2008 Annual Report

from local to global

of cheese and nutritional ingredients

Who we are

Glanbia plc is an international cheese and nutritional ingredients group, headquartered in Ireland. The Group has 4,300 employees in seven countries and sales offices in a further five. International operations include Food Ingredients & Nutritionals, while Irish operations incorporate Consumer Foods and Agribusiness & Property. The Group has three strategic joint ventures, which are based in the UK, USA and Nigeria. Glanbia is listed on the Irish and London Stock Exchanges (Symbol: GLB).

Overview of Glanbia

Our performance and outlook 1
Our business 2
Our global footprint 4
Our vision and strategy 6
Chairman's statement 8

The Group's vision is to be a world leader in cheese and nutritional ingredients, built on strong positions in key food markets and sectors around the world.

Directors' report
Business review

Glanbia is continuing to maximise organic growth opportunities and aggressively manage costs to sustain the business through the current challenging environment.

In a two year period the performance of Glanbia has comfortably exceeded the Group's strategic growth objectives set out for the three year period 2007 to 2009.

Group Managing Director's review 10
Operations review
- International 14
- Ireland 20
- Joint Ventures & Associates 24
Our people 26
Our responsibilities 29
Finance review 32
Risk and risk management 36

In a business that operates from local to global, Glanbia's people strategy provides a common approach and a clear framework to develop people and deliver the Group's growth strategy.

Glanbia has prioritised debt reduction for 2009, recognising the significant investment made in recent years and the current turmoil in global credit markets.

Corporate governance

Board of Directors 38
Senior management 40
Report of the Directors 41
Statement of Directors' responsibilities 44
Directors' statement of corporate governance 45

The Board and management of Glanbia are committed to the highest standards of corporate governance and ethical conduct in all aspects of the business.

Financial statements

Independent auditor's report 54
Consolidated income statement 56
Consolidated statement of recognised income and expense 57
Consolidated balance sheet 58
Consolidated cash flow statement 59
Company balance sheet 60
Company statement of recognised income and expense and cash flow statement 61
Notes to the financial statements 62

Glanbia maintains robust financial ratios, well within its bank debt covenants and for financial prudence sets more stringent internal targets, which gives the Group good financial capacity and flexibility.

Other information

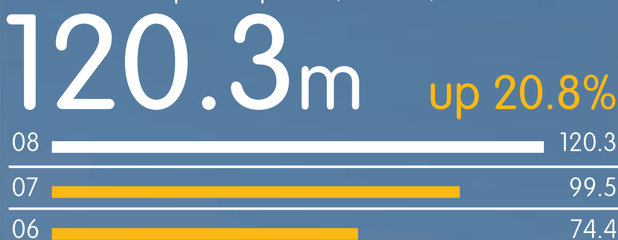
Shareholder information 117
Five year trends 119
Index 120

This year over 18,000 shareholders will receive their Annual Report electronically. This creates a significant environmental benefit with a reduction in paper used and waste paper produced.

Go online for more information at
www.glanbia.com

Our performance and outlook

Glanbia performed well in 2008, delivering a good set of results, completing a major strategic acquisition and achieving key financial targets. All businesses performed to or better than anticipated with the exception of Food Ingredients Ireland which suffered a sharp decline in profits and margins in 2008. Glanbia is well invested, financially strong and has a diversified earnings base with good organic growth opportunities. These should enable the Group to deliver further progress in 2009.



Our business

International operations contributed 71% of 2008 revenue and 65% of operating profit pre exceptional. Irish operations accounted for 29% of 2008 revenue and 35% of 2008 operating profit pre exceptional. These percentages include the Group's share of Joint Ventures & Associates.

International

Overview

International markets are served by Food Ingredients & Nutritionals. Food Ingredients processes 3.4 billion litres of milk and produces cheese, butter, casein and protein ingredients at world-class facilities in Ireland and the USA. The Group's Nutritionals business produces a wide range of speciality whey proteins, customised premix solutions and nutritional ingredients for use by food and beverage companies.

2008 Performance

In 2008, results for the International division were adversely affected by the performance of Food Ingredients Ireland. The decline in global dairy commodity prices lowered margins in this business as reductions in the price paid for milk lagged the decline in global dairy prices. Elsewhere in the International division, Food Ingredients USA had a strong performance, generating record revenues and positive margin expansion. Nutritionals had a good year. Optimum Nutrition, Inc. (Optimum) acquired in August 2008, made a first time contribution in line with expectations.

Ireland

Overview

Glanbia operates in the Irish market through Consumer Foods and Agribusiness & Property. Consumer Foods incorporates nutritional beverages, fresh dairy products and cheese, and soups and spreads. Agribusiness is engaged primarily in feed milling, grain processing and retailing. Property is responsible for the management of all the Group's surplus properties in Ireland. In March 2008, the Group announced the sale of its Pigmeat business in a management buy-out.

2008 Performance

In Ireland, Consumer Foods had a satisfactory year. This compares with a very challenging 2007 when results were affected by a time lag in recovering the impact of higher costs in the marketplace. Agribusiness was ahead of 2007 as a result of a good performance in the feed and fertiliser segments and a strong focus on cost reduction. Property performed broadly in line with 2007.

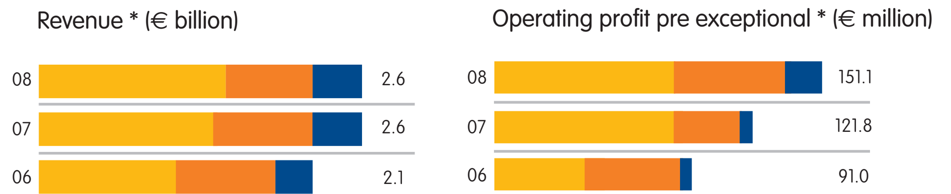
Joint Ventures & Associates

Overview

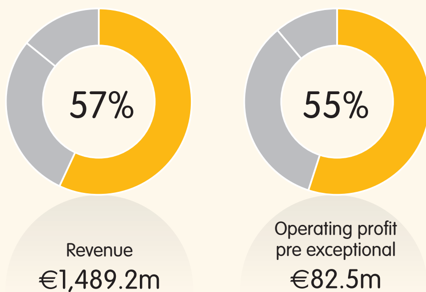
The Group has three key international joint ventures. Southwest Cheese is based in New Mexico, USA and is one of the largest natural cheese and high protein whey processing plants in the world. Glanbia Cheese is based in the UK and produces pizza cheese for the UK and European markets. Nutricima is based in Nigeria and the company manufactures and markets branded dairy-based consumer products for the Nigerian and African market. Glanbia also has a number of smaller Agribusiness and Food Ingredients joint ventures & associates.

2008 Performance

In 2008 there was a significant improvement in the performance of Glanbia's Joint Ventures & Associates, most notably Southwest Cheese, which had an excellent year. Glanbia Cheese achieved margin growth, despite a challenging market in 2008. However, Nutricima had a difficult year where, despite volume growth and increased brand awareness, it was not possible to pass on the full extent of the significant increases in raw material commodity prices. As a result Nutricima's profits and margins were behind 2007.



2008 % of Group*

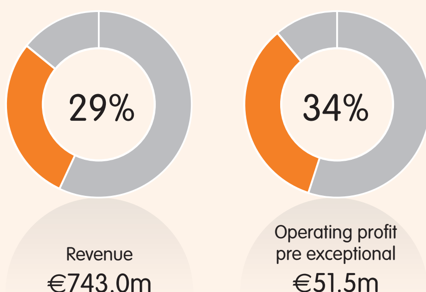


Food Ingredients & Nutritionals

18 manufacturing/ processing locations

1,694 employees

2008 % of Group*

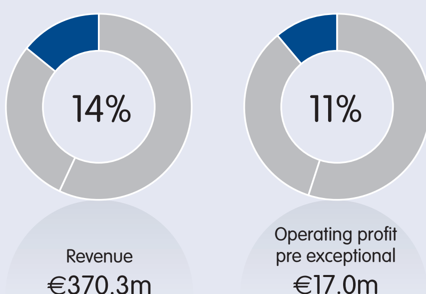


Consumer Foods Agribusiness & Property

71 locations

1,706 employees

2008 % of Group*



Strategic joint ventures in the USA, UK and Nigeria

5 locations globally

882 employees

* inclusive of the Group's share of Joint Ventures & Associates

Our global footprint

Glanbia has a strong position in key food markets and sectors around the world and an ongoing investment programme continued to expand operations in Ireland, China, Nigeria and the USA during 2008. In developed economies the focus is on health, wellness and general nutrition. In developing economies the Group is building a range of products which can deliver mass market nutrition.

Market positions

International

No.1
- Irish dairy processor
- Irish cheese producer
- American-style cheddar cheese in the USA
- Global supplier of whey protein isolates
- European producer of casein
- North American producer of flax seed derivatives

No.2
- Globally in sports nutrition business to consumer sector

No.3
- Globally in micro-nutrient solutions

Ireland

No.1
- Fresh milk
- Fresh cream
- Fruit yogurts
- Fromage frais
- Fresh soups
- Brand block cheddar cheese

Joint Ventures & Associates

No.1
- Pizza cheese supplier in Europe
- American-style cheddar cheese in USA

No.3
- Consumer packaged dairy powders in Nigeria

Total Group including Joint Ventures & Associates

4,300 employees	4,900 milk suppliers	5.3 billion litres of milk processed	432,000 tonnes cheese produced	225,000 tonnes food ingredients manufactured

Ireland
Irish operations include Consumer Foods and Agribusiness & Property. Consumer Foods has 10 locations producing a range of branded milk, fresh dairy products, natural cheeses and fresh soups. Agribusiness has 61 locations and is the Group's key linkage with its farmer supply base. Food Ingredients Ireland has two manufacturing facilities producing cheese and a range of food ingredients. Also located in Ireland is the Group's headquarters and Innovation Centre.

UK
Glanbia Cheese has processing facilities in Northern Ireland and Wales manufacturing mozzarella cheese. It is a 50:50 joint venture with Leprino Foods, USA. Glanbia Nutritionals UK, located in Middlesborough, manufactures high protein bars, beverages and ready to mix ingredients for the sports performance market.

Belgium
Glanbia Nutritionals has a sales office in Brussels.

Germany
Glanbia Nutritionals Deutschland produces customised micro-nutrient premixes for Europe, Middle East and Africa from a facility in Orsingen-Nenzingen.

China
Glanbia Nutritionals, located in Suzhou, has a premix facility supplying customers globally. Glanbia also has a sales office in Shanghai.

Malaysia
Glanbia Nutritionals has a sales office in Kuala Lumpur.

Singapore
Glanbia Nutritionals has a sales office in Singapore.

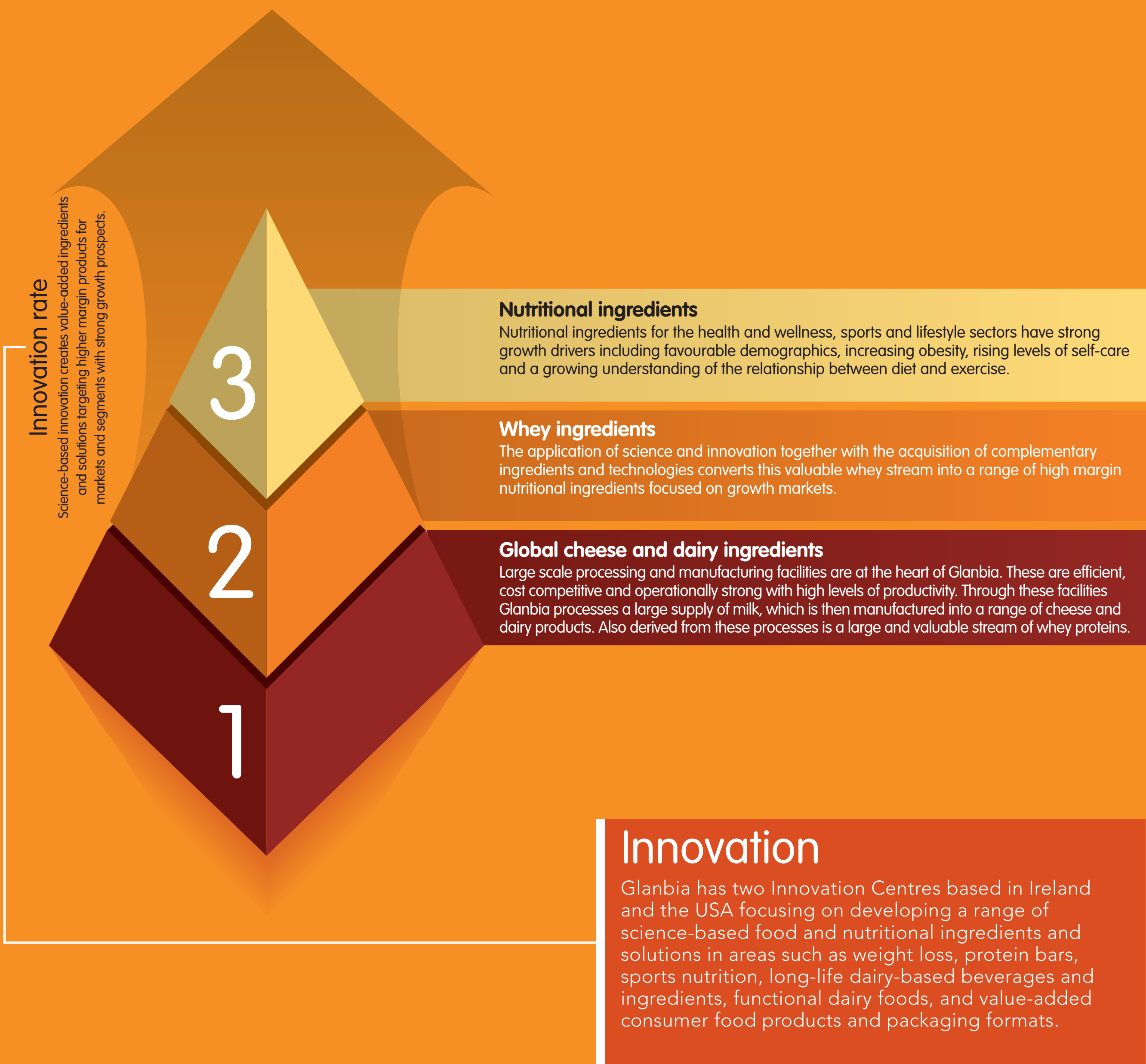
Nigeria
Nutricima, located near Lagos, supplies reconstituted evaporated milk, milk powder and energy powder to the Nigerian market and is a 50:50 joint venture with PZ Cussons plc.

Indonesia
Glanbia Nutritionals has a sales office in Jakarta.

Our vision and strategy

Our vision is to be a world leader in cheese and nutritional ingredients.

Our International business model



Our strategic objectives

Glanbia's strategic objectives are focused on developing a more diversified earnings base, achieving a sustainable operating margin, generating strong cash flow and delivering continuous earnings growth.

While growing internationalisation and complementary acquisitions are significant drivers of growth, 2009 will be a period of consolidation. This prudent approach reflects the level of investment by the Group in recent years and the current global credit and economic environment.

Our competencies

Glanbia has a range of competencies that help in continuing to grow and develop the business. These are:

- World-class and proven manufacturing skills in a wide variety of dairy products and ingredients;
- Strong technical and innovation skills, which are an important part of delivering applications for customers and driving new formats, products and services;
- Excellent relationships and contacts in all key beverage, dairy food and food ingredients segments; and
- Partnering with leading companies and organisations in high growth markets.

2007-2009 Targets

Target	2007-2009 target	2008	2007
Adjusted earnings per share growth	10-14%	2008 up 18.5%	2007 up 26.6%
Operating margin pre exceptional (excluding Joint Ventures & Associates)	5% +	2008 6.0%	2007 5.2%
Free cash flow pre exceptional	€45m+	2008 €72.4m	2007 €53.1m
Potential development spend per annum	€150m	2008 €292.8m	2007 €58.2m
EBIT from International operations	>50%	2008 65%	2007 74%
EBIT interest cover	5-6 times	2008 6.4 times	2007 6.7 times

Chairman's statement

Glanbia achieved a good performance in 2008 despite deteriorating market conditions, in particular the decline in the second half of the year of global dairy markets.

Liam Herlihy

In 2008, adjusted earnings per share grew 18.5%, following a 26.6% increase in 2007.

Another year of growth
2008 was a good year for the Group and follows a strong performance in 2007. Profit before tax pre exceptional increased 20.8% to €120.3 million (2007: €99.5 million) and adjusted earnings per share grew 18.5% to 35.86 cents per share (2007: 30.25 cents per share).

Revenue from the International division increased 6.1% to €1,489.2 million (2007: €1,403.2 million), primarily reflecting good organic growth in Food Ingredients USA and Nutritionals. Revenue in the Ireland division declined 7.5% to €743.0 million (2007: €803.4 million). The exit from the Irish Pigmeat business in March 2008 reduced revenue by €168.0 million in the year. Revenue growth was achieved in both Consumer Foods and Agribusiness. The Group's share of revenue from Joint Ventures & Associates increased 4.9% from €353.0 million to €370.3 million, driven by an excellent performance from Southwest Cheese, USA.

The Group's operating margin pre exceptional, excluding Joint Ventures & Associates, increased 80 basis points to 6.0% in 2008 (2007: 5.2%). Operating margins for the International division reduced by 60 basis points to 5.5% (2007: 6.1%). Margin expansion in Food Ingredients USA and Nutritionals was offset by significant margin pressures in Food Ingredients Ireland, as the decline in global dairy prices resulted in an imbalance between market returns and milk input costs throughout 2008. Margins in Ireland increased 310 basis points to 6.9% (2007: 3.8%), benefiting from improvements in Consumer Foods and Agribusiness and the exit during the year from the Pigmeat business. Margins in Joint Ventures & Associates increased significantly during the year chiefly as a result of margin correction in Southwest Cheese.

Full details of the Group's divisional performances are contained in the Group Managing Director's review, the operations review and the finance review, which follow.

Global dairy markets have reached very low levels since the beginning of the year and in light of the current economic uncertainty are likely to remain volatile for the rest of the year.

Dividend

The Board is recommending a final dividend of 3.76 cents per share, compared with a 3.58 cents per share final dividend in 2007. This brings the total for the year to 6.51 cents per share (2007: 6.08 cents per share) representing a 7.1% increase. Subject to shareholder approval, dividends will be paid on Wednesday 20 May 2009 to shareholders on the register as at Friday 24 April 2009. Irish dividend withholding tax will be deducted at the standard rate where appropriate.

Strong corporate governance

The Board and management are committed to achieving the highest standards of corporate governance and being ethical in the conduct of all aspects of the business. For the period under review the Board is fully satisfied that appropriate systems of internal control are in place throughout the Group. A detailed Directors' statement of corporate governance is set out on pages 45 to 52 of this report.

Board changes

Michael Walsh retired from the Board and the Chairmanship of Glanbia, following the Group's Annual General Meeting (AGM) on 14 May 2008. Michael had served as a Director since 1989, as Vice-Chairman since 1996 and as a Chairman since 2005. His tenure, particularly in the period since 1996, has been a remarkable and exciting time for the Group reflecting a decade of progress and the successful implementation of Glanbia's growth strategy. Michael will remain as a member of the Group's US Advisory Board for a period of three years.

I am delighted with the honour of being elected Chairman of the Board in succession to Michael who chaired the Group with distinction.

In May 2008 a number of changes were made to the Board. John Fitzgerald, who has served on the Glanbia Board since 2004 was elected Vice-Chairman. Anthony O'Connor and Robert Prendergast, both dairy farmers and Directors of Glanbia Co-operative Society Limited, were appointed as Directors. Eamon Power retired as a Director having served nine years.

In March 2009, the Group announced the retirement of Geoff Meagher on 30 June 2009 from his executive roles as Deputy Group Managing Director and Group Finance Director and from the Board. Geoff has given exceptional service and commitment to Glanbia since he joined what was the Avonmore Group in 1975. He has been an integral part of the growth and internationalisation of the Group and a great pleasure to work with. Glanbia will be maintaining a consultancy relationship with Geoff to avail of his extensive experience.

Siobhan Talbot, who was Deputy Group Finance Director since 2005, has been appointed Group Finance Director Designate with immediate effect and will succeed Geoff and join the Board on 1 July 2009. Siobhan, a Chartered Accountant, has been with the Group since 1992.

On behalf of the Board I would like to welcome the new members and acknowledge with sincere thanks, the commitment and contribution departing members made to Glanbia. We wish them all well in the future.

Management and staff

I would like to personally thank John Moloney, Group Managing Director and all our employees for their dedication and commitment during the year.

Effective risk management

The Group's management of risk is key to achieving our strategic, financial and operational objectives. While risk is the ultimate responsibility of the Board, throughout Glanbia there are risk mitigation and management procedures and policies in place. The Group's risk falls into four principal categories – strategic, financial, operational and external. In light of the current environment, there are short term risks to the delivery of Glanbia's strategic objectives. The driver of these risks is the unprecedented and sustained nature of the global economic downturn and as a consequence volatility in global dairy markets. While there are some natural hedges in the business such as the geographic split in earnings, with the USA likely to respond faster to stimulus, there are some very significant challenges as we head into 2009. Risk and risk management is comprehensively dealt with on pages 36 and 37 of this report.

Conclusion

Detailed views on the outlook for 2009 are set out in the Group Managing Director's review and operations reviews on page 10 to 25.

Trading conditions became progressively more challenging in the second half of 2008 and into 2009. Global dairy markets have reached very low levels and in light of the current global economic uncertainty are likely to remain volatile for the rest of this year. However, the Group is well invested, financially strong and has a diversified earnings base with good organic growth opportunities. These should enable the Group to deliver further progress in 2009.

Liam Herlihy
Chairman

Group Managing Director's review

2008 was a year of delivery. Across the business a strong operational performance underpinned a good set of results. The Group also completed a major strategic acquisition and achieved key financial targets.

John Moloney

A year of delivery

Glanbia's businesses performed well during 2008. Throughout the Group, revenues, profits and operating margins improved with the exception of Food Ingredients Ireland. For this business unit the downturn in global dairy commodity prices affected margins, as reductions in the price paid for milk lagged the decline in global dairy prices. Elsewhere in the International division, Food Ingredients USA had a strong performance with high cheese prices, good demand and very efficient production, generating record revenues and positive margin expansion. Nutritionals had a good year driven by organic volume growth, buoyant whey markets and a continued good performance from the premix business. Optimum, acquired in August 2008, made a first time contribution in line with expectations.

In the Ireland division, Consumer Foods had a satisfactory year. This compares with a very challenging 2007 when results were affected by a time lag in recovering the impact of higher costs in the market place. Agribusiness results were ahead of 2007 as a result of a good performance in the feed and fertiliser segments and a strong focus on cost reduction. Glanbia has a very conservative approach to its Property business, which manages the Group's surplus property. This business performed broadly in line with 2007.

A highlight of the year was a significant improvement in the performance of the Group's Joint Ventures & Associates, most notably Southwest Cheese, which had an excellent year. Glanbia Cheese achieved margin growth despite a challenging market in 2008.

However, Nutricima had a difficult year, where it was not possible to pass on the full extent of the significant increases in raw material commodity prices. Notwithstanding this, Nutricima is, I believe, an excellent long-term strategic investment and is developing a branded milk product portfolio of liquid, condensed and powder formats to serve a growing market.

€351 million

Acquisition and development capital expenditure since 2007

Overall, Glanbia's share of profit after tax and interest, from Joint Ventures & Associates, grew to €7.3 million, up from €1.0 million in 2007.

World-class capability

Food Ingredients USA, together with Southwest Cheese, is the largest producer of American-style cheddar cheese in the USA, with close to 20% market share. In 2008, the Group's three US cheese plants produced and sold over 340,000 tonnes of cheese. Glanbia is one of the world's leading manufacturers of whey-based nutritional ingredients, producing 59,000 tonnes of value-added whey products in its three whey-based ingredients plants. In total, over 3 billion litres of milk was processed in 2008 by businesses that employ 900 people.

Southwest Cheese is the Group's joint venture with The Greater Southwest Agency. It is based in Clovis, which is located in the high plains of eastern New Mexico, USA. Southwest Cheese is a US$226.0 million cheese and whey products facility, built on a greenfield site. From commissioning of the facility in October 2006 to today, this business has grown significantly and now generates revenue in excess of US$600.0 million. The success of Southwest Cheese in three years is a strong illustration of Glanbia's core capabilities, which include:

- the ability to foster long-term partnerships with leading companies and organisations in high growth markets;
- the management skills to deliver major investment projects, on time and on budget, from a greenfield site to fully commissioned large scale facilities;
- world-class manufacturing skills in a wide variety of dairy products and ingredients; and
- strong and deep customer relationships in all key cheese and food ingredients markets.

Major strategic acquisition

Glanbia has also developed the capability to successfully acquire and integrate strategic acquisitions. The latest of which is Optimum, acquired in August 2008, for a total consideration of US$323.0 million (€217.9 million).

Optimum is a leading manufacturer of nutritional supplements for the sports nutrition sector, in particular the use of whey protein as a functional supplement, where 'ON' is a leading brand. Optimum was a privately owned company with a successful 22-year history in the manufacture and supply of premium nutritional supplements to the US and global sports nutrition markets. It has three operating facilities in Illinois, South Carolina and Florida.

Optimum takes Glanbia's nutritional business further up the value chain and enhances the Group's route to market for innovative nutritional applications and solutions. An opportunity also exists to grow the business internationally through Glanbia's nutritional sales network, with offices in China, Singapore and Latin America.

Optimum has performed in line with expectations since acquisition and sales have remained resilient. We believe this is because in sports nutrition, protein is a key lifestyle component as opposed to discretionary spending.

Optimum is an excellent strategic fit with Glanbia's existing businesses and also fits well with the Group's stated growth strategy and ambition to continue to internationalise Glanbia, in high growth markets.

A difficult macro environment

Much has and will be written about the global economic downturn and the crisis in financial and credit markets. Commodity prices are also very volatile. While a reduction in oil prices is a positive for the energy intensive elements of our business, the decline in world dairy prices has an asymmetric – plus and minus – affect across the Group's portfolio of businesses. In Food Ingredients Ireland, where the bulk of output is exported into global commodity dairy markets, the price we pay for milk to farmer suppliers lags the price for dairy products on world markets. As a consequence this business encountered very difficult trading conditions in 2008 as global dairy markets experienced a steep decline, from the historic highs achieved in 2007.

Changing consumer trends

Another facet of the current downturn is the effect it is having on consumer confidence and spending patterns. Consumers have become more value conscious and Glanbia is addressing this in two ways.

The first is to manage our branded product portfolio more strategically, adding key offerings for the value conscious consumer or 'quality at a price'.

Glanbia is also addressing the flight to value through a strong cost focus. A significant rationalisation programme, costing €14.5 million is ongoing across the Group. This is as a result of an imperative to remain cost competitive, particularly in relation to the effect the global economic downturn is having on consumer demand. The rationalisation programme is mainly focused on Consumer Foods, Agribusiness and Food Ingredients Ireland and associated costs relate primarily to redundancy.

Group Managing Director's review (continued)

Rationalisation is not simply to cut costs but to actively manage our business consistent with the current reality and in anticipation of these trends continuing.

Balance sheet capacity and strength

Glanbia is in a good financial position. After a period of significant acquisition and development expenditure with €351.0 million invested in acquisitions and development capital expenditure in the past two years, the Group will now consolidate its operations, particularly as ample opportunity for growth exists within the current business.

A prudent and conservative approach to reduce capital and operating spend is consistent with the challenging external environment that is affecting every aspect of the Group.

In the finance review, on pages 32 to 35, detailed information is given on the Group's debt position and financial covenants.

Our people and responsibilities

Today, Glanbia has a local and global footprint through its operations, partners and customer relationships. The Group, including Joint Ventures & Associates is a significant employer with 4,300 people working across the business.

In some instances Glanbia is the principal employer in an area. Therefore our presence in a local community and the values that we set ourselves in how we engage with our employees, interact with that local community and run our business are very important.

On the other hand, aspects of our business have the potential to impact major world issues, such as climate change, through our carbon footprint.

The Group's Ballyragget facility in Ireland is the largest integrated dairy processing plant in Europe and Glanbia's facility in Gooding, Idaho, USA is the world's largest barrel cheese facility.

As a result of the scale of these and other operations, we are equally mindful of our environmental responsibilities and the need to manage and grow our businesses in a sustainable way.

In recognition of the importance of people to the Group we have a dedicated 'Our people' section on page 26 to 28 of this report. We also recognise the growing importance of Corporate Social Responsibility (CSR) and during 2009 will be formalising a Group-wide approach to key elements. The CSR section is on page 29 to 31 of this report.

2007 to 2009 Strategic roadmap

As part of the repositioning and internationalisation of Glanbia, the Group set out key financial targets in the 2006 Annual Report. Adjusted earnings per share growth was targeted at 10% to 14% per annum. In 2008, adjusted earnings per share grew 18.5%, following a 26.6% increase in 2007.

Total development expenditure in 2007 and 2008 amounted to €351.0 million. Earnings before interest and tax from International operations now represent almost two-thirds of total earnings, reflecting the Group's significant and successful presence overseas.

In a two year period the performance of Glanbia has comfortably exceeded all the Group's growth objectives for the three years 2007 to 2009.

2009 Group outlook

Glanbia performed well in 2008, delivering a good set of results, completing a major strategic acquisition and achieving key financial targets. All businesses performed to or better than anticipated, with the exception of Food Ingredients Ireland which suffered a sharp decline in profits and margins in 2008.

2009 will be a tough year. Global dairy markets have weakened considerably from previous high levels with the outlook for 2009 deteriorating further since the beginning of the year. In broad terms in 2009 we expect that global dairy markets will remain weak and somewhat volatile. We would expect that these markets will bottom out as a result of some supply contraction in a number of countries and as a result are likely to begin to rebalance through the end of 2009 and into early next year with some price recovery as a consequence.

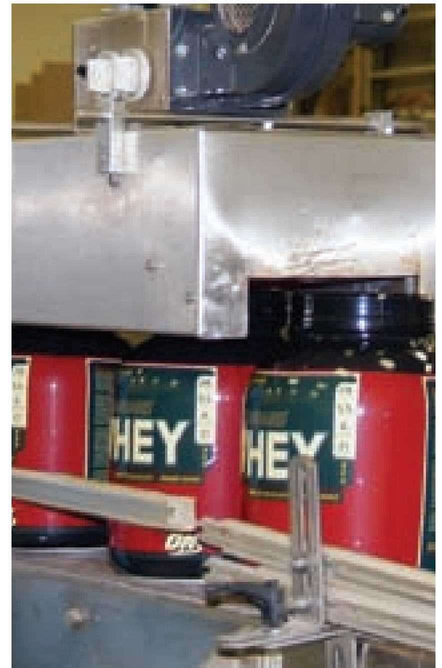
However, in 2009 Food Ingredients Ireland will be the most challenged in the context of Global dairy markets. We expect this business to breakeven in 2009. Food Ingredients USA is expected to deliver a resilient performance, albeit down when compared with a strong result in 2008.

Reducing farm incomes will have implications for farm input sales and as a result for revenue and profits in Agribusiness. Consumer Foods, Nutritionals and Joint Ventures & Associates are expected to deliver robust performances.

Based on current market conditions, the Group now expects 2009 earnings to be in a range of low to mid single digit growth. Glanbia is continuing to maximise organic growth opportunities and aggressively manage costs to sustain the business through the current challenging environment.

Recent acquisitions and the Group's direct investment in science and technology has put in place a strong framework for Glanbia's continued growth in nutritional ingredients; a high margin, high growth sector.

Southwest Cheese in New Mexico, one of the largest natural cheese and whey processing plants in the world.



Optimum sports nutrition supplements.

Looking ahead

The Group is well positioned. We made significant investment in recent years which has enhanced the geographic and sectoral spread of the business. We have diversified our earnings base from Ireland to International.

Within the International division we have diversified further up the value chain from cheese to advanced whey and into a range of nutritional products. This includes a solid mineral and vitamin formulation business, which has blue chip customers and facilities in China, Germany, California and a new plant being commissioned in Missouri in the second quarter of 2009.

There is a robust programme of cost saving measures in place across the Group and we would expect those to yield considerable benefits on an annualised basis.

2009 will be a year of consolidation for Glanbia, prioritising debt reduction, after having made a major acquisition in Optimum in 2008.

We have good organic growth opportunities in the business including Nutricima, Southwest Cheese, Nutritionals and Optimum in particular.

I believe that as the general economic environment improves over the next few years Glanbia is in a good place to benefit.

John Moloney
Group Managing Director

Operations review International

Food Ingredients USA and global Nutritionals had a strong performance in 2008, driven by favourable pricing and good organic volume increases. This underpinned a satisfactory performance by the International division for the full year.

In 2008, revenue for the International division grew 6.1% to €1,489.2 million (2007: €1,403.2 million). Operating profit pre exceptional declined 3.2% to €82.5 million (2007: €85.2 million). Operating margin pre exceptional reduced 60 basis points to 5.5% (2007: 6.1%).

These results reflect the impact of a deterioration in the performance of Food Ingredients Ireland, particularly in the second half of the year, when the decline in global dairy markets and the resulting imbalance in milk cost and market pricing led to a significant reduction in profits and margins for this business unit.

Nutritionals

The Nutritionals business unit is a leading supplier of advanced technology whey proteins and fractions, flax and customised micro-nutrients, vitamin and mineral premixes. It comprises three separate businesses - Ingredient Technologies (business to business ingredient developer and distributor); Customised Solutions (business to business premix solutions provider) and Optimum (business to consumer, manufacturer and marketer of nutritional supplements) – serving the health and wellness, functional foods, sports nutrition, infant and clinical nutrition sectors.

Nutritionals employs 555 people at locations in the USA (Wisconsin, Idaho, Illinois, California, Missouri, Florida and South Carolina); Canada (Manitoba); Europe (Ireland, UK, Belgium and Germany) and Asia Pacific (China, Singapore and Malaysia).

Acquisition of Optimum

A highlight of 2008 was the acquisition in August of Optimum, a leading manufacturer of nutritional supplements for the sports sector, with some of sports nutrition's most trusted brands in the USA, including 'ON', 'Gold Standard 100% Whey' and 'ABB'. The total consideration was US$323.0 million (€217.9 million).

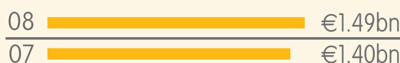
Optimum has a 22-year track record in the manufacture and supply of a range of whey-based, premium nutritional supplements to the US and global sports nutrition markets. The company is the largest US manufacturer of whey-protein-based, sports nutrition products in powder, beverage, capsule and bar format.

This is an exciting acquisition for Glanbia as it gives the Group a leading position of scale in a fast growing segment of the nutrition market. It is also a close strategic fit with existing core areas of nutritional expertise in whey and sports nutrition and gives the Group a direct presence in valuable consumer markets.

Revenue

up 6.1%

€1.49bn

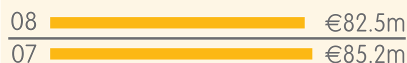


08	€1.49bn
07	€1.40bn

Operating profit pre exceptional

down 3.2%

€82.5m

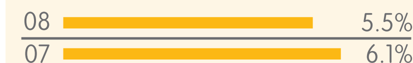


08	€82.5m
07	€85.2m

Operating margin pre exceptional

down 60 basis points

5.5%



08	5.5%
07	6.1%

2008 Performance

The global nutritional market exhibited strong growth in 2008 with an estimated value of US$244 billion per annum. Glanbia has approximately 9% of the US sports nutrition sector; 18% of the global premix market; 29% of Global Whey Protein Isolate (WPI) market; and 8% of global Whey Protein Concentrate (WPC) 80 market.

All areas in the whey business experienced growth in 2008 with volume and pricing in whey protein isolates and concentrates showing steady growth. Functionally advanced whey, servicing the bar and beverage sectors, in particular, showed significant growth.

Glanbia's position in the global premix market was strengthened in 2008 with the commissioning of a new wholly owned and operated plant in Suzhou near Shanghai, China. Investment continued in facilities in Canada, Germany and the UK to increase efficiency and capacity at those facilities and a new US premix plant in Missouri is expected to be commissioned in the second quarter 2009.

In 2008, further investment was made in developing internal science and technological capabilities in whey fractionation through research and development facilities in Ireland and the USA. This is creating real benefits as Nutritionals moves into higher value added solutions and formulations for the food, beverage and pharmaceutical industries.

Brand strength improved in 2008 with the addition of the ON and ABB brands. Other brands include Provon® WPI, Avonlac™ WPC, Thermax® whey proteins, Prolibra® weight management solution, Meadowpure™, CFM® WPI, Bioferrin® lactoferrin, Salibra® bioactive whey fraction, Trucal® dairy calcium, Provon® Revive a sports protein recovery solution; Barflex®; Barmax™, BarGain™, and BarPro™ bar solutions.

A highlight of the year was the acquisition in August of Optimum, a leading US sports nutrition manufacturer.

Operations review International (continued)

Provon Revive is the ultimate recovery solution and the choice of Irelands elite athletes.

The vision for Nutritionals is to become one of the leading providers of science-based nutritional ingredients, solutions and sports supplements to the global nutrition industry.

Nutritionals revenues, profits and margins grew for the year driven by strong organic volume growth, good value added whey markets, notably in the first half, and continued good performance in premix businesses. 2008 results reflect a first time contribution by Optimum, in line with expectations.

Strategy

The strategy for this business is based on building a high margin business, with positions of scale in both dairy and non-dairy sectors; in particular:

- ingredient solutions in core health areas of sports and performance nutrition, weight management, health and wellness; and
- functional solutions in bars, beverages and processed foods.

Nutritionals strategic objective is to deliver new and innovative products and solutions that will afford Glanbia a point of difference in the market place and deliver value to customers.

2009 Outlook

A significant investment in and commitment to innovation and a full year contribution from Optimum is expected to contribute to growth in 2009. Nutritionals is well positioned for 2009 and has strong brands and capabilities to continue to develop a business of scale in both the business to business and business to consumer areas.

International markets are served by Food Ingredients & Nutritionals and these businesses collectively represented 71% of Group revenue and 65% of Group operating profit pre exceptional in 2008.

Julie Kolsen checking solids in a refiner tank in the Gooding whey facility.

The Group's businesses in the USA have been accepted for membership to the Energy Star Programme, a national call to action to improve the energy efficiency of America's commercial and industrial sectors by 10% or more.

Food Ingredients USA

Food Ingredients USA processed 2.0 billion litres of milk into 205,000 tonnes of cheese and 50,000 tonnes of whey-based ingredients from facilities located in Idaho.

Food Ingredients Idaho plants, corporate head office and state-of-the-art research and development facility employs 640 people. The business purchases over one-third of the milk produced in Idaho. Idaho is the third largest milk producing state in the USA and is amongst the fastest growing states for milk production, up by approximately 7% in 2008.

2008 Performance

High cheese prices enabled Food Ingredients USA to post record revenues in 2008, with strong demand and pricing during the year. Positive market conditions and continued investment in production capabilities and efficiencies, underpinned margin improvement in 2008.

Glanbia added four additional medals to its trophy case in 2008 earning two gold medals and two silver medals in the World Cheese Championship contest held in Madison, Wisconsin. A record breaking eight medals were awarded, including two gold and four silver, in the US Cheese Championships in March 2009.

Strategy

The strategy for Food Ingredients USA is to continue to be the most relevant supplier of American-style cheddar cheese to key industrial customers, retain leading market positions, grow market share and continue to be an efficient, high-quality producer of whey-based ingredients to support Glanbia Nutritionals growth strategy.

Operations review International (continued)

The cheddar cheese block line at our Ballyragget facility.

2009 Outlook

Domestic demand for cheddar cheese is good. However, having reached historical highs during 2008, US cheese prices reduced significantly late in the year. For 2009, despite expected volatility, cheese prices are forecast to remain above historical averages, albeit lower than 2008 average prices. Whey prices are lower year-on-year and only a marginal recovery is expected during 2009. Therefore market conditions for Food Ingredients USA will be more challenging this year and as a result a lower performance is expected in 2009, following a strong set of results in 2008.

Food Ingredients Ireland

Food Ingredients Ireland is the largest dairy ingredients business in the country, assembling a milk pool of 1.4 billion litres annually and processing it into butter, cheese, milk proteins and whey derivatives. It markets over 190,000 tonnes of dairy products and ingredients on a business to business basis to customers in over 40 countries.

Food Ingredients Ireland employs over 440 people at two large processing facilities in Ballyragget, County Kilkenny and Virginia, County Cavan. It operates a joint venture with Corman SA, for the manufacture of butter fractions and dairy spreads in Ireland and has a sales and blending operation in Mexico.

The Ballyragget facility is the largest integrated dairy site in Europe, processing 20% of the Irish milk pool and 40% of the Irish whey pool. Food Ingredients Ireland is the pre-eminent Irish supplier of lactose and other whey proteins to the three largest infant formula manufacturers in the world. It is also Ireland's largest manufacturer of casein – another protein found in milk – and cheddar cheese.

The Virginia facility produces a range of fat-filled milk powders and fresh creams. It has exclusive responsibility for cream and casein procurement and supply to Baileys Irish Cream Liqueur following the renewal of a new five-year contract. It is also the main supplier of milk powder to Nutricima, the Group's joint venture with PZ Cussons plc in Nigeria. In addition to customers who have strong market positions in West Africa such as Senegal, Togo, Mali and Benin.

2008 Performance

2008 was a very challenging year for Food Ingredients Ireland. Global dairy markets were volatile and prices reached historic lows.

As a result of the scale of our processing businesses we are very mindful of our economic and environmental responsibilities and the imperative to grow our business in a sustainable way.

Food Ingredients Ireland is the largest manufacturer of cheddar cheese in Ireland.

This decline in global dairy prices, particularly in the second half of the year, led to a sharp imbalance in the raw material input cost and market prices for products. As a result, while revenues remained robust, profits and margins were back significantly when compared with 2007.

The co-operation agreement with Dairygold, including the contract manufacture by Dairygold of cheese for Glanbia and by Glanbia of butter for Dairygold, operated well during the year.

The joint venture with Corman SA progressed satisfactorily throughout 2008 with the commissioning of a butter fractionation facility, which is the only such facility in Ireland.

In the fourth quarter of 2007 and into the first quarter of 2008, Food Ingredients Ireland carried out a complete replacement of its cheese facility in Ballyragget and increased capacity by 33%. A further investment in a Milk Protein Concentrate (MPC) facility enabled the production of MPC 80 and Milk Protein Isolate (MPI) which are targeted at nutritional and fresh dairy product markets.

Strategy

While recognising that a significant proportion of Food Ingredients Ireland's product base is commodity dairy products, the strategy for this business is to provide a growing and innovative offering of higher margin ingredient solutions to an expanding customer base.

2009 Outlook

The market outlook for Food Ingredients Ireland in 2009 is difficult, with global dairy markets at extremely low levels. While a realignment of raw material costs and market pricing is expected, given current conditions we expect this business to breakeven this year. We continue to drive efficiency and cost improvements in the business through a rationalisation programme and other initiatives.

Operations review Ireland

The Ireland division performed well despite a challenging market environment. This delivered an increase in operating profit, together with a significant improvement in operating margin for the year.

Consumer Foods had a satisfactory year and this compares with a very challenging 2007 when results were affected by a time lag in recovering the impact of higher costs in the marketplace.

Agribusiness was ahead of 2007 as a result of a good performance in the feed and fertiliser segments and a strong focus on cost reduction. Glanbia's Property business performed broadly in line with 2007.

In the Ireland division, although overall revenue declined 7.5% by €60.4 million to €743.0 million (2007: €803.4 million), the exit from the Group's Pigmeat business in March 2008 reduced revenue by €168.0 million in the year. Revenue growth was achieved in both Consumer Foods and Agribusiness.

Operating profit pre exceptional increased 68% to €51.5 million (2007: €30.6 million) and operating margin pre exceptional grew by 310 basis points to 6.9% (2007: 3.8%).

Consumer Foods

Consumer Foods is the largest branded food supplier into the Irish grocery sector with more food brands in The Top 100 than any other supplier.

With household brands such as 'Avonmore', 'Premier', 'Yoplait', 'Kilmeaden', 'Snowcream', 'Petits Filous', and 'CMP' in its portfolio, Consumer Foods has the No.1 market position in all sectors of fresh milk and cream, block cheddar cheese, grated cheddar cheese, fruit yogurts, kid's fromage frais, drinking yogurt, fresh soup and smoothies.

Consumer Foods employs just under 800 people at 10 locations throughout Ireland and processes almost 300 million litres of milk annually. The business unit supplies over 4,000 customers with almost two million consumer packs each day.

2008 Performance

Consumer Foods had a satisfactory year, although the marketplace became particularly challenging in the latter half of 2008 with the economic downturn affecting consumer confidence and shopping behaviour. Despite this, Consumer Foods delivered good growth in revenue and improved its operating profit and margin position during the year, after a number of years where higher costs were not fully recovered in the marketplace.

Beverages

Consumer Foods increased its marketing investment in its milk portfolio in 2008. Good progress was achieved in 2008 with double digit volume growth in the Avonmore Supermilk brand. The launch of a two litre family pack was a key driver for this growth coupled with an innovative advertising and direct marketing activity targeting health professionals. The sponsorship of the 2008 World Barista Championship served to highlight the superior quality of Avonmore milk in the food service channel.

In recognising the increased value conscious consumer, the business supported a price decrease on its key selling Avonmore Fresh, Low Fat and Supermilk brands in late 2008, helping to maintain a strong market share for its liquid milk products. This focus on cost and value are key agenda items in the marketing strategy going forward.

Focused marketing investment and a new two litre size delivered double digit volume growth in Avonmore Supermilk.

Revenue	Operating profit pre exceptional	Operating margin pre exceptional
down 7.5%	up 68%	up 310 basis points
€743.0m	€51.5m	6.9%
08 €743.0m	08 €51.5m	08 6.9%
07 €803.4m	07 €30.6m	07 3.8%

A further development in 2008 was the introduction of other leading beverage brands into the Consumer Foods beverage portfolio. Distribution of the biggest selling smoothie brand 'Innocent' and the biggest energy drink challenger brand 'Monster' into the range served to strengthen the businesses presence in the nutritional beverage category.

Food

Consumers have moved towards more mainstream products in pursuit of value and this has led to increasing demand for the Yoplait family yogurt range. Innovation and investment, particularly in the value-added portfolio, showed good results in 2008 with sales of Yoplait Mixed Seeds yogurt growing strongly. The new '100% Natural' strategy for the Petits Filous range is proving effective with increasing consumer loyalty and a stronger market position.

2008 was Consumer Foods best year ever for its value-added cream sales. Extending the Avonmore cream franchise into special occasions usage delivered well, with the launch of Avonmore Baileys Fresh Cream delivering strong sales during Christmas 2008.

Innovation and marketing investment behind the Kilmeaden brand proved effective in 2008, strengthening the brand's competitive position in the marketplace. New products and packaging formats helped to provide more convenient choices for consumers and boosted sales.

Avonmore Fresh Soup defended its leading market position, despite increased competition in the fresh soup category. The launch of Chunky Soup achieved incremental volume as it extends the Avonmore brand into more meal-type usage that appeals to a younger demographic.

Key offerings for the value conscious consumer or 'quality at a price' led to increasing demand in 2008 for the Yoplait family yogurt range.

Operations review Ireland (continued)

The Ireland division represented 29% of Group revenue and 35% of Group operating profit pre exceptional in 2008.

Avonmore Fresh Soup holds the number one position in the Irish fresh soup category.

Strategy

Consumer Foods is responding strongly to the current economic and market reality, in anticipation that the changing trends in consumer culture and spending will continue into 2009 and beyond.

There is a significant ongoing rationalisation programme costing over €11.0 million, which will further improve cost competitiveness and efficiency.

Innovation and value-added products represent a strong growth opportunity as demonstrated by the performance of Supermilk, Bailey's Cream and soup packaging formats.

Active management of Consumer Foods strong brand portfolio, in milk, cream and selected food categories, and strategically differentiating key products is enabling Consumer Foods to maintain good market share and leadership positions.

2009 Outlook

The marketplace will remain competitive and challenging during this year. Against this backdrop the emphasis in Consumer Foods will be on delivering and promoting enhanced value to customers and continuing to differentiate its key brands, while aggressively managing costs. The outlook for Consumer Foods is satisfactory for 2009.

Consumer Foods is at the forefront in promoting the understanding of nutritional values in food, with the introduction of Guideline Daily Amounts (GDA) labelling across 90% of its product range.

Agribusiness & Property

Agribusiness & Property had a satisfactory year with improved revenue, operating profit and margins in 2008.

Agribusiness

Agribusiness is engaged primarily in feed milling, grain processing and marketing, and the retailing of a range of farm inputs, to the Group's large farmer supply base. Its portfolio also includes CountryLife, which is a broader retail offering.

Agribusiness is market leader in animal feeds, fertilisers, seed grain, chemicals and veterinary product sales. The business employs over 600 people and operates in 16 counties in Ireland, with a total of 61 locations.

2008 Performance

Agribusiness had a satisfactory performance in a competitive trading environment and results for 2008 were ahead of 2007. This business unit performed well in its core feed and fertiliser markets and continued to rationalise and reinvest to ensure a cost effective and efficient supply chain. The Agribusiness retail strategy, under the CountryLife format, is making good progress with 14 branches redeveloped to date.

Strategy

The strategy for Agribusiness is to grow market share in core sectors by focusing on the development of distinctive propositions for target customers in retail and farm segments. The reshaping of the business will continue to ensure Glanbia has the most cost effective and efficient value chain for each core offering.

The retail strategy under the CountryLife banner is to capture the convenience needs of a growing and diverse rural population. Agribusiness is developing a focused offering in gardening, pet care and equestrian products, whilst also catering for the needs of the core farmer customer base with an extended farm hardware offering.

2009 Outlook

2009 will be an extremely challenging year for farmers across all sectors, with strong negative headwinds including a reduction in farm incomes and the continuing economic downturn. For the longer-term, Agribusiness is positioning itself to be able to service the changing needs of its farmer base whilst recognising the potential created by a growing and diverse rural population.

Property

The remit of Property is to review and maximise the value of Glanbia's portfolio of properties, with a particular focus on surplus property.

2008 Performance

The 2008 performance of Property was broadly in line with 2007, despite a very different environment with a dramatic slowdown in the property market and lack of available credit.

2009 Outlook

While the market will undoubtedly continue to be very difficult in 2009, there are a number of transactions planned which should support activity in the coming year. Results for 2009 are expected to be broadly in line with 2008.

The retail strategy for CountryLife is to capture the convenience needs of a growing and diverse rural population.

Operations review Joint Ventures & Associates

In 2008, Joint Ventures & Associates performed strongly, in particular Southwest Cheese in the USA, which is a world-class cheese and whey-based nutritional ingredients manufacturer. Overall, Glanbia's share of profit after tax and interest pre exceptional increased by €6.3 million to €7.3 million for the year.

In 2008 there was a significant improvement in the performance of the Group's Joint Ventures & Associates, most notably Southwest Cheese which had an excellent year. Glanbia Cheese in the UK achieved margin growth despite a challenging market in 2008. However, Nutricima in Nigeria had a difficult year as it was not possible to pass on the full extent of the significant increases in raw material commodity prices. As a result, Nutricima's profits and margins were behind 2007.

Glanbia's share of revenue of Joint Ventures & Associates grew 4.9% to €370.3 million (2007: €353.0 million). Operating margin increased 290 basis points to 4.6% (2007: 1.7%). Glanbia's share of profit after tax and interest pre exceptional improved considerably, increasing to €7.3 million (2007: €1.0 million).

Southwest Cheese

Southwest Cheese is located in Clovis, New Mexico, USA, and is one of the largest natural cheese and high-protein whey processing plants in the world. The business is in its third year of operation and produced 136,000 tonnes of American-style cheddar cheese and other American-style varieties of cheese in 2008, equivalent to 7.5% of the US market. It is a 50:50 joint venture between Glanbia and The Greater Southwest Agency. Glanbia markets all of the products produced. Southwest Cheese employs over 270 people.

2008 Performance

2008 was an excellent year for Southwest Cheese and the business delivered a strong recovery in results for the year, compared with 2007. Output increased as planned to reach full capacity. Demand was favourable and operational excellence continued with strong day-to-day management at the facility.

A highlight of 2008 was achieving a World Cheese Championship gold medal in the first year of entering the competition. A gold medal was also awarded at the US Cheese Championship in March 2009.

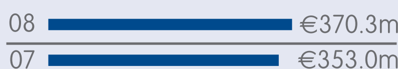
2009 Outlook

The outlook for Southwest Cheese is good. The people, plant and processes have proven capabilities with the markets for American-style cheddar cheese and high-protein whey product continuing to grow. Milk production is robust in the New Mexico and West Texas regions and this positions the business for continued growth. A planned 50% expansion in production capacity is currently being finalised.

Revenue

up 4.9%

€370.3m



Profit after interest and tax pre exceptional

up €6.3m

€7.3m

Glanbia has three principle International joint ventures - Southwest Cheese in the USA, Glanbia Cheese in the UK and Nutricima in Nigeria - and a number of smaller Irish based joint ventures & associates.

Nunu, one of Nutricima's leading brands of milk-based powder for the developing Nigerian market.

Glanbia Cheese

The Group has a 51% interest in Glanbia Cheese which is a joint venture with Leprino Foods, USA. The business produces mozzarella cheese for the European pizza market in shredded, ribbon and string formats and is Europe's No.1 supplier of mozzarella cheese to the foodservice and retail pizza sector. Glanbia Cheese employs 350 people at three sites, which includes two cheese processing facilities in the UK.

2008 Performance

Glanbia Cheese's performance in 2008 showed a marked improvement over 2007, as the business fully recovered the milk cost inflation experienced in the second half of 2007. However, the external operating environment disimproved in the second half of 2008 as a result of the weakness in the global economy and its detrimental knock-on effect both on consumer confidence and demand. Despite the difficult market conditions Glanbia Cheese delivered margin growth in 2008.

2009 Outlook

Glanbia Cheese is well positioned to deal with the significant challenges anticipated in 2009. A combination of efficiency benefits and an improved sales mix underpins volume growth, which is supported by increased consumption trends in quick foodservice markets.

Nutricima

Nutricima is a 50:50 joint venture with PZ Cussons plc in Nigeria. This business has developed a branded product portfolio to serve all market segments including liquid, condensed and powdered milk-based products. Nigeria is a large and developing market, catering for a population estimated at 151 million people, with a fast growing urban middle class. Local oil production and a relatively stable political environment has supported strong GDP growth. Nutricima employs 260 people at its evaporated milk manufacturing and powder packing facility near Lagos.

2008 Performance

2008 was a challenging year as the business continued to experience the impact of significant increases in raw material commodity prices, which could not be fully passed on in the marketplace. Good operational progress continued to be made with the capacity expansion project for reconstituted evaporated milk now complete and the factory producing 'ready-to-drink' products is on target to be commissioned in the first half of 2009.

2009 Outlook

Nutricima is expected to make good progress in 2009, with improvements in its brand portfolio, market positions and increased top line growth forecast. Raw material commodity prices have reduced significantly and this is expected to improve margins.

Our people

In a business that operates from local to global, Glanbia's people strategy provides a common approach and a clear framework to develop people and deliver the Group's growth strategy.

Our people strategy has two core elements – sustained succession management and effective Human Resources (HR) organisation and systems. The emphasis is on maximising the contribution of people to the overall business, in an empowering, positive and safe working environment.

Sustained succession management
This focuses on ensuring that Glanbia has the right people and skills in place to deliver its growth and strategic objectives.

Phase I of the sustained succession management programme focuses on strong performance and career management through building and rolling out a consistent process for annual performance and development potential assessment. Detailed action plans are agreed from these reviews. High performers, depending on their roles and experience, have the opportunity to participate in Glanbia's Senior Leadership Programme (SLP) or the Group Management Development Programme (GMDP).

Both are customised programmes, with the SLP focusing on the strategic challenges facing the Group and its key operating divisions. The GMDP provides learning, support and awareness to high performing managers of what is required to be successful at the next level. It focuses on the skills required to become a business leader and strategic partner in the business. Both programmes also crucially provide an invaluable forum for collaboration and sharing of ideas among managers across the Group. The overall goal is for people to become more effective in their roles and to increase their contribution to Glanbia.

Phase II concentrates on strengthening the Group's development programmes to include coaching/mentoring, peer and colleague reviews, individual stretch objectives and the opportunity to participate in key projects, which are independent from day-to-day activities.

Another pillar of sustained succession management is Glanbia's Graduate Programme (GP). This is designed to hire and develop 'the managers of the future' and is a two-year programme that offers graduates the chance to work in three or four business units, in a number of different countries. In essence, their career journey starts here and they have the prospect of refining and honing their academic skills in key disciplines such as science, finance, marketing, and engineering. Such is the success of this programme that each year Glanbia receives in excess of 600 applications for 10 places on the GP.

Effective HR organisation and systems
Group HR's remit is to deal with cross business unit issues and HR issues that have group-wide implications. It is also involved in setting Group HR strategy policy and in managing the performance and development programme for Glanbia's senior managers.

Other key responsibilities include the Group's health and safety forum. Across Glanbia, there are HR managers in business units who interact with Group HR to ensure a unified and consistent approach to key Group HR policies and programmes.

A significant part of creating an effective HR organisation and systems is 'Project Perform' which is ongoing since May 2008. This is being rolled out from the end of quarter one of 2009, for all salaried staff. This is a SAP-based HR system with key workflows embedded to deal with all aspects of an employee's life-cycle, such as compensation and benefits, performance management and development, leave and absenteeism. The objective is to empower HR and business unit managers through providing real time information, measuring key HR performance indicators and linking individual performance directly to Group performance.

Glanbia's people strategy is based on a simple proposition. The Group gives an individual opportunity, development and reward for performance. This is 'our investment in you'. In return Glanbia gets accountability, delivery and commitment, which is 'your investment in us'.

Daragh Maccabee

Vice President & Chief Financial Officer
Food Ingredients USA

In the 10 years since joining Glanbia from the Coca-Cola business in Siberia, I have held positions as Financial Controller of Consumer Foods and Group Financial Controller before moving to head up the finance function of the Group's US cheese operations based in Idaho. My Glanbia career has been one of many challenges and rewarding opportunities. My personal development has been further enhanced during 2008 through participation in the Glanbia Senior Leadership Programme.

Michelle Naughton

Quality Assurance Team Lead
Southwest Cheese USA

I joined Glanbia on the Graduate Programme in 2004 and after six months in Ireland, I got the opportunity to move to Idaho. I spent five months there between the three Glanbia production facilities. Then I had the opportunity to be part of the start-up at Southwest Cheese in New Mexico which has been a great learning experience. During the last year I became the Environmental Manager here and also took part in the Glanbia Management Development Programme which was a great opportunity to meet with co-workers from other divisions. I am now the Quality Assurance Team Lead and appreciate the wealth of opportunities that has been offered to me in the short time since I started with Glanbia.

Joseph Collum

Marketing Director
Consumer Foods Ireland

Given the dynamic market environment and the challenges and opportunities that this presents for the Consumer Foods business, the company places a strong emphasis on performance development. I recently participated in the Senior Leadership Programme and found the content and sharing of experiences with fellow senior managers across the Group to be informative and helpful. I am applying new thinking on growth and innovation to our business and expect this to improve our ability to compete in the months and years ahead.

Our people (continued)

Loren Ward

Director of Research and Development
Nutritionals USA

I joined Glanbia in 1998 after completing a PhD in Nutrition and Food Science at the University of Minnesota. Glanbia has provided opportunities for me to develop my professional career and manage the development of innovative, science-based nutritional solutions for global applications. In 2006, I enjoyed attending Glanbia's Management Development Programme at the Irish Management Institute in Dublin.

Ivy Xiang

Commercial Manager
Nutritionals China

I studied in Massey University in New Zealand for a Masters in Dairy Science and Technology and later completed an M.Sc Food Science at the Wuxi Institute in China. I joined Glanbia three years ago and as Commercial Sales Manager for China I am now responsible for the sale of both dairy ingredients and vitamin and mineral premix. I am glad to have taken every opportunity to advance my career at Glanbia and in 2008 I enjoyed particular success promoting the sales of Glanbia's Trucal® milk mineral product in China.

Michael O'Leary

Human Resources Manager
Agribusiness Ireland

Having graduated from University of Limerick with an honours degree in Business Studies, I joined the Glanbia Graduate Programme in November 1997. During my 11 years with the company I have had the opportunity to work in a variety of HR roles in Group IT, Consumer Foods and Agribusiness. My development has been supported by participation in the Glanbia Management Development Programme and my recent role as HR lead of Project Perform.

Our responsibilities

At the heart of Glanbia's CSR is the Group's commitment to the sustainable development of our business and to making a positive contribution to our local communities.

CSR is increasingly seen as a crucial element of any business. Consumers want to shop more in line with their personal values, as well as getting more value for money while still purchasing safe, nutritious and healthy foods. Sustainability is high on the global agenda as the world strives not to exhaust natural resources or cause severe ecological damage. Companies recognise that they can make a significant social contribution, on top of their economic and environmental impact, by engaging and working with their local communities.

Governance and risk management

A cornerstone of managing our business responsibility is a strong commitment by Glanbia's Board and management to all aspects of good corporate governance and risk management. The Board has overall responsibility for the stewardship of the Group including annual and strategic business plans, capital expenditure programmes, acquisitions and disposals together with dividend, treasury and risk management policies. The Board comprises 21 members including a Non-executive Chairman, Senior Independent Director and three Executive Directors. Further information on the Board, Directors' statement of corporate governance and information on risk management are contained in pages 38, 36 and 45 respectively.

The environment

We are committed to continuous environmental improvement at all of our operations. The Energy Star Programme, sponsored by the US Environmental Protection Agency and the Department of Energy, is a national call to action to improve the energy efficiency of America's commercial and industrial sectors by 10% or more. In 2008, our businesses in the USA were formally accepted for membership of this programme, which is a strong statement of intent on their part to reducing their carbon footprint.

Waste water which is a by-product of milk processing is polished, stored and reused in plant boilers in Gooding.

In Ireland, there is a carbon reduction programme for Irish processing facilities, with dedicated resources in place. Food Ingredients Ireland appointed a Carbon Footprint and Sustainability Manager in 2008, to complement a fulltime engineer focusing on energy efficiencies in what is a very energy intensive business. This business is working closely with the Government through the policy formulation phase on global warming initiatives in order to balance the future potential growth of the industry with the emissions reduction programme. This is in addition to ISO14001 accreditation for environmental management systems and IS393 accreditation for energy management. Other key environment initiatives include an active recycling programme with over 12 tonnes of paper recycled during the year, together with 33 tonnes of cardboard, 7 tonnes of plastic, 51 tonnes of timber and 420 tonnes of stainless and mild steel.

Sustainability

The barrel cheese and whey plant in Gooding, Idaho, is the world's largest barrel cheese facility, with a total processing capacity of over four million litres of milk daily, producing 4.5 million litres of raw whey per day and 149,000 tonnes of cheese annually.

Despite the sheer scale of the Gooding plant, its manufacturing operations are almost water-neutral as the operations team get the most out of precious water resources. Waste water, which is a bi-product of processing, is polished and stored in silos. 1.4 million litres of this water is used in plant boilers with other waste water reprocessed in an anaerobic treatment plant. The gas generated in this activity is used to heat water for cleaning at the plant and the treated water is used to irrigate corn and alfalfa grown on the 1,200 acres surrounding the plant.

Our responsibilities (continued)

Barretstown Camp.

Shriner's Hospital for Children.

These crops are fed to suppliers cows, whose milk is then sent to the plant to start the cycle again. That is the essence of sustainability and it's good economics.

Other efficiency measures at Gooding include enhanced receiving bays which reduced the number of bays from six to four while allowing 31,000 litres of milk to be uploaded in 12 minutes, 24/7. Milk hauliers are using new, lighter tanker trucks, delivering better mileage, reduced energy consumption and lower costs.

Corporate giving and volunteerism

In Ireland Glanbia continued its support for the GAA which represents strong community values and actively promotes health and fitness with the sponsorship of the Kilkenny and Waterford senior hurling teams in the provincial and All Ireland championships as well as the National Hurling League. Glanbia has been a long-term sponsor of the senior, intermediate, under 21 and minor hurling panels in both counties. Kilkenny's famous black-and-amber jerseys carry the 'Avonmore' logo while in 2008, the Waterford jerseys sported the 'Yop' brand.

The Group continues its strong association with Junior Achievement Ireland through ongoing employee volunteering whereby the Group allows people time out to mentor primary and secondary school students, particularly on business subjects.

As part of our CSR initiatives, we select a local charity and make a multi-year commitment to not only fund a need but provide employee volunteers to serve that charity. In 2008, Glanbia selected two new charities to work with.

In Ireland, the Group choose Barretstown. This is a specially designed camp, providing a programme of adventure, activities and fun, which helps children with serious illness, such as childhood cancer, to regain their confidence and self-esteem through

We pride ourselves in being a local company and we try to be a good corporate citizen and give back to the communities where we have a presence.

therapeutic recreation. This initiative has a consumer dimension through its direct association with Consumer Foods and the Avonmore brand. This is about increasing awareness for Barretstown to help capture the benefits of mutual social responsibility, where consumers are increasingly using their brand choices to support ethical or social issues and as a means to get more involved and participate in these causes. Apart from the corporate and Consumer Foods business financial commitments, eight champions have been appointed around the Group to raise employee awareness and support their fundraising efforts. Collectively, these are targeting a

In recognition of the importance of CSR to us, Glanbia is undertaking a review of CSR and EHS (Environment, Health and Safety) around the Group during 2009, with the aim of formalising key group-wide policies, and promoting continuous improvement in all our standards and practices.

Despite the sheer scale of the Gooding plant, its manufacturing operations are almost water-neutral as the operations team get the most out of precious water resources.

The combined heat and power plant at Ballyragget.

contribution of approximately €1 million over a three year period from 2008. Ultimately for Consumer Foods and Glanbia the goal is to make a meaningful and measurable contribution to Barretstown.

Food Ingredients USA and Nutritionals have partnered with Shriners Hospital for Children in Salt Lake City, for the period 2008 and 2009. Shriners Hospitals for Children is a network of 22 paediatric hospitals in the USA, Canada and Mexico. They specialise in providing care for children under 18 with orthopaedic conditions, burns, spinal injuries and cleft lip and palate. All services are provided free of charge. The Glanbia donation, of US$35,000 in 2008, is being used to upgrade the parent lounge and laundry facilities, followed by parent bedrooms. Similar to Ireland, a group of employee champions in the USA will promote and support employee fundraising to complement corporate giving.

As one of the largest employers in the Magic Valley region of south-central Idaho, Glanbia is regarded as one of the top employers in terms of opportunity, development and reward. The Group also has a good reputation as a generous benefactor having made pledges of over US$226,000 to various charities and public institutions in 2008 alone. The highlight of the year was the Glanbia Charity Challenge golf tournament, which has been one of the largest fundraisers in Magic Valley since its inception in 1994. Set at the bottom of the Snake River canyon at the beautiful Blue Lakes Country Club, the Glanbia Charity Challenge has raised a total of US$883,000 and benefited 36 local charities since it began.

Strong health and safety performance

Overall this has been a good year for the advancement of Health and Safety (H&S) and legal compliance. Steady progress has been made in audit scores and in the further integration of H&S and risk management processes across all businesses.

Glanbia continues to invest in improving both the plant infrastructure through capital investment and the management of H&S compliance through investment in H&S personnel and training. During 2008, 993 employees received approx 6,800 days of H&S training.

Social performance

Glanbia is committed to developing and nurturing internal talent. This will help ensure that the Group has the people, capabilities and skills in place needed to support the continued growth and internationalisation of Glanbia. For more information on our social performance please refer to the dedicated ‘Our people’ section of this report on pages 26 to 28.

Finance review

Glanbia delivered a good set of results in 2008 and the Group's key annual financial targets set out in our 2007 to 2009 Strategic Roadmap were comfortably achieved or exceeded. This positions us well for a challenging 2009.

Geoff Meagher

2008 Highlights

- Operating margin pre exceptional up 80 basis points;
- Profit before tax pre exceptional up 20.8%;
- Adjusted earnings per share up 18.5%, following a 26.6% increase in 2007;
- Good cash generation and robust debt ratios;
- 2008 EBITDA / net financing cost cover at 7.9 times;
- EBIT to net financing cost cover at 6.4 times; and
- Net debt/EBITDA ratio at 2.7 times.

Summary

Revenue grew 1.0% to €2,232.2 million (2007: €2,206.6 million). Revenue growth was positive across almost all the business, with favourable pricing and good organic volume increases, particularly in Food Ingredients USA and Nutritionals. Revenue growth was offset by the sale of the Group's Pigmeat business in March 2008 and the effect of currency translation. Like-for-like revenue grew 8.9%. Operating profit pre exceptional increased 15.7% to €134.1 million (2007: €115.8 million).

Operating margin pre exceptional increased 80 basis points to 6.0% (2007: 5.2%). All businesses in the Group increased margins in 2008 with the exception of Food Ingredients Ireland where the decline in global dairy markets resulted in a significant imbalance between market returns and raw material input costs.

Profit before tax pre exceptional grew 20.8% in the year to €120.3 million (2007: €99.5 million) driven by the first time contribution of Optimum and good organic growth in all business segments except Food Ingredients Ireland. Like-for-like profit before tax pre exceptional grew 21.4%.

Net financing costs

Financing costs increased €3.8 million to €21.1 million (2007: €17.3 million) due mainly to the financing cost associated with the acquisition of Optimum. EBIT to net financing cost cover was 6.4 times in 2008 compared to 6.7 times in 2007. EBITDA to net financing cost cover was 7.9 times compared to 8.6 times in 2007.

Operating margin pre exceptional

+80 basis points

Adjusted earnings per share

+18.5%

Table 1: Summary income statement

	2008	2007	Change
Revenue	€2,232.2m	€2,206.6m	Up 1.0%
Operating profit pre exceptional	€134.1m	€115.8m	Up 15.7%
Operating margin pre exceptional	6.0%	5.2%	Up 80 bps
Net financing costs	(€21.1m)	(€17.3m)	Up €3.8m
Share of results of Joint Ventures & Associates	€7.3m	€1.0m	Up €6.3m
Profit before tax pre exceptional	€120.3m	€99.5m	Up 20.8%
Taxation pre exceptional	(€21.5m)	(€16.4m)	Up €5.1m
Profit after tax pre exceptional	€98.7m	€83.1m	Up 18.8%
Exceptional items	(€19.4m)	(€22.8m)	Down €3.4m
Earnings per share	26.76c	20.42c	Up 31.0%
Adjusted earnings per share[1]	35.86c	30.25c	Up 18.5%
Dividend per share in respect of the full year	6.51c	6.08c	Up 7.1%

1: Before exceptional items and amortisation of intangibles (net of related tax)

In 2008, the average interest rate for the Group reduced by approximately 70 basis points to 5.1% primarily due to lower US dollar rates. The Group operates a policy of fixing a significant amount of its interest exposure with approximately 80% of the Group's net debt currently contracted at fixed interest rates for 2009 and approximately 70% contracted at fixed rates for 2010.

Joint Ventures & Associates

Glanbia's share of revenue from Joint Ventures & Associates increased 4.9% to €370.3 million (2007: €353.0 million) with strong growth in Southwest Cheese. Glanbia's share of profits post interest and tax grew strongly in 2008 to €7.3 million (2007: €1.0 million). Both Southwest Cheese and Glanbia Cheese improved profitability and margins. Nutricima, the Group's Nigerian joint venture, consolidated its market position in 2008 but it was not possible in a developing economy to pass on all of the increases in raw material costs and as a result profits and margins were below 2007.

Taxation

The 2008 pre exceptional tax charge increased €5.1 million to €21.5 million (2007: €16.4 million), reflecting growth in international profits, which attract higher tax rates. The effective tax rate for the Group, excluding Joint Ventures & Associates, was 19.1% in 2008 (2007: 16.7%).

Exceptional items

In 2008, Glanbia initiated a rationalisation programme costing €14.5 million. This is as a result of an imperative to remain cost competitive, particularly in relation to the effect the global economic downturn is having on consumer demand. This programme is mainly focused on the Consumer Foods, Agribusiness and Food Ingredients Ireland businesses and associated costs relate primarily to redundancy.

An exceptional charge of €3.9 million was incurred on finalising the Group's exit from its Pigmeat business announced in March 2008. A deferred taxation charge of €1.0 million arose in Glanbia Cheese due to a change in UK taxation legislation.

Total exceptional costs for 2008 amounted to €19.4 million (2007: €22.8 million). Exceptional costs in 2007 arose due to a provision for the exit from Pigmeat and restructuring costs incurred in Consumer Foods.

Earnings per share

Earnings per share increased 31.0% to 26.8 cents (2007: 20.4 cents) due to higher profits and lower exceptional costs, relative to 2007. Adjusted earnings per share increased 18.5% to 35.86 cents (2007: 30.25 cents).

Dividends

The Board is recommending a final dividend of 3.76 cents per share (2007: final dividend 3.58 cents per share), an increase of 5.0%. This brings the total dividend for the year to 6.51 cents per share (2007: 6.08 cents per share), representing a total increase of 7.1% for the year.

Finance review (continued)

Glanbia will concentrate on the opportunities for organic growth that exist within the current business, as a prudent and conservative approach to reduce capital and operating spend is consistent with the challenging external environment.

Table 2: Divisional results pre exceptional

	2008 Revenue €'m	2008 Operating profit €'m	2008 Operating margin %	2007 Revenue €'m	2007 Operating profit €'m	2007 Operating margin %
International	1,489.2	82.5	5.5%	1,403.2	85.2	6.1%
Ireland	743.0	51.5	6.9%	803.4	30.6	3.8%
Total	**2,232.2**	**134.1**	**6.0%**	**2,206.6**	**115.8**	**5.2%**
Joint Ventures & Associates	370.3	17.0	4.6%	353.0	5.9	1.7%
Group total	**2,602.5**	**151.1**	**5.8%**	**2,559.6**	**121.7**	**4.8%**

2008 Divisional results
International activities include Food Ingredients, in Ireland and the USA, and the Group's global Nutritionals business. Food Ingredients Ireland is included in international activities as the majority of its products are sold to international customers.

The Ireland division includes Consumer Foods and Agribusiness & Property.

Joint Ventures & Associates includes the Group's three key strategic joint ventures, which are Southwest Cheese, Glanbia Cheese and Nutricima.

Segmental analysis is contained in Table 2 above and further more detailed information on divisional results is in the operations reviews commencing on page 14.

Development expenditure
In August 2008 the Group completed the acquisition of Optimum for a total consideration of €217.9 million (US$323.0 million). This was funded from the Group's existing bank facilities.

During the year Glanbia continued its strategic capital investment programme with €63.4 million expenditure focused mainly on Food Ingredients and Nutritionals. In the two-year period since 2007, the Group has invested a total of €351.0 million on acquisitions and development capital expenditure.

Cash flow
Net debt increased €231.9 million in the year to €452.1 million (2007: €220.2 million) primarily due to the acquisition of Optimum.

The Group generated good free cash flow of €72.4 million in 2008, (2007: €53.1 million). A summary 2008 cash flow is contained in Table 3 on page 35. Free cash flow is after charging business sustaining capital expenditure and before acquisition costs, strategic capital expenditure and the payment of equity dividends.

Financing and financial flexibility
The Group has total debt facilities of €661.5 million - bank facilities of €598.0 million and €63.5 million cumulative redeemable preference shares. Bank facilities are held with nine banks under bilateral arrangements with common documentation and terms.

€30.0 million of the facilities are renewable in December 2009, €158 million in July 2012 and €410 million in July 2013. The cumulative redeemable preference shares mature in July 2014. Glanbia manages its bank debt position within a number of financial covenants. The key covenants are:

- That consolidated net bank borrowings shall not exceed three times EBITDA on the last day in any financial year;
- That consolidated net bank borrowings shall not exceed four times EBITDA on any other day of the financial year; and
- That consolidated EBIT shall not be less than 3.5 times of consolidated net borrowing costs in any financial year.

Group Treasury monitors compliance with all financial covenants and recent trends in these ratios are outlined in Table 4.

For financial prudence Glanbia sets more stringent internal net debt to EBITDA targets to recognise that the Group's net debt is subject to seasonal fluctuations and as a result average debt can be up to 30% above year-end debt levels.

In light of the above, the Directors of Glanbia have a reasonable expectation that the Group has adequate resources to operate for the foreseeable future. Therefore they continue to adopt the going concern basis in the preparation of this Annual Report.

Balance sheet
The equity of the Group decreased €6.7 million to €227.9 million at the end of the year (2007: €234.6 million). Retained earnings in 2008 decreased €1.5 million as retained profits of €78.4 million were offset by adverse reserve movements due to the increase in the pension deficit.

Pension deficit

Glanbia operates defined contribution and defined benefit pension schemes in Ireland and the UK and defined contribution schemes in the USA and other international locations. The deficit in the Group's defined benefit pension schemes increased at the year-end by €50.2 million to €164.4 million (2007: €114.2 million). The deficit on the Irish schemes at year-end amounted to €142.2 million and €22.2 million related to UK schemes. This total deficit was adversely impacted in the year by a negative return on pension fund assets and an enhancement in the actuarial assumptions used in the calculation of the pension liabilities. A review of the funding deficit of the Irish schemes is currently underway as the 10-year funding proposal submitted to the Irish Pensions Board is not currently on track due to low investment returns in 2008. The Group operates defined benefit pension schemes in the UK that relate to UK liquid milk businesses which were disposed of in 1999. Funding is in place to fund the deficit of the UK pension schemes over a 10-year period.

Financial risk management

The conduct of Glanbia's ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments by the Group. The main risks, arising from issuing, holding and managing these financial instruments, typically include liquidity risk, interest rate risk and currency risk. The Group's approach is to centrally manage these risks against comprehensive policy guidelines. The Board agrees and regularly reviews these guidelines and more detailed information on financial risk is contained in Note 3.1 'Financial risk factors' in the notes to the financial statements and in the risk section on pages 36 to 37 in this report.

Table 3: Summary cash flow

	2008 €'m	2007 €'m
EBITDA pre exceptional	167.6	149.2
Working capital movement	0.5	(39.1)
Net interest and taxation paid	(49.7)	(20.0)
Additional pension contributions	(14.0)	(11.0)
Business sustaining capital investment	(23.6)	(20.8)
Other	(8.4)	(5.2)
Free cashflow	**72.4**	**53.1**
Acquisitions	(229.4)	(19.7)
Disposals	22.2	18.4
Strategic capital expenditure	(63.4)	(38.5)
Equity dividends	(18.5)	(17.3)
Currency exchange/fair value adjustments	(15.2)	8.2
Net (increase)/decrease in debt during the year	**(231.9)**	**4.2**
Net debt at beginning of the year	**(220.2)**	**(224.4)**
Net debt at end of the year	**(452.1)**	**(220.2)**

Table 4: Net finance cost ratios

	2008	2007	2006	2005
Net debt : EBITDA (times)	2.7	1.5	2.0	2.1
EBITDA : Net finance cost (times)	7.9	8.6	8.1	8.2
EBIT: Net finance cost (times)	6.4	6.7	6.1	6.2

Investor relations

Glanbia operates an active domestic and international Investor Relations and Financial Media Relations Programme each year. Glanbia plc is a subsidiary of Glanbia Co-operative Society Limited, an Irish industrial and provident society, which owns 54.6% of the Company.
The remaining 45.4% free float is well balanced between institutional and retail investor ownership and between domestic and international institutional ownership. In 2008, management met with over 190 existing and potential investors.

Farewell

This will be my last finance review as I am retiring from Glanbia on 30 June 2009. I would like to take this opportunity to express my thanks to John Moloney and all the team at Glanbia. It has been a wonderful privilege to work with a great group of people and I wish them continued success in the future.

Conclusion

Glanbia delivered a strong set of results in 2008 and the Group is well positioned for a challenging 2009. Glanbia has prioritised debt reduction for 2009, recognising the significant investment made in recent years and the current turmoil in global credit markets. The Group will concentrate on the opportunities for organic growth that exist within the current business, as a prudent and conservative approach to reduce capital and operating spend is consistent with the challenging external environment.

Geoff Meagher
Deputy Group Managing Director
Group Finance Director

Risk and risk management

The management of risk is central to achieving Glanbia's strategic and financial objectives that are set out on page 6 to 7 of this report. The Board of Glanbia is responsible for the Group's risk management systems, which are designed to manage and mitigate the risk of failure to achieve strategic and business objectives.

Strategic risks	Impact	Mitigation
Global economic downturn and dairy market volatility	Demand for the Group's products could be curtailed, which when coupled with dairy market volatility represents a very material risk to the operating performance and financial stability of the Group.	The Group maintains a balanced spread of businesses and continues to diversify its earnings base to reduce volatility in financial performance. In 2008, 71% of Group revenue and 65% of Group operating profit pre exceptional was generated from the International Division. The Group also continues to streamline its cost base to ensure it remains competitive. In 2008, Glanbia initiated a rationalisation programme costing €14.5 million, focused on Consumer Foods, Agribusiness and Food Ingredients Ireland.
Financing and liquidity constraints, associated with current credit markets	Lack of financial capacity could affect the Group's ability to conduct its business and maintain capital investment programmes, dividend payments and debt service commitments.	The Group closely monitors and manages its cash flow, with regular forecasting. Glanbia has in place total debt facilities of €661.5 million with a weighted average maturity of 4.2 years. The Group manages its bank debt position within a number of financial covenants that are closely monitored for compliance by Group Treasury. Strong banking relationships are maintained through regular meetings and updates.
Inability to leverage the Group's significant recent investment in acquisitions	There is a risk to the business if the Group is unable to deliver significant organic growth from recent acquisitions and fully integrate the operations of the acquired businesses.	The Group's management team has significant experience in the areas of pre acquisition due diligence and post acquisition integration. Specific information on Nutritionals growth strategy is outlined on page 16 of this report. For 2009, Glanbia will concentrate on organic growth opportunities within the existing business, adopting a conservative approach to further acquisitive growth in the context of the challenging external environment.
Recruitment and retention	The ongoing success of the Group is dependent on attracting and retaining high quality management and staff throughout the business.	The Group mitigates any risk associated with loss of key personnel through sustained succession management, strong recruitment processes, long-term incentives and retention initiatives. Glanbia also operates management development programmes to ensure there is a continuous pipeline of talent within the Group to support the ongoing growth and development of the business. Further information is contained in the Our people section on pages 26 to 28.
Increasing competition	Significant product innovations, technical advances or the intensification of competition could adversely affect the Group.	The Group invests in research and development and ensures that the introduction of new products and product formats and improved production processes positions the Group well in its chosen markets. Glanbia has Innovation Centres located in Ireland and the USA as well as associations with a number of research programmes at third level institutions.

Financial risks	Impact	Mitigation
Financial and taxation risk	The conduct of ordinary business operations necessitates the holding and issuing of financial instruments and derivative financial instruments by the Group. The main risks arising from issuing, holding and managing these financial instruments typically include liquidity risk, interest rate risk and currency risk.	The Group's approach is to centrally manage financial and taxation risks against comprehensive policy guidelines, details of which are outlined in Note 3.1 Financial Risk Factors in the notes to the financial statements. The Board agrees and regularly reviews these guidelines. Group corporate taxation planning and compliance is managed centrally.

Across the business, there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by individual business units and by the Group as a whole. This process has been in place for the year under review and up to and including the date of approval of the 2008 Annual Report.

Operational risk	Impact	Mitigation
Food safety legislation and regulation	Glanbia must maintain the highest standards of food safety in the interest of the health and well being of its consumers and sustaining its strong reputation as a leading international cheese and nutritional ingredients group.	Group operations in processing, distribution, packaging and labelling of food are governed by extensive legislation, regulation, codes of practice and guidance. The Group conforms fully to international and local food safety, quality and environmental regulations and employs best practice across all of its production facilities to maintain the highest standards.
Supply chain	The Group's ability to fulfill the demand for its products is dependent on an efficient supply chain. Glanbia also needs to ensure that its own suppliers comply with the highest health and safety standards.	The Group mitigates supply chain risk by maintaining a broad supplier base and the Group is committed to ensuring that suppliers continue to choose Glanbia as their partner of choice. All of the Group's key sites operate quality control assessments on products supplied to ensure world-class quality and food safety targets are maintained throughout the supply chain.
Health and safety	Ensuring the safety, health and welfare of employees, visitors to Glanbia operations, surrounding communities and the public.	Processes and policies have been put in place throughout the Group to ensure that workplace conditions, practices and procedures are maintained to high levels of safety in line with relevant safety, health and welfare legislation. An independent risk manager carries out an annual risk management audit for all the Group's main locations in accordance with the Glanbia risk management system and this incorporates a separately reported health and safety audit.
Environment	The Group is subject to strict and developing environmental laws and regulations which could result in an increase in the cost of achieving compliance that might impact the Group's operational or financial performance.	The inclusion of environmental and sustainability objectives and risk management as part of the Group's overall business strategy, together with a commitment to continuous improvement ensures that Glanbia is ahead of evolving environmental standards. The 'Our responsibilities' section of this report starting on page 29 outlines a number of key initiatives from around the Group which demonstrate the Group's commitment and investment in energy efficiency, carbon reduction, recycling and emissions programmes.
Loss of a major site	The loss or significant destruction of any one of the Group's key sites would present significant operational and financial difficulties for Glanbia.	The Group's operations have business continuity and communication plans in place to manage the impact of the loss of a major site. The Group also monitors overall safety and loss prevention performance through its risk management system to assist operational management responsible for the day-to-day management of business risk. An insurance cover programme is in place for all significant insurable risks and major catastrophes to mitigate the financial consequences.
External risks	**Impact**	**Mitigation**
Energy costs	Large scale processing is an energy intensive operation.	Energy efficiency programmes are operated across all sites and the Group was the first dairy processor in the world to be accredited with the IS393 Energy Management Standard at its processing site in Ballyragget, Co. Kilkenny. In order to minimise the impact on energy costs of price volatility, the Group will, where necessary, enter into fixed price arrangements to cover certain future energy requirements.

Board of Directors

The Directors of Glanbia are committed to maintaining the highest standards of corporate governance which they see as fundamental to discharging their stewardship responsibilities. The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to shareholders.

Chairman

Liam Herlihy[1] (aged 57) is Chairman of Glanbia plc. He was appointed to the Board in 1997, as Vice-Chairman of the Group in 2001 and Chairman in May 2008. He is also Chairman of Glanbia Co-operative Society Limited and a director of the Irish Co-operative Organisation Society Limited. He completed the Institute of Directors Development Programme (2006) and holds a certificate of merit in Corporate Governance from University College Dublin. He farms at Headborough, Knockanore, Tallow, Co. Waterford.

Executive Directors

John Moloney B.Agr.Sc., MBA, (aged 54) is Group Managing Director since 2001, having been appointed to the Board in 1997. He joined the Group in 1987 and held a number of senior management positions including Chief Executive of Food Ingredients and Agribusiness. He was appointed Deputy Group Managing Director in 2000 and assumed the responsibilities of Chief Operating Officer in 2001. Prior to joining the Group he worked with the Department of Agriculture, Food and Forestry and in the meat industry in Ireland. He is a director of The Irish Dairy Board Co-operative Limited, DCC plc and a Council Member of the Irish Business and Employers Confederation.

Geoff Meagher CPA, (aged 59) joined the Board as Group Finance Director in 1993 and was appointed Deputy Group Managing Director in 2005. He joined the Group in 1975 and held a number of positions including that of Group Financial Controller. Prior to that he trained and worked with PricewaterhouseCoopers, Chartered Accountants. Geoff has resigned from his executive roles and from the Board with effect from 30 June 2009.

Kevin Toland FCMA, (aged 43) was appointed to the Board in 2003. He is CEO and President of Glanbia USA and Nutritionals, having previously held the positions of Group Development Director and Chief Executive of the Consumer Foods Division. Prior to joining Glanbia in 1999, he held a number of senior management positions with Coca-Cola Bottlers in Russia and with Grand Metropolitan plc in Ireland and Central Europe.

Secretary

Michael Horan B. Comm, FCA

Board Committees

Audit Committee
J Callaghan - Chairman, H Corbally, J Fitzgerald, P Haran, L Herlihy, J Liston, V Quinlan

Remuneration Committee
J Liston - Chairman, J Callaghan, P Haran, L Herlihy, V Quinlan, J Fitzgerald

Nomination Committee
L Herlihy - Chairman, J Callaghan, P Haran, J Liston

Non-executive Directors

John Fitzgerald[1] (aged 53) is Vice-Chairman of Glanbia plc. He was first appointed to the Board in 1997 and was appointed Vice-Chairman in May 2008. He farms at Ross, Kilmeaden, Co. Waterford.

John Callaghan FCA, FIB, (aged 66) was appointed to the Board in 1998 and is the Senior Independent Director. He is a director of ACC Bank plc and Rabobank Ireland plc. He was formerly Managing Partner of KPMG (Ireland), Chief Executive of Fyffes plc and Chairman of First Active plc.

Nicholas Dunphy, (aged 48) was appointed to the Board in 2007. He farms at Grawn, Kilmacthomas, Co. Waterford.

James Gilsenan[1] (aged 49) was appointed to the Board in 1999. He farms at Drogheda Road, Collon, Co. Louth.

Paul Haran (aged 51) was appointed to the Board in 2005. He serves on the Court of Directors of the Bank of Ireland, Chairs the Board of the UCD Michael Smurfit Graduate School of Business and holds a number of other directorships.

Martin Keane (aged 53) was appointed to the Board in 2006. He is a director of Donaghmore Famine Work House and Agricultural Museum Co-operative Society Limited. He farms at Errill, Portlaoise, Co. Laois.

Matthew Merrick (aged 57) was appointed to the Board in 2005. He is Chairman of the Offaly County Enterprise Board and a board member of IFAC Accountants. He farms at Shean, Edenderry, Co. Offaly.

Anthony O'Connor (aged 57) was appointed to the Board in May 2008. He farms at Ballymacsimon, Kilmuckridge, Gorey, Co. Wexford.

Robert Prendergast (aged 47) was appointed to the Board in May 2008. He farms at Jeanville, Goresbridge, Co. Kilkenny.

Victor Quinlan[1] B.Agr.Sc., (aged 63) is Vice-Chairman of Glanbia plc. He was appointed to the Board in 1996 and as Vice-Chairman in 2005. He is Chairman of Irish Co-operative Society Limited and a director of Malting Company of Ireland Limited. He farms at Baptistgrange, Lisronagh, Clonmel, Co. Tipperary.

Henry Corbally[1] (aged 54) was appointed to the Board in 1999. He is Vice-Chairman of the National Dairy Council and a director of Kilmainhamwood Community Employment Scheme Limited. He farms at Kilmainhamwood, Kells, Co. Meath.

Edward Fitzpatrick[1] (aged 60) was appointed to the Board in 1999. He is a director of South Eastern Cattle Breeding Society Limited and Castlegannon Show Limited. He farms at Knockmoylan, Mullinavat, Co. Kilkenny.

Patrick Gleeson (aged 47) was appointed to the Board in 2006. He is a Committee Member of Centenary Thurles Co-operative Society Limited and farms at Loughmore, Templemore, Co. Tipperary.

Christopher Hill[1] B.Agr.Sc., (aged 50) was appointed to the Board in 2000. He is a director of Wicklow Rural Partnership Limited and Wicklow County Partnership and a member of the Wicklow County Development Board. He farms at Johnstown House, Arklow, Co. Wicklow.

Jerry Liston B.A., MBA, (aged 68) was appointed to the Board in 2002. He is Chairman of the Irish Aviation Authority. He was formerly Chief Executive of United Drug plc and past Executive Chairman of the Michael Smurfit Graduate School of Business.

William Murphy B. Comm, (aged 63) retired as Deputy Group Managing Director of Glanbia plc in 2005. He was appointed to the Board in 1989. He is a director of Aryzta plc and a number of unlisted companies.

Michael Parsons (aged 59) was appointed to the Board in 2000. He is Chairman of Kilkenny Co-operative Livestock Market Limited and a director of Kilkenny, Carlow and District Farm Relief Services Society Limited. He farms at Outrath, Kilkenny.

[1] Completed the University College Cork Diploma in Corporate Direction.

Senior management

* ✠	John Moloney	Group Managing Director
* ✠	Geoff Meagher[1]	Deputy Group Managing Director/Group Finance Director (retiring 30 June 2009)
* ✠	Kevin Toland[2]	CEO & President Glanbia USA & Nutritionals
✠	Brian Phelan	Group HR & Operations Development Director
✠	Siobhan Talbot	Group Finance Director Designate

International

✠	Jim Bergin	CEO Glanbia Ingredients Ireland
	Raimund Hoenes	COO Glanbia Nutritionals - Customised Solutions
	Hugh McGuire	Optimum Nutrition, Inc.
	Jerry O'Dea	CEO & President Glanbia Nutritionals - Ingredient Technologies
	Jeff Williams	CEO & President Glanbia Foods Inc

Ireland

	Colm Eustace	CEO Glanbia Agribusiness
✠	Colin Gordon	CEO Consumer Foods Ireland
	Ger Mullally	CEO Glanbia Estates

Joint Ventures & Associates

Mel Glentzes	CEO Nutricima
Frank Stephenson	CEO President Southwest Cheese
Paul Vernon	CEO Glanbia Cheese

✠ Member of the Glanbia Executive Committee, chaired by John Moloney which has overall responsibility for overseeing the development and execution of Group strategy and achieving business results.

* Director of Glanbia plc

1 Responsibility for the Ireland division

2 Responsibility for the International division

Report of the Directors

for the year ended 3 January 2009

Introduction
The Directors are pleased to present their report to shareholders together with the audited financial statements for the year ended 3 January 2009.

Principal activities
Glanbia is an international dairy, consumer foods and nutritional products group. It is principally engaged in the processing and marketing of cheese, dairy-based food ingredient and nutritional products; dairy-based consumer products; manufacture of animal feedstuffs and trading in agricultural products.

Results and dividends
Revenue grew 1.0% to €2,232.2 million (2007: €2,206.6 million). Revenue growth was positive across almost all the businesses, with favourable pricing and good organic volume increases, particularly in the International division. This positive revenue growth was offset by a decline in revenue due to the sale of the Group's Pigmeat business in March 2008 and the effect of currency translation. Like-for-like revenue grew 8.9%.

Operating profit pre exceptional increased 15.7% to €134.1 million (2007: €115.8 million). The International division was broadly in line with 2008, as a strong performance by Food Ingredients USA and Nutritionals was offset by a difficult year for Food Ingredients Ireland. The Ireland division delivered a satisfactory result from Consumer Foods and Agribusiness & Property. Joint Ventures & Associates had a good year with a particularly strong performance from Southwest Cheese.

Operating margin pre exceptional increased 80 basis points to 6.0% (2007: 5.2%). All businesses in the Group increased margins in 2008, with the exception of Food Ingredients Ireland where the decline in global dairy markets resulted in a significant imbalance between market returns and raw material input costs.

Profit before tax pre exceptional grew 20.8% in the year to €120.3 million (2007: €99.5 million) driven by the first time contribution of Optimum and good organic growth in all businesses, except Food Ingredients Ireland. Like-for-like profit before tax pre exceptional grew 21.4%.

In 2008, the Group initiated a rationalisation programme costing €14.5 million. This is as a result of an imperative to remain cost competitive, particularly in relation to the effect the global economic downturn is having on consumer demand. This programme is mainly focused in the Consumer Foods, Agribusiness and Food Ingredients Ireland businesses and associated costs relate primarily to redundancy. An exceptional charge of €3.9 million was incurred in the year on finalising the Group's exit from its Pigmeat business and an exceptional deferred taxation charge of €1.0 million arose in Glanbia Cheese due to a change in UK taxation legislation. Total exceptional costs for 2008 amounted to €19.4 million (2007: €22.8 million). Exceptional costs in 2007 arose due to a provision for the exit from Pigmeat and restructuring costs incurred in Consumer Foods.

Earnings per share increased 31.0% to 26.76 cents per share (2007: 20.42 cents per share) due to higher profits and lower exceptional costs, relative to 2007. Adjusted earnings per share increased 18.5% to 35.86 cents per share (2007: 30.25 cents per share).

Net debt increased €231.9 million in the year to €452.1 million (2007: €220.2 million), mainly as a result of the acquisition of Optimum. The Group generated good free cash flow of €72.4 million in 2008 (2007: €53.1 million). Free cash flow is after charging business sustaining capital expenditure and before acquisition costs, strategic capital expenditure and the payment of equity dividends. The Group has prioritised debt reduction for 2009, recognising the significant investment made in recent years and the current turmoil in global credit markets. Glanbia will concentrate on the opportunities for organic growth that exist within the current business, as a prudent and conservative approach to reduce capital and operating spend that is consistent with the challenging external environment.

An interim dividend of 2.75 cents per share on the ordinary shares amounting to €8.1 million was paid to shareholders on 1 October 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.

Some key performance indicators are set out in the finance review on pages 32 to 35. The financial statements for the year ended 3 January 2009 are set out in detail on pages 53 to 116.

Business review
Glanbia is organised into two main geographic areas, International and Ireland. The International division activities include Food Ingredients Ireland and the USA and Nutritionals. Food Ingredients Ireland is included in international activities as the majority of its products are sold to international customers. The Ireland division includes Consumer Foods and Agribusiness & Property. Joint Ventures & Associates includes the Group's three key strategic joint ventures, which are Southwest Cheese in the USA, Glanbia Cheese in the UK and Nutricima in Nigeria.

For the full year 2008, 71% of Group revenue and 65% of Group operating profit pre exceptional were generated from the International division, 29% of Group revenue and 35% of Group operating profit pre exceptional was generated in the Ireland division.

Results for the International division were adversely affected by the performance of Food Ingredients Ireland. The decline in global dairy commodity prices lowered margins in this business as reductions in the price paid for milk lagged the decrease in global dairy prices. Elsewhere in the International division, Food Ingredients USA had a strong performance with high cheese prices, good demand and very efficient production, generating record revenues and positive margin expansion. Nutritionals had a good year driven by strong organic volume growth, buoyant value added whey markets and a continued good performance from the premix business. Optimum made a first time contribution in line with expectations.

In the Ireland division, Consumer Foods had a satisfactory year. This compares with a very challenging 2007 when results were affected by a time lag in recovering the impact of higher costs in the marketplace. Agribusiness results were ahead of 2007 as a result of a good performance in the feed and fertiliser segments and a strong focus on cost reduction. Glanbia's Property business performed broadly in line with 2007.

Report of the Directors (continued)

for the year ended 3 January 2009

Comprehensive reviews of the development, financial and operating performance of the Group during 2008 are set out in the Group Managing Director's review on pages 10 to 13, the separate operations reviews for each of the divisions on pages 14 to 25 and the finance review on pages 32 to 35. The treasury policy and objectives of the Group are set out in Note 3.1 to the financial statements.

Outlook

Glanbia performed well in 2008, delivering a good set of results, completing a major strategic acquisition and achieving key financial targets. All businesses, including Joint Ventures & Associates, performed to or better than anticipated, with the exception of Food Ingredients Ireland which suffered a sharp decline in profits and margins in 2008.

2009 will be a tough year. Global dairy markets have weakened considerably from previous high levels with the outlook for 2009 deteriorating further since the beginning of the year. Food Ingredients Ireland will be the most challenged in this context and we expect this business to breakeven this year. Food Ingredients USA is expected to deliver a resilient performance, albeit down when compared with a strong result in 2008. Reducing farm incomes will have implications for farm input sales and as a result for revenue and profits in Agribusiness. Consumer Foods, Nutritionals and Joint Ventures & Associates are expected to deliver robust performances.

Based on current market conditions, the Group now expects 2009 earnings to be in a range of low to mid single digit growth. Glanbia is continuing to maximise organic growth opportunities and aggressively manage costs to sustain the business through the current challenging environment.

Board of Directors

Mr E Power and Mr M Walsh retired on 28 May 2008 and Mr A O'Connor and Mr R Prendergast were appointed to the Board on the same day. In accordance with the Articles of Association of the Company, Mr A O'Connor and Mr R Prendergast will retire at the 2009 Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with the Articles of Association of the Company, Mr H Corbally, Mr E Fitzpatrick, Mr J Gilsenan, Mr P Haran, Mr L Herlihy, Mr J Liston, Mr M Merrick and Mr K Toland retire from the Board by rotation and, being eligible, offer themselves for re-appointment.

In accordance with the provisions of the 2006 Combined Code on Corporate Governance of the Irish and London Stock Exchanges, Mr J Callaghan, Mr W Murphy and Mr V Quinlan, being Directors who have each served a period in excess of nine years on the Board will retire at the 2009 Annual General Meeting and, being eligible, offer themselves for re-appointment.

None of the Directors proposed for re-appointment has a service contract with the Company.

The Chairman wishes to confirm that, following the completion of the performance evaluation process, all Directors proposed for re-appointment continue to be effective and these Directors continue to demonstrate commitment to their roles.

The Chairman of the Company is Mr L Herlihy. Mr Herlihy was appointed as Chairman on 28 May 2008 following the retirement of Mr M Walsh. The Company has two Vice-Chairmen, Mr J Fitzgerald and Mr V Quinlan. Mr Fitzgerald was appointed Vice-Chairman on 28 May 2008 in succession to Mr Herlihy.

Employees

The Group's 4,300 employees are the key to building sustainable growth through delivery of the strategy. The Group provides opportunity, development and reward to those who enjoy working in a challenging, delivery focused environment and is proud to be an employer of choice at its worldwide locations.

Books of account

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

Share capital and options

The authorised share capital of the Company is 306,000,000 ordinary shares of €0.06 each. The issued share capital as at 3 January 2009 was 293,555,684 ordinary shares of €0.06 each, of which 54.6% was held by Glanbia Co-operative Society Limited ('the Society'), an Irish industrial and provident society.

The rights attaching to the ordinary shares of €0.06 each are set out in the Memorandum and Articles of Association of the Company, a copy of which may be obtained from the Company's website www.glanbia.com. All shares rank pari passu and the principal rights are the right to vote, the right to receive a dividend and the right to capital on a winding up or a return of capital.

Options outstanding under the Company's 2002 LTIP as at 3 January 2009 amounted to 2,258,000 ordinary shares (29 December 2007: 2,467,000) as set out hereunder. There were no options outstanding under the Company's 1988 Share Option Scheme as at 3 January 2009 (29 December 2007: 325,000).

	No of ordinary shares	Price range	Dates exercisable
2002 LTIP	2,258,000	€1.55 - €4.25	2009 – 2017

As at 3 January 2009 share awards had been granted under the Company's 2002 LTIP over 118,600 ordinary shares (29 December 2007: 134,600).

As at 3 January 2009 share awards had been granted under the Company's 2007 LTIP over 169,500 ordinary shares (29 December 2007: 183,500).

As at 3 January 2009, share awards had been granted under the Company's 2008 LTIP over 583,000 ordinary shares (29 December 2007: nil).

Share trust

As detailed in Note 27 to the financial statements at 3 January 2009, 570,054 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes. Whilst any shares in the Company are held by the trustees, the trustees shall refrain from exercising any voting rights which may attach to the shares save that, if the beneficial interest in any share has been vested in any beneficiary, the trustees shall seek and comply with any direction from such beneficiary as to the exercise of voting rights attaching to such share.

Substantial interests

As at 3 March 2009, the Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	No of ordinary shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.6%

Authority to purchase own shares/Authority to allot relevant securities

At the annual general meeting in 2008 the Company was authorised by shareholders to purchase up to 10% of the aggregate nominal value of the issued share capital of the Company as at the close of business on 14 May 2008. The Company allotted 209,000 ordinary shares during 2008. As detailed in Note 27 to the financial statements at 3 January 2009, 570,054 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes. During the year, the Glanbia Employees Share Trust purchased 381,510 shares, with 50,000 shares being issued.

Directors' and Secretary's share interests

The interests of the Directors and Group Secretary and their spouses and minor children in the share capital of the Company, subsidiary companies and the holding society are disclosed in Note 43 to the financial statements.

Appointment and replacement of Directors

The Company is a subsidiary of Glanbia Co-operative Society Limited ('the Society'), an Irish industrial and provident society, which owns 54.6% of the issued share capital of the Company. The Society nominates from its Board of Directors, which is elected on a three-year basis, fourteen of the eighteen non-executive Directors for appointment to the Board of the Company.

Principal risks and uncertainties and financial risk management

Under Irish company law (Statutory Instrument 116.2005-European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the Group is required to give a description of the principal risks and uncertainties which it faces. These appear on pages 36 to 37 of the risk and risk management report.

A comprehensive analysis on the financial risk management objectives and policies of the Company and the Group, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used and the exposure of the Company and the Group to price risk, credit risk, liquidity risk and cash flow risk, is contained in Note 3.1 to the financial statements.

Corporate governance

The Directors of the Company are committed to maintaining the highest standards of corporate governance and a statement of how the Company applies the main and supporting principles of the 2006 Combined Code on Corporate Governance of the Irish and London Stock Exchanges ('the Combined Code') appears on pages 45 to 52.

Research and development

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

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

Subsidiary and associated undertakings

A list of the principal subsidiary and associated undertakings is included in Note 44 to the financial statements.

Political donations

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

Auditors

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

Special business at the Annual General Meeting

Notice of the 2009 Annual General Meeting with details of the special business to be considered at the meeting is set out in a separate circular which is enclosed with this Annual Report.

Authority to allot relevant securities

Under the first item of special business, shareholders are being asked to renew the Directors' authority to allot relevant securities, within the meaning of Section 20 of the Companies (Amendment) Act, 1983, up to an aggregate nominal value of €746,658.96.

Report of the Directors (continued)

for the year ended 3 January 2009

Disapplication of pre-emption rights, purchase of Company shares and treasury shares

Under the second item of special business, shareholders are being asked to renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or any other issue up to an aggregate amount of €746,658.96 in nominal value of ordinary shares, representing 4.24% of the nominal value of the Company's issued ordinary share capital for the time being. This authority will expire on the earlier of the close of business on 12 August 2010 or the date of the Annual General Meeting of the Company in 2010.

At the last annual general meeting of the Company shareholders passed a resolution to give the Company, or any of its subsidiaries, the authority to purchase up to 10% of its own shares. This authority will expire on 13 May 2009. Under the third item of special business, shareholders are being asked to extend this authority until the earlier of the close of business on 12 August 2010 or the date of the Annual General Meeting of the Company in 2010. While the Directors do not have any current intention to exercise this power, this authority is being sought as it is common practice for public companies.

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 to include a management report containing a fair review of the development and performance of the business, the position of the Company and the Group and a description of the principal risks and uncertainties facing the Group.

The Directors confirm to the best of each person's knowledge and belief that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

L Herlihy
Chairman

J Moloney
Group Managing Director

Glanbia House
Kilkenny
3 March 2009

Directors' statement of corporate governance

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

1 The Directors' report on corporate governance

The Directors are committed to maintaining the highest standards of corporate governance which they see as fundamental to discharging their stewardship responsibilities. The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to the Company's shareholders. The Board applies integrity, principles of good governance and accountability throughout its activities and each Director brings independence of character and judgement to the role. All of the members of the Board are individually and collectively aware of their responsibilities to the Company's stakeholders.

The principal governance rules applying to Irish companies listed on the Irish and London Stock Exchanges are currently contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2006 ('the Combined Code') .

This report describes the Board's approach to corporate governance and explains how it applies the Combined Code.

2 The Board of Directors ('the Board')

2.1 The composition of the Board

The Board consists of the Chairman (Mr L Herlihy); seventeen other non-executive Directors (including Mr J Callaghan, the Senior Independent Director) and three executive Directors (Mr J Moloney, the Group Managing Director, Mr G Meagher, the Deputy Group Managing Director and Group Finance Director and Mr K Toland, the CEO & President Glanbia USA & Nutritionals).

The Company is a subsidiary of Glanbia Co-operative Society Limited ('the Society'), an Irish industrial and provident society, which owns 54.6% of the issued share capital of the Company. Many of the members of the Society supply milk and trade with Irish subsidiaries of the Company.

The Society nominates from its Board of Directors, which is elected on a three-year basis, fourteen of the eighteen non-executive Directors for appointment to the Board of the Company. Mr M Walsh retired as a Director and Chairman of the Company on 28 May 2008 following his retirement as a Director and Chairman of the Society. Mr E Power also stepped down as a Director of the Company on the same date following his retirement as a Director of the Society. The Society nominated Mr A O' Connor and Mr R Prendergast to replace Mr E Power and Mr M Walsh and they joined the Board as non-executive Directors with effect from 28 May 2008. In addition, Mr L Herlihy and Mr J Fitzgerald were appointed Chairman and Vice-Chairman respectively on 28 May 2008.

Biographies of each of the Directors are set out on pages 38 and 39.

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

2.2 Directors' independence

The Board assesses and reviews the independence of each of the Directors at least annually having regard to the potential relevance and materiality of a Director's interests.

Following this assessment, the Board has determined that throughout the reporting period, Mr J Callaghan, Mr P Haran and Mr J Liston were independent. In particular, the Board reviewed the position of Mr J Callaghan in the context of the guidance in the Combined Code and determined that, notwithstanding his 11 years on the Board, he remains independent. In the same manner as the other non-executive Directors, he discharges his duties in a proper and consistently independent manner and constructively and appropriately challenges the executive Directors and the Board.

Fourteen of the remaining fifteen non-executive Directors are nominated by the Board of the Society for appointment to the Board of the Company. Additionally, Mr W Murphy who retired as Deputy Group Managing Director in 2005 remains on the Board as a non-executive Director. The Board recognises that these Directors do not meet the criteria for independence as specified in the Combined Code. The Board, however, considers that they are independent in character and judgement.

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

2.3 The role and operation of the Board

2.3.1 Board meetings and attendance

There were 11 scheduled meetings of the Board during 2008. Details of Directors' attendance at those meetings are set out in the table on page 46:

2.3.2 Operation of the Board

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

2.3.3 Matters reserved for the Board

There is a schedule of matters which is dealt with exclusively by the Board. These include approval of annual and strategic business plans, capital expenditure, any change in Group strategy and any acquisition or disposal of Group assets, the recommendation and approval of any dividends and Group treasury and risk management policies.

2.3.4 The roles of executive and non-executive Directors

The executive Directors are responsible for proposing strategy and for making and implementing operational decisions. Non-executive Directors complement the skills and experience of the executive Directors, bring an independent judgement, and contribute to the formulation of strategy, policy and decision-making through their knowledge and experience of other businesses and sectors.

Directors' statement of corporate governance (continued)

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
L Herlihy	11	11	3	3			4	4
J Fitzgerald	11	11	3	3			2	2
V Quinlan	11	10	3	3			4	3
J Moloney	11	11						
J Callaghan	11	11	3	3	2	2	4	4
H Corbally	11	11	3	3				
N Dunphy	11	11						
E Fitzpatrick	11	11						
J Gilsenan	11	11						
P Gleeson	11	11						
P Haran	11	11	3	3	2	2	4	3
C Hill	11	11						
M Keane	11	11						
J Liston	11	10	3	3	2	2	4	4
G Meagher	11	11						
M Merrick	11	11						
W Murphy	11	11						
A O'Connor**	7	7						
M Parsons	11	11						
E Power*	4	4	2	2				
R Prendergast**	7	7						
K Toland	11	7						
M Walsh*	4	4			1	1	2	2

Column A indicates the number of meetings held during the period the Director was a member of the Board and /or the Committee.
Column B indicates the number of meetings attended during the period the Director was a member of the Board and /or the Committee.
*Retired 28 May 2008 **Appointed 28 May 2008

2.3.5 Information and training

All Directors receive monthly Group management accounts and reports and full Board papers are sent to each Director in sufficient time before Board meetings. Any further information required is available to all Directors on request.

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

Directors are also briefed, where appropriate, on changes to legislation, regulation or market practices, as well as receiving briefings from business groups throughout the year. During the year, Directors received regular presentations on different aspects of the Company's business.

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

2.3.6 Outside appointments

Non-executive Directors may serve on a number of outside Boards, provided they continue to demonstrate the requisite commitment to discharge effectively their duties to the Company. The Nomination Committee keeps the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised. The Board is satisfied that the Chairman and each of the non-executive Directors commit sufficient time to the fulfilment of their duties as Chairman and Directors of the Company respectively.

The Board believes, in principle, in the benefit of executive Directors and members of the Executive Committee accepting non-executive directorships of other companies in order to widen their experience and knowledge for the benefit of the Company. Accordingly, executive Directors are permitted to accept external non-executive Board appointments, subject to the agreement of the Board, and are allowed to retain any fees received from that appointment. The Group Managing Director, Mr John Moloney, is a Director of The Irish Dairy Board Co-operative Limited for which he received fees of €12,000 which he retained. He has also been recently appointed a director of the publicly-quoted DCC plc.

2.3.7 Chairman, Vice-Chairmen, Group Managing Director, Senior Independent Director and Group Secretary

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

Chairman
Mr L Herlihy was appointed Chairman of the Board on 28 May 2008. The Chairman is responsible for the efficient and effective working of the Board. He ensures that the Board agenda covers the key strategic issues confronting the Group and that Directors receive accurate, timely, clear and relevant information.

The Chairman is available to consult with shareholders throughout the year. The Board is kept informed of the views of shareholders through regular updates from the Chairman, the Group Secretary and the executive Directors, as well as through the inclusion in the Board papers of relevant reports and commentaries of, and exchanges with, shareholders and investor bodies.

While Mr L Herlihy holds a number of other directorships (see details on page 38) and farms at Headborough, Knockanore, Tallow, Co. Waterford, the Board considers that these do not interfere with the discharge of his duties to the Group.

Vice-Chairmen
The Company has two Vice-Chairmen, Mr J Fitzgerald and Mr V Quinlan.

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

Senior Independent Director
Mr J Callaghan is the Senior Independent Director. As Senior Independent Director, Mr. Callaghan is available to shareholders if they have concerns which contact, through the normal channels, has failed to resolve. Mr Callaghan is also available to fellow non-executive Directors, either individually or collectively, to discuss any matters of concern in a forum that does not include executive Directors or the management of the Company. In the year under review, the Chairman hosted a meeting of the non-executive Directors, without the executive Directors present. The Senior Independent Director in addition, held a meeting of non-executive Directors without the presence of the Chairman at which, among other things, the performance of the Chairman was discussed.

Group Secretary
Mr M Horan is the Group Secretary. All Directors have access to the advice and service of the Group Secretary who is responsible to the Board for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. Both the appointment and removal of the Group Secretary is a matter for the Board.

2.3.8 Board, Committee and Director performance evaluation
A formal evaluation of the performance and effectiveness of the Board and of the Audit, Remuneration and Nomination Committees was carried out this year, by an external party.

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

For the year under review, the Chairman concluded that all Directors continue to make an effective contribution to the Board.

The Chairman confirms that each of Mr J Callaghan, Mr H Corbally, Mr E Fitzpatrick, Mr J Gilsenan, Mr P Haran, Mr J Liston, Mr M Merrick, Mr W Murphy, Mr A O'Connor, Mr R Prendergast, Mr V Quinlan and Mr K Toland standing for re-appointment at this year's Annual General Meeting, continue to perform effectively and to demonstrate commitment to their roles.
Mr J Callaghan, as Senior Independent Director, confirms that Mr L Herlihy, also standing for re-appointment at this year's Annual General Meeting, continues to perform effectively and demonstrates commitment to his role.

The Nomination Committee considered the nomination for the re-appointment of the non-executive Directors, Mr J Callaghan, Mr H Corbally, Mr E Fitzpatrick, Mr J Gilsenan, Mr L Herlihy, Mr W Murphy and Mr V Quinlan respectively, with particular rigour, as they have served as Directors for nine years or more, and were satisfied that their re-appointment as Directors for a further term was warranted having regard to their continuing contribution and valuable experience on the Board, which in the Board's view enhanced their effectiveness and commitment to their roles.
Mr J Callaghan, Mr P Haran, Mr J Liston and Mr L Herlihy respectively excused themselves from the consideration of their own nomination for re-appointment.

Directors' statement of corporate governance (continued)

The Board also evaluated the performance of the Audit, Nomination and Remuneration Committees and has assessed that they continue to make an effective contribution to the Board.

2.3.9 Retirement of Directors
New Directors are subject to election at the first Annual General Meeting following their appointment, and Directors are subject to retirement and re-appointment by shareholders every three years. The re-appointment of non-executive Directors is not automatic. The Board has determined that non-executive Directors who have served for nine years or more will be asked to stand for re-appointment annually provided that the Board remains satisfied both with the Director's performance and that nine or more years' service does not compromise the Director's continuing independence.

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

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

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

The interests of the Directors and Secretary and their spouses and minor children in the share capital of the Company, the holding Society and subsidiary companies/societies are set out on pages 112 to 114.

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

2.4 The Board's Committees

The Board has established a committee structure to assist it in the discharge of its responsibilities. The Committees and their membership are detailed on page 38 of this report. All Committees of the Board have written terms of reference dealing with their role and authority delegated by the Board and are available on the Group's website at www.glanbia.com. Membership of the Nomination, Audit and Remuneration Committees is comprised exclusively of non-executive Directors. The Group Secretary acts as secretary to each of these committees.

Nomination Committee
Fourteen non-executive Directors are nominated by the Board of the Society for appointment to the Board of the Company. For the remaining non-executive and executive Directors, the Nomination Committee of the Company leads the process for Board appointments.

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

The Nomination Committee did not use an external search consultancy or open advertising in the appointment of the new non-executive Directors, Mr A O'Connor and Mr R Prendergast, as they were nominated by the Board of the Society for appointment to the Board of the Company. The Nomination Committee uses industry and professional contacts to identify suitable candidates for the appointment of non-executive Directors other than those appointed by the Society.

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

The Chairman of the Company chairs meetings of the Nomination Committee except when it is dealing with the appointment of a successor to the Chairmanship.

The Chairman of the Nomination Committee reports to the Board after each meeting of the Committee.

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

- to monitor the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Group's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of non-executive Directors, or by the Board itself, to review the Group's internal control and risk management systems;
- to monitor and review the effectiveness of the Group's internal audit function;
- to make recommendations to the Board, and to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Irish professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- to review the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

In discharging its responsibilities the Audit Committee met three times during the period. It reviewed the interim and final results for the Group prior to their submission to the Board for approval. It approved the internal audit plan and reviewed progress against this plan at intervals during the year. The Chairman and Members of the Audit Committee received an executive summary of all audit reports issued by the internal audit department and maintains dialogue with the Group Head of Internal Audit on a regular basis.

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

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

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

The terms of reference of the Remuneration Committee, including its role and the authority delegated to it by the Board, are available on the Group's website at www.glanbia.com.

Mr J Liston is Chairman of the Remuneration Committee and formally reports to the Board after each meeting of the Committee.

US Advisory Board
The US Advisory Board was established to assist the Board in developing a greater awareness of activities and market trends in the relevant USA industry sectors. Mr L Herlihy, Group Chairman, is Chairman of the US Advisory Board. The membership of the Advisory Board currently comprises Mr J Callaghan, Senior Independent Director, Mr K Toland, executive Director, Mr J Fitzgerald and Mr V Quinlan, Vice-Chairmen, Mr M Walsh, Glanbia Group Chairman from 2005 to 2008 and Mr Joe McCullough, Mr Peter Rogers, Mr Wayne Seltzer and Ms Susan Davis, * USA based members. Mr J Moloney, Group Managing Director, also attends meetings of the US Advisory Board.

* Mr J McCullough, was previously Chief Executive Officer of CRH Americas Products and Distribution. He joined CRH in 1979 and has held a number of senior management positions with that company.

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

Mr W Seltzer recently retired as Chief Executive Officer of Seltzer Companies, Inc.

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

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

Currently the components of the remuneration package for executive Directors are basic salary and benefits, performance-related annual bonus, participation in the 2002 Long Term Incentive Plan ('the 2002 LTIP'), participation

Directors' statement of corporate governance (continued)

in the 2008 Long Term Incentive Plan ('the 2008 LTIP') and participation in a defined benefit pension scheme. Executive Directors also participated in the share option scheme of the Company which expired in August 1998.

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

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

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

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

Benefits under the 2002 LTIP are not pensionable.

Review of compensation arrangements
Arising from a review in 2007 carried out by the Remuneration Committee with the assistance of external advisers, Mercer Limited, it was concluded that the Group should introduce a new Long Term Incentive Plan. Accordingly, the 2007 Long Term Incentive Plan ('the 2007 LTIP') was approved by the Board in May 2007 for selected senior managers only. As the 2007 LTIP was not approved by shareholders in general meeting, executive Directors are not entitled to participate.

At the Annual General Meeting held in May 2008, the introduction of the 2008 LTIP was approved for both executive Directors and senior managers. Details of both LTIPs are provided below.

The 2008 LTIP
The 2008 LTIP has been designed so that any rewards will be dependent on the growth in the Company's EPS (earnings per share) and the Company's TSR (total shareholder return) performance (the 'EPS condition' and the 'TSR Performance Condition', respectively). The vesting of 50% of the shares which are the subject of an award will be subject to the EPS condition and the remaining 50% shall be subject to the TSR Performance condition. EPS is the adjusted consolidated earnings or profit made by the Company divided by the number of shares outstanding (as shown in the Annual Report). TSR represents the change in capital value of a listed/quoted company over a period, plus dividends, expressed as a plus or minus percentage of the opening value.

Under the EPS condition, there must be an increase in the adjusted consolidated earnings per share of the Company of at least the increase in the Consumer Price Index plus 5% compounded over a three year period. The benefit which a participant can receive under the 2008 LTIP will depend on the annualised percentage increase in the Company's EPS over the performance period. There will be three pre-defined levels of EPS performance, which will govern the percentage level of vesting that may occur under an award. The 2008 LTIP will provide that at the lowest level, no part of an award may vest unless the Company's EPS performance over the performance period achieves at least the annualised percentage increase in the Consumer Price Index plus 5% compounded over the performance period. Where the Company's EPS performance over the performance period equals the annualised percentage increase in the Consumer Price Index plus 5% compounded over the performance period, then 25% of the award shall vest. Where the Company's EPS performance over the performance period equals or is greater than the annualised percentage increase in the Consumer Price Index plus 10% compounded over the performance period, then 50% of the award shall vest. Where the Company's EPS performance over the performance period is between the thresholds of the annualised percentage increase in the Consumer Price Index plus 5% and the annualised percentage increase in the Consumer Price Index plus 10% compounded, then a pro rata vesting on a straight line basis shall apply.

Under the TSR Performance Condition, the Company's TSR performance will be compared against the TSR performance of a peer group of food companies. The benefit which a participant can receive under the 2008 LTIP will depend on how well the Company's TSR performance compares against this peer group over the performance period. There will be three pre-defined levels of TSR performance, which will govern the percentage level of vesting that may occur under an award. The 2008 LTIP provides that at the lowest level, no part of an award may vest unless the Company's TSR performance over the performance period achieves at least the median TSR performance of the peer group of food companies. Where the Company's TSR performance equals the median TSR performance of the peer group, then 15% of the award shall vest. Where the Company's TSR performance is equal to or above the top 25% of TSR performance of the peer group, then 50% of the award shall vest. Where the Company's TSR performance is between the median and top

25% of TSR performance of the peer group, then a pro rata vesting on a straight line basis shall apply.

The first awards under the 2008 LTIP were made in August 2008 to executive Directors, senior managers and the Group Secretary, immediately following the publication of the interim results for 2008. Details of the awards are provided on page 94 to 95.

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. Awards under the 2007 LTIP were made in August 2007 and detailed in note 24.

Share options
Options outstanding under the Company's 2002 LTIP as at 3 January 2009 amounted to 2,258,000 ordinary shares (29 December 2007: 2,467,000) as set out hereunder. There were no options outstanding under the Company's 1988 Share Option Scheme as at 3 January 2009 (29 December 2007: 325,000).

	No of ordinary shares	Price range	Dates exercisable
2002 LTIP	2,258,000	€1.55 - €4.25	2009 – 2017

Share awards
As at 3 January 2009, share awards had been granted under the Company's 2002 LTIP over 118,600 ordinary shares (29 December 2007: 134,600).

As at 3 January 2009, share awards had been granted under the Company's 2007 LTIP over 169,500 ordinary shares (29 December 2007: 183,500).

As at 3 January 2009, Share Awards had been granted under the Company's 2008 LTIP over 583,000 ordinary shares (29 December 2007: Nil).

Share trust
As detailed in Note 27 to the financial statements at 3 January 2009, 570,054 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes.

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

Directors' emoluments and attributable pension benefits
Details of Directors' emoluments and attributable pension benefits are set out in Note 9 and details of share options are included in Note 43 to the financial statements.

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

4 Internal control

The Turnbull Guidance sets out best practice on internal control for Irish and UK listed companies to assist them in assessing the application of the Combined Code's principles and compliance with the Combined Code's provisions with regard to internal control.

The Group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the Group and the business environment in which it operates. These, or their equivalent, have been in place for the year covered in this Annual Report and financial statements and up to the date of its approval and are themselves regularly reviewed by the Board and accord with the Turnbull guidance which the Board has fully adopted.

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

Key features of the systems of internal control are:
- a Code of Conduct that defines a set of agreed standards and guidelines for corporate behaviour;
- an organisational structure with clearly defined lines of responsibility and delegation of authority;
- appropriate terms of reference for Board committees with responsibility for policy areas;
- a formal schedule of matters specifically referred to the Board for its decision;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reports against actual results, analysis of variances, review of key performance indicators and regular re-forecasting;
- clearly defined guidelines for capital expenditure, including detailed budgeting, appraisal and post-investment review;
- a Group financial management manual that clearly sets out the accounting policies and financial control procedures to be followed by business units;
- a treasury risk management policy approved by the Board which ensures that foreign exchange and interest rate exposures of the Group are managed within defined parameters;
- a Group-wide risk assessment process which is maintained by business unit management reporting to the Group Executive and Board as required;
- a Group Internal Audit function operating globally which monitors and supports the internal financial control system and reports to the Audit Committee and management. Internal Audit work is focused on the areas of greatest risk to the Group determined on the basis of a risk management approach to audit; and

Directors' statement of corporate governance (continued)

- the Audit Committee, a formally constituted committee of the Board comprising non-executive Directors only, meets with internal and external auditors to satisfy itself that control procedures are in place and are being followed.

The Board has reviewed the effectiveness of the current system of internal control specifically for the purpose of this statement.

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

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

5 Relations with auditors

PricewaterhouseCoopers have been appointed as auditors of the Company.

The Company has in place a formal policy on Auditor Relationship and Independence with which the external auditors are required to comply, to ensure that the independence of the auditors is not impaired by the nature of non-audit work. This policy provides that the Group shall not retain its independent auditors to provide services other than audit and audit-related services other than in exceptional circumstances.

The following services are prohibited unless approved under the terms of the Policy:

- Bookkeeping or other administrative services related to the Group's accounting records or financial statements;
- Financial information systems design and implementation;
- Internal audit services;
- Management functions;
- Executive searches for the Group Managing Director or Group Finance Director;
- Legal services.

6 Relations with shareholders

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

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

7 Annual General Meeting

The Notice of the 2008 Annual General Meeting was despatched to shareholders not less than 20 business days before the meeting. Separate resolutions were proposed at the meeting on each substantially separate issue, including a resolution to receive and consider the 2007 financial statements and the reports of the Directors and auditors thereon. The level of proxy votes for and against and withheld was announced after each resolution had been passed on a show of hands.

It is Group policy for all Directors to attend the Annual General Meeting. The Chairmen of the Audit, Nomination and Remuneration Committees attend the Annual General Meeting and are available to answer relevant questions.

8 Corporate Social Responsibility

As the Group grows and develops as a leading international cheese and nutritional ingredients group, so also does our commitment to conducting our business in a way that is economically, socially and environmentally sustainable.

During 2008 we made further progress in our corporate citizenship objectives under the four pillars of Community, Environment, Workplace and Marketplace, more particular details of which are summarised in our corporate social responsibility statement on pages 29 to 31.

9 Accountability and audit - Our responsibilities

Financial reporting

Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 44. The external auditors' report details the respective responsibilities of Directors and auditors.

Going concern

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

10 Compliance

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

Financial statements contents

Independent auditors' report: to the members of Glanbia plc 54
Consolidated income statement 56
Consolidated statement of recognised income and expense 57
Consolidated balance sheet 58
Consolidated cash flow statement 59
Company balance sheet 60
Company statement of recognised income and expense and cash flow statement 61
Notes to the financial statements 62

1. General information 62
2. Summary of significant accounting polices 62
3. Financial risk management 72
4. Critical accounting estimates and judgements 75
5. Segment information 76
6. Operating expenses 78
7. Exceptional items 79
8. Employee benefit expense 79
9. Directors' remuneration 80
10. Finance income and costs 81
11. Income taxes 82
12. Earnings per share 83
13. Dividends 83
14. Property, plant and equipment – Group 84
15. Intangible assets 85
16. Investments in associates 87
17. Investments in joint ventures 87
18. Investments 88
19. Trade and other receivables 89
20. Inventories 91
21. Cash and cash equivalents 91
22. Assets and liabilities classified as held for sale and included in disposal groups 91
23. Reconciliation of changes in equity 92
24. Share capital and share premium 93
25. Other reserves 96
26. Retained earnings 97
27. Own shares (Company and Group) 97
28. Capital reserves 98
29. Merger reserve – Group 98
30. Minority interests 98
31. Borrowings 98
32. Deferred income taxes 100
33. Retirement benefit obligations 102
34. Provisions for other liabilities and charges 105
35. Capital grants 105
36. Trade and other payables 106
37. Derivative financial instruments 106
38. Contingent liabilities 107
39. Commitments 107
40. Cash generated from operations 108
41. Business combinations 108
42. Related party transactions 110
43. Directors' and Secretary's interests 112
44. Principal subsidiary and associated undertakings 115

Independent auditors' report: to the members of Glanbia plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Glanbia plc for the year ended 3 January 2009, which comprise the consolidated income statement, the consolidated and Parent Company balance sheets, the consolidated and Parent Company cash flow statements, the consolidated and Parent Company statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

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

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

We review whether the Corporate Governance Statement which is included in the Directors' Report, reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 3 January 2009 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2006, of the state of the Parent Company's affairs as at 3 January 2009 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

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

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

The net assets of the Company, as stated in the Company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 3 January 2009 a financial situation which under section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Waterford
3 March 2009

Consolidated income statement

for the year ended 3 January 2009

	Notes	Pre-exceptional 2008 €'000	Exceptional 2008 €'000	Total 2008 €'000	Pre-exceptional 2007 €'000	Exceptional 2007 €'000	Total 2007 €'000
Revenue	5	2,232,161	-	2,232,161	2,206,567	-	2,206,567
Cost of sales		(1,890,549)	(10,113)	(1,900,662)	(1,882,648)	(27,168)	(1,909,816)
Gross profit		341,612	(10,113)	331,499	323,919	(27,168)	296,751
Distribution expenses		(121,373)	(3,251)	(124,624)	(114,180)	(165)	(114,345)
Administration expenses		(86,185)	(5,939)	(92,124)	(93,905)	3,870	(90,035)
Operating profit	6	134,054	(19,303)	114,751	115,834	(23,463)	92,371
Finance income	10	5,590	-	5,590	4,813	-	4,813
Finance costs	10	(26,695)	-	(26,695)	(22,095)	-	(22,095)
Share of results of joint ventures and associates		7,306	(947)	6,359	992	-	992
Profit before taxation		120,255	(20,250)	100,005	99,544	(23,463)	76,081
Income taxes	11	(21,528)	892	(20,636)	(16,458)	617	(15,841)
Profit for the year		98,727	(19,358)	79,369	83,086	(22,846)	60,240
Attributable to:							
Equity holders of the Parent				78,399			59,833
Minority interests				970			407
				79,369			60,240
Basic earnings per share (cents)	12			26.76			20.42
Diluted earnings per share (cents)	12			26.63			20.34

On behalf of the Board

L Herlihy **J Moloney** **G Meagher**

Directors

Consolidated statement of recognised income and expense

for the year ended 3 January 2009

	Notes	2008 €'000	2007 €'000
Actuarial loss - defined benefit schemes	33	**(68,246)**	(4,539)
Deferred tax on actuarial loss	32	**7,084**	1,102
Share of actuarial (loss)/gain - joint ventures	23	**(204)**	230
Currency translation differences	23	**17,251**	(14,878)
Fair value adjustments (net of tax)			
- Group	23	**(20,841)**	10,733
- Joint ventures	23	**(2,089)**	(2,155)
Net expense recognised directly in equity		**(67,045)**	(9,507)
Profit for the year		**79,369**	60,240
Total recognised income for the year		**12,324**	50,733
Attributable to:			
Equity holders of the Parent		**11,354**	50,326
Minority interest		**970**	407
		12,324	50,733

Consolidated balance sheet

as at 3 January 2009

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**361,131**	298,771
Intangible assets	15	**359,212**	137,565
Investments in associates	16	**11,597**	10,729
Investments in joint ventures	17	**64,895**	57,328
Trade and other receivables	19	**11,929**	6,971
Deferred tax assets	32	**25,380**	21,672
Available for sale financial assets	18	**24,112**	30,089
Derivative financial instruments	37	**2,754**	763
		861,010	563,888
Current assets			
Inventories	20	**267,422**	225,057
Trade and other receivables	19	**183,587**	202,234
Derivative financial instruments	37	**10,378**	4,990
Cash and cash equivalents	21	**132,572**	159,819
		593,959	592,100
Assets in disposal group held for sale	22	**-**	20,304
		593,959	612,404
Total assets		**1,454,969**	1,176,292
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	24	**97,320**	98,450
Other reserves	25	**102,882**	107,909
Retained earnings	26	**19,707**	21,176
		219,909	227,535
Minority interests	30	**8,010**	7,040
Total equity		**227,919**	234,575
LIABILITIES			
Non-current liabilities			
Borrowings	31	**569,374**	379,028
Derivative financial instruments	37	**9,248**	3,736
Deferred tax liabilities	32	**59,056**	37,587
Retirement benefit obligations	33	**164,410**	114,248
Provisions for other liabilities and charges	34	**4,899**	13,660
Capital grants	35	**12,694**	3,535
		819,681	551,794
Current liabilities			
Trade and other payables	36	**351,452**	336,663
Current tax liabilities		**332**	9,182
Borrowings	31	**15,281**	966
Derivative financial instruments	37	**16,815**	3,187
Provisions for other liabilities and charges	34	**23,489**	22,278
		407,369	372,276
Liabilities in disposal group held for sale	22	**-**	17,647
		407,369	389,923
Total liabilities		**1,227,050**	941,717
Total equity and liabilities		**1,454,969**	1,176,292

On behalf of the Board

L Herlihy **J Moloney** **G Meagher**

Directors

Consolidated cash flow statement

for the year ended 3 January 2009

	Notes	2008 €'000	2007 €'000
Cash flows from operating activities			
Cash generated from operations	40	**146,946**	85,110
Interest received		**7,149**	3,015
Interest paid		**(30,768)**	(17,613)
Tax paid		**(26,096)**	(5,401)
Net cash from operating activities		**97,231**	65,111
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	41	**(217,942)**	-
Payment of deferred consideration on acquisition of subsidiaries		**(11,427)**	(17,742)
Purchase of property, plant and equipment		**(84,507)**	(51,662)
Loans advanced to joint ventures		**(12,151)**	(9,001)
Disposal/(purchase) of available for sale investments		**2,513**	(2,000)
Disposal proceeds received - exit from Pigmeat		**3,308**	-
Insurance proceeds received - exit from Pigmeat		**8,820**	12,937
Proceeds from sale of property, plant and equipment		**7,629**	13,419
Net cash used in investing activities		**(303,757)**	(54,049)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	**360**	167
Purchase of treasury shares		**(1,665)**	(95)
Increase in borrowings		**188,090**	-
Decrease in borrowings		**-**	(84,056)
Finance lease principal payments		**(934)**	(954)
Dividends paid to Company's shareholders	13	**(18,502)**	(17,334)
Capital grants received		**9,655**	1,399
Net cash from/(used in) financing activities		**177,004**	(100,873)
Net decrease in cash and cash equivalents		**(29,522)**	(89,811)
Cash and cash equivalents at the beginning of the year		**159,819**	259,311
Effects of exchange rate changes on cash and cash equivalents		**2,275**	(9,681)
Cash and cash equivalents at the end of the year	21	**132,572**	159,819

Reconciliation of net cash flow to movement in net debt	2008 €'000	2007 €'000
Net decrease in cash and cash equivalents	**(29,522)**	(89,811)
Cash (outflow)/inflow from debt financing	**(187,156)**	85,889
	(216,678)	(3,922)
Fair value of interest rate swaps qualifying as fair value hedges	**(5,544)**	(764)
Exchange translation adjustment on net debt	**(9,686)**	9,005
Movement in net debt in the year	**(231,908)**	4,319
Net debt at beginning of year	**(220,175)**	(224,494)
Net debt at end of year	**(452,083)**	(220,175)

Net debt comprises:		2008 €'000	2007 €'000
Borrowings	31	**(584,655)**	(379,994)
Cash and cash equivalents	21	**132,572**	159,819
		(452,083)	(220,175)

Company balance sheet

as at 3 January 2009

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Investments in associates	16	**1,395**	1,395
Available for sale investments	18	**1,290**	1,290
Investments in subsidiaries	18	**459,481**	454,013
		462,166	456,698
Current assets			
Trade and other receivables	19	**48,340**	24,023
		48,340	24,023
Total assets		**510,506**	480,721
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	24	**452,588**	453,718
Retained earnings	26	**36,056**	18,354
Capital reserve	28	**5,839**	5,187
Total equity		**494,483**	477,259
LIABILITIES			
Current liabilities			
Borrowings	31	**13,740**	1,928
Trade and other payables	36	**2,283**	1,534
Total liabilities		**16,023**	3,462
Total equity and liabilities		**510,506**	480,721

As permitted by section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment Act), 1986 the Parent Company is availing of the exemption from presenting its separate income statement in these financial statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the financial statements of Glanbia plc, amounts to €36,204,000 (2007: (€12,236,000) loss).

On behalf of the Board
L Herlihy **J Moloney** **G Meagher**
Directors

Company statement of recognised income and expense and cash flow statement for the year ended 3 January 2009

Company statement of recognised income and expense

	Notes	2008 €'000	2007 €'000
Profit/(loss) for the year	26	**36,204**	(12,236)
Total recognised income/(expense) for the year		**36,204**	(12,236)

Company cash flow statement

	Notes	2008 €'000	2007 €'000
Cash flows from operating activities			
Cash generated from/(used in) operations	40	**4,687**	(23,600)
Interest received		**-**	1,255
Net cash from operating activities		**4,687**	(22,345)
Cash flows from investing activities			
Dividends received		**-**	8,000
Proceeds received - exit from Pigmeat		**3,308**	-
Net cash from investing activities		**3,308**	8,000
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	**360**	167
Shares purchased	24	**(1,665)**	(95)
Redemption of shares		**-**	25,303
Dividends paid to Company's shareholders	13	**(18,502)**	(17,334)
Net cash used in financing activities		**(19,807)**	8,041
Net decrease in cash and cash equivalents		**(11,812)**	(6,304)
Cash and cash equivalents at the beginning of the year		**(1,928)**	4,376
Cash and cash equivalents at the end of the year		**(13,740)**	(1,928)

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 polices

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with EU 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 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.

Notes to the financial statements (continued)

for the year ended 3 January 2009

(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 Groups 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.

Notes to the financial statements (continued)

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.

At 3 January 2009	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
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**

At 29 December 2007	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
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.

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

At 29 December 2007	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
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:

2007	**Ireland €'000**	**International €'000**	**Group €'000**
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)
	7,177	85,194	92,371
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 Pigmeat	(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 Pigmeat 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
Ml 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 Ml 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**	

	Assets €'000	Liabilities €'000	Revenues €'000	Profit/ (loss) €'000	Interest held %
2008					
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
		2,258,000	2,792,000

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	-	(3,207)	-	(3,207)
(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	-	(61,366)	-	(61,366)
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)
Curtailment 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 uncertainly 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	159,877	25,171
Purchase consideration		217,942
Contingent consideration		-
Cash outflow on acquisition		217,942

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	58,194	2,173,967	2,232,161
Profit before taxation	9,134	90,871	100,005

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	157,741	2,173,967	2,331,708
Profit before taxation	17,799	90,871	108,670

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 compensation[1]

	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				
		30/12/2007	Movements during year	03/01/2009	Exercise price €	
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 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

Shareholders information

Dividend payments

An interim dividend of 2.75 cents per share was paid in respect of ordinary shares on 1 October 2008.

A final dividend of 3.76 cents per share, if approved, will be paid in respect of ordinary shares on 20 May 2009.

Dividend Withholding Tax (DWT) is deductible from dividends paid by an Irish resident company, unless the shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrar, Computershare Investor Services (Ireland) Limited ('the Registrar'). DWT applies to dividends paid by way of cash and is deducted at the standard rate of income tax . Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT and are thereby required to send the relevant form to the Registrar. Further copies of this form may be obtained from the Registrar.

Shareholders who wish to have their dividend paid direct to a bank account, by electronic funds transfer, should contact the Registrar to obtain a mandate form. Tax vouchers will be sent to the shareholders' registered address under this arrangement.

Share price data

	2008 €	2007 €
Share price at 3 January 2009	**2.07**	4.59
Market capitalisation	**608m**	1,346m
Share price movements during the year: - high	**5.31**	5.08
- low	**1.80**	3.12

Geographic analysis of shareholdings at 3 January 2009

	Number of Shares held	% of total
Ireland	242,783,280	82.70
United Kingdom	50,399,046	17.17
United States	172,035	0.06
Europe	157,333	0.05
Other	43,990	0.02
	293,555,684	**100.00**

Holdings	Number of shareholders	Number of shares held	% of total
1 – 1,000	12,214	5,148,844	1.76
1,001 – 5,000	9,355	21,842,933	7.44
5,001 – 10,000	1,713	12,166,070	4.14
10,001 – 100,000	896	19,502,283	6.64
Over 100,000	95	234,895,554	80.02
	24,273	**293,555,684**	**100.00**

Stock exchange listings

Glanbia plc has primary listings on the Irish and London Stock Exchanges.

Financial calendar

Announcement of final results for 2008	4 March 2009
Ex-dividend date	22 April 2009
Record date for dividend	24 April 2009
Annual General Meeting	13 May 2009
Interim management statement	13 May 2009
Dividend payment date	20 May 2009
Interim management statement	8 July 2009
Announcement of interim results for 2009	26 August 2009

Auditors

PricewaterhouseCoopers, Ballycar House, Newtown, Waterford, Ireland.

Principal bankers

ABN AMRO Bank N.V., Allied Irish Banks, p.l.c., The Governor & Company of the Bank of Ireland, BNP Paribas S.A., Barclays Bank Ireland PLC, Citibank Europe plc, KBC Bank Ireland plc, Danske Bank A/S trading as National Irish Bank, Rabobank Ireland plc, Ulster Bank Ireland Limited.

Solicitors

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

Stockbrokers

Davy Stockbrokers, 49 Dawson Street, Dublin 2, Ireland (joint broker).
RBS Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA (joint broker).

Registrar and transfer office

Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland. The Registrar can be contacted on telephone number 01 2475349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by email to webqueries@computershare.ie.

Shareholder enquiries

All shareholders' enquiries should be addressed to the Registrar at the above address, telephone number or email address.

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

Electronic communication

Shareholders who would like to receive shareholder communications electronically, including half yearly reports, annual reports and notices of meetings, can register their email address by accessing the Company's website at www.glanbia.com, selecting 'Investors' – 'Shareholder centre' – 'E-communications' and clicking on the link www.computershare.com/register/ie, selecting Glanbia plc from the drop down menu 'Company Selection' and clicking on 'submit'. You will need your Shareholder Reference Number (SRN) which is located on your share certificate or dividend counterfoil. Following registration, shareholders will be notified by email when a half yearly report, annual report or notice of meeting is published and available for viewing on the Glanbia website.

Shareholders information (continued)

Website

The Group's website, www.glanbia.com, provides in full the text of half yearly and annual reports, trading statements, voting results and copies of presentations to analysts and investors. News releases are made available, in the Investors' section of the website, immediately after release to the Stock Exchanges.

Additional shareholder information

Share capital

The authorised share capital of the Company is 306,000,000 ordinary shares of €0.06 each. The issued share capital as at 3 January 2009 was 293,555,684 ordinary shares of €0.06 each.

The rights and obligations attaching to the shares are as follows:

- **Voting rights** - votes may be given either personally or by proxy. Subject to any rights or restrictions attached to the shares, on a show of hands every member present in person and every proxy shall have one vote, so, however, that no individual shall have more than one vote, and on a poll every member present in person or by proxy shall have one vote for every share carrying voting rights of which he is the holder. On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A poll may be demanded:
  (a) by the chairman of the meeting;
  (b) by at least three members present (in person or by proxy) having the right to vote at the meeting;
  (c) by any member or members present (in person or by proxy) representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting; or
  (d) by a member or members present (in person or by proxy) holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

  In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to any other vote he may have.

- **Dividend rights** - the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors. The Directors may also declare and pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

- **Distribution on winding up** - If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up or credited as paid up share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or credited as paid up at the commencement of the winding up on the shares held by them respectively. And if, in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said shares held by them respectively.

Substantial shareholdings

The table below details the significant holding (3% or more) in the Company's ordinary share capital that has been disclosed to the Company as at 3 March 2009 in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure and Transparency Rules.

Shareholder	No of ordinary shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.6%

Employee share schemes

The Company operates a number of employee share schemes. At 3 January 2009, 570,054 ordinary shares were held in an employee benefit trust for the purpose of the Group's employee share schemes. Whilst any shares in the Company are held by the Trustees, the Trustees shall refrain from exercising any voting rights which may attach to the shares save that if the beneficial interest in any share has been vested in any beneficiary the Trustees shall seek and comply with any direction from such beneficiary as to the exercise of voting rights attaching to such share.

Five year trends

Summary income statement

	2008	2007	2006	2005	** 2004
Revenue	**€2,232.2m**	€2,206.6m	€1,853.4m	€1,830.0m	€1,753.6m
Operating profit pre exceptional	**€134.1m**	€115.8m	€85.6m	€80.9m	€86.3m
Operating margin pre exceptional	**6.0%**	5.2%	4.6%	4.4%	4.9%
Net financing costs	**(€21.1m)**	(€17.3m)	(€14.0m)	(€13.1m)	(€16.1m)
Share of results of joint ventures and associates	**€7.3m**	€1.0m	€2.8m	€0.9m	(€1.5m)
Profit before tax pre exceptional	**€120.3m**	€99.5m	€74.4m	€68.7m	€68.6m
Taxation pre exceptional	**(€21.5m)**	(€16.4m)	(€8.0m)	(€7.6m)	(€8.4m)
Profit after tax pre exceptional	**€98.7m**	€83.1m	€66.4m	€61.1m	€60.2m
Exceptional items	**(€19.4m)**	(€22.8m)	(€0.1m)	(€3.4m)	(€1.3m)
Basic earnings per share	**26.76c**	20.42c	22.51c	19.69c	21.03c
Adjusted earnings per share*	**35.86c**	30.25c	23.89c	21.86c	21.36c
Dividend per share in respect of the full year	**6.51c**	6.08c	5.79c	5.51c	5.25c

Adjusted earnings per share

	2008 €000	2007 €000	2006 €000	2005 €000	2004 €000
Profit attributable to equity holders of the Company	**78,399**	59,833	65,964	57,396	61,119
Amortisation on intangible assets (net of related tax)	**7,312**	5,964	3,896	2,899	2,238
Exceptional items	**19,358**	22,846	134	3,410	(1,294)
	105,069	88,643	69,994	63,705	62,063
Weighted average number of ordinary shares in issues	**293,018,610**	293,012,540	292,958,667	291,469,902	290,617,359
Adjusted earnings per share (cents per share)	**35.86**	30.25	23.89	21.86	21.36

* Adjusted earnings per share is calculated after tax, pre exceptional items and before intangible asset amortisation (net of tax).

** 2004 figures are presented under IFRS and have been restated.

Index

A

Assets and liabilities classified as held for sale 91

B

Board of Directors 38
Borrowings 98
Business combinations 108

C

Capital grants 105
Capital reserves 98
Cash and cash equivalents 91
Consolidated cash flow statement 59
Cash generated from operations 108
Chairman's statement 8
Commitments 107
Company balance sheet 60
Company statement of recognised income and expense and cash flow statement 61
Consolidated balance sheet 58
Consolidated income statement 56
Consolidated statement of recognised income and expense 57
Contingent liabilities 107
Critical accounting estimates and judgements 75

D

Deferred income taxes 100
Derivative financial instruments 106
Directors' and Secretary's interests 112
Directors' remuneration 80
Directors' statement of corporate governance 45
Dividends 83

E

Earnings per share 83
Employee benefit expense 79
Exceptional items 79

F

Finance income and costs 81
Financial risk management 72
Financial statements contents 53
Finance review 32

G

General information 62
Group Managing Director's review 10

I

Income taxes 82
Independent auditors' report 54
Intangible assets 85
Inventories 91
Investments 88
Investments in associates 87
Investments in joint ventures 87

M

Merger reserve – Group 98
Minority interests 98

N

Notes to the financial statements 62

O

Operating expenses 78
Operations review – international 14
Operations review – Ireland 20
Operations review – Joint Ventures & Associates 24
Other reserves 96
Our business 2
Our global footprint 4
Our people 26
Our responsibilities 29
Our performance and outlook 1
Own shares (Company and Group) 97
Our vision and strategy 6

P

Principal subsidiary and associated undertakings 115
Property, plant and equipment – Group 84
Provision for other liabilities and charges 105

R

Reconciliation of changes in equity 92
Related party transactions 110
Responsibility statement 44
Retained earnings 97
Retirement benefit obligations 102
Risk and risk management 36
Report of the Directors 41

S

Segment information 76
Senior management team 40
Share capital and share premium 93
Shareholders information 117
Summary of significant accounting policies 62

T

Trade and other receivables 89
Trade and other payables 106