

Notes to the financial statements

for the year ended 3 January 2009

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, Canada, China, the USA and Nigeria.

The Company is a public limited company incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny, Ireland. The Group is controlled by Glanbia Co-operative Society Limited ('the Society'), which holds 54.6% of the issued share capital of the Company and is the ultimate parent of the Group.

The Company shares are quoted on the Irish and London Stock Exchanges.

These consolidated financial statements have been approved for issue by the Board of Directors on 3 March 2009.

2. Summary of significant accounting policies

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of 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, judgements 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.

Amounts are stated in euro thousands (€'000) unless otherwise stated.

These financial statements are prepared for a 53 week period ending on 3 January 2009, comparatives are for the 52 week period ended 29 December 2007. The balance sheets for 2008 and 2007 have been drawn up as at 3 January 2009 and 29 December 2007 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 over the fair value of the Group's share of the identifiable net assets 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.

(c) Segment reporting

The Group's reporting segment, for which detailed disclosures are required is by geographical area. A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different to those of other geographic segments.

The Group reports segment performance by two geographic areas - Ireland and International.

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

Segment liabilities comprise operating liabilities. Unallocated amounts include items such as taxation, corporate borrowings and related hedging derivatives.

(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. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. 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, or for the period since acquisition, if appropriate.

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 property, 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 as at the following rates:

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

Notes to the financial statements (continued)

for the year ended 3 January 2009

The assets' residual values and 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. 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) Research and 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 6 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 10 and 20 years. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. Indefinite life intangible assets are carried at cost less accumulated impairment losses, if applicable and are not amortised on an annual basis.

(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 - Intangible Assets. Computer software costs recognised as assets are written off over their estimated useful lives, which is normally between 5 and 10 years.

(g) Available for sale investments

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs 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.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(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 estimated costs of completion and the costs of selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials.

(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. Where risks associated with receivables are transferred out of the Group under debt purchase agreements, such receivables are recognised on the balance sheet to the extent of the Group's continued involvement and retained risk.

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.

Notes to the financial statements (continued)

for the year ended 3 January 2009

(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.

A curtailment arises where an event reduces the expected years of future service of employees or reduces the accrual of defined benefits for their future service. A settlement arises where the Group is relieved of responsibility for a pension obligation and eliminates significant risk relating to the obligation and the assets used to effect the settlement. Losses arising on settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Group becomes demonstrably committed to the transaction. Gains arising on a settlement or curtailment are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction. Curtailments and settlement gains on losses are dealt with in the income statement.

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.

(iii) Awards under the 2007 Long Term Incentive Plan and 2008 Long Term Incentive Plan

The fair value of shares awarded under the 2007 LTIP and 2008 LTIP schemes are determined using a Monte Carlo simulation technique. The performance share plan contains inter-alia a Total Shareholder Return (TSR) based (and hence market-based) vesting condition, and accordingly, the fair value assigned to the related equity instruments on initial application of IFRS 2 – Share-based payment is adjusted so as to reflect the anticipated likelihood as at the grant date of achieving the market-based vesting condition.

(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 consideration receivable for the sale of goods and services to external customers net of value-added tax, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the entity and when specific criteria have been met for each of the Group's activities. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, in the ordinary course of the Group's business which generally arises on delivery, or in accordance with specific terms and conditions agreed with customers. Service income is recognised on a straight line basis over the life of the arrangement to which it relates. The timing of recognition of services revenue equals the timing of when 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. Revenue is only recognised when it is possible that the economic benefits associated with the transaction will flow to the entity.

(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 that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. Ordinary shares purchased under the terms of the 2007 LTIP and 2008 LTIP schemes are accounted for as own shares and recorded as a deduction 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: Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments Disclosures). 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.

Notes to the financial statements (continued)

for the year ended 3 January 2009

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.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 37. Movements on the fair value reserve are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(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 interest rates on 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) *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.

(iv) *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 share holders of the Company, divided by the weighted average number of ordinary shares in issue in respect of the period. Adjusted earnings per share is calculated after tax, pre exceptional, before intangible asset amortisation (net of related tax). 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 significant 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 a finance cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Provisions

Provisions are recognised when the Group has a constructive or legal obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as an interest expense.

(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, legislative changes 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 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.

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(aa) New accounting standards and IFRIC interpretations

The Group's assessment of the impact of these new standards and interpretations is set out below;

Standards, amendments and interpretations effective in 2008, reviewed by the Group and determined not applicable for the financial year ended 3 January 2009:

The following standards, amendments and interpretations are mandatory for the Group for accounting periods beginning on or after 30 December 2007 but are not relevant to the Group's operations:

- IFRIC 11 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12 'Service concession arrangements'
- IFRIC 14 'IAS 19 – The limit on defined benefit asset, minimum funding requirements and their interaction'
- IAS 39 and IFRS 7 (amendments) – 'Reclassification of financial assets'

The following standards, amendments and interpretations are mandatory for the Group for accounting periods beginning on or after 1 July 2008 but are not relevant to the Group's operations:

- IFRIC 13 'Customer loyalty programmes'

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:

Improvements to IFRSs, (effective for financial periods beginning on or after 1 January 2009).

The improvements to IFRS are still subject to EU endorsement. The IASB has issued the 'Improvements to IFRSs' standard which amends 20 standards, basis of conclusions and guidance based on the exposure draft issued in October 2007. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. The Group has reviewed the 'Improvements to IFRSs' and will apply the revised applicable standards from the effective date and is currently assessing their impact on the Group's financial statements.

IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective for financial periods beginning on or after 1 January 2009).

The amendments to the two standards are still subject to endorsement by the EU. The amended IFRS 1 allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. As the Group is not a first-time adopter of IFRS, IFRS 1 (Amendment) is not relevant to the Group's activities.

IFRS 1 (Revised), 'First-time adoption of International Financial Reporting Standards', (effective for financial periods beginning on or after 1 July 2009).

The revised standard is still subject to EU endorsement. The current IFRS 1 has been amended many times to accommodate first time adoption requirements of new and amended IFRSs, resulting in a more complex and less clear standard. This revised version retains the substance of the original standard but with a changed structure. The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group's financial statements.

IFRS 2 (Amendment), 'Share based payment' (effective for financial periods beginning on or after 1 January 2009).

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. The amendment also clarifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the amendment from the effective date and is currently assessing the impact on the Group's financial statements.

IFRS 3 (Revised), 'Business combinations', (effective for financial periods beginning on or after 1 July 2009).

The revised standard is still subject to EU endorsement. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group's financial statements.

IFRS 8, 'Operating segments' (effective for financial periods beginning on or after 1 January 2009).

IFRS 8 replaces IAS 14 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. 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 new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from the effective date and is currently considering the impact of this standard on its disclosures.

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

The interpretation is still subject to EU endorsement. The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. As the Group is not involved in construction IFRIC 15 is not relevant to the Group's activities.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

The interpretation is still subject to EU endorsement. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. As the Group does not hedge against net investments in foreign operations IFRIC 16 is not relevant to the Group's activities.

IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009).

This interpretation applies to transactions in which an entity distributes assets (other than cash) as dividends to its owners acting in their capacity as owners and how an entity should measure the dividend payable. The IFRIC also clarifies when an entity should recognise a dividend payable, i.e. when the dividend is appropriately authorised and no longer at the discretion of the entity. The Group will apply IFRIC 17 from the effective date and is currently assessing the impact on the Group's financial statements.

IFRIC 18, 'Transfers of assets from customers' (effective for transfers of assets from customers received on or after 1 July 2009)

This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment (for an amount of cash which must be used to construct or acquire an item of property, plant and equipment) that the entity must use either to connect the customer to a network or to provide a customer with ongoing access to a supply of goods or services, or do both. The Group will apply IFRIC 18 from the effective date and is currently assessing the impact on the Group's financial statements.

IAS 1 (Amendment), 'Presentation of financial statements', (effective for financial periods beginning on or after 1 January 2009).

The revised standard will prohibit the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply the amendment from the effective date and is currently assessing the impact on the Group's financial statements.

IAS 23 (Amendment), 'Borrowing costs', (effective for financial periods beginning on or after 1 January 2009).

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply the amendment from the effective date and is currently assessing the impact on the Group's financial statements.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods beginning on or after 1 July 2009).

The revised standard is still subject to endorsement by the EU. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group's financial statements.

Notes to the financial statements (continued)

for the year ended 3 January 2009

IAS 32 and IAS 1 (Amendment) 'Puttable financial instruments and obligations arising on liquidation', (effective for annual periods beginning on or after 1 January 2009).

The amendments to the two standards are still subject to endorsement by the EU. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the amendment from the effective date and is currently assessing the impact on the Group's financial statements.

IAS 39 (Amendment) – Eligible hedged items, 'Financial Instruments: Recognition and Measurement' (effective for annual periods beginning on or after 1 July 2009).

The amendment to the standard is still subject to endorsement by the EU. This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation should be applied. The Group will apply the amendment from the effective date and is currently assessing the impact on the Group's financial statements.

3. Financial risk management

3.1 Financial risk factors

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, credit 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.

Risk management, other than credit risk, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Credit risk is discussed below. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

(a) 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 the US dollar/euro exchange rate can significantly affect the Group's euro balance sheet and income statement. The Group seeks to match, to a certain 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. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge foreign exchange risk exposure through Group Treasury.

Group Treasury reviews exposure reports on a regular basis. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, administered by Group Treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Group Treasury's risk management practice is to hedge up to 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency to which the Group is exposed for the following financial year. The Group does not take out cover unless the prospective sale is highly probable.

For reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 3 January 2009 and 29 December 2007, if the euro had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of US dollar denominated non-hedged trade receivables, and cash and cash equivalents.

A weakening/strengthening of the euro against the US dollar by 5% as at 3 January 2009 would have resulted in a currency translation gain/loss respectively of approximately €8.5 million (2007: €7.5 million), which would be recognised directly in equity.

At 3 January 2009 and 29 December 2007, if the currency had weakened/strengthened by 5% against the UK pound with all other variables held constant, post-tax profit for the year would not have been materially impacted as a result of foreign exchange gains/losses on translation of UK pound-denominated non-hedged trade receivables, and cash and cash equivalents.

A weakening/strengthening of the euro against the UK pound by 5% as at 3 January 2009 would have resulted in a currency translation gain/loss respectively of approximately €3.0 million (2007: €1.6 million), which would be recognised directly in equity.

(b) 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.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain no more than one third of its projected debt exposure on a floating rate basis over any succeeding 12 month period.

The Group, on a continuous basis, maintains a level of fixed rate cover dependent on prevailing fixed market rates, projected debt and market informed interest rate outlook.

Based on the Group's unhedged variable rate debt in all currencies throughout 2008, a 1% increase in prevailing market interest rates would have resulted in a €1.8 million loss (2007: €0.7 million loss), with no impact on equity.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed interest rate amounts and floating rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the Group enters into fixed to floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates.

(c) 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.

To manage its exposure to certain commodity markets the Group enters commodity future contracts. Such commodity futures are subject to fair value changes which are recognised in the income statement. To manage its price risk arising from investments in equity securities, the Group does not maintain a significant balance with any one entity.

Diversification of the portfolio must be done in accordance with the limits set by the Group. The impact of a 5% increase or decrease in equity indexes across the eurozone countries would not have any significant impact on Group operating profit.

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 €661.5 million of which €82.9 million was undrawn. The weighted average maturity of these facilities was 4.2 years.

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for the year ended 3 January 2009

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
At 3 January 2009					
Borrowings	15,281	926	501,325	64,624	582,156
Derivative financial instruments	16,815	5,171	4,417	76	26,479
Trade and other payables	351,452	-	-	-	351,452
	383,548	6,097	505,742	64,700	960,087

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
At 29 December 2007					
Borrowings	966	904	316,047	65,643	383,560
Derivative financial instruments	3,187	1,633	2,538	-	7,358
Trade and other payables	336,663	-	-	-	336,663
	340,816	2,537	318,585	65,643	727,581

The Company has an overdraft of €13,740,000 at year ended 3 January 2009. The contractual undiscounted cash flows equal the year end balance.

The table below analyses the Group's foreign exchange contracts which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
At 3 January 2009					
Foreign exchange contracts - cash flow hedges Outflow	(59)	-	-	-	(59)

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
At 29 December 2007					
Foreign exchange contracts - cash flow hedges Inflow	2,872	-	-	-	2,872

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, available for sale financial investments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum credit rating of 'A' are accepted.

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and where appropriate, credit risk is covered by credit insurance.

The Group enters into debt purchase agreements with certain financial institutions for part of its debtors' balances. Where this is done the credit risk is transferred but the late payment risk is retained.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase or reduce debt or buy back shares.

The Group monitors debt capital on the basis of interest cover and debt to EBITDA ratios. At 3 January 2009, the Group's debt/EBITDA ratio was 2.7 times (2007: 1.5 times), which is deemed by management to be prudent and in line with industry norms.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

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., Optimum Nutrition, Inc. and Glanbia Nutritionals Deutschland GmbH, including goodwill arising on acquisition of €131.133 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 6.5% to 7.5% would not result in an impairment of the assets. A rate of zero percent has been used to estimate cash flow growth between 3 and 10 years. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of intangible assets as indefinite is reviewed annually.

(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. Were the actual final outcome of these matters to differ by 10% from management's estimates, the Group would need to revise its tax liabilities by approximately €1 million.

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. An increase in the Group's effective tax rate by 1% would reduce profit after tax by €1.129 million.

Notes to the financial statements (continued)

for the year ended 3 January 2009

(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 €301.5 million giving a net pension liability of €164.4 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 Group has reviewed the impact of a change in the discount rate used and concluded that based on the pension deficit at 3 January 2009, an increase in the discount rates applied of 10 basis points across the various defined benefit plans, would have the impact of decreasing the pension deficit for the Group by €6.2 million.

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

Long-lived assets comprising primarily 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. The Group has reviewed the impact of a change in useful lives on land and buildings and a 1 year reduction in useful lives would have a €0.2 million reduction impact on operating profit. The Group has also reviewed the impact of a change in useful lives in plant and equipment and a 1 year reduction in useful lives would have a €2.1 million reduction impact on operating profit.

The Group has reviewed the impact on indefinite life intangible assets of assigning a finite life to these assets and a 20 year useful life estimate would have a €4.4 million reduction impact on operating profit.

(e) Fair value of derivatives and other financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available for sale financial assets that are not traded in active markets.

The carrying amount of available for sale financial assets would not be materially different were the discounted rate used in the discounted cash flow analysis to differ by 10% from management's estimates.

5. Segment information

Primary reporting format – geographic segments

The Group's internal financial system reports segment performance by two main geographic areas, Ireland and International. On this basis segment information has been restated to include Consumer Foods and Agribusiness & Property under Ireland and Food Ingredients and Nutritionals under International. The comparatives for year ended 29 December 2007 have been restated.

The segment results for the year ended 29 December 2007 are as follows:

	Ireland €'000	International €'000	Group €'000
2007			
Total gross segment revenue	803,855	1,529,310	2,333,165
Inter-segment revenue	(492)	(126,106)	(126,598)
Revenue	803,363	1,403,204	2,206,567
Operating profit pre exceptional items	30,640	85,194	115,834
Exceptional items	(23,463)	-	(23,463)
	<u>7,177</u>	<u>85,194</u>	<u>92,371</u>
Finance income and costs			(17,282)
Share of results of joint ventures and associates			992
Profit before tax			76,081
Tax			(15,841)
Profit for the year			60,240

The segment results for the year ended 3 January 2009 are as follows:

2008	Ireland €'000	International €'000	Group €'000
Total gross segment revenue	743,061	1,630,682	2,373,743
Inter-segment revenue	(85)	(141,497)	(141,582)
Revenue	742,976	1,489,185	2,232,161
Operating profit pre exceptional items	51,530	82,524	134,054
Exceptional items	(15,548)	(3,755)	(19,303)
	35,982	78,769	114,751
Finance income and costs			(21,105)
Share of results of joint ventures and associates			6,359
Profit before tax			100,005
Tax			(20,636)
Profit for the year			79,369

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 29 December 2007 are as follows:

2007	Ireland €'000	International €'000	Group €'000
Depreciation	9,828	17,418	27,246
Amortisation of intangibles	3,076	3,740	6,816
Capital grants released to income statement	(669)	(67)	(736)
Restructuring costs - exceptional items	(23,463)	-	(23,463)

Other segment items included in the income statement for the year ended 3 January 2009 are as follows:

2008	Ireland €'000	International €'000	Group €'000
Depreciation	7,463	18,326	25,789
Amortisation of intangibles	2,771	5,586	8,357
Capital grants released to income statement	(106)	(494)	(600)
Restructuring costs - exceptional items	(15,548)	(3,755)	(19,303)

The segment assets and liabilities at 29 December 2007 and capital expenditure for the year then ended are as follows:

2007	Ireland €'000	International €'000	Unallocated €'000	Group €'000
Assets	232,934	651,291	224,010	1,108,235
Associates and joint ventures	-	-	68,057	68,057
Total assets	232,934	651,291	292,067	1,176,292
Liabilities	(113,212)	(257,977)	(570,528)	(941,717)
Group capital expenditure and acquisitions	9,564	59,542	878	69,984

Notes to the financial statements (continued)

for the year ended 3 January 2009

The segment assets and liabilities at 3 January 2009 and capital expenditure for the year then ended are as follows:

2008	Ireland €'000	International €'000	Unallocated €'000	Group €'000
Assets	233,713	946,569	198,195	1,378,477
Associates and joint ventures	-	-	76,492	76,492
Total assets	233,713	946,569	274,687	1,454,969
Liabilities	(106,920)	(393,261)	(726,869)	(1,227,050)
Group capital expenditure and acquisitions	24,338	276,125	4,151	304,614

6. Operating expenses

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

	2008 €'000	2007 €'000
Depreciation of property, plant and equipment (note 14)		
- Owned assets	24,149	24,994
- Leased assets under finance leases	1,640	2,252
Profit on disposal of property, plant and equipment	(5,319)	(3,002)
Repairs and maintenance expenditure on property, plant and equipment	25,698	28,459
Exceptional item - exit from Pigmeat	3,332	20,756
Amortisation of intangible assets (note 15)		
- Software costs	3,685	3,824
- Other intangible assets	4,672	2,992
Increase in inventories	42,365	92,053
Raw materials and consumables used	1,662,357	1,637,623
Energy costs	39,714	32,031
Sales and marketing	54,110	45,089
Trade receivables - impairment charge for bad and doubtful debts	1,384	297
Amortisation of government grants received (note 35)	(600)	(736)
Operating lease rentals payable		
- Plant and machinery	4,775	4,561
- Other	5,582	4,556
Employee benefit expense (note 8)	200,093	197,170
Auditors' remuneration	639	627
Research and development costs	6,880	7,509
Net foreign exchange gains	(4,019)	(611)
Other	46,273	13,752
Total operating expenses	2,117,410	2,114,196

7. Exceptional items

	Notes	2008 €'000	2007 €'000
Exit from Pigmear	(a)	(3,332)	(20,756)
Rationalisation costs	(b)	(15,971)	(2,707)
Joint Venture - deferred tax charge	(c)	(947)	-
		(20,250)	(23,463)
Exceptional tax credit (note 11)		892	617
Net exceptional item		(19,358)	(22,846)

(a) An exceptional charge of €3.3 million was incurred on the finalisation of the exit from the Pigmear business announced in March 2008.

(b) €16.0 million relates to a rationalisation programme, primarily redundancy costs, in Consumer Foods, Agribusiness and Food Ingredients Ireland.

(c) An exceptional deferred tax charge of €1.0 million (Group share) arises in the Group's joint venture, Glanbia Cheese. This relates to a recent UK tax legislation change providing for the withdrawal of industrial buildings allowances.

8. Employee benefit expense

	2008 €'000	2007 €'000
Wages and salaries	157,510	169,554
Termination costs	708	2,877
Social security costs	17,036	17,673
Share options and share awards under 2007 LTIP and 2008 LTIP	515	587
Pension costs - defined contribution plans (note 33)	1,719	1,217
Pension costs - defined benefit plans (note 33)	7,913	4,981
	185,401	196,889
Exceptional item - curtailment gain (note 33)	(376)	(1,843)
Exceptional item - termination costs (note 7(b))	15,068	2,124
	200,093	197,170

The average number of employees, excluding the Group's Joint Ventures & Associates in 2008 was 3,400 (2007: 3,993) and is analysed into the following categories:

	2008	2007
Ireland	1,706	2,517
International	1,694	1,476
	3,400	3,993

Notes to the financial statements (continued)

for the year ended 3 January 2009

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	2008 Total €'000	2007 Total €'000
Executive							
J Moloney	509	-	460	162	36	1,167	1,194
G Meagher	306	-	284	102	22	714	756
K Toland	326	-	314	120	7	767	876
2008	1,141	-	1,058	384	65	2,648	
2007	1,032	-	1,391	342	61		2,826
Non-executive							
L Herlihy (note (a))	-	69	-	-	-	69	41
J Fitzgerald (note (b))	-	33	-	-	-	33	19
V Quinlan	-	42	-	-	-	42	41
J Callaghan	-	70	-	-	-	70	63
H Corbally	-	20	-	-	-	20	19
N Dunphy (note (c))	-	20	-	-	-	20	12
E Fitzpatrick	-	20	-	-	-	20	19
J Gilsenan	-	20	-	-	-	20	19
P Gleeson	-	20	-	-	-	20	19
P Haran	-	62	-	-	-	62	59
C Hill	-	20	-	-	-	20	19
MI Keane (note (e))	-	-	-	-	-	-	8
M Keane	-	20	-	-	-	20	19
J Liston	-	70	-	-	-	70	63
M Merrick	-	20	-	-	-	20	19
W Murphy	-	62	-	-	-	62	59
A O'Connor (note (d))	-	12	-	-	-	12	-
M Parsons	-	20	-	-	-	20	19
E Power (note (f))	-	8	-	-	-	8	19
R Prendergast (note (d))	-	12	-	-	-	12	-
M Walsh (note (g))	-	36	-	-	-	36	85
2008	-	656	-	-	-	656	
2007	-	621	-	-	-		621
Total 2008	1,141	656	1,058	384	65	3,304	
Total 2007	1,032	621	1,391	342	61		3,447

(a) Mr L Herlihy was appointed Chairman on 28 May 2008.

(b) Mr J Fitzgerald was appointed Vice Chairman on 28 May 2008.

(c) Mr N Dunphy was appointed as a Director on 31 May 2007.

(d) Mr A O'Connor and Mr R Prendergast were appointed Directors on 28 May 2008.

(e) Mr MI Keane resigned as a Director on 31 May 2007.

(f) Mr E Power resigned as a Director on 28 May 2008.

(g) Mr M Walsh resigned both as Chairman and Director on 28 May 2008.

Details of Directors' share options are set out in note 24 and note 43 to the financial statements.

In 2008 holders of options granted in 1998 under the Avonmore share option scheme were given the option to receive the value of the option in cash in lieu of exercising the option. Mr J Moloney and Mr G Meagher both elected to receive payment respectively of €105,000 and €52,500 in lieu of exercising the options, which then lapsed.

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.

The defined benefit pension benefits of each of the executive Directors during the year were as follows:

	Transfer value of increase in accrued pension €' 000	Annual pension accrued in 2008 in excess of inflation €' 000	Total annual accrued pension at 3 January 2009 €' 000
J Moloney	776	38	283
G Meagher	185	8	200
K Toland	179	17	99
2008	1,140	63	582
2007	508	30	563

10. Finance income and costs

(a) Finance income

	2008 €'000	2007 €'000
Interest income	5,164	4,813
Interest income on deferred consideration	426	-
	5,590	4,813

(b) Finance costs

	2008 €'000	2007 €'000
Interest expense		
- Bank borrowings repayable within 5 years	(21,471)	(19,084)
- Interest cost on deferred consideration	(22)	(450)
- Finance lease costs	(360)	(272)
- Interest rate swaps, transfer from equity	(477)	1,401
- Interest rate swaps, fair value hedges	(1,295)	676
- Fair value adjustment of borrowings attributable to interest rate risk	1,295	(676)
	(22,330)	(18,405)
Finance cost of preference shares	(4,365)	(3,690)
Total finance costs	(26,695)	(22,095)
Net finance costs	(21,105)	(17,282)

Notes to the financial statements (continued)

for the year ended 3 January 2009

11. Income taxes

	2008 €'000	2007 €'000
Irish corporation tax	8,961	7,284
Adjustments in respect of prior years	(99)	(100)
Irish current tax on income for the year	8,862	7,184
Foreign tax	11,857	6,338
Adjustments in respect of prior years	(607)	327
Foreign current tax on income for the year	11,250	6,665
Total current tax	20,112	13,849
Deferred tax (note 32)	1,416	2,609
Pre exceptional tax charge	21,528	16,458
Exceptional tax credit		
- Current	(1,073)	1,975
- Deferred	181	(2,592)
	20,636	15,841

- (i) The restructuring provisions made in 2008 resulted in an exceptional current tax credit of €1.6 million.
- (ii) During 2008 adjustments were made in connection with the Group's 2007 decision to exit meat processing, resulting in an exceptional current tax charge of €0.5 million and deferred tax charge of €0.1 million.
- (iii) Recent UK tax legislation provided for the phased withdrawal of industrial building allowances from April 2008 (with full abolition from April 2011) resulting in a deferred tax charge of €0.1 million. This change in UK tax legislation also resulted in an exceptional deferred tax charge in the Group's UK joint venture, Glanbia Cheese, of which the Group's share is €0.9 million.

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:

	2008 €'000	2007 €'000
Profit before tax	100,005	76,081
Tax calculated at Irish rate of 12.5% (2007: 12.5%)	12,501	9,510
Earnings at reduced and higher Irish rates	(2,732)	(1,176)
Difference due to overseas tax rates	9,396	7,359
Adjustment to tax charge in respect of previous periods	(54)	57
Tax on profits of joint ventures and associates shown in profit before tax	(913)	(124)
Expenses not deductible for tax purposes and other differences	2,438	215
Tax charge	20,636	15,841

Details of tax charged or credited directly to equity during the year are outlined in note 32.

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 27).

	2008 €'000	2007 €'000
Profit attributable to equity holders of the Company	78,399	59,833
Weighted average number of ordinary shares in issue	293,018,610	293,012,540
Basic earnings per share (cents per share)	26.76	20.42

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.

	2008 €'000	2007 €'000
Weighted average number of ordinary shares in issue	293,018,610	293,012,540
Adjustments for share options	1,356,809	1,110,557
Adjusted weighted average number of ordinary shares	294,375,419	294,123,097
Diluted earnings per share (cents per share)	26.63	20.34

Adjusted

Adjusted earnings per share is calculated on the net profit attributable to equity holders of the Company, pre exceptional and before intangible asset amortisation (net of related tax). Adjusted earnings per share is considered to be more reflective of the Group's underlying trading performance. Adjusted EPS as reported in 2007 was stated after amortisation on intangible assets €5,964,000 (net of related tax).

	2008 €'000	2007 €'000
Profit attributable to equity holders of the Company	78,399	59,833
Amortisation of intangible assets (net of related tax)	7,312	5,964
Net exceptional items	19,358	22,846
	105,069	88,643
Adjusted earnings per share (cents per share)	35.86	30.25
Diluted adjusted earnings per share (cents per share)	35.69	30.14

13. Dividends

The dividends paid in 2008 and 2007 were €18.5 million (6.33 cents per share) and €17.3 million (5.91 cents per share) respectively. On 1 October 2008 an interim dividend of 2.75 cents per share on the ordinary shares amounting to €8.1 million was paid to shareholders on the register of members as at 12 September 2008. The Directors have recommended the payment of a final dividend of 3.76 cents per share on the ordinary shares which amounts to €11.0 million. Subject to shareholders approval this dividend will be paid on 20 May 2009 to shareholders on the register of members as at 24 April 2009, the record date. These financial statements do not reflect this final dividend.

Notes to the financial statements (continued)

for the year ended 3 January 2009

14. Property, plant and equipment – Group

	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 29 December 2007				
Opening net book amount	139,000	195,375	777	335,152
Exchange differences	(3,382)	(7,218)	(34)	(10,634)
Acquisition of subsidiaries	1,849	1,455	278	3,582
Additions	9,117	41,816	392	51,325
Disposals	(9,426)	(6,801)	(117)	(16,344)
Reclassification	-	266	-	266
Transfer to disposal group held for sale	(20,649)	(16,681)	-	(37,330)
Depreciation charge	(4,922)	(21,747)	(577)	(27,246)
Closing net book amount	111,587	186,465	719	298,771
At 29 December 2007				
Cost	167,604	523,626	18,463	709,693
Accumulated depreciation	(56,017)	(337,161)	(17,744)	(410,922)
Net book amount	111,587	186,465	719	298,771
Year ended 3 January 2009				
Opening net book amount	111,587	186,465	719	298,771
Exchange differences	2,075	4,342	(12)	6,405
Acquisition of subsidiaries (note 41)	1,330	2,033	26	3,389
Additions	23,753	57,374	299	81,426
Disposals	(1,184)	(1,604)	(50)	(2,838)
Reclassification	-	(289)	56	(233)
Depreciation charge	(4,566)	(20,698)	(525)	(25,789)
Closing net book amount	132,995	227,623	513	361,131
At 3 January 2009				
Cost	193,578	585,482	18,782	797,842
Accumulated depreciation	(60,583)	(357,859)	(18,269)	(436,711)
Net book amount	132,995	227,623	513	361,131

Depreciation expense of €25,789,158 (2007: €27,245,814) has been charged as follows: cost of sales €22,989,638 (2007: €24,483,735), distribution expenses €1,159,010 (2007: €1,101,849) and administration expenses €1,640,510 (2007: €1,660,230).

Leased assets, comprising plant and equipment where the Group is a lessee under a finance lease, comprise as follows:

	2008 €'000	2007 €'000
Cost - capitalised finance leases	41,673	43,976
Accumulated depreciation	(27,830)	(27,250)
Net book amount	13,843	16,726

Operating lease rentals amounting to €10,356,958 (2007: €9,116,980) are included in the income statement.

Included in the cost of plant and equipment is an amount of €18,042,531 (2007: €24,780,022) 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 €589,000 in 2008 (2007: nil).

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

The Group does not have any assets secured against borrowings.

15. Intangible assets

	Goodwill €'000	Other intangibles See note (a) €'000	Software costs €'000	Development costs €'000	Total €'000
Year ended 29 December 2007					
Opening net book amount	85,132	25,935	24,112	3,545	138,724
Exchange differences	(6,761)	(1,820)	(287)	(286)	(9,154)
Additions	360	91	1,341	1,804	3,596
Adjustments re acquisitions	(189)	-	-	-	(189)
Acquisition of subsidiaries	6,125	5,545	-	-	11,670
Reclassification	-	-	(266)	-	(266)
Amortisation	-	(2,363)	(3,824)	(629)	(6,816)
Previously stated closing net book amount	84,667	27,388	21,076	4,434	137,565
Final intellectual property valuation adjustment	3,356	(3,356)	-	-	-
Restated closing net book amount	88,023	24,032	21,076	4,434	137,565
At 29 December 2007					
Cost	88,023	27,827	41,887	5,277	163,014
Accumulated amortisation	-	(3,795)	(20,811)	(843)	(25,449)
Net book amount	88,023	24,032	21,076	4,434	137,565
Year ended 3 January 2009					
Opening net book amount	88,023	24,032	21,076	4,434	137,565
Exchange differences	5,515	10,336	157	342	16,350
Acquisition of subsidiaries (note 41)	58,065	154,028	-	-	212,093
Additions	77	-	4,376	3,253	7,706
Reclassification	-	-	233	-	233
Write-off of goodwill/intangibles	(635)	(282)	-	-	(917)
Reduction in contingent consideration (note 41)	(5,461)	-	-	-	(5,461)
Amortisation	-	(3,817)	(3,685)	(855)	(8,357)
Closing net book amount	145,584	184,297	22,157	7,174	359,212
At 3 January 2009					
Cost	145,584	191,909	46,653	8,872	393,018
Accumulated amortisation	-	(7,612)	(24,496)	(1,698)	(33,806)
Net book amount	145,584	184,297	22,157	7,174	359,212

Notes to the financial statements (continued)

for the year ended 3 January 2009

Note (a) - other intangibles

	Brands/ know-how €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
At 29 December 2007				
Cost	11,080	13,149	6,954	31,183
Accumulated amortisation	(1,673)	(1,781)	(341)	(3,795)
Previously stated closing net book amount	9,407	11,368	6,613	27,388
Final intellectual property valuation adjustment	-	-	(3,356)	(3,356)
Restated closing net book amount	9,407	11,368	3,257	24,032
Year ended 3 January 2009				
Opening net book amount	9,407	11,368	3,257	24,032
Exchange differences	5,681	5,119	(464)	10,336
Acquisition of subsidiaries (note 41)	82,855	71,173	-	154,028
Write-off of intangibles	-	-	(282)	(282)
Amortisation	(749)	(2,908)	(160)	(3,817)
Closing net book amount	97,194	84,752	2,351	184,297
At 3 January 2009				
Cost	99,616	89,441	2,852	191,909
Accumulated amortisation	(2,422)	(4,689)	(501)	(7,612)
Net book amount	97,194	84,752	2,351	184,297

Included in intangibles is a carrying value of €88.35 million relating primarily to brands/know-how with indefinite useful lives. In arriving at the conclusion that brands/know-how have indefinite useful lives, it has been determined that these assets will contribute indefinitely to the cash flows of the Group. The factors that result in the durability of brands/know how capitalised is that there are no known material legal, regulatory, contractual or other factors that limit the useful life of these intangibles.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units. A summary of the goodwill allocation by principle cash generating units is as follows:

	2008 €'000	2007 €'000
Glanbia Nutritionals Deutschland GmbH	11,297	11,297
Seltzer Companies, Inc.	57,921	54,604
Optimum Nutrition, Inc.	61,915	-
	131,133	65,901
Multiple units without individual significant amounts of goodwill	14,451	18,766
	145,584	84,667

The recoverable amount allocated to a cash generating unit 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 which are not in excess of forecast inflation. A rate of zero percent has been used to estimate cash flow growth between three and ten years, which is consistent with prior years. Key assumptions include management's estimates of future profitability, capital expenditure requirements and working capital investment. Capital expenditure requirements are based on the Group's strategic plans and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to increase in line with activity. Discount rates used reflect specific risks relating to relevant cash generating units.

The value in use calculations are prepared using a pre tax discount rate of 6.5%, which is the Group's weighted average cost of capital, and incorporate terminal values. The above rate is consistent for each cash generating unit. The indefinite useful lives have been included in the Optimum Nutrition, Inc. cash generating unit for the purposes of impairment testing. In forecasting terminal values, a multiple of five to ten times EBITDA is generally used.

16. Investments in associates

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
At the beginning of the year	1,395	10,729	1,395	10,933
Share of profit after tax	-	457	-	158
Exchange differences	-	-	-	(157)
Additions	-	611	-	-
Funding repaid	-	(200)	-	(205)
At the end of the year	1,395	11,597	1,395	10,729

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 %
2007					
Co-operative Animal Health Limited*	7,968	5,916	15,098	(271)	50
South Eastern Cattle Breeding Society Limited*	1,851	878	1,735	102	57
Malting Company of Ireland Limited	4,793	2,102	3,773	310	33.3
South East Port Services Limited	7,417	5,175	1,451	165	49
Westgate Biological Limited	103	112	-	(148)	41.8
	22,132	14,183	22,057	158	

2008

	Assets €'000	Liabilities €'000	Revenues €'000	Profit/ (loss) €'000	Interest held %
Co-operative Animal Health Limited*	8,463	6,219	15,411	163	50
South Eastern Cattle Breeding Society Limited*	4,837	832	1,824	130	57
Malting Company of Ireland Limited	5,092	2,245	5,288	156	33.3
South East Port Services Limited	7,582	6,071	1,792	195	49
Westgate Biological Limited	325	197	-	(186)	49.99
	26,299	15,564	24,315	458	

* In accordance with Group accounting policy, Co-operative Animal Health Limited and South Eastern Cattle Breeding Society Limited are included in the Group result based on the equity method of accounting, as the Group has significant influence over the entities but not control, due to their co-operative structure.

Further details in relation to principal associates are outlined in note 44.

17. Investments in joint ventures

	2008 €'000	2007 €'000
At the beginning of the year	57,328	58,668
Share of profit after tax - including exceptional tax charge	5,901	834
Other reserve movements	(2,961)	(1,925)
Deferred tax provision	(2,420)	(3,312)
Write-down of investment	(335)	(380)
Exchange differences	(224)	(5,671)
Funding advanced	7,606	9,114
At the end of the year	64,895	57,328

Notes to the financial statements (continued)

for the year ended 3 January 2009

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

	2008 €'000	2007 €'000
Assets		
Non-current assets	101,573	100,418
Current assets	69,598	63,819
	171,171	164,237
Liabilities		
Long-term liabilities	63,361	53,356
Current liabilities	42,915	60,511
	106,276	113,867
Net assets	64,895	50,370
Revenue	346,000	330,906
Expenses	(340,099)	(330,072)
Profit after income tax	5,901	834
Proportionate interest in joint venture's commitments	31,812	15,700

A listing and description of interests in significant joint ventures is outlined in note 44.

The Group holds 51% of the share capital of Glanbia Cheese but this is considered to be a joint venture as the Group does not have control of the company.

18. Investments

	Investments 2008 Company €'000	Available for sale investments 2008 Group €'000	Investments 2007 Company €'000	Available for sale investments 2007 Group €'000
At the beginning of the year	455,303	30,089	510,412	12,527
Disposals/redemption	-	(3,139)	(27,251)	(37)
Fair value adjustment	-	(3,371)	-	17,512
Amounts written off	-	-	(27,858)	-
Additions	5,468	533	-	87
At the end of the year	460,771	24,112	455,303	30,089

There was a disposal of shares held in One51 plc during the year, this is outlined in note 42.

There were no impairment provisions on available for sale investments in 2008 or 2007.

Investments include the following:

	Investments 2008 Company €'000	Available for sale investments 2008 Group €'000	Investments 2007 Company €'000	Available for sale investments 2007 Group €'000
Listed securities				
- Equity securities – eurozone countries	1	182	1	526
Unlisted securities				
- One51 plc	-	11,692	-	17,856
- Irish Dairy Board	-	9,986	-	9,644
- Glanbia Enterprise Fund Limited	1,290	1,290	1,290	1,290
- Moorepark Technology	-	198	-	198
- Other Group companies	459,480	-	454,012	-
Other	-	764	-	575
	460,771	24,112	455,303	30,089

The unlisted equity shares in One51 plc are currently traded on an informal 'grey' market. These shares are fair valued by reference to published bid prices.

Available for sale financial assets are fair valued at each reporting date. 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. All available for sale financial assets are euro denominated.

19. Trade and other receivables

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Trade receivables	-	152,005	-	157,415
Less provision for impairment of receivables	-	(8,091)	-	(7,834)
Trade receivables - net	-	143,914	-	149,581
Prepayments	31	21,562	39	29,189
Receivable from associates and joint ventures	-	2,430	-	6,757
Loans to related parties (note 42)	-	11,929	-	6,971
Amounts due from subsidiary companies	48,309	-	23,984	-
Value added tax	-	6,841	-	9,848
Other receivables	-	8,840	-	6,859
	48,340	195,516	24,023	209,205
Less non current portion: loans to related parties	-	(11,929)	-	(6,971)
	48,340	183,587	24,023	202,234

In 2008, 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 €37.0 million (2007: €27.6 million). The Group has continued to recognise an asset of €663,000 (2007: €515,000), representing the extent of its continuing involvement, and an associated liability of a similar amount.

Notes to the financial statements (continued)

for the year ended 3 January 2009

The carrying value of receivables are a reasonable approximation of fair value. 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.

The Group's objective is to minimise credit risk by carrying out credit checks where appropriate by the use of credit insurance in certain situations and by active credit management. Management does not expect any significant losses of receivables that have not been provided for.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Euro	48,340	81,658	24,023	106,173
US dollar	-	96,976	-	96,497
GBP sterling	-	9,166	-	6,374
Other	-	7,716	-	161
	48,340	195,516	24,023	209,205

Movements on the Group provision for impairment of trade receivables are as follows:

	2008 €'000	2007 €'000
At the beginning of the year	7,834	10,439
Provision for receivables impairment	1,797	859
Receivables written off during the year as uncollectable	(1,194)	(1,909)
Unused amounts reversed	(346)	(1,555)
At the end of the year	8,091	7,834

As of 3 January 2009, trade receivables of €8.2 million (2007: €9.1 million) were impaired. Trade receivable balances are considered to be impaired in full when falling due outside trade terms and are partially or wholly provided for. The amount of the provision was €8.1 million (2007: €7.8 million)

The breakdown of impaired trade receivables was as follows:

	2008 €'000	2007 €'000
Past due:		
Up to 3 months	2,739	1,094
3 to 6 months	613	60
Over 6 months	4,880	7,992
	8,232	9,146

As of 3 January 2009, trade receivables of €29.6 million (2007: €23.8 million) were past due but not impaired, as they are considered recoverable.

	2008 €'000	2007 €'000
Past due not impaired:		
Up to 3 months	17,518	20,558
3 to 6 months	10,122	3,158
Over 6 months	1,997	81
	29,637	23,797

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20. Inventories

	2008 €'000	2007 €'000
Raw materials	40,009	18,071
Finished goods	216,259	195,342
Consumables	11,154	11,644
	267,422	225,057

Included in the above are inventories carried at fair value less costs to sell amounting to €115.3 million (2007: €3.1 million). The amounts written off in respect of these inventories was €18.8 million.

21. Cash and cash equivalents

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Cash at bank and in hand	-	22,998	-	62,478
Short term bank deposits	-	109,574	-	97,341
	-	132,572	-	159,819

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

22. Assets and liabilities classified as held for sale and included in disposal groups

	2008 €'000	2007 €'000
Assets		
Inventory	-	9,224
Trade and other receivables	-	11,080
Assets included in disposal group	-	20,304
Liabilities		
Trade and other payables	-	17,647
Liabilities included in disposal group	-	17,647

A strategic review of Pigmeat operations was conducted during 2007, following which a decision was made to exit these operations. On 19 December 2007, the Group signed non-binding heads of agreement and following further negotiation, an agreement was signed on 3 March 2008 to sell the Pigmeat operations to the Management Buy Out ('MBO') team.

Notes to the financial statements (continued)

for the year ended 3 January 2009

23. Reconciliation of changes in equity

	Notes	Share capital €'000 (note 24)	Other reserves €'000 (note 25)	Retained earnings €'000 (note 26)	Minority interest €'000 (note 30)	Total €'000
Balance at 30 December 2006		98,304	113,696	(18,116)	6,635	200,519
Actuarial loss - defined benefit schemes	33	-	-	(4,539)	-	(4,539)
Deferred tax on pension loss	32	-	-	1,102	-	1,102
Share of actuarial gain - joint ventures		-	-	230	-	230
Currency translation differences	25	-	(14,878)	-	-	(14,878)
Fair value adjustments	25	-	8,578	-	-	8,578
Net expense recognised directly in equity		-	(6,300)	(3,207)	-	(9,507)
Profit for the year		-	-	59,833	407	60,240
Total recognised (expense)/income for 2007		-	(6,300)	56,626	407	50,733
Change in minority interest in subsidiaries	30	-	-	-	(2)	(2)
Shares issued	24	6	-	-	-	6
Premium on shares issued	24	161	-	-	-	161
Cost of share options	28	-	587	-	-	587
Discount on options	28	74	(74)	-	-	-
Shares purchased	27	(95)	-	-	-	(95)
Dividends paid in 2007		-	-	(17,334)	-	(17,334)
		146	513	(17,334)	(2)	(16,677)
Balance at 29 December 2007		98,450	107,909	21,176	7,040	234,575
Actuarial loss - defined benefit schemes	33	-	-	(68,246)	-	(68,246)
Deferred tax on pension loss	32	-	-	7,084	-	7,084
Share of actuarial loss - joint ventures		-	-	(204)	-	(204)
Currency translation differences	25	-	17,251	-	-	17,251
Fair value adjustments	25	-	(22,930)	-	-	(22,930)
Net expense recognised directly in equity		-	(5,679)	(61,366)	-	(67,045)
Profit for the year		-	-	78,399	970	79,369
Total recognised (expense)/income for 2008		-	(5,679)	17,033	970	12,324
Shares issued	24	13	-	-	-	13
Premium on shares issued	24	347	-	-	-	347
Cost of share options	28	-	827	-	-	827
Discount on options	28	175	(175)	-	-	-
Shares purchased	27	(1,665)	-	-	-	(1,665)
Dividends paid in 2008		-	-	(18,502)	-	(18,502)
		(1,130)	652	(18,502)	-	(18,980)
Balance at 3 January 2009		97,320	102,882	19,707	8,010	227,919

24. Share capital and share premium

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium Company €'000	Own shares €'000	Total Company €'000
At 30 December 2006	293,239	17,594	436,366	(388)	453,572
Discount on options	-	-	-	74	74
Shares purchased	-	-	-	(95)	(95)
Issue of shares - option scheme	108	6	161	-	167
At 29 December 2007	293,347	17,600	436,527	(409)	453,718
Discount on options	-	-	-	175	175
Shares purchased	-	-	-	(1,665)	(1,665)
Issue of shares - option scheme	209	13	347	-	360
At 3 January 2009	293,556	17,613	436,874	(1,899)	452,588

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium Group €'000	Own shares €'000	Total Group €'000
At 30 December 2006	293,239	17,594	81,098	(388)	98,304
Discount on options	-	-	-	74	74
Shares purchased	-	-	-	(95)	(95)
Issue of shares - option scheme	108	6	161	-	167
At 29 December 2007	293,347	17,600	81,259	(409)	98,450
Discount on options	-	-	-	175	175
Shares purchased	-	-	-	(1,665)	(1,665)
Issue of shares - option scheme	209	13	347	-	360
At 3 January 2009	293,556	17,613	81,606	(1,899)	97,320

The total authorised number of ordinary shares is 306 million shares (2007: 306 million shares) with a par value of €0.06 per share (2007: €0.06 per share). All issued shares are fully paid.

Share options

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

	2008 Average exercise price in € per share	2008 Number of options	2007 Average exercise price in € per share	2007 Number of options
At the beginning of the year	2.52	2,792,000	2.39	2,734,000
Granted	-	-	4.03	166,000
Exercised	1.72	(209,000)	1.55	(108,000)
Lapsed	4.25	(325,000)	-	-
At the end of the year	2.35	2,258,000	2.52	2,792,000

Notes to the financial statements (continued)

for the year ended 3 January 2009

Expiry date in	Exercise price €	2008 Number	2007 Number
2008	Stg£2.90	-	10,000
2008	4.25	-	315,000
2012	1.55	782,000	961,000
2013	1.90	160,000	160,000
2014	2.47	100,000	100,000
2014	2.73	1,000,000	1,030,000
2016	2.87	50,000	50,000
2017	4.03	166,000	166,000
		<u>2,258,000</u>	<u>2,792,000</u>

Total options over 2,258,000 (2007: 2,467,000) ordinary shares were outstanding at 3 January 2009 under the 2002 Long Term Incentive Plan (the 2002 LTIP), at prices ranging between €1.55 and €4.03. Furthermore, in accordance with the terms of the 2002 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 118,600 (2007: 134,600) 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 27 to the financial statements, the Employee Share Trust held 570,054 (2007: 238,544) ordinary shares at 3 January 2009. The dividend rights in respect of these shares have been waived, save 0.001 pence per share.

Under the 2002 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.

2007 Long Term Incentive Plan ('the 2007 LTIP') and 2008 Long Term Incentive Plan ('the 2008 LTIP')

In August 2007, arising from the review of the Group's compensation arrangements for executive Directors and senior managers, the Directors approved the introduction of the 2007 LTIP for selected senior managers in order to further align the interests of such senior managers with those of shareholders. Awards outstanding under the Company's 2007 LTIP as at 3 January 2009 amounted to 169,500 ordinary shares (2007: 183,500).

In August 2008, arising from the review of the Group's compensation arrangements for executive Directors and senior managers, the Directors approved the introduction of the 2008 LTIP for selected senior managers in order to further align the interests of such senior managers with those of shareholders. Awards outstanding under the Company's 2008 LTIP as at 3 January 2009 amounted to 583,000 ordinary shares (2007: nil).

The LTIP schemes are tied 50% to achievement of targeted EPS growth and 50% to Total Shareholder Return (TSR). The TSR element is assessed against a group of leading peer companies and the EPS element is measured against pre-set targeted adjusted EPS growth criteria for the Group. The maximum award under the LTIP schemes is 115% of base salary per annum in the form of conditional shares and the vesting period is three years.

Shares awarded under the Group's LTIP schemes are equity settled share based payments as defined in IFRS 2 - Share Based Payments. The IFRS requires that a recognised valuation methodology be employed to determine the fair value of shares awarded and stipulates that this methodology should be consistent with methodologies used for pricing of financial instruments. The combined expense of €888,398 (2008 LTIP: €677,985, 2007 LTIP: €210,413) charged in the Group income statement has been arrived at through applying a Monte Carlo simulation technique to model the combination of market and non-market based performance conditions of the plan.

The 2007 LTIP

Impact on Group income statement

The total expense is analysed as follows:

Granted in 2007	Share price at date of award €	Period to earliest release date	Number of shares	Fair value €	Expense in Group income statement	
					2008 €'000	2007 €'000
2007 Long Term Incentive Plan	4.03	2 years	169,500	3.85	€210	€210

Shares awarded under the 2007 LTIP are nil based payments. The 2007 awards will expire in 2011.

The fair value of the shares awarded were determined using a Monte Carlo simulation technique taking account of peer group total share return volatilities and correlations together with the following assumptions:

Risk free interest rate	4%
Expected volatility	25%
Dividend yield	2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option.

The 2008 LTIP Impact on Group income statement

The total expense is analysed as follows:

Granted in 2008	Share Price at date of award €	Period to earliest release date	Number of shares	Fair value €	Expense in Group income statement	
					2008 €'000	2007 €'000
2008 Long Term Incentive Plan	4.45	3 years	583,000	4.32	€678	-

Shares awarded under the 2008 LTIP are nil based payments. The 2008 awards will expire in 2012.

The fair value of the shares awarded were determined using a Monte Carlo simulation technique taking account of peer group total share return volatilities and correlations together with the following assumptions:

Risk free interest rate	4%
Expected volatility	29%
Dividend yield	1%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option.

Impact on Group balance sheet of the 2007 LTIP and the 2008 LTIP

The Glanbia Employees' Share Trust ('the Trust') was retained during the year to manage the 2007 LTIP and 2008 LTIP. The Trust purchased the following shares:

	Number of shares purchased	Cost of shares purchased €
Number of shares held by the Trust at 29 December 2007	238,544	415,770
Number of shares purchased by the Trust	381,510	1,658,175
Number of shares issued by the Trust	(50,000)	(175,293)
Number of shares held by the Trust at 3 January 2009	570,054	1,898,652

These shares were accounted for as own shares in the Group balance sheet.

The fair value of share options has been calculated using the Trinomial Model. Options over 2,042,000 (2007: 2,576,000) ordinary shares were exercisable at 3 January 2009 at a weighted average price of €2.20 (2007: €2.42).

The weighted average life for share options outstanding is five years.

Notes to the financial statements (continued)

for the year ended 3 January 2009

25. Other reserves

	Capital and merger reserves €'000	Currency reserve €'000	Fair value reserve €'000	Total €'000
Balance at 30 December 2006	116,421	(7,603)	4,878	113,696
Translation differences on foreign currency net investments	-	(14,878)	-	(14,878)
Revaluation of interest rate swaps - loss in year	-	-	(3,714)	(3,714)
Foreign exchange contracts - gain in year	-	-	2,237	2,237
Transfers to income statement				
- Foreign exchange contracts - gain in year	-	-	(2,445)	(2,445)
- Forward commodity contracts - gain in year	-	-	(594)	(594)
- Interest rate swaps - gain in year	-	-	(1,401)	(1,401)
Revaluation of forward commodity contracts - gain in year	-	-	11	11
Revaluation of available for sale investments - gain in year	-	-	17,512	17,512
Deferred tax on fair value adjustments	-	-	(3,028)	(3,028)
Cost of share options	587	-	-	587
Discount on own shares vested	(74)	-	-	(74)
Balance at 29 December 2007	116,934	(22,481)	13,456	107,909
Translation differences on foreign currency net investments	-	17,251	-	17,251
Revaluation of interest rate swaps - loss in year	-	-	(16,508)	(16,508)
Foreign exchange contracts - loss in year	-	-	(484)	(484)
Transfers to income statement				
- Foreign exchange contracts - gain in year	-	-	(342)	(342)
- Forward commodity contracts - gain in year	-	-	(11)	(11)
- Interest rate swaps - loss in year	-	-	477	477
- Sale of quoted investments - gain in year	-	-	(2,910)	(2,910)
Revaluation of forward commodity contracts - loss in year	-	-	(519)	(519)
Revaluation of available for sale investments - loss in year	-	-	(3,597)	(3,597)
Deferred tax on fair value adjustments	-	-	964	964
Cost of share options	827	-	-	827
Discount on options	(175)	-	-	(175)
Balance at 3 January 2009	117,586	(5,230)	(9,474)	102,882

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) cost of share options under the 2007 LTIP and 2008 LTIP schemes accounted for as own shares, (iii) 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.

26. Retained earnings

	Company retained earnings €'000	Group retained earnings €'000	Group goodwill write-off €'000	Group Total €'000
Balance at 30 December 2006	47,924	74,845	(92,961)	(18,116)
Actuarial loss - defined benefit schemes	-	(4,539)	-	(4,539)
Deferred tax on pension loss	-	1,102	-	1,102
Share of actuarial gain - joint ventures	-	230	-	230
Net expense recognised directly in equity (Loss)/profit for the year	(12,236)	59,833	-	59,833
Total recognised (expense)/income for 2007	(12,236)	56,626	-	56,626
Dividends paid in 2007	(17,334)	(17,334)	-	(17,334)
Balance at 29 December 2007	18,354	114,137	(92,961)	21,176
Actuarial loss - defined benefit schemes	-	(68,246)	-	(68,246)
Deferred tax on pension loss	-	7,084	-	7,084
Share of actuarial loss - joint ventures	-	(204)	-	(204)
Net expense recognised directly in equity Profit for the year	36,204	78,399	-	78,399
Total recognised income for 2008	36,204	17,033	-	17,033
Dividends paid in 2008	(18,502)	(18,502)	-	(18,502)
Balance at 3 January 2009	36,056	112,668	(92,961)	19,707

27. Own shares (Company and Group)

	2008 €'000	2007 €'000
At the beginning of the year	(409)	(388)
Discount on options	175	74
Shares purchased	(1,665)	(95)
At the end of the year	(1,899)	(409)

The amount included above as own shares relates to 570,054 (2007: 238,544) 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 Halifax EES Trustees International Limited; a Jersey based trustee services company.

The shares included in the Employee Trust at 3 January 2009 cost €1,898,652 and had a market value of €1,180,012 at 3 January 2009. The transfer from capital reserve represents the excess of the purchase price over the weighted average price in respect of 50,000 ordinary shares (2007: 50,000 ordinary shares) on which options vested during the year.

Shares purchased under the 2007 LTIP scheme and the 2008 LTIP scheme are deemed to be own shares in accordance with IAS 32 – Financial Instruments: Disclosure and Presentation.

Notes to the financial statements (continued)

for the year ended 3 January 2009

28. Capital reserves

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
At the beginning of the year	5,187	3,786	4,674	3,273
Sharesave Scheme - discount on options	(175)	(175)	(74)	(74)
Cost of share options and share awards	827	827	587	587
At the end of the year	5,839	4,438	5,187	3,786

29. Merger reserve – Group

	2008 €'000	2007 €'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).

30. Minority interests

	2008 €'000	2007 €'000
At the beginning of the year	7,040	6,635
Share of profit for the year	970	407
Reduction in minority interest in subsidiaries	-	(2)
At the end of the year	8,010	7,040

31. Borrowings

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Current				
Bank overdrafts/borrowings	13,740	14,401	1,928	-
Finance lease liabilities	-	880	-	966
	13,740	15,281	1,928	966
Non-current				
Bank borrowings	-	500,742	-	309,548
Cumulative redeemable preference shares	-	63,487	-	63,487
Finance lease liabilities	-	5,145	-	5,993
	-	569,374	-	379,028
Total borrowings	13,740	584,655	1,928	379,994

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 maturity of non-current borrowings is as follows:

	2008 €'000	2007 €'000
Between 1 and 2 years	926	904
Between 2 and 5 years	503,824	312,481
Over 5 years	64,624	65,643
	569,374	379,028

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:

	2008 €'000	2007 €'000
6 months or less	325,143	119,645
Between 2 and 5 years	190,000	190,000
Over 5 years	69,512	70,349
	584,655	379,994

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

	EUR		GBP		USD		CAD	
	2008	2007	2008	2007	2008	2007	2008	2007
Bank overdrafts	3.55%	5.47%	2.60%	6.10%	5.25%	9.25%	4.50%	7.25%
Bank borrowings	4.34%	4.46%	3.76%	6.81%	2.57%	4.97%	3.32%	5.50%

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

	Net carrying amount		Estimated fair values	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Non-current borrowings	569,374	379,028	571,306	372,772

The carrying value of current borrowings approximates their fair value.

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

	2008 €'000	2007 €'000
Euro	287,143	278,204
GBP sterling	22,348	6,958
US dollar	265,159	87,145
Canadian dollar	10,005	7,687
	584,655	379,994

Notes to the financial statements (continued)

for the year ended 3 January 2009

The Group has the following undrawn borrowing facilities:

	2008 €'000	2007 €'000
Floating rate:		
- Expiring within 1 year	31,803	16,785
- Expiring beyond 1 year	67,302	144,122
	99,105	160,907

Finance lease liabilities - minimum lease payments:

	2008 €'000	2007 €'000
12 months or less	1,197	1,240
Between 1 and 2 years	1,197	1,143
Between 2 and 5 years	3,588	3,430
Over 5 years	1,197	2,286
	7,179	8,099
Future finance charges on finance leases	(1,154)	(1,140)
Present value of finance lease liabilities	6,025	6,959

The present value of finance lease liabilities is as follows:

	2008 €'000	2007 €'000
12 months or less	880	966
Between 1 and 2 years	926	904
Between 2 and 5 years	3,082	2,933
Over 5 years	1,137	2,156
	6,025	6,959

32. 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:

	2008 €'000	2007 €'000
Deferred tax assets	(25,380)	(21,672)
Deferred tax liabilities	59,056	37,587
Net deferred tax liability	33,676	15,915

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

	2008 €'000	2007 €'000
At the beginning of the year	15,915	14,688
Income statement - pre exceptional charge (note 11)	1,416	2,609
Income statement - exceptional charge/(credit)	181	(2,592)
Acquisition of subsidiary and purchase of intellectual property	20,631	462
Deferred tax (credit)/charge to the fair value reserve (note 25)	(964)	3,028
Deferred tax credit relating to the actuarial loss in the year	(7,084)	(1,102)
Exchange differences	3,581	(1,178)
At the end of the year	33,676	15,915

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 30 December 2006	32,861	905	376	4,469	38,611
(Credited)/charged to income statement	(4,230)	-	209	1,695	(2,326)
Charged against equity (note 25)	-	3,028	-	-	3,028
Acquisition of subsidiaries and intellectual property	-	-	-	462	462
Exchange differences	(1,978)	-	(53)	(157)	(2,188)
At 29 December 2007	26,653	3,933	532	6,469	37,587
(Credited)/charged to income statement	(1,798)	-	309	2,147	658
Credited to equity (note 25)	-	(964)	-	-	(964)
Acquisition of subsidiaries and intellectual property	-	-	-	20,631	20,631
Exchange differences	831	-	45	268	1,144
At 3 January 2009	25,686	2,969	886	29,515	59,056

Deferred tax assets	Retirement obligations €'000	Tax losses €'000	Total €'000
At 30 December 2006	(11,667)	(12,256)	(23,923)
Charged to income statement	1,570	773	2,343
Credited to equity (note 23)	(1,102)	-	(1,102)
Exchange differences	-	1,010	1,010
At 29 December 2007	(11,199)	(10,473)	(21,672)
Charged/(credited) to income statement	1,196	(257)	939
Credited to equity (note 23)	(7,084)	-	(7,084)
Exchange differences	-	2,437	2,437
At 3 January 2009	(17,087)	(8,293)	(25,380)

The deferred tax credited to equity during the year is as follows:

	2008 €'000	2007 €'000
Fair value reserve in equity		
- Available for sale investments	(752)	3,503
- Hedging reserve	(212)	(475)
Impact of increase in retirement benefit obligations	(7,084)	(1,102)
	(8,048)	1,926

The increase in the retirement benefit obligation has given rise to an increase 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 €11.1 million (2007: €20.7 million) to carry forward against future taxable income. Deferred tax liabilities have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, associates and joint ventures.

Notes to the financial statements (continued)

for the year ended 3 January 2009

33. 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 5 April 2005 and 1 July 2008. The contributions paid to the scheme in 2008 are in accordance with the contribution rates recommended in the actuarial valuation reports.

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

	2008 €'000	2007 €'000
Present value of funded obligations	(465,909)	(496,769)
Fair value of plan assets	301,499	382,521
Liability in the balance sheet	(164,410)	(114,248)

The amounts recognised in the income statement are as follows:

	2008 €'000	2007 €'000
Service cost - current	(7,594)	(9,315)
Interest cost	(23,147)	(18,885)
Expected return on plan assets	22,828	23,219
	(7,913)	(4,981)
Exceptional item - curtailment gain (note 8)	376	1,843
	(7,537)	(3,138)
Defined contribution	(1,719)	(1,217)

The actual return on plan assets was a loss of €81.4 million (2007: €9.3 million loss).

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

	2008 €'000	2007 €'000
At the beginning of the year	(114,248)	(124,888)
Exchange differences	6,101	2,161
Movements relating to disposed operations	(500)	1,230
Total expense	(7,537)	(3,138)
Actuarial loss – shown in equity	(68,246)	(4,539)
Contributions paid	20,020	14,926
At the end of the year	(164,410)	(114,248)

The movement in obligations over the year is as follows:

	2008 €'000	2007 €'000
At the beginning of the year	(496,769)	(501,473)
Exchange differences	17,833	7,910
Movements relating to disposed operations	(4,208)	(18,787)
Current service cost	(7,594)	(9,315)
Interest cost	(23,147)	(18,885)
Actuarial (loss)/gain – shown in equity		
- Experience losses	(3,175)	(7,160)
- Change in assumptions	39,158	35,165
Contributions by plan participants	(4,163)	(4,147)
Curtailement gain	376	1,843
Benefits paid	15,780	18,080
At the end of the year	(465,909)	(496,769)

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

	2008 €'000	2007 €'000
At the beginning of the year	382,521	376,585
Exchange differences	(11,732)	(5,751)
Movements relating to disposed operations	3,708	20,017
Expected return on plan assets	22,828	23,219
Actuarial loss shown in equity	(104,229)	(32,542)
Contributions by plan participants	4,163	4,147
Contributions by employer	20,020	14,926
Benefits paid	(15,780)	(18,080)
At the end of the year	301,499	382,521

The principal actuarial assumptions used were as follows:

	2008		2007	
	IRL	UK	IRL	UK
Discount rate	5.9%	6.6%	5.5%	6.0%
Expected return on plan assets				
- Equities	8.25%	8.7%	8.7%	8.1%
- Bonds	4.25%	6.7%	5.0%	5.3%
- Gilts	n/a	3.9%	n/a	4.5%
- Cash	3.25%	3.5%	4.0%	6.0%
- Property	7.25%	7.8%	7.5%	7.75%
- Other assets	7.25%	7.8%	7.5%	5.9%-7%
Inflation rate	2.5%	3.1%	2.5%	3.4%
Future salary increases	3.5%	3.85%	4.0%	4.2%
Future pension increases	1.5%-3.5%	3.0%	2.5%-3.5%	2.25%-3.25%

	2008 €'000	2007 €'000
Actuarial loss recognised in the statement of recognised income and expense	68,246	4,539
Cumulative actuarial losses recognised in the statement of recognised income and expense	123,991	55,745

Notes to the financial statements (continued)

for the year ended 3 January 2009

Plan assets are comprised as follows:

	2008		2007	
	€'000	%	€'000	%
Equity	125,893	42	214,040	56
Bonds	90,961	30	84,861	22
Gilts	4,346	2	9,230	2
Property	40,392	13	36,418	10
Cash	39,907	13	37,972	10
	301,499	100	382,521	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.

Contributions to post-employment benefit plans are expected to increase in 2009.

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 an active member on retiring at age 65, 20 years from now:

	Irish mortality rates	UK mortality rates
Male	20	24
Female	22.9	26.8

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

	Irish mortality rates	UK mortality rates
Male	18.9	22.9
Female	21.8	25.8

	2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
At the end of the year					
Fair value of plan assets	301,499	382,521	376,585	338,829	285,376
Present value of defined benefit obligations	(465,909)	(496,769)	(501,473)	(503,845)	(412,052)
Deficit	(164,410)	(114,248)	(124,888)	(165,016)	(126,676)
Experience adjustments on plan liabilities	(3,175)	(7,160)	(12,651)	(2,037)	(6,341)
Experience adjustments on plan assets	(104,229)	(32,542)	11,575	28,383	5,911

Sensitivity analysis for principal assumptions used to measure scheme liabilities

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

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Increase/decrease by 4.3%	Decrease/increase by 4.3% to 5.0%
Price inflation	Increase/decrease 0.25%	Increase/decrease by 2.4%	Decrease/increase by 2.5% to 3.4%
Mortality	Increase/decrease by one year	Increase/decrease by 3.7%	Decrease/increase by 2.0% to 2.2%

34. Provisions for other liabilities and charges

	Restructuring €'000	UK pension €'000	Other €'000	Total €'000
At 29 December 2007	6,284	3,845	25,809	35,938
Charged to the consolidated income statement				
- Additional provisions	16,669	-	2,055	18,724
Net amounts charged to provision	(3,516)	(1,635)	(18,636)	(23,787)
Exchange differences	-	(876)	(1,611)	(2,487)
At 3 January 2009	19,437	1,334	7,617	28,388
Non-current	-	1,334	3,565	4,899
Current	19,437	-	4,052	23,489
	19,437	1,334	7,617	28,388

- (a) The restructuring provision relates to the rationalisation programme Glanbia is currently undertaking. The provision which relates mainly to redundancy is expected to be fully utilised in 2009.
- (b) The UK pension provision relates to administration and certain costs associated with pension schemes relating to businesses disposed of in prior years. This provision is expected to be fully utilised within two to three years.
- (c) Included in 'Other' above are provisions in respect of property lease commitments, deferred consideration in respect of recent acquisitions, insurance and certain legal claims pending against the Group. It is expected that €4.0 million of this provision will be utilised in 2009, with the balance being utilised over a further five year period. Due to the nature of these items, there is some uncertainty around their amount and the timing of payment.

35. Capital grants

	2008 €'000	2007 €'000
At 29 December 2007	3,535	10,660
Receivable for year	9,802	1,399
In acquired subsidiaries	-	45
Exchange differences	(43)	(19)
Transfer to disposal group held for sale	-	(7,814)
Released to income statement	(600)	(736)
At 3 January 2009	12,694	3,535

Notes to the financial statements (continued)

for the year ended 3 January 2009

36. Trade and other payables

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Trade payables	-	116,132	-	111,785
Amounts due to associates and joint ventures	-	39,723	-	32,868
Amounts due to other related parties (note 42)	-	1,148	-	930
PAYE and PRSI	-	3,576	-	4,016
Accrued expenses	2,283	188,965	1,534	185,133
Other payables	-	1,908	-	1,931
	2,283	351,452	1,534	336,663

The carrying value of payables are a reasonable approximation of fair value.

37. Derivative financial instruments

	2008 Assets €'000	2008 Liabilities €'000	2007 Assets €'000	2007 Liabilities €'000
Interest rate swaps - cash flow hedges	-	(14,957)	82	(528)
Interest rate swaps - fair value hedges	4,156	(1,657)	1,172	(4,738)
Foreign exchange contracts - cash flow hedges	2,400	(2,459)	2,980	(108)
Commodity futures - cash flow hedges	236	(650)	9	(39)
Commodity futures - fair value hedges	6,340	(6,340)	1,510	(1,510)
Total	13,132	(26,063)	5,753	(6,923)
Less non-current portion				
Interest rate swaps - cash flow hedges	-	(8,388)	43	(259)
Interest rate swaps - fair value hedges	2,501	(607)	720	(3,477)
Commodity futures - fair value hedges	253	(253)	-	-
Non-current portion	2,754	(9,248)	763	(3,736)
Current portion	10,378	(16,815)	4,990	(3,187)

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as cash flow hedges at 3 January 2009 were €317.6 million (2007: €96.4 million).

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as fair value hedges at 3 January 2009 were €265.1 million (2007: €265.1 million).

At 3 January 2009, the fixed interest rates vary from 3.665% to 4.94% (2007: 3.79% to 4.3722%) and the main floating rates are set in advance by reference to inter-bank interest rates (5.151% EURIBOR, 2.3225% \$LIBOR).

Gains and losses recognised in the fair value reserve in equity on interest rate swap contracts at 3 January 2009 will be continuously released to the income statement until repayment of the bank borrowings.

Foreign exchange contracts

The notional principal amounts of the outstanding foreign exchange contracts at 3 January 2009 are €78.3 million (2007: €71.8 million).

Gains and losses recognised in the fair value reserve in equity on foreign exchange contracts at 3 January 2009 will be released to the income statement at various dates between one day and one year from the balance sheet date.

Commodity futures

The notional principal amounts of the outstanding commodity (milk, gas, oil and propane) futures, qualifying as cash flow hedges and fair value hedges at 3 January 2009 were €5.6 million and €28.8 million (2007: €1.2 million and €7.6 million) respectively. Gains and losses recognised in the fair value reserve on these futures as at 3 January 2009 will be released to the income statement at various dates within one year from the balance sheet date.

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, therefore 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.

38. 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 3 January 2009 and the Directors are of the opinion that no losses will arise thereon. 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

Bank guarantees amounting to €4,522,000 (2007: €7,495,000) are outstanding as at 3 January 2009, mainly in respect of payment of EU subsidies. The Group does not expect any material loss to arise from these guarantees.

39. Commitments

Capital commitments

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

	2008 €'000	2007 €'000
Property, plant and equipment	20,050	19,856

Capital commitments not contracted for amounted to €40.8 million (2007: €107.0 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:

	2008 €'000	2007 €'000
Not later than 1 year	7,736	5,947
Later than 1 year and not later than 5 years	20,255	14,606
Later than 5 years	5,390	5,868
	33,381	26,421

Notes to the financial statements (continued)

for the year ended 3 January 2009

40. Cash generated from operations

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Profit/(loss) before tax	36,204	100,005	(12,236)	76,081
Development costs capitalised	-	(3,253)	-	(1,804)
Other movements - impairment charge	-	620	-	-
Non-cash exceptional - rationalisation/exit from Pigmeat	-	943	27,858	13,706
Non-cash - redemption of shares	-	-	1,948	-
Share of results of associates and joint ventures	-	(6,359)	-	(992)
Depreciation	-	25,789	-	27,246
Amortisation	-	8,358	-	6,816
Cost of share options	-	827	-	587
Difference between pension charge and cash contributions	-	(13,984)	-	(10,971)
Gain on disposal of property, plant and equipment	-	(5,319)	-	(3,002)
Interest income	-	(5,590)	(1,255)	(4,813)
Interest expense	-	26,695	-	22,095
Dividends received	-	-	(8,000)	-
Amortisation of government grants received	-	(600)	-	(736)
Net profit before changes in working capital	36,204	128,132	8,315	124,213
Change in net working capital				
- (Increase in) inventory	-	(20,888)	-	(82,093)
- (Increase)/decrease in short term receivables	(32,266)	27,088	(21,555)	(36,615)
- Increase/(decrease) in short term liabilities	749	(1,481)	(10,360)	78,744
- Increase in provisions	-	14,095	-	861
Cash generated from operations	4,687	146,946	(23,600)	85,110

41. Business combinations

On 22 August 2008 Glanbia plc acquired a US based sports nutritional business, Optimum Nutrition, Inc. (Optimum). Optimum manufactures, markets and retails whey based, premium nutritional ingredients to the US and global sports nutrition markets.

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

	2008 €'000
Purchase consideration:	
- Cash paid	216,023
- Direct costs relating to the acquisition	1,919
Total purchase consideration	217,942
Fair value of assets acquired	(159,877)
Goodwill (note 15)	58,065

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
Property, plant and equipment (note 14)	3,389	3,389
Other intangible assets (note 15)	154,028	68
Inventories	18,198	18,198
Receivables	13,097	13,097
Payables	(9,581)	(9,581)
Deferred tax	(19,254)	-
Net assets acquired	<u>159,877</u>	<u>25,171</u>
Purchase consideration		217,942
Contingent consideration		-
Cash outflow on acquisition		<u>217,942</u>

The post acquisition impact of Optimum Nutrition, Inc. completed during the year on Group results for the financial year was as follows:

	2008 acquisition €'000	Group excl acquisition €'000	Consolidated Group incl acquisition €'000
Revenue	<u>58,194</u>	<u>2,173,967</u>	<u>2,232,161</u>
Profit before taxation	<u>9,134</u>	<u>90,871</u>	<u>100,005</u>

The revenue and profit for the financial year determined in accordance with IFRS 3 - Business Combinations as though the acquisition date for the business combination effected during the year had been the beginning of that year, would be as follows:

	2008 acquisition €'000	Group excl acquisition €'000	Pro Forma consolidated Group €'000
Revenue	<u>157,741</u>	<u>2,173,967</u>	<u>2,331,708</u>
Profit before taxation	<u>17,799</u>	<u>90,871</u>	<u>108,670</u>

The fair values assigned to the identifiable assets and liabilities have been determined provisionally due to proximity of the acquisition to year end date. Any adjustments to these provisional valuations will be recognised within 12 months of the acquisition date.

In the year ended 29 December 2007, the Group acquired the business of Pizzey's Milling. Glanbia Nutritionals (Canada), Inc. (Pizzey's Milling), produces and markets nutritional ingredients predominantly derived from flax seed, a primary source of plant based Omega-3 fatty acids.

Final valuation adjustments to the provisional intangible asset valuations were carried out during the year resulting in an adjustment of €3.4 million to intellectual property. In December 2008, the terms of the purchase agreement between Glanbia plc and the previous owners of Pizzey's Milling were revised. On determination of the final deferred consideration, goodwill was revised downwards by €5.5 million. These adjustments were made prospectively in the Group in line with IFRS 3.

Notes to the financial statements (continued)

for the year ended 3 January 2009

42. Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited ('the Society'), which holds 54.6% 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

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Sales of goods:				
- Associates	-	5,875	-	3,871
- Joint ventures	-	69,484	-	82,543
- Key management*	-	829	-	578
	-	76,188	-	86,992
Sales of services:				
- The Society	-	212	-	187
- Associates	-	22	-	20
- Joint ventures	-	6,429	-	4,671
- Subsidiaries	17,651	-	11,684	-
	17,651	6,663	11,684	4,878

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

(b) Purchases of goods and services

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Purchases of goods:				
- Associates	-	10,468	-	10,675
- Joint ventures	-	5,467	-	14,221
- Key management*	-	2,646	-	2,169
	-	18,581	-	27,065
Purchases of services:				
- Associates	-	2,470	-	1,953
- Joint ventures	-	424,680	-	374,593
- Key management*	-	-	-	4
- Subsidiaries	2,139	-	1,702	-
	2,139	427,150	1,702	376,550

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

(c) Key management compensation¹

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Salaries and other short-term employee benefits	-	3,817	-	4,123
Post-employment benefits	-	624	-	582
Share based payments	-	645	-	159
	-	5,086	-	4,864

¹ Key management compensation includes Board of Directors and Glanbia Executive Committee.

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

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Receivables from related parties:				
- Associates	-	447	-	42
- Joint ventures	-	1,983	-	6,715
- Key management*	-	139	-	88
- Subsidiaries	51,617	-	23,984	-
	51,617	2,569	23,984	6,845
Payables to related parties:				
- The Society	-	1,148	-	930
- Associates	-	1,338	-	1,749
- Joint ventures	-	38,385	-	31,119
- Key management*	-	3	-	5
	-	40,874	-	33,803

(e) Loans to Joint Ventures

	2008 Company €'000	2008 Group €'000	2007 Company €'000	2007 Group €'000
Loan to Southwest Cheese Company, LLC	-	6,930	-	6,971
Loan to Milk Ventures (UK) Limited	-	4,999	-	-

Glanbia Co-operative Society Limited approved the payment of a milk and grain bonus of €6.7 million to the suppliers of Glanbia plc for 2008 on 15 January 2009. Glanbia Co-operative Society Limited is the ultimate holding company of Glanbia plc. The cost of this milk/grain bonus top up will be borne by Glanbia Co-operative Society Limited.

During 2008, the Company disposed of 800,000 shares of its investment in One51 plc for a consideration of €3,139,000 to its ultimate parent company Glanbia Co-operative Society Limited.

* Purchases, sales and related year end balances to key management refer to trading balances with Directors who are engaged in farming activities.

Notes to the financial statements (continued)

for the year ended 3 January 2009

43. 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	
	03/01/2009	30/12/2007
		**
Beneficial		
Directors		
L Herlihy	91,804	91,804
J Fitzgerald	24,171	24,171
V Quinlan	31,347	21,347
J Moloney *	104,593	104,593
J Callaghan	35,000	35,000
H Corbally	7,495	7,495
N Dunphy	10,390	10,390
E Fitzpatrick	50,501	50,501
J Gilsenan	5,842	5,842
P Gleeson	31,923	31,923
P Haran	7,462	7,462
C Hill	30,029	30,029
M Keane	20,000	20,000
J Liston	15,000	15,000
G Meagher *	212,327	212,327
M Merrick	3,600	2,600
W Murphy	230,827	230,827
A O'Connor §	15,743	15,743
M Parsons	38,344	26,344
R Prendergast §	4,007	4,007
K Toland *	23,243	23,243
Secretary		
M Horan	4,593	4,593

* Executive Director.

** Or at date of appointment if later.

§ Appointed on 28 May 2008.

(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 2009 and 2017.

		Options - ordinary shares of €0.06			Exercise price €	
		30/12/2007	Movements during year	03/01/2009		
Beneficial						
Directors						
J 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]
	2002 Long Term Incentive Plan	70,000	-	70,000	4.03	[d]
G 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]
	2002 Long Term Incentive Plan	48,000	-	48,000	4.03	[d]
K 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]
	2002 Long Term Incentive Plan	48,000	-	48,000	4.03	[d]

Options:

- [a] Options lapsed on 10 May 2008. The Remuneration Committee gave the holders of these options, which were issued in 1998, the choice to receive the value of the option in lieu of exercising the option. Mr J Moloney and Mr G Meagher both elected to receive a cash payment respectively of €105,000 and €52,500 in lieu of exercising the options, which then lapsed.
- [b] Exercisable by Directors at any time up to 2012.
- [c] Exercisable by Directors at any time up to 2014.
- [d] Exercisable by Directors between 2010 and 2017.

There were no other changes in the interests of the Directors and Secretary between 3 January 2009 and 20 February 2009.

G Meagher, J Moloney and K 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.

G 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.

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

The market price of the ordinary shares as at 3 January 2009 was €2.07 and the range during the year was €1.80 to €5.31. The average price for the year was €4.13. The 1988 Share Option Scheme expired on 31 August 1998.

(c) Directors' and Secretary's awards under the 2008 LTIP and the 2007 LTIP

		Number at 30/12/2007	Initial allocation of shares during 2008	Market price in euro on award date €	Performance period	Earliest date of release	Number at 03/01/2009
Directors							
J Moloney	2008 LTIP	-	142,000	4.45	30/12/07- 01/01/11	March 2011	142,000
K Toland	2008 LTIP	-	96,000	4.45	30/12/07- 01/01/11	March 2011	96,000
Secretary							
M Horan	2007 LTIP	11,000	-	4.03	31/12/06 - 02/01/10	March 2010	11,000
	2008 LTIP	-	24,000	4.45	30/12/07 - 01/01/11	March 2011	24,000

Notes to the financial statements (continued)

for the year ended 3 January 2009

Awards under the 2008 Long Term Incentive Plan (the 2008 LTIP)

This is a long-term share incentive plan under which share awards are granted in the form of a provisional allocation of shares for which no exercise price is payable. The shares are scheduled for release in March 2011 to the extent that the relative earnings per share (EPS) and total shareholder return (TSR) conditions are achieved.

Awards under the 2007 Long Term Incentive Plan (the 2007 LTIP)

The 2007 LTIP corresponds with the 2008 LTIP with the exception that Directors were excluded from participating as it did not receive shareholder approval. The shares are scheduled for release in March 2010.

The structures of the 2007 LTIP and the 2008 LTIP are set out on pages 50 and 51.

(d) Glanbia Co-operative Society Limited

	'A' ordinary shares of €1		Convertible loan stock units of €0.01269738		'C' shares of €0.01		'F' shares of €0.01	
	03/01/2009	30/12/2007 **	03/01/2009	30/12/2007 **	03/01/2009	30/12/2007 **	03/01/2009	30/12/2007 **
Beneficial								
Directors								
L Herlihy	89,398	89,398	803,500	1,209,101	47,527,630	37,837,394	1,226	1,226
J Fitzgerald	25,563	25,563	258,267	397,025	-	-	376	376
V Quinlan	12,085	9,585	-	-	2,826,185	2,330,185	392	392
J Moloney *	-	-	-	-	4,952,304	7,952,304	-	-
H Corbally	5,675	5,675	156,687	237,665	912,739	505,681	226	226
N Dunphy	11,633	11,633	92,245	134,947	341,850	260,518	310	310
E Fitzpatrick	24,034	24,034	172,417	263,957	10,036,078	8,609,862	560	560
J Gilsenan	2,844	2,844	168,175	231,647	5,157,402	7,157,402	89	89
C Hill	20,480	20,480	-	-	5,990,461	4,840,461	283	283
M Keane	6,117	6,117	113,156	170,314	84,564	84,564	353	353
G Meagher *	-	-	-	-	12,750,000	6,500,000	-	-
M Merrick	1,824	1,824	206,540	297,069	387,464	387,464	173	173
W Murphy	-	-	-	-	1,714,149	1,904,610	-	-
A O'Connor §	19,449	19,449	221,932	324,039	-	-	430	430
M Parsons	7,810	7,810	188,848	248,122	2,093,255	1,980,360	658	658
R Prendergast §	6,455	6,455	97,055	139,122	-	-	19	19
Secretary								
M Horan	-	-	-	-	1,000,000	1,000,000	-	-

* Executive Director.

** Or at date of appointment if later.

§ Appointed on 28 May 2008.

There have been no changes in the above interests between 3 January 2009 and 20 February 2009.

44. 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 Nutritionals (Ireland) Limited	Kilkenny	Nutritional products	100
Glanbia Nutritionals (Blending) Limited	Kilkenny	Nutritional products	100
Glanbia Nutritionals (Optimum) Limited	Kilkenny	Nutritional products	100
Glanbia Nutritionals (Europe) Limited	Kilkenny	Nutritional products	100
Glanbia Nutritionals (Research) Limited	Kilkenny	Research and development	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	Investment company	100
Glassonby	Kilkenny	Holding company	100
Waterford Foods plc	Kilkenny	Holding company	100
Grassland Fertilizers (Kilkenny) Limited	Palmerstown, Co. Kilkenny	Fertilizers	73
D. Walsh & Sons Limited	Palmerstown, Co. Kilkenny	Grain and fertilizers	60
Eilish Oils Limited	Newtown Mount Kennedy, Co. Wicklow	Biofuels	80
Britain and Northern Ireland			
Glanbia (UK) Limited	Tamworth, Staffordshire	Holding company	100
Glanbia Holdings Limited	Tamworth, Staffordshire	Holding company	100
Glanbia Investments (UK) Limited	Tamworth, Staffordshire	Holding company	100
Glanbia Nutritionals (UK) Limited	Middlesborough	Sports nutrition products	100
Glanbia Foods (NI) Limited	Portadown, Co. Armagh	Consumer food products	100
Glanbia Feedstuffs Limited	Tamworth, Staffordshire	Supply of animal feeds	100
United States			
Glanbia, Inc.	Delaware	Holding company	100
Glanbia Foods, Inc.	Twin Falls, Idaho	Milk products	100
Optimum Nutrition, Inc.	Illinois, South Carolina, Florida	Sports nutrition products	100
Seltzer Companies, Inc.	San Diego, California	Nutrient delivery systems	100
Glanbia Nutritionals, Inc.	Monroe, Wisconsin	Nutritional distribution	100
Canada			
Glanbia Nutritionals (Canada), Inc.	Angusville, Manitoba	Nutrient delivery systems	100
Germany			
Glanbia Nutritionals Deutschland GmbH	Orsingen-Nensingen, Germany	Nutrient delivery systems	100
Netherlands			
Glanbia Foods B.V.	Moergestel, Netherlands	Holding company	100
Mexico			
Zymalact Mexico S.A. de C.V.	Lerma, Mexico City	Dairy blending and processed cheese	100
Uruguay			
Glanbia (Uruguay Exports) S.A.	Uruguay	Nutritional distribution	100
China			
Glanbia Nutritionals (Suzhou) Company Limited	Suzhou, China	Nutrient delivery systems	100

Notes to the financial statements (continued)

for the year ended 3 January 2009

(b) Associates and joint ventures

Incorporated in	Date to which results included	Principal place of business	Principal activities	Group interest %
Ireland				
Co-operative Animal Health Limited *	31 December 2007	Tullow, Co. Carlow	Agri chemicals	50
South Eastern Cattle Breeders Society Limited *	31 December 2007	Thurles, Co. Tipperary	Cattle breeding	57
Malting Company of Ireland Limited *	31 October 2008	Togher, Cork	Malting	33.33
South East Port Services Limited *	3 January 2009	Kilkenny	Port services	49
Nashs Mineral Waters (Marketing) Limited **	3 January 2009	Newcastle West, Co. Limerick	Mineral waters and soft drinks	50
Corman Miloko Ireland Limited **	3 January 2009	Carrick-on-Suir, Co. Tipperary	Dairy spreads	45
Britain and Northern Ireland				
Glanbia Cheese Limited **	3 January 2009	Magheralin and Llangefni	Cheese products	51
Milk Ventures (UK) Limited **	30 November 2008	Stockport, England	Holding company	50
Nigeria				
Nutricima Limited **	30 November 2008	Nigeria	Evaporated and powdered milk	50
United States				
Southwest Cheese Company, LLC **	3 January 2009	Clovis, New Mexico	Milk products	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.

* Associate

** Joint venture