shares €'000	Total Group €'000
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**
Sharesave Scheme - options exercised	-	-	-	122	**122**
Sharesave Scheme - discount on options	-	-	-	28	**28**
Issue of shares - option scheme	123	7	183	-	**190**
At 30 December 2006	**293,239**	**17,594**	**81,098**	**(388)**	**98,304**

The total authorised number of ordinary shares is 306 million shares (2005: 306 million shares) with a par value of €0.06 per share (2005: €0.06 per share). All issued shares are fully paid.

Notes to the financial statements (continued)

for the year ended 30 December 2006

Share options

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

	2006 Average exercise price in € per share	2006 Number of options	2005 Average exercise price in € per share	2005 Number of options
At the beginning of the year	**2.41**	**3,007,000**	**2.34**	**3,608,500**
Granted	2.87	50,000	-	-
Exercised	1.55	(123,000)	1.55	(471,500)
Lapsed	3.23	(200,000)	3.78	(130,000)
At the end of the year	**2.39**	**2,734,000**	**2.41**	**3,007,000**
Sharesave Scheme (note 26)		-	1.20	109,913
Total at the end of the year		**2,734,000**		**3,116,913**

Expiry date in	Exercise price	2006 Number	2005 Number
2006	1.20	-	109,913
2008	Stg£2.90	10,000	10,000
2008	4.25	315,000	390,000
2012	1.55	1,069,000	1,192,000
2013	1.90	160,000	160,000
2014	2.73	1,030,000	1,105,000
2014	2.47	100,000	150,000
2016	2.87	50,000	-
		2,734,000	3,116,913

Total options over 2,409,000 ordinary shares were outstanding at 30 December 2006 under the 2002 Long Term Incentive Plan ("LTIP"), at prices ranging between €1.55 and €2.87. 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, to a maximum of 146,900 (2005: 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 26 to the financial statements, the Employee Share Trust held 262,503 ordinary shares at 30 December 2006. The dividend rights in respect of these shares have been waived.

Options over 325,000 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 1,394,000 (2005: 1,701,913) ordinary shares were exercisable at 30 December 2006 at a weighted average price of €2.18 (2005: €2.16).

24 Other reserves

	Notes	Capital and mergers reserves €'000	Currency reserve €'000	Fair value reserves €'000	Total €'000
Balance at 1 January 2005		**116,371**	**43**	**-**	**116,414**
Adoption of IAS 32 and IAS 39		-	-	3,017	3,017
Amendment to IAS 21		-	(798)	-	(798)
Restated balance at 2 January 2005		**116,371**	**(755)**	**3,017**	**118,633**
Translation differences on foreign currency net investments		-	2,553	-	2,553
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	27	161	-	-	161
Discount on own shares vested	27	(380)	-	-	(380)
Sharesave Scheme - discount cost	27	98	-	-	98
Restated balance at 31 December 2005		**116,250**	**1,798**	**2,144**	**120,192**
Translation differences on foreign currency net investments		-	(9,401)	-	(9,401)
Revaluation of interest rate swaps - gain in year		-	-	2,378	2,378
Foreign exchange contracts - gain in year		-	-	1,840	1,840
Transfers to income statement					
- Foreign exchange contracts - gain in year		-	-	(540)	(540)
- Forward commodity contracts - loss in year		-	-	227	227
- Interest rate swaps - gain in year		-	-	(1,169)	(1,169)
Revaluation of forward commodity contracts - gain in year		-	-	591	591
Revaluation of investments - gain in year		-	-	102	102
Deferred tax on fair value adjustments		-	-	(695)	(695)
Cost of share options	27	199	-	-	199
Discount on own shares vested	27	(28)	-	-	(28)
Balance at 30 December 2006		**116,421**	**(7,603)**	**4,878**	**113,696**

Capital and merger reserves
Capital and merger reserves reflect (i) Sharesave Scheme through which charges relating to granting of both shares and options are recorded (ii) the net share premium, that is the excess of fair value over nominal value of ordinary shares issued, in connection with the merger of Avonmore Foods plc and Waterford Foods plc.

Currency reserve
Currency reserve reflects the foreign exchange gains and losses that form part of the net investment in foreign operations. Where Group companies have a functional currency different from the presentation currency, their assets and liabilities are translated at closing rate at the balance sheet date, income and expenses in the income statement are translated at the average rate for the year, resulting exchange differences are taken to the currency reserve within equity.

Fair value reserve
Fair value reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Amounts accumulated in the fair value reserve are recycled to the income statement in the periods when the hedged item affects profit or loss. Unrealised gains and losses arising from changes in the fair value of available for sale investments are recognised in the fair value reserve. When such investments are sold or impaired, the accumulated fair value adjustments are recycled to the income statement.

Notes to the financial statements (continued)

for the year ended 30 December 2006

25 Retained earnings

	Company retained earnings €'000	Group retained earnings €'000	Group goodwill write-off €'000	Group Total €'000
Balance at 1 January 2005	**39,085**	**(4,836)**	**(92,961)**	**(97,797)**
Adoption of IAS 32 and IAS 39	-	(5,609)	-	**(5,609)**
Amendment to IAS 21	-	798	-	**798**
Restated balance at 2 January 2005	**39,085**	**(9,647)**	**(92,961)**	**(102,608)**
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	-	(39,913)	-	**(39,913)**
Profit for the year	23,964	57,396	-	**57,396**
Recognised income for 2005	23,964	17,483	-	**17,483**
Dividends paid in 2005	(15,612)	(15,612)	-	**(15,612)**
Restated balance at 31 December 2005	**47,437**	**(7,776)**	**(92,961)**	**(100,737)**
Actuarial gain - defined benefit schemes	-	36,852	-	**36,852**
Deferred tax on pension gain	-	(3,923)	-	**(3,923)**
Share of actuarial gain - joint venture	-	230	-	**230**
Net income recognised directly in equity	-	33,159	-	**33,159**
Profit for the year	16,959	65,934	-	**65,934**
Total recognised income for 2006	16,959	99,093	-	**99,093**
Dividends paid in 2006	(16,472)	(16,472)	-	**(16,472)**
Balance at 30 December 2006	**47,924**	**74,845**	**(92,961)**	**(18,116)**

26 Own shares (Company and Group)

	2006 €'000	2005 €'000
At the beginning of the year	**(538)**	(2,563)
Sharesave Scheme - options exercised	**122**	1,645
Sharesave Scheme - discount on options	**28**	380
At the end of the year	**(388)**	(538)

The amount included above as own shares relates to 262,503 (2005: 364,485) 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 €387,717 and had a market value of €777,009 at 30 December 2006. The transfer from capital reserve represents the excess of the purchase price over the option price in respect of 101,982 ordinary shares (2005: 1,370,464 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 (GBP£10 and GBP£250 in the UK) each month for a three year period in a Revenue approved Save as You Earn ("SAYE") contract.

27 Capital reserves

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
At the beginning of the year	**4,503**	**3,102**	**4,624**	**3,223**
Sharesave Scheme - discount on options	**(28)**	**(28)**	(380)	(380)
Sharesave Scheme - discount cost	**-**	**-**	98	98
Cost of share options	**199**	**199**	161	161
At the end of the year	**4,674**	**3,273**	**4,503**	**3,102**

28 Merger reserve – Group

	2006 €'000	2005 €'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).

29 Minority interests

	2006 €'000	2005 €'000
At the beginning of the year	**6,299**	**6,085**
Share of profit for the year	**336**	317
Reduction in minority interest in subsidiaries	**(1)**	(104)
Increase in minority interest in subsidiaries	**1**	1
At the end of the year	**6,635**	**6,299**

Notes to the financial statements (continued)

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30 Borrowings

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 (as restated) Group €'000
Current				
Cumulative redeemable preference shares	-	**38,184**	-	-
Finance lease liabilities	-	**1,051**	-	1,133
	-	**39,235**	-	1,133
Non-current				
Bank borrowings	-	**437,708**	3,397	281,581
Cumulative redeemable preference shares	-	**-**	-	37,986
Finance lease liabilities	-	**6,862**	-	7,857
	-	**444,570**	3,397	327,424
Total borrowings	-	**483,805**	3,397	328,557

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 Group has restated prior year borrowings to reflect the adoption of IFRIC 4, "Determining Whether an Arrangement contains a Lease". The impact of this restatement has been an increase in finance lease liabilities of €8.5 million at 31 December 2005 (note 2 (bb) (ii)).

The maturity of non-current borrowings is as follows:

	2006 €'000	2005 (as restated) €'000
Between 1 and 2 years	**1,133**	38,981
Between 2 and 5 years	**254,507**	284,293
Over 5 years	**188,930**	4,150
	444,570	327,424

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

	2006 €'000	2005 €'000
6 months or less	**247,924**	281,911
Between 6 and 12 months	**38,184**	-
Between 1 and 2 years	**-**	38,146
Between 2 and 5 years	**-**	-
Over 5 years	**197,697**	8,500
	483,805	328,557

The effective interest rates at the balance sheet date, were as follows:

	EUR		GBP		USD	
	2006	2005	2006	2005	2006	2005
Bank overdrafts	4.29%	3.06%	5.60%	5.10%	10.25%	9.25%
Bank borrowings	4.41%	5.23%	5.89%	5.21%	5.95%	4.69%

The carrying amounts and fair values of non-current borrowings are as follows:

	Net carrying amount		Estimated fair values	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Non-current borrowings	444,570	327,424	441,310	330,480

The carrying amounts of the Group's total borrowings are denominated in the following currencies:

	2006 €'000	2005 €'000
Euro	**271,362**	104,293
GBP Sterling	**81,614**	74,074
US Dollar	**130,829**	150,190
	483,805	328,557

The Group has the following undrawn borrowing facilities:

	2006 €'000	2005 €'000
Floating rate:		
- Expiring within one year	**17,501**	17,856
- Expiring beyond one year	**120,770**	158,327
	138,271	176,183

Finance lease liabilities minimum lease payments:

	2006 €'000	2005 (as restated) €'000
12 months or less	**1,360**	1,486
Between 1 and 2 years	**1,143**	1,307
Between 2 and 5 years	**3,430**	3,430
Over 5 years	**3,429**	4,573
	9,362	10,796
Future finance charges on finance leases	**(1,449)**	(1,806)
Present value of finance lease liabilities	**7,913**	8,990

The present value of finance lease liabilities is as follows:

	2006 €'000	2005 (as restated) €'000
12 months or less	**1,051**	1,133
Between 1 and 2 years	**869**	995
Between 2 and 5 years	**2,821**	2,712
Over 5 years	**3,172**	4,150
	7,913	8,990

Notes to the financial statements (continued)

for the year ended 30 December 2006

31 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:

	2006 €'000	2005 €'000
Deferred tax assets	**(23,923)**	(15,869)
Deferred tax liabilities	**38,611**	34,471
Net deferred tax liability	**14,688**	18,602

The gross movement on the deferred income tax account is as follows:

	2006 €'000	2005 €'000
At the beginning of the year	**18,602**	**18,076**
Implementation of IAS 32 and IAS 39	**-**	630
Income statement - pre-exceptional charge (note 11)	**3,663**	6,879
Income statement - exceptional credit	**(11,622)**	(6,421)
Transfer to associate	**-**	(161)
Acquisition of subsidiary and purchase of intellectual property	**1,330**	1,791
Deferred tax charged to the fair value reserve (note 24)	**695**	(420)
Deferred tax charge/(credit) relating to the actuarial gain/(loss) in the year	**3,923**	(4,054)
Exchange differences	**(1,903)**	2,282
At the end of the year	**14,688**	**18,602**

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 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	-	(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**
Charged/(credited) to income statement	5,000	-	176	(1,303)	3,873
Charged against equity (note 24)	-	695	-	-	695
Acquisition of subsidiaries and intellectual property (note 40)	-	-	-	1,330	1,330
Exchange differences	(1,881)	-	(28)	151	(1,758)
At 30 December 2006	**32,861**	**905**	**376**	**4,469**	**38,611**

Deferred tax assets	Retirement obligations €'000	Impairment of assets €'000	Tax losses €'000	Other €'000	Total €'000
At 2 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)**
Charged/(credited) to income statement	279	-	(12,111)	-	(11,832)
Charged against equity	3,923	-	-	-	3,923
Exchange differences	-	-	(145)	-	(145)
At 30 December 2006	**(11,667)**	**-**	**(12,256)**	**-**	**(23,923)**

The deferred tax charged/(credited) to equity during the year is as follows:

	2006 €'000	2005 €'000
Fair value reserves in shareholders equity		
- Available for sale investments	**20**	(82)
- Hedging reserve	**675**	(338)
Impact of increase in retirement benefit obligations	**3,923**	(4,054)
	4,618	(4,474)

The decrease in the retirement benefit obligation has given rise to a reduction in the related deferred tax asset. A deferred tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets are recognised for tax losses 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 €25.9 million (2005: €67.2 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.

32 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 30 June 2003 and 1 January 2006. The contributions paid to the scheme in 2006 are in accordance with the contribution rates recommended in the actuarial valuation reports.

The amounts recognised in the balance sheet are determined as follows:

	2006 €'000	2005 €'000
Present value of funded obligations	**(501,473)**	(503,845)
Fair value of plan assets	**376,585**	338,829
Liability in the balance sheet	**(124,888)**	(165,016)

The pension plan assets include 189,610 of the Company's ordinary shares.

Notes to the financial statements (continued)

for the year ended 30 December 2006

The amounts recognised in the income statement are as follows:

	2006 €'000	2005 €'000
Service cost - current	**(10,176)**	(7,702)
Service cost - past	**(375)**	-
Interest cost	**(17,266)**	(15,718)
Expected return on plan assets	**20,100**	16,908
Curtailment	**1,282**	723
	(6,435)	(5,789)
Defined contribution	**(1,026)**	(738)

The actual movement on plan assets was €37.7 million (2005: €53.5 million).

The movement in the liability recognised in the balance sheet over the year is as follows:

	2006 €'000	2005 €'000
At the beginning of the year	**(165,016)**	**(126,676)**
Exchange differences	**(825)**	(751)
Movements relating to disposed operations	**(614)**	(607)
Liability assumed on acquisition of CMP	**-**	(350)
Total expense – as shown above	**(6,435)**	(5,789)
Actuarial gains/(losses) – shown in equity	**36,852**	(42,303)
Contributions paid	**11,150**	11,460
At the end of the year	**(124,888)**	**(165,016)**

The movement in obligations over the year is as follows:

	2006 €'000	2005 €'000
At the beginning of the year	**(503,845)**	**(412,052)**
Exchange differences	**(2,180)**	(2,085)
Movements relating to disposed operations	**(4,967)**	(4,589)
Liability assumed on acquisition of CMP	**-**	(350)
Current service cost	**(10,176)**	(7,702)
Past service cost	**(375)**	-
Interest cost	**(17,266)**	(15,718)
Actuarial gains/(losses) – shown in equity		
- Experience losses	**(12,651)**	(2,037)
- Change in assumptions	**37,928**	(68,649)
Contributions by plan participants	**(4,382)**	(4,578)
Curtailments	**3,670**	2,929
Benefits paid	**12,771**	10,986
At the end of the year	**(501,473)**	**(503,845)**

The movement in the fair value of plan assets over the year is as follows:

	2006 €'000	2005 €'000
At the beginning of the year	**338,829**	**285,376**
Exchange differences	**1,355**	1,334
Movements relating to disposed operations	**4,353**	3,982
Expected return on plan assets	**20,100**	16,908
Actuarial gains shown in equity - experience gains	**11,575**	28,383
Contributions by plan participants	**4,382**	4,578
Contributions by employer	**11,150**	11,460
Curtailments	**(2,388)**	(2,206)
Benefits paid	**(12,771)**	(10,986)
At the end of the year	**376,585**	**338,829**

The principal actuarial assumptions used were as follows:

	2006 IRL	2006 UK	2005 IRL	2005 UK
Discount rate	**4.7%**	**5.3%-5.4%**	4.3%	4.9%-5.0%
Expected return on plan assets	**4.7%-8.5%**	**4%-8.0%**	4.8%-8.5%	4.1%-8.0%
Future salary increases	**3.5%**	**3.75%**	3.5%	3.55%
Future pension increases	**2.25%-3.5%**	**2.25%-3.25%**	2.25%-3.5%	2.0%-3.25%

	2006 €'000	2005 €'000
Actuarial (gains)/losses recognised in the statement of recognised income and expense	**(36,852)**	42,303
Cumulative actuarial losses recognised in the statement of recognised income and expense	**51,206**	88,058

Plan assets are comprised as follows:

	2006 €'000	%	2005 €'000	%
Equity	**244,240**	**65**	222,943	66
Bonds	**92,125**	**24**	89,660	26
Other	**40,220**	**11**	26,226	8
	376,585	**100**	338,829	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 29 December 2007 are broadly in line with 2006 contributions.

Mortality rates

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. The mortality assumptions imply the following life expectancies in years of a pensioner retiring at age 65:

	Irish mortality rates	UK mortality rates
Male	17.9	19.8
Female	20.9	22.8

Notes to the financial statements (continued)

for the year ended 30 December 2006

	2006 €'000	2005 €'000	2004 €'000
At year end			
Present value of defined benefit obligation	**(501,473)**	(503,845)	(412,052)
Fair value of plan assets	**376,585**	338,829	285,376
Deficit	**(124,888)**	(165,016)	(126,676)
Experience adjustments on plan liabilities	**(12,651)**	(2,037)	(6,341)
Experience adjustments on plan assets	**11,575**	28,383	5,911

33 Provisions for other liabilities and charges

	Restructuring €'000	UK pension €'000	Other €'000	Total €'000
At 31 December 2005	**8,433**	**5,535**	**537**	**14,505**
Charged to the consolidated income statement				
- Additional provisions	5,810	-	-	5,810
Net amounts (credited)/charged to provision	(7,133)	(323)	223	(7,233)
Exchange differences	-	124	(64)	60
At 30 December 2006	**7,110**	**5,336**	**696**	**13,142**
Non-current	-	5,336	696	6,032
Current	7,110	-	-	7,110
	7,110	**5,336**	**696**	**13,142**

(a) Restructuring provision relates to the closure of the Pigmeat cannery operation.

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

34 Capital grants

	2006 €'000	2005 €'000
At 31 December 2005	**14,855**	**15,276**
Receivable for year	123	772
In acquired subsidiaries	-	231
Currency translation adjustment	4	-
Released to income statement (note (i))	(4,322)	(1,424)
At 30 December 2006	**10,660**	**14,855**

(i) Includes amounts released to the income statement as an exceptional credit in respect of capital grants relating to the Pigmeat operation (note 7).

35 Trade and other payables

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Trade payables	**20**	**96,612**	20	118,874
Amounts due to associates and joint ventures	**-**	**18,669**	-	10,823
Amounts due to other related parties (note 41)	**-**	**17**	551	6,271
Amounts due to subsidiary companies	**10,474**	**-**	18,512	-
PAYE and PRSI	**-**	**3,824**	-	3,677
Accrued expenses	**1,400**	**140,375**	1,427	134,526
Other payables	**-**	**22,649**	-	4,412
	11,894	**282,146**	20,510	278,583
Less non-current portion: deferred consideration	**-**	**(11,373)**	-	-
	11,894	**270,773**	20,510	278,583

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

36 Derivative financial instruments

	2006 Assets €'000	2006 Liabilities €'000	2005 Assets €'000	2005 Liabilities €'000
Interest rate swaps not qualifying as hedges	**-**	**-**	-	(630)
Interest rate swaps - cash flow hedges	**3,593**	**-**	2,752	-
Interest rate swaps - fair value hedges	**-**	**(4,242)**	-	-
Forward foreign exchange contracts - cash flow hedges	**1,843**	**(11)**	92	(1,558)
Other cash flow hedges	**636**	**(42)**	44	(297)
Other fair value hedges	**2,799**	**(2,799)**	62	(62)
Total	**8,871**	**(7,094)**	2,950	(2,547)
Less non-current portion				
Interest rate swaps - cash flow hedges	**2,095**	**-**	1,825	-
Interest rate swaps - fair value hedges	**-**	**(3,406)**	-	-
Current portion	**6,776**	**(3,688)**	1,125	(2,547)

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 30 December 2006 are €58.0 million (2005: €75.1 million).

Gains and losses recognised in the fair value reserve in equity on forward foreign exchange contracts as of 30 December 2006 will be released to the income statement at various dates within one year from the balance sheet date.

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts, qualifying as cashflow hedges, at 30 December 2006 were €248.7 million (2005: €118.3 million).

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as fair value hedges, at 30 December 2006 were €272.5 million (2005: €nil).

At 30 December 2006, the fixed interest rates vary from 3.2375% to 4.3300% (2005: 3.2375% to 4.3300%) and the main floating rates are set in advance by reference to inter-bank interest rates (3.8353% EURIBOR, 5.35438% $LIBOR).

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 December 2006 will be continuously released to the income statement until repayment of the bank borrowings.

Notes to the financial statements (continued)

for the year ended 30 December 2006

Financial guarantee contracts

In accordance with Group accounting policy, management has reviewed the fair values associated with financial guarantee contracts, as defined within IAS 39 (Financial Instruments: Recognition and Measurement) issued in the name of Glanbia plc (the Company) and has determined that their value is not significant. No adjustment has been made to the Glanbia plc company balance sheet to reflect fair value of the financial guarantee contracts issued in its name.

37 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 30 December 2006 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 €13,794,000 (2005: €15,252,000) are outstanding as at 30 December 2006, mainly in respect of payment of EU subsidies. The Group does not expect any material loss to arise from these guarantees.

(ii) Under the terms of a Sale and Purchase Agreement concluded with Milk Link Limited dated 21 February 2004, the Group retained a 25% interest in its UK hard cheese business through The Cheese Company Holdings Limited ("TCCH"). On 29 December 2006 the Group sold its remaining 25% interest and Stg£35 million loan note in TCCH to the majority shareholder, Milk Link Limited. 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. We understand TCC continue to assist the OFT in its investigation. A possible contingent liability remains for the Group under the terms of the Sale and Purchase Agreement dated 21 February, 2004.

38 Commitments

Capital commitments

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

	2006 €'000	2005 €'000
Property, plant and equipment	**11,787**	23,258

Capital commitments not contracted for amounted to €76.6 million (2005: €55.6 million).

Operating lease commitments - where the Group is the lessee

The Group leases various assets. 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:

	2006 €'000	2005 €'000
Not later than 1 year	**4,717**	6,595
Later than 1 year and not later than 5 years	**11,418**	14,204
Later than 5 years	**7,401**	7,258
	23,536	28,057

Other commitments

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.

39 Cash generated from operations

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group (as restated) €'000
Profit for the year	**16,959**	**66,270**	21,879	57,713
Non-cash restructuring costs	**-**	**-**	-	2,172
Non-cash loss on repayment of loan note	**-**	**9,178**	-	-
Share of results of associates and joint ventures	**-**	**(2,842)**	-	(932)
Income taxes	**-**	**(4,351)**	-	657
Depreciation	**-**	**25,415**	-	24,085
Amortisation	**-**	**4,452**	98	3,313
Cost of share options	**199**	**199**	161	161
Gain on disposal of investments	**-**	**(1,541)**	(898)	(10,959)
Loss on write-off of investments	**57**	**-**	1,687	-
Gain on disposal of property, plant and equipment	**-**	**(7,531)**	-	(2,509)
Interest income	**(2,125)**	**(4,883)**	(2,053)	(4,209)
Interest expense	**-**	**18,918**	-	22,662
Dividends received	**(10,508)**	**-**	(16,214)	-
Amortisation of government grants received	**-**	**(4,322)**	-	(1,424)
Net profit before changes in working capital	**4,582**	**98,962**	4,660	90,730
Change in net working capital				
- Increase in inventory	**-**	**(2,684)**	-	(5,501)
- (Increase)/decrease in short-term receivables	**(947)**	**(25,137)**	1	35,419
- (Decrease)/increase in short-term liabilities	**(8,616)**	**(11,332)**	3,620	36,045
- (Decrease)/increase in provisions	**-**	**(1,323)**	-	7,142
Cash generated from operations	**(4,981)**	**58,486**	8,281	163,835

40 Business combinations

Seltzer acquisition

On 6 September 2006, the Group acquired the business of Seltzer Chemicals, Inc. Seltzer is a leading US nutritional solutions business with strong expertise in the development of customised formulations and the distribution of speciality ingredients for the nutritional supplement, food and pharmaceutical markets for a consideration of US$105 million.
The acquired business contributed operating profit of €1.7 million to the Group for the period from 6 September 2006 to 30 December 2006.

Notes to the financial statements (continued)

for the year ended 30 December 2006

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

	€'000
Purchase consideration:	
- Cash paid	62,333
- Contingent consideration	19,470
- Direct costs relating to the acquisition	1,314
Total purchase consideration	83,117
Fair value of assets acquired	20,969
Goodwill (note 15)	62,148

The goodwill is attributable to the profitability and workforce of the acquired business and the benefits associated with the extension of Glanbia's scale and specific capabilities to the acquired business, synergies and other benefits. The assets and liabilities arising from the acquisition are as follows:

	Fair value €'000	Acquiree's carrying amount €'000
Cash and cash equivalents	779	779
Property, plant and equipment (note 14)	1,278	1,278
Other intangible assets (note 15)	16,589	-
Inventories	1,857	1,857
Receivables	5,831	5,831
Deferred tax (note 31)	(1,330)	-
Payables	(4,035)	(4,035)
Net assets acquired	20,969	5,710
Purchase consideration settled in cash		83,117
Contingent consideration		(19,470)
Cash outflow on acquisition		63,647

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 12 months of the acquisition date.

In the year ended 31 December 2005, the Group acquired the following:

(a) CMP Dairy, an Irish based dairy processing business.
(b) Pro-Fibe Nutrition, a UK company specialising in customised solutions for the sports nutrition market.
(c) A 100% share in Zymalact, a small family owned dairy blending and processed cheese manufacturing company.

41 Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited ("the Society"), which holds 54.66% 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:

(a) Sales of goods and services

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Sales of goods:				
- Associates	**-**	**3,644**	-	3,496
- Joint ventures	**-**	**57,549**	-	21,931
- Key management	**-**	**574**	-	527
	-	**61,767**	-	25,954
Sales of services:				
- The Society	**-**	**1,325**	-	1,849
- Joint ventures	**-**	**5,399**	-	902
- Subsidiaries	**6,416**	**-**	7,377	-
	6,416	**6,724**	7,377	2,751

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

(b) Purchases of goods and services

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Purchases of goods:				
- Associates	**-**	**10,760**	-	10,628
- Joint ventures	**-**	**17,326**	-	18,313
- Key management	**-**	**1,800**	-	1,762
	-	**29,886**	-	30,703
Purchases of services:				
- The Society	**-**	**-**	254	254
- Joint ventures	**-**	**404**	-	-
- Key management	**-**	**4**	-	-
- Subsidiaries	**1,729**	**-**	1,539	-
	1,729	**408**	1,793	254

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

Notes to the financial statements (continued)

for the year ended 30 December 2006

(c) Key management compensation

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Salaries and other short-term employee benefits	-	3,539	-	2,504
Post-employment benefits	-	487	-	413
	-	4,026	-	2,917

(d) Year-end balances arising from sales/purchases of goods/services

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Receivables from related parties:				
- Associates	-	237	-	217
- Joint ventures	-	3,064	-	1,312
- Key management	-	14	-	67
	-	3,315	-	1,596
Payables to related parties:				
- The Society	-	17	551	6,271
- Associates	-	1,068	-	1,233
- Joint ventures	-	17,601	-	9,590
- Key management	-	-	-	11
- Subsidiaries	10,474	-	18,512	-
	10,474	18,686	19,063	17,105

(e) Other related party balances

	2006 Company €'000	2006 Group €'000	2005 Company €'000	2005 Group €'000
Loan to Southwest Cheese Company	-	4,929	-	-
Loan to The Cheese Company Holdings Limited	-	-	-	56,874
Loan to Glanbia Cheese Limited	-	-	-	2,905

(f) Glanbia Co-operative Society Limited made a decision in 2006 to support its members during the difficulties arising from the Common Agricultural Policy Reform by way of a €16 million bonus payment to milk and grain suppliers. Glanbia Co-operative Society Limited is the majority shareholder of the Company.

42 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 30/12/2006	01/01/2006 **
Beneficial			
Directors			
MJ Walsh		23,708	23,708
L Herlihy		81,804	81,804
JV Quinlan		21,347	21,347
JJ Moloney	*	94,593	84,593
JE Callaghan		35,000	35,000
HV Corbally		3,495	1,495
JG Fitzgerald		24,171	24,171
EP Fitzpatrick		50,501	50,501
JA Gilsenan		2,842	2,842
P Gleeson	§	21,423	2,423
P Haran		7,462	7,462
CL Hill		30,029	31,966
MN Keane	§	20,000	-
ML Keane		22,104	22,104
JV Liston		15,000	5,000
GJ Meagher	*	212,327	212,327
M Merrick		1,600	-
WG Murphy		230,827	230,827
M Parsons		26,344	26,344
EM Power		37,893	37,893
KE Toland	*	23,243	23,243
Secretary			
M Horan		4,593	4,593

* Executive Director.
** Or at date of appointment if later.
§ Appointed on 24 May 2006.

Notes to the financial statements (continued)

for the year ended 30 December 2006

(b) Glanbia plc

Directors' and Secretary's options

Details of movements on outstanding options over the Company's ordinary share capital are set out below. Outstanding options are exercisable on dates between 2006 and 2014.

		Options - Ordinary shares of €0.06				
		01/01/2006	Movements during year	30/12/2006	Exercise price €	
Beneficial						
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	2.725	[c]
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	2.725	[c]
WG Murphy	1988 Share Option Scheme	75,000	(75,000)	-	4.25	[a]
KE Toland	2002 Long Term Incentive Plan	164,000	-	164,000	1.55	[b]
	2002 Long Term Incentive Plan	100,000	-	100,000	2.725	[c]

Options:
[a] Exercisable by Directors at any time up to May 2008.
[b] Exercisable by Directors at any time up to 2012.
[c] Exercisable by Directors between 2007 and 2014.

There were no other changes in the interests of the Directors and Secretary between 30 December 2006 and 23 February 2007.

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.

Participants in the Sharesave Scheme are deemed to be interested in 262,503 ordinary shares beneficially owned by the Glanbia Employees' Share Trust as at 30 December 2006 (262,503 ordinary shares as at 23 February 2007).

The market price of the ordinary shares as at 30 December 2006 was €2.96 and the range during the year was €1.93 to €3.13. The average price for the year was €2.55. The 1988 Share Option Scheme expired on 31 August 1998.

(c) Glanbia Co-operative Society Limited

		'A' Ordinary shares of €1		Convertible loan stock units of €0.01269738		'C' shares of €0.01	
		30/12/2006	01/01/2006 **	30/12/2006	01/01/2006 **	30/12/2006	01/01/2006 **
Beneficial							
Directors							
MJ Walsh		14,374	13,774	198,691	242,589	1,983,609	1,100,000
L Herlihy		89,398	87,916	1,600,438	1,866,068	33,452,288	16,626,637
JV Quinlan		9,585	9,090	-	-	1,509,000	1,067,686
JJ Moloney	*	-	-	-	-	7,452,304	4,634,869
HV Corbally		5,675	4,265	320,305	374,467	168,706	63,498
JG Fitzgerald		25,563	22,457	526,823	637,924	-	-
EP Fitzpatrick		24,034	23,044	340,786	416,134	7,213,532	6,497,492
JA Gilsenan		2,844	2,365	289,947	335,196	7,157,402	3,714,146
CL Hill		20,480	18,396	-	-	4,340,461	3,426,974
MN Keane		6,117	5,593	224,023	224,023	84,564	56,376
ML Keane		18,972	18,381	437,231	539,623	575,940	253,948
GJ Meagher	*	-	-	-	-	8,500,000	8,880,921
M Merrick		1,824	1,504	395,495	469,002	200,000	-
WG Murphy		-	-	-	-	3,095,071	2,904,610
M Parsons		7,810	6,820	304,961	344,734	1,980,360	1,269,738
EM Power		26,300	25,082	340,976	416,623	6,785,305	4,945,207
Secretary							
M Horan		-	-	-	-	1,000,000	-

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

There have been no changes in the above interests between 30 December 2006 and 23 February 2007.

Notes to the financial statements (continued)

for the year ended 30 December 2006

43 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
Seltzer Companies Inc.	San Diego, California	Nutrient delivery systems	100
Germany			
Glanbia Nutritionals Deutschland 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

(b) Associates and joint ventures

Incorporated in	Dates to which results included	Principal place of business	Principal activities	Group interest %
Ireland				
Co-operative Animal Health Limited	31 December 2005	Tullow, Co. Carlow	Agri chemicals	50
South Eastern Cattle Breeders Society Limited	31 December 2005	Thurles, Co. Tipperary	Cattle breeding	57
Malting Company of Ireland Limited	31 October 2006	Togher, Co. Cork	Malting	33.33
South East Port Services Limited	30 December 2006	Kilkenny	Port services	49
Nashs Mineral Waters (Marketing) Limited	30 December 2006	Newcastle West, Co. Limerick	Mineral waters and soft drinks	50
Corman Miloko Ireland Limited	30 December 2006	Carrick-on-Suir, Co. Tipperary	Butter products	45
Britain and Northern Ireland				
Glanbia Cheese Limited	30 December 2006	Magheralin and Llangefni	Cheese products	51
Milk Ventures (UK) Limited	30 November 2006	Nigeria	Evaporated and powdered milk	50
United States				
Southwest Cheese Company, LLC	30 December 2006	Clovis, New Mexico	Milk products	50
Mexico				
Conabia de Mexico S.A. de C.V.	30 December 2006	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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