glanbia

Glanbia plc
Annual Report

Focus Delivery Momentum

2010

Glanbia plc is an international nutritional solutions and cheese group, headquartered in Ireland. Glanbia is listed on the Irish and London Stock Exchanges (Symbol: GLB). The Group has four segments; US Cheese & Global Nutritionals, Dairy Ireland, Joint Ventures & Associates and Other Business. Including Joint Ventures & Associates, Glanbia has over 4,300 employees worldwide and has manufacturing and processing facilities in seven countries and sales/technical support locations in 14 countries.

Get more online

For more information on the Group please visit our corporate website:
www.glanbia.com

This report is also available online:
www.glanbia.com/annualreport2010

3
Overview

3 How we did in 2010
4 Our performance
5 Key Performance Indicators
6 Our global footprint
9 How we are structured

10
Our strategy

10 Our strategy
11 Our markets

12
Group performance

12 Chairman's statement
16 Group Managing Director's review
20 Our business models
22 Group Finance Director's review
27 Risk management
31 Our responsibilities

36
Divisional performance

36 US Cheese & Global Nutritionals
38 Dairy Ireland
40 Joint Ventures & Associates

42
Governance

42 Chairman's introduction to corporate governance
44 Board of Directors and senior management
48 Applying the principles of the Combined Code
54 Other statutory information
57 Committee reports
- Audit Committee report
- Nomination Committee report
- Remuneration Committee report

71 Statement of Director's responsibilities

72
Financial statements

74 Independent auditors' report
76 Group income statement
77 Group statement of comprehensive income
78 Group statement of changes in equity
79 Group statement of financial position
80 Group statement of cash flows
81 Company statement of financial position
82 Company statement of changes in equity
83 Company statement of comprehensive income and statement of cash flows
84 Notes to the financial statements

Other information

139 Shareholders' information
142 Five year trends
143 Index

Further information

This symbol is used throughout the report. It is used to cross reference related information elsewhere within the report.

Pages 3 to 71 make up the Directors' Report in accordance with the Companies Acts, 1963 to 2009

Glanbia had an excellent year in 2010. We achieved strong revenue and earnings growth and our 2010 performance reflects the strength and diversity of our businesses.

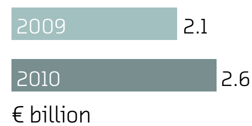
How we did in 2010

Our strong performance in 2010 is mainly as a result of a return to profitability in Dairy Ingredients Ireland after a first time loss in 2009 and a good performance by the Global Nutritionals business which grew revenue well in excess of market growth rates.

Total Group* revenue

↑21.4%

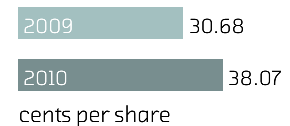
Strong top line revenue growth was driven by good volume growth in Global Nutritionals and the positive impact of higher US cheese and global dairy markets during the year.



Adjusted earnings per share

↑24.1%

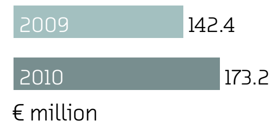
Adjusted earnings per share was significantly ahead of 2009 and follows the strong positive trends in growth in revenue and EBITA.



Total Group* EBITA pre exceptional

↑21.6%

A good performance by Global Nutritionals, a return to profitability in Dairy Ingredients Ireland and the benefits of significant cost rationalisation in Dairy Ireland underpinned the increase in EBITA.



Dividend per share

↑10%

The Board is recommending a final dividend of 4.49 cents per share. This brings the total dividend for the year to 7.52 cents per share (2009: 6.84 cents per share), an increase of 10%.

Total Group* EBITA margin pre exceptional

↔

EBITA margin sustained during 2010. This reflects margin expansion in Dairy Ireland offset by a margin reduction in US Cheese & Global Nutritionals.

Free cash flow

↓€0.6m

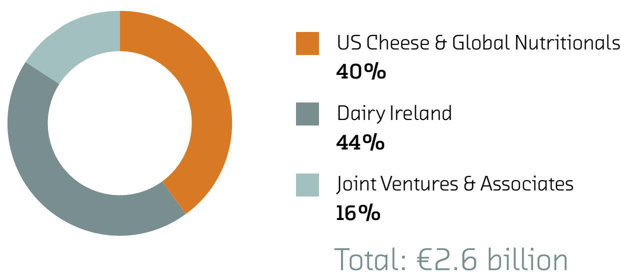
The minimal movement in free cash flow arose as the higher EBITDA in 2010 was offset by year on year investment in working capital due to strong volume growth in Global Nutritionals and higher global dairy and US cheese markets.

* Total Group figures include share of Joint Ventures & Associates

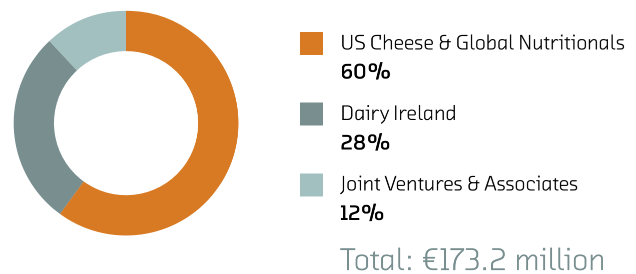
Our performance

The Group achieved a first class operational performance in 2010. Key achievements for the year include the 40% expansion of Southwest Cheese in the USA and the major planned refurbishment of the Twin Falls cheese plant in Idaho; both delivered on time and on budget. In addition, strategic cost management programmes delivered targeted cost savings, process re-engineering and productivity benefits.

Total Group revenue € billion



Group EBITA pre exceptional € million



US Cheese & Global Nutritionals

US Cheese is one of the leading producers of American-style cheddar cheese for the US and export markets from its large scale manufacturing facilities in Idaho. Global Nutritionals operates from facilities in the USA, Canada, EU and Asia and incorporates the Group's three nutritionals businesses – Ingredient Technologies, Customised Premix Solutions and Performance Nutrition.

€1 billion revenue
€104.5 million EBITA
10.2% EBITA margin
1,570 employees
13 manufacturing/processing locations

2010 performance and 2011 outlook 36
Business model 20

Dairy Ireland

Dairy Ireland links the Group's relationship with its Irish farmer supplier base. Agribusiness produces and supplies inputs to farmers who produce the key raw material for both Dairy Ingredients Ireland and Consumer Products. Dairy Ireland has well invested facilities serving global and local markets.

€1.1 billion revenue
€47.9 million EBITA
4.2% EBITA margin
1,682 employees
8 manufacturing/processing locations

2010 performance and 2011 outlook 38
Business model 21

Joint Ventures & Associates

Glanbia has three principal international joint ventures – Southwest Cheese in the USA, Glanbia Cheese in the UK and Nutricima in Nigeria – as well as a number of smaller Irish based joint ventures and associates.

€417 million revenue
€21.6 million EBITA
5.2% EBITA margin
1,002 employees
6 manufacturing/processing locations

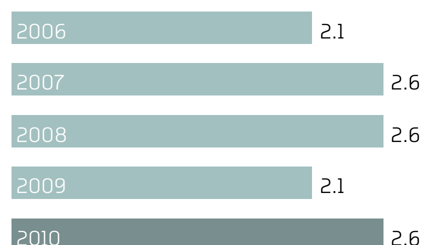
2010 performance 40

HOW WE DID IN 2010
OUR PERFORMANCE
KEY PERFORMANCE INDICATORS
OUR GLOBAL FOOTPRINT
HOW WE ARE STRUCTURED

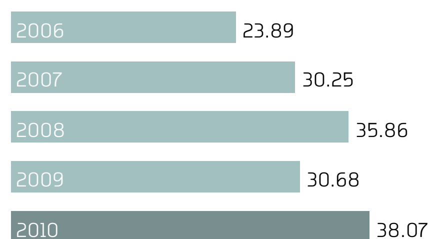
Key Performance Indicators

We use a large number of performance indicators to measure financial and operational activity across the Group. These are monitored on a daily, weekly or monthly basis as appropriate. Detailed management reports for each division are reviewed monthly by the Board. We have six Key Performance Indicators (KPIs) which we use to measure the financial health of the business over the longer-term and to monitor progress in achieving our strategic priorities.

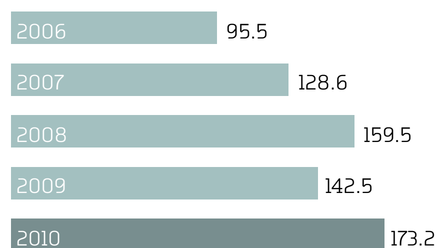
Total Group revenue
€ billion



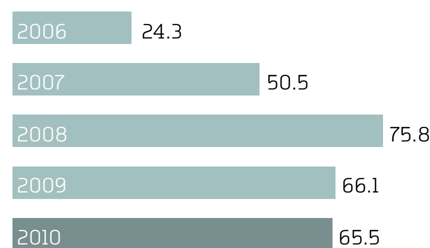
Adjusted earnings per share
cents per share



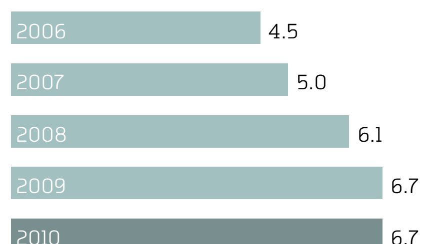
Total Group EBITA
€ million



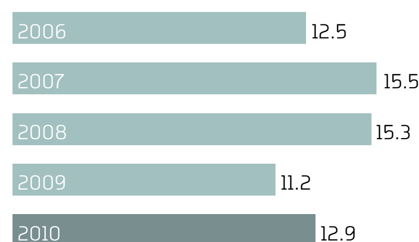
Free cash flow
€ million



Total Group EBITA margin
%

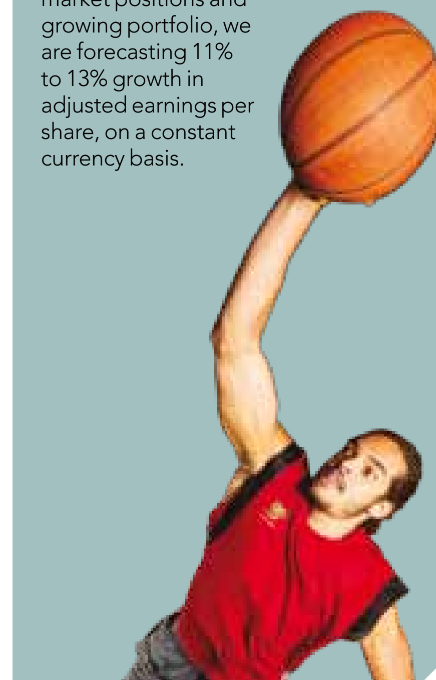


ROCE
%



2011 outlook

The Group is well positioned for 2011. Our current expectation is that the trading environment will be broadly positive. Global dairy markets are expected to remain firm, underpinned by robust demand, particularly from Asia, and demand-led growth in key nutritional sectors. In January 2011 we acquired the Bio-Engineered Supplements and Nutrition (BSN) business, a leading US sports nutrition business which is an excellent strategic fit with our Performance Nutrition business. For 2011, given our strong market positions and growing portfolio, we are forecasting 11% to 13% growth in adjusted earnings per share, on a constant currency basis.



Our global footprint

We have a strong global presence in key food markets and sectors around the world. The Group has manufacturing operations in seven countries, sales and technical support locations in 14 countries and our products are sold to over 130 countries worldwide.

North America

Leading American-style cheddar cheese business (including 50:50 joint venture)

Leading US sports nutrition business

Global supplier of whey protein isolates

Global supplier of micronutrient premixes and solutions

Largest North American processor of speciality flaxseed ingredients

US innovation centre and customer collaboration centre

12 manufacturing/processing locations

6 sales and technical support locations

1 innovation and customer collaboration centre

120+ export/distribution markets

1,527 employees

South America

Key export markets and opportunity:

- Performance Nutrition products
- US Cheese products
- Dairy Ingredients from Ireland
- Speciality flaxseed ingredients

1 sales and technical support location

54 employees

Sales/technical support locations

Manufacturing & processing and sales/technical support locations

Export/product distribution locations

Ireland

Glanbia plc head office

Global Nutritionals main office

Group innovation centre

Largest dairy processor and cheese producer

Market leadership positions across the Irish grocery market

Leading feed milling, grain processing and farm inputs supplier

8 manufacturing/processing locations

3 sales and technical support locations

1 innovation centre

51 Agribusiness branches

50+ export markets

1,870 employees

Asia Pacific

Key export markets and growth opportunity:

- Performance Nutrition products
- US Cheese products
- Dairy Ingredients from Ireland

Premix manufacturing facility in Suzhou, China

1 manufacturing facility

5 sales and technical support locations

36 employees

Europe

Global supplier of micronutrient premixes and solutions

Leading European pizza cheese manufacturer; 50:50 joint venture

4 manufacturing/processing locations

5 sales and technical support locations

30+ export/distribution markets

481 employees

Africa

Supplier of consumer dairy products; 50:50 joint venture in Nigeria

Export market for Dairy Ingredients Ireland

2 manufacturing/processing locations

1 sales and technical support location

345 employees

5.8 billion

litres of milk processed

↑ 9%

477,000

tonnes of cheese produced

↑ 8%

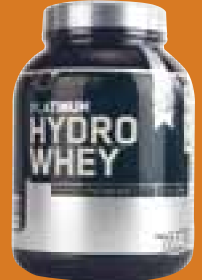
262,000

tonnes of dairy-based ingredients manufactured

↑ 17%

Momentum

Global Nutritionals is the fastest growing business unit in the Group, driven in particular by the momentum in Performance Nutrition. This was established in 2008 with the acquisition of Optimum Nutrition in the USA and today ON is a leading sports nutrition brand in 20 countries.



Performance Nutrition: 2010 performance and 2011 outlook

How we are structured

Dairy Ireland

Business model ↘ 21

Divisional performance and outlook ↘ 38

Dairy Ingredients

Dairy Ingredients is the largest dairy business in Ireland, processing approximately 25% of the Irish milk pool and 40% of the Irish whey pool.

Consumer Products

Consumer Products is one of the largest branded food suppliers in the Irish grocery sector.

Agribusiness

Agribusiness produces and retails a large range of farm inputs to the Group's Irish farmer supplier base in Ireland.

US Cheese & Global Nutritionals

Business model ↘ 20

Divisional performance and outlook ↘ 36

US Cheese

US Cheese is a leading producer of American-style cheddar cheese.

Ingredient Technologies

Ingredient Technologies is a business-to-business nutritional ingredients solutions development and marketing business.

Performance Nutrition

Performance Nutrition is a business-to-consumer manufacturer and marketer of performance nutrition and health & wellness products.

Customised Premix Solutions

Customised Premix Solutions is a business-to-business premix (vitamins and minerals) solutions provider.

Joint Ventures & Associates

Glanbia has three principal international joint ventures

Divisional performance and outlook ↘ 40

Southwest Cheese

Southwest Cheese operates one of the largest natural American-style cheddar cheese and high-protein whey processing facilities in the USA.

Glanbia Cheese

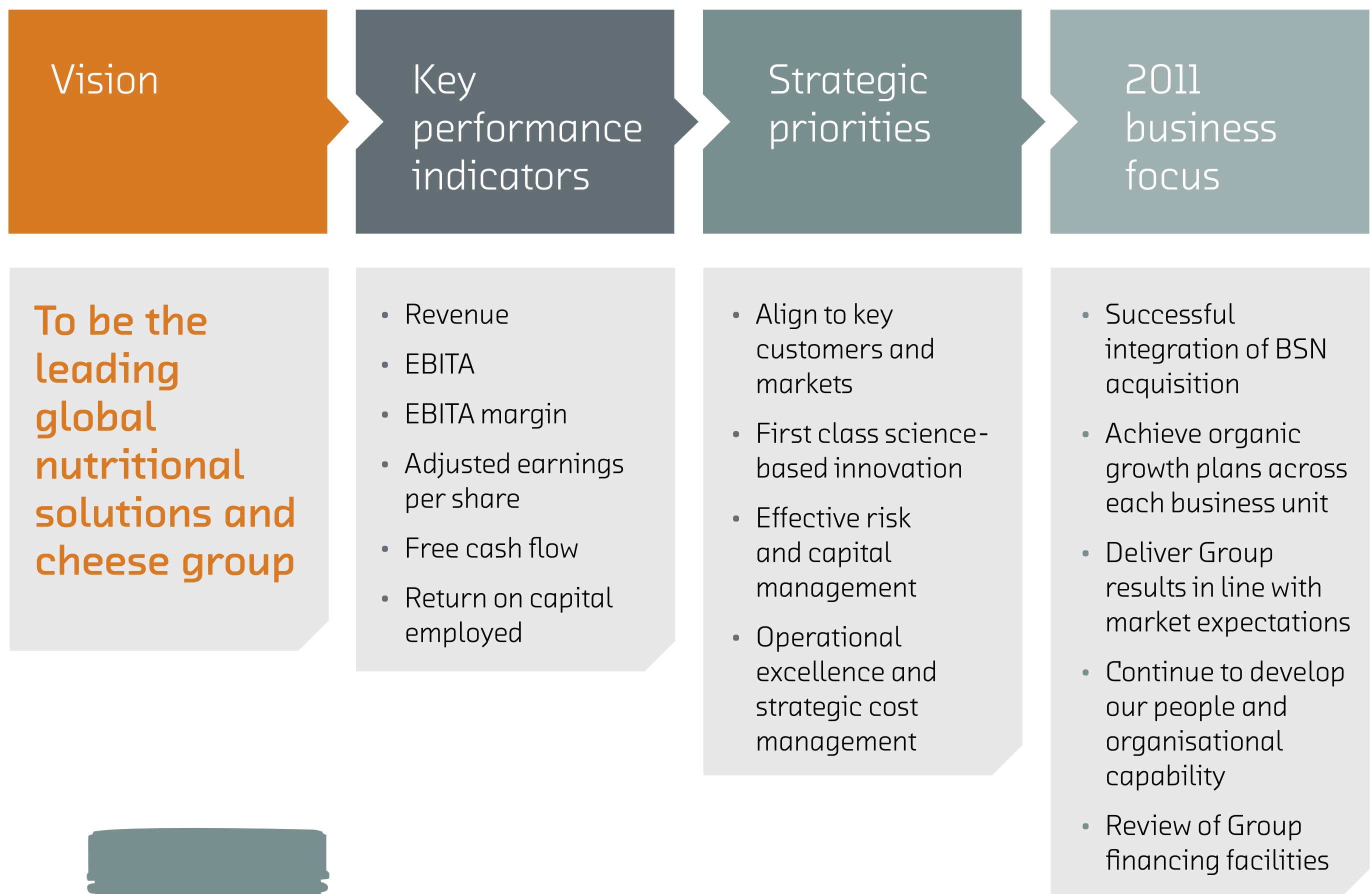
Glanbia Cheese is a leading supplier of mozzarella cheese for the European pizza market.

Nutricima

Nutricima is developing a portfolio of branded milk powder-based products for the Nigerian market.

Our strategy

In recent years we significantly restructured the Group and re-orientated our business strategy. Our goals are to diversify earnings, improve operating margin and deliver earnings growth. On this journey we built strong organisational capability in world-class manufacturing, science-based innovation in product and solutions development and acquisitions delivery. We also established new scale businesses with leading market positions in high growth sectors.



BSN acquisition

On 19 January 2011, we announced the acquisition of the Bio-Engineered Supplements and Nutrition (BSN) business.

For more information:
Chairman's Statement

or go online
www.glanbia.com/media
www.bsnonline.net

Our markets

Global dairy markets were positive for most of 2010. Fundamental to the relative stability in dairy pricing was continued strong demand in Asia, particularly China and re-emerging demand from Russia. For 2011, global dairy markets are forecast to remain firm, underpinned by robust demand particularly from emerging markets and China.

2010 overview

In the first half of 2010 global milk supply lagged growing international demand, which was driven by developing economies. Supply increased somewhat in the second half and dairy markets absorbed the increase in milk production with relatively limited price fluctuations. A further boost to dairy markets (and more specifically to EU markets) was the controlled management of the release of intervention stocks into the market, at prices closely aligned to prevailing markets. During the year dairy farm incomes across the globe did recover from the prior year as higher dairy commodity prices were reflected at the farm gate.

US Cheese & Global Nutritionals

In 2010, a combination of market factors influenced the performance of the US Cheese business. In the first half, a milk deficit existed in Idaho leading to tight supply conditions. While US cheese market prices recovered to reach historical average levels, they did not achieve the equivalent price increases of other dairy products. Tight supply and competition with other dairy product classes gave rise to a situation where payment of milk premiums was required to secure supply. As the year progressed, US cheese prices became volatile with prices trading higher than expected in the third quarter but declining steadily in the fourth quarter. A significant cheese price rally began in early 2011 and has continued year to date. There are a number of variables that could impact the sustainability of this rally but US domestic demand is solid and export demand is strong. Milk supply continues to be tight in Idaho and as a result milk price competition is expected to be a feature of 2011.

There was strong global demand for whey in 2010. This growth was underpinned by structural market changes such as an increased focus on health & wellness, a growing understanding of the link between diet and exercise to weight management and active ageing, a greater emphasis on healthier and more nutritious food options in convenient formats and strong demand from Asia and developing economies. Demand was strong across all key nutritional sectors including performance and sports nutrition, protein fortification and new products for mainstream bars and beverages. Good demand and tight supply drove whey prices up in 2010 and the market is expected to continue to be firm throughout 2011.

Dairy Ireland

As the bulk of output of the Irish dairy industry is exported, the key market dynamic impacting the performance of Dairy Ingredients Ireland is the global dairy market, which also indirectly impacts the performance of Agribusiness as a supplier of key farm inputs to Irish farmers. Dairy Ingredients Ireland benefited from the improvement in global dairy markets in 2010 despite higher input costs. This performance is expected to be sustained in 2011, based on the current positive outlook for global dairy markets. With improving farm incomes, demand for Agribusiness farm inputs was good in 2010 but price competition was a significant feature of the trading environment. These trading conditions are expected to prevail again in 2011.

The trading environment for the Consumer Products business was impacted by a combination of local factors in the Irish retail market and the indirect impact of global dairy markets on input costs. The environment for Consumer Products was very challenging in 2010. Irish consumers remained very cautious as a consequence of the difficult economic situation. This was reflected in their food shopping behaviour, creating a further market shift towards value and promotional deals and a channel shift away from convenience shopping. The trading environment is expected to remain challenging in 2011.

Chairman's statement

Liam Herlihy
Chairman

"While our 2010 results clearly benefited from a more favourable trading environment compared with a very difficult 2009, they also reflect a very strong operational performance across the Group."

Results and dividends

Glanbia had an excellent year in 2010. The key characteristics underpinning the Group's strong performance were a welcome recovery in global dairy markets after an unprecedented 2009 and good demand in key nutritional markets. Overall we delivered good growth in revenue and earnings.

Adjusted earnings per share increased 24.1% to 38.07 cents per share (2009: 30.68 cents per share) driven mainly by the improved performance of Dairy Ingredients Ireland and strong organic revenue growth in Global Nutritionals.

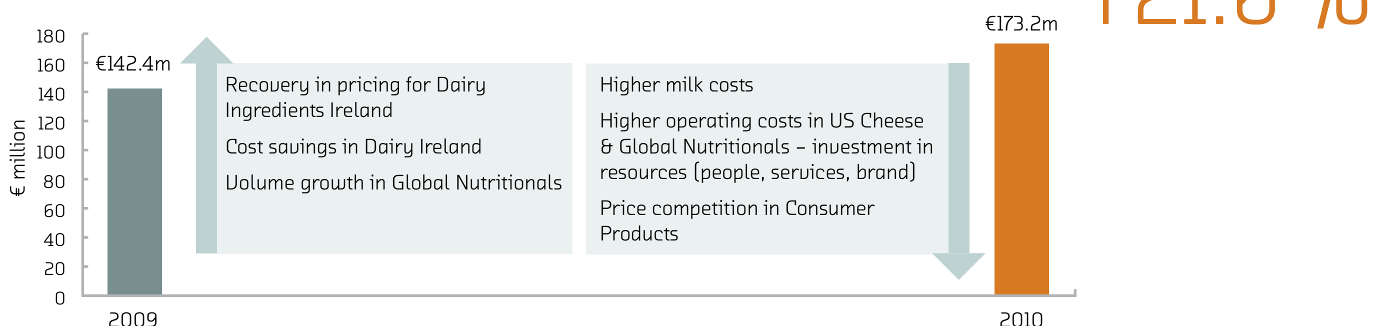
Glanbia has a 10 year record of steady dividend increases and the Group continued its progressive dividend policy in 2010 with a 10% increase in total dividend for the year, compared with a 5% increase in 2009.

The Board is recommending a final dividend of 4.49 cents per share (2009: final dividend 3.95 cents per share). This brings the total dividend for the year to 7.52 cents per share (2009: 6.84 cents per share).

Subject to approval at the Annual General Meeting (AGM) dividends will be paid on 20 May 2011 to shareholders on the register of members as at 8 April 2011. Irish withholding tax will be deducted at the standard rate where appropriate.

The Group will hold its AGM on Wednesday, 11 May 2011 in Lyrath Estate Hotel, Kilkenny. On the same day Glanbia will issue an Interim Management Statement in accordance with the reporting requirements of the EU Transparency Directive.

Total Group EBITA analysis



Customer collaboration centre

In 2009, Global Nutritionals opened a customer collaboration centre in Idaho, USA to support the activities of the Group's main innovation centre in Ireland. This centre comprises a full-scale applications laboratory for beverages and bars and a processing laboratory and separate facilities to run bench-top experiments such as blending and texture analysis. The centre allows us to work side-by-side with customers to develop nutritional solutions and is a great catalyst for exploring and acting on new product concepts. Collaboration has already contributed to building joint development plans with key customers, supporting business growth.

Board changes

There were a number of Board changes during the year. John Fitzgerald retired as a non-executive Director and vice-Chairman of the Board. He was replaced by Brendan Hayes as a member of the Board. Martin Keane was elected vice-Chairman of the Board. Christopher Hill and Nicholas Dunphy also retired this year as non-executive Directors and were replaced by John Murphy and Michael Keane. All appointments and retirements to the Board were made on 29 June 2010. I would like to thank retiring Board members for their contribution to Glanbia and to welcome Brendan, Michael and John to the Glanbia Board and wish them every success.

Proposed disposal of the Irish Dairy and Agri businesses

Following an approach from Glanbia Co-operative Society Limited ("the Society"), the Group's 54.5% shareholder, on 20 April 2010, Glanbia announced a proposal to dispose of its Irish Dairy and Agri businesses to the Society.

The transaction was conditional in the first instance upon the approval of the members of the Society. At a special general meeting on 10 May 2010 the required approval of the Society members was not achieved and therefore the transaction did not proceed. It is important to stress that neither the Society nor the Board and management undertook this process lightly. While the outcome was a disappointment, it is gratifying to see that as the transaction was progressing it was business as usual for the Group and the proposal was addressed without impacting business performance for the year.

Glanbia believes that this project is unlikely to be re-visited by the Society in the medium term. The significant improvement in global dairy markets has shifted the focus of Society members to dairy expansion opportunities in a post EU milk quota environment in 2015.

Full details of the Group's performance

Group Managing Director's review 16

Finance Director's review 22

Divisional performance 36

Adjusted earnings per share

↑24.1%

cents per share

Total dividend per share

↑10%

cents per share

Events since year-end

Acquisition of Bio-Engineered Supplements and Nutrition (BSN)

On 19 January 2011, Glanbia announced the acquisition of the BSN business for a total consideration of $144 million (€108 million). BSN significantly enhances and extends Glanbia's Performance Nutrition portfolio and continues to develop Glanbia in line with its growth strategy. The business was acquired on a debt free basis and was funded through Glanbia's existing banking facilities. BSN is a leading developer, provider and distributor of nutritional products and builds on the Group's scale position in the attractive, high growth, higher margin, sports nutrition sector. The integration of this business is progressing well and it is expected to be earnings enhancing in 2011.

Southwest Cheese, USA

Along with acquisition capability, the development of our Southwest Cheese joint venture is another strong example of one of the Group's core competencies. In 2004, we formed a 50:50 joint venture partnership with The Greater Southwest Agency. The structure of this partnership is that Glanbia built the plant and is responsible for running the business and selling the cheese and whey products manufactured, while our partner ensures that the facility has a secure milk supply. In 2005 and 2006 a $200 million plant was built and commissioned on time and on budget by the Glanbia team. In 2007 and 2008 production ramped-up to full capacity. During 2009 and 2010 a 40% expansion of production capacity, costing $90 million was approved, built and fully commissioned by Glanbia; again on time and on budget. Southwest Cheese is now one of the largest cheese and high protein whey processing facilities in the USA; processing approximately 4.6 million litres of milk per day and producing approximately 500 tonnes of cheese per day.

Governance highlights

Committed to good governance

Glanbia's strong commitment to high standards of conduct and good governance is set out in the corporate governance section of this report. This year we made a number of enhancements to increase transparency and improve shareholder understanding of the Group. Enhancements include more detail on our governance and risk framework and enhanced Committee reports.

Key governance milestones for 2010 include;

- Independent process with good governance structures in place to review and progress the proposal by Glanbia Co-operative Society Limited to acquire the Group's Irish Dairy and Agri businesses, and post the conclusion of this process demonstrating that Glanbia is a strong organisation, ensuring all parties are fully committed to driving the business forward for all stakeholders;
- Detailed review of all US businesses and site visits to US Cheese in Idaho, Performance Nutrition in Chicago and the Southwest Cheese joint venture in New Mexico;
- Approval of the 2011-2013 business plan and objectives; and
- Continuing to develop Glanbia in line with the Group's growth strategy through progression of a strategic acquisition in Performance Nutrition finalised in January 2011.

The Board's 2011 objectives and targets are set out in the section: Chairman's introduction to corporate governance.

For more information see **corporate governance**

US Cheese awards

US Cheese, including Southwest Cheese, won 11 medals at the US Cheese Championships, including four gold medals.

Pictured left to right: Dave Perry, Rudy Jozelic, John Lanigan, Tim Hesby, Jake Dorman and Oscar Salinas.

A selection of our 2010 awards

Across the Group, we won a number of prestigious awards during the year:

- Dairy Ingredients Ireland was recognised as 'Innovation Exporter of the Year' by the Irish Exporters Association for its successful commercialisation of the specialist milk protein product Solmiko;
- Consumer Products was the first Irish business to be awarded a multi-site award for IS 16001 energy management;
- Glanbia Ingredient Technologies was voted best overall supplier in the category of whey by Food Processing magazine readers and the best overall supplier of whey protein and hydrolysates by Wellness Food magazine readers; establishing the business as the preeminent supplier in this category; and
- Performance Nutrition, through its ON brand, won four prestigious industry awards for best protein powder, best supplement, best new supplement and best brand.

Outlook

The Group is well positioned for 2011. Our current expectation is that the trading environment for 2011 will be broadly positive. Global dairy markets are expected to remain firm, underpinned by robust demand, particularly from Asia, and demand-led growth in key nutritional sectors. In January 2011 we acquired BSN, a leading US sports nutrition business which is an excellent strategic fit with our Performance Nutrition business. For 2011, given our strong market positions and growing portfolio, we are forecasting 11% to 13% growth in adjusted earnings per share, on a constant currency basis.

Liam Herlihy
Chairman

Further information

Our responsibilities

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

Group Managing Director's review

John Moloney
Group Managing Director

"We have strong businesses both in Ireland and internationally and a well established strategy. 2010 was an excellent year of growth and delivery for the Group."

Growth and delivery

We delivered a strong set of results in 2010 and it is important to recognise how Glanbia has evolved over the last five years. The focus on nutrition, together with a more informed and interested consumer in aspects of health, wellness and diet, is a key global trend. Since 2006, we have invested a significant amount in developing three platforms for growth in Nutritionals. This has significantly changed our business profile and product portfolio. This has delivered good compound annual growth rates in revenue and EBITA and has driven our EBITA margin up 220 basis points to 6.7% by the end of 2010.

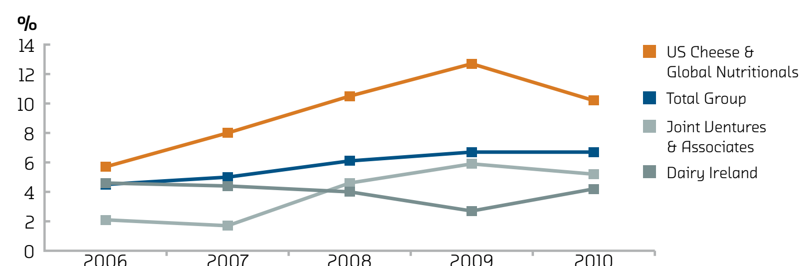
2010 performance highlights

- Our Dairy Ingredients Ireland business, which is the largest integrated dairy processor in Europe, returned to profitability after a first time loss in 2009;
- Our Global Nutritionals business continued to expand and delivered strong organic revenue growth, that significantly outpaced market growth rates;
- We developed our US cheese position with the 40% production capacity expansion of our joint venture in New Mexico, making this plant one of the largest cheese processing facilities in the USA. This project was executed on time and on budget;
- Across the Group a first-rate operational performance was achieved including a major planned refurbishment of the Twin Falls plant in Idaho, the first extended stoppage in over 15 years;
- Our business in Asia grew strongly in 2010 with exports from US Cheese, Global Nutritionals and Dairy Ingredients Ireland. This region is a key focus for future development;
- We continued our focus on strategic cost management to ensure our Irish businesses are on a more sustainable cost base;
- We delivered excellent financial results with significant growth momentum in the business. In 2010, total Group revenue increased 21.4%, total Group EBITA increased 21.6% and the Group's EBITA margin pre exceptional sustained at 6.7%; and
- Since year-end we strengthened our Performance Nutrition portfolio in the fast growing, high margin, sports nutrition sector through the acquisition of BSN.

Transformational Growth

5% CAGR in total Group revenue from 2006 to 2010
16% CAGR in total Group EBITA from 2006 to 2010
10% CAGR in total Group EBITA margin from 2006 to 2010
€476 million five year acquisition cost and strategic capital expenditure

Total Group EBITA margin %



Innovation

The Group's main innovation centre, is in Ireland. We have a second innovation and customer collaboration centre in the USA and both offer key strategic points of differentiation in areas such as:

- New ingredient development in protein solutions and mineral premixes;
- Nutrient profiling through scientific analysis;
- Applications research in nutritional bars, Ready-to-Drink beverages, Ready-to-Mix beverages and product prototypes;
- Clinical research into muscle physiology, bone health, weight management, immune health and vascular health; and
- Intellectual property where we develop patented technology to protect nutritional and functional research discoveries.

The Glanbia team

The quality of our people continues to be a core strength for Glanbia and I am delighted that we have further enhanced our capabilities in many parts of our business. In 2010, we invested in operations and supply chain management, marketing, research and development, enhanced technical services for customers and risk management services to suppliers.

We also instigated a series of changes to the leadership organisation across the Group. This included the formation of a Group Operating Executive which includes the Office of the Group Managing Director and executive Directors, with support from Group Secretariat and Group Human Resources and Operations Development.

The Group Management Committee brings together Chief Executive Officers from the business units as well as the Group Operating Executive.

The Group Senior Leadership Team includes the Group's Operating Executive and Management Committee and business unit senior management teams and Group function heads. This brings together experienced senior leadership from across the Group to drive the business forward to achieve our vision and strategic objectives.

Our 2010 results were excellent. This is due to the strong performance of management and all our employees who have been building the Glanbia business year by year. In 2010, everyone worked extremely hard and gave enormous commitment to the Group. I would like to thank them for their skill and effort.

Proposed disposal of the Irish Dairy and Agri businesses

This time last year the Group was reviewing the proposal of Glanbia Co-operative Society Limited ("the Society") to acquire our Irish Dairy and Agri businesses. This transaction did not proceed as it did not receive the required approval of Society members. This was a disappointing outcome at the time, however, our performance this year clearly demonstrates that Glanbia is a strong organisation with excellent businesses both in Ireland and internationally. We have a well established strategy that continues to deliver growth and opportunity.

Further information

Governance and risk framework

42

Our responsibilities

32

Dairy Ireland

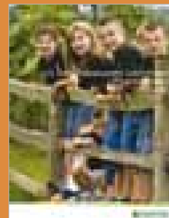
38

US Dairy Sustainability Committee

Glanbia is a member of the US Dairy Sustainability Committee set up by the Innovation Centre for US Dairy. The Committee's objective is to show industry stakeholders and interested parties progress towards the goal of 'reducing greenhouse gas emissions (GHG) for fluid milk by 25% by the year 2020'. More than 500 dairy stakeholders – including environmental, academic and scientific experts are working on 10 projects that aim to capitalise on opportunities for efficiency and innovation across the value chain which will help to reduce emissions and build real business value.

Energy management is one example which aims to reduce energy use and GHG emissions on farms, in processing plants and in the transport and distribution of milk and dairy products. Research is also being focused on reducing GHG emissions in areas such as feed production, packaging and processing. We are working to ensure that Glanbia is engaged with industry effort and this is how we can have the greatest impact on helping to reduce the carbon footprint of dairy products in the USA.

Further information:
US Cheese & Global Nutritionals



Download the report at **www.usdairy.com/sustainability**

Consumer Products logistics award

Consumer Products supply chain has won a prestigious environmental award from the Irish Chartered Institute of Transport and Logistics. This peer reviewed award is in recognition of the work conducted on implementing a best in class transport routing and scheduling system in the chilled distribution business. It is a world class system that takes customer requirements, adds in any over-riding delivery constraints and optimises the transport costs via construction of logical routes.

This award recognises the positive impact on carbon emissions that optimal routes and schedules can play in reducing carbon footprint. The green agenda is now part of Consumer Products corporate and social responsibility policy. Consumer Products also made the final nominations in the category of "Supply Chain Integration" for their work on network modelling.

Our strategy

Glanbia is organised around two different business models, one for the US Cheese & Global Nutritionals division and one for the Dairy Ireland division. These business models are strategically aligned to and strengthened by our key joint ventures in the USA, the UK and Nigeria. In this report we have set out our group strategy, our KPIs, our business models and our business priorities in 2011.

Maximising our performance and delivering our strategic objectives requires us to allocate our resources, people and capital to business segments where the growth potential and capability to deliver is greatest. For Glanbia this means driving the Global Nutritionals business forward and this is at the core of our growth strategy. We have successfully developed our Global Nutritionals business in the last five years through organic growth and acquisition. Our objective this year is to integrate BSN into our Performance Nutrition business and drive the ON and BSN brands forward, particularly internationally. On a proforma 2010 basis, including the acquisition of BSN, Global Nutritionals now represents approximately 23% of total Group revenue, inclusive of Joint Ventures & Associates. It is a scale business, with well developed science-based innovation capability and leading market positions.

In our US Cheese business, combined with our Southwest Cheese joint venture, we have world class capability in cheese processing and are one of the largest manufacturers of American-style cheddar cheese in the USA, processing 3.6 billion litres of milk and producing 379,000 tonnes of cheese in 2010. Our cheese business gives us access to a large, high quality whey pool, which underpins our Ingredient Technologies business within Global Nutritionals.

In addition, we have substantial businesses in Ireland, which are operationally excellent and well invested. We have leading brands in our Consumer Products and Agribusiness portfolios. Through disciplined strategic cost saving programmes in recent years we have put the Dairy Ireland division on a more sustainable and competitive cost base. This is vital as our Dairy Ingredients Ireland business exports to more than 50 countries world-wide. Within Dairy Ireland there is considerable work underway to assess the potential of milk output expansion which can occur when EU milk quotas are eliminated in 2015. It is early days in this process but opportunities do exist for business growth and development.

Summary

Our strategy is clear and consistent. It is to deliver attractive and growing returns to shareholders, excellent solutions and service to our customers, value adding routes to market for our milk suppliers and to provide rewarding careers to our employees.

We have growth opportunities across our portfolio, particularly in our US Cheese & Global Nutritionals division. We have great people and a range of competencies that ensure we are well positioned to continue to grow and develop the Group. We look forward to the future with confidence.

Further information

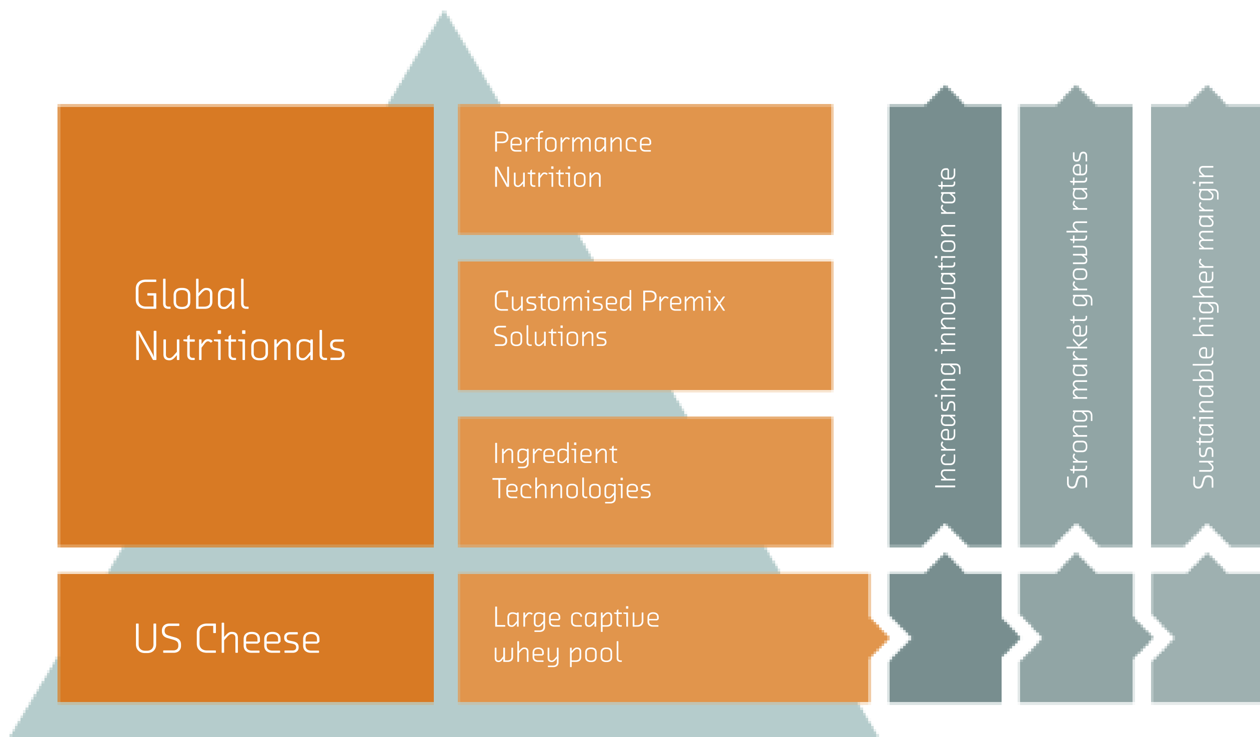
Our strategy 10
Our business models 20

John Moloney
Group Managing Director

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

US Cheese & Global Nutritionals business model

We have successfully grown our US Cheese & Global Nutritionals businesses and there are further strategic opportunities to continue to expand in our areas of focus. This is underpinned by strong structural market drivers, growing global demand for nutritional products and increased consumer awareness of the link between diet, exercise and health & wellness. All elements of this business have the ability to develop on a global basis.



Glanbia's US Cheese & Global Nutritionals business model incorporates cheese and nutritional solutions. US Cheese is a business-to-business, large scale, low cost, world-class producer that we operate 24/7, 365 days of the year. US Cheese has a strong relationship with our 50:50 joint venture in New Mexico, Southwest Cheese.

Derived from cheese processing is a large captive whey pool which is a key raw material for Global Nutritionals. Through the use of innovation, a focus on growth sectors and markets and expansion in nutritional solutions, Global Nutritionals is building a global business.

For divisional performance 36

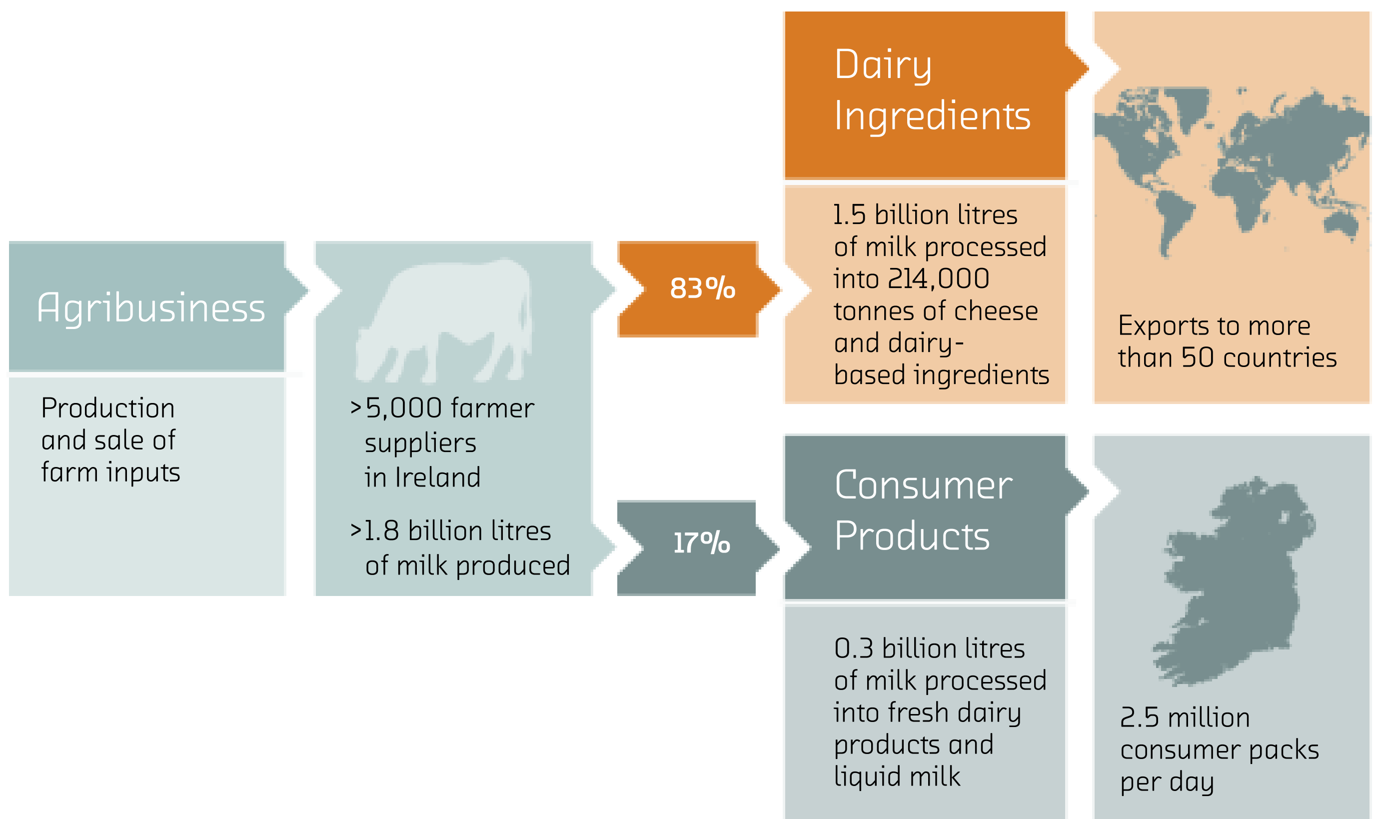
€1 billion
revenue

10.8%
EBITA margin pre exceptional on a constant currency basis

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

Dairy Ireland business model

Glanbia has three businesses based in Ireland aligned through their relationships with the Group's Irish farmer supply base. Agribusiness produces and sells a wide range of farm inputs, including animal feed, to the Group's farmer suppliers who produced 1.8 billion litres of milk in 2010. This is the key raw material for Glanbia's Dairy Ingredients and Consumer Products businesses. 83% of the milk supplied is processed by Dairy Ingredients primarily for export markets while 17% is processed by Consumer Products into fresh dairy products and liquid milk for the Irish market.



Dairy Ireland is a well invested, cost efficient business with growth potential. In the local market Consumer Products has leading market positions in liquid milk and fresh dairy products. EU market reform is creating new opportunities for growing milk supply and Ireland has a natural grassland advantage that can be exploited. The abolition of the quota system in April 2015 is the first opportunity to expand milk output since 1984 and it also creates other opportunities in broader farming activities. Expansion is underpinned by growing global demand for dairy products supported by demographics and emerging economies. Fulfilling this demand requires a presence in international markets and the Group has established routes-to-market for dairy ingredients in more than 50 countries worldwide.

For divisional performance 38

€1.1 billion
revenue

4.2%
EBITA margin pre exceptional

Group Finance Director's review

Siobhán Talbot
Group Finance Director

"We delivered a strong performance in 2010 underpinned by the recovery in our Dairy Ingredients Ireland business and strong organic revenue growth in Global Nutritionals."

Results as reported	2010	2009	Change
Revenue[1]	€2,166.7m	€1,830.3m	+ 18.4%
EBITA	€151.6m	€125.0m	+ 21.3%
EBITA margin	7.0%	6.8%	+ 20 bps
Operating profit	€136.5m	€111.2m	+ 22.8%
Operating margin	6.3%	6.1%	+ 20bps
Net finance cost	(€22.1m)	(€24.0m)	- €1.9m
Share of results of Joint Ventures & Associates[1]	€10.1m	€10.2m	- €0.1m
Profit before taxation	€124.5m	€97.4m	+ 27.8%
Income taxes	(€25.5m)	(€19.1m)	+ €6.4m
Profit for the year	€99.0m	€78.3m	+ 26.4%
Exceptional items	€10.2m	€45.7m	-€35.5m
Basic earnings per share	36.86c	38.46c	- 4.2%
Adjusted earnings per share[2]	38.07c	30.68c	+ 24.1%
Dividend per share in respect of the full year	7.52c	6.84c	+ 10%

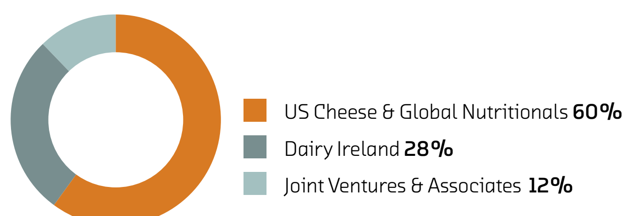
(1) Revenue including Glanbia's share of the revenue of Joint Ventures & Associates was €2.6 billion for the full year, compared with €2.1 billion for 2009. Share of results of Joint Ventures & Associates is an after interest and tax amount.
(2) Adjusted earnings per share is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets (net of tax).

2010 finance review

Glanbia delivered a strong performance in 2010:

- Dairy Ingredients Ireland returned to profitability after a first time loss in 2009;
- Strategic cost management programmes in Dairy Ireland delivered targeted annualised savings;
- Organic revenue growth in Global Nutritionals significantly outpaced market growth rates;
- Revenue increased 18.4%; up 15.6% on a constant currency basis;
- EBITA increased 21.3%; up 21.4% on a constant currency basis;
- EBITA margin grew 20 basis pvoints to 7.0%; up 40 basis points to 7.2% on a constant currency basis;
- Adjusted earnings per share (Adjusted EPS) increased by 24.1% to 38.07 cents per share; and
- Dividends increased by 10% to 7.52 cents per share.

Total Group EBITA including Joint Ventures & Associates



Total
€173.2 million

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

Segmental revenue, profitability and margins[1] – pre exceptional

	2010					2009				
	Revenue €m	Operating profit €m	Operating margin	EBITA[2] €m	EBITA margin	Revenue €m	Operating profit €m	Operating margin	EBITA[2] €m	EBITA margin
US Cheese & Global Nutritionals	1,021.9	93.8	9.2%	104.5	10.2%	792.4	90.0	11.4%	100.3	12.7%
Dairy Ireland	1,138.6	43.5	3.8%	47.9	4.2%	1,028.8	24.0	2.3%	27.5	2.7%
Other Business	6.2	(0.8)	(12.9%)	(0.8)	(12.9%)	9.1	(2.8)	(30.8%)	(2.8)	(30.8%)
Group as reported[3]	**2,166.7**	**136.5**	**6.3%**	**151.6**	**7.0%**	**1,830.3**	**111.2**	**6.1%**	**125.0**	**6.8%**
JVs & Associates	416.6	21.6	5.2%	21.6	5.2%	297.6	17.4	5.8%	17.4	5.8%
Total including JVs & Associates	**2,583.3**	**158.1**	**6.1%**	**173.2**	**6.7%**	**2,127.9**	**128.6**	**6.0%**	**142.4**	**6.7%**

(1) Pre exceptional items.
(2) Given the nature of Group acquisitions in recent years, EBITA is an accurate reflection of underlying cash generative operating performance.
(3) Reported results exclude Joint Ventures & Associates. Share of results of Joint Ventures & Associates in the income statement is an after interest and tax amount.

Segmental analysis

Group revenue increased 18.4% to €2.2 billion (2009: €1.8 billion). Total Group revenue, including share of Joint Ventures & Associates, grew 21.4% to €2.6 billion (2009: €2.1 billion). The strong growth in revenue is attributable mainly to the improvements in global dairy and US cheese markets in 2010 and continued strong organic volume growth in Global Nutritionals. Revenue in US Cheese & Global Nutritionals was up 29.0% to €1.0 billion (2009: €792.4 million). Revenue in Dairy Ireland grew 10.7% to €1.1 billion (2009: €1.0 billion). Revenue in Joint Ventures & Associates grew 40.0% to €416.6 million (2009: €297.6 million).

Group EBITA increased 21.3% to €151.6 million (2009: €125.0 million). Total Group EBITA, including Joint Ventures & Associates, grew 21.6% to €173.2 million (2009: €142.4 million). This improvement in performance is driven by the return to profitability of Dairy Ingredients Ireland with EBITA for Dairy Ireland improving by 74.2% to €47.9 million (2009: €27.5 million).

US Cheese & Global Nutritionals delivered reasonable year-on-year EBITA growth, underpinned in particular by a good performance by Global Nutritionals. US Cheese & Global Nutritionals EBITA grew 4.2% to €104.5 million (2009: €100.3 million).

Group EBITA margin grew 20 basis points to 7.0% (2009: 6.8%). Total Group EBITA margin, including Joint Ventures & Associates, was in line with 2009 at 6.7%.

Dairy Ireland EBITA margin at 4.2% grew 150 basis points (2009: 2.7%), driven by the strong recovery in Dairy Ingredients Ireland following a loss in 2009, offset by margin pressures in Consumer Products. US Cheese & Global Nutritionals EBITA margin declined 250 basis points to 10.2% (2009: 12.7%). Lower margins were as a result of higher input costs, significant brand and people investment by Global Nutritionals and volatile market conditions and milk cost premiums in US Cheese.

Group operating profit, including Joint Ventures & Associates, increased by 22.9% to €158.1 million (2009: €128.6 million). Group operating margin, including Joint Ventures & Associates, increased 10 basis points to 6.1% (2009: 6.0%).

Joint Ventures & Associates

Glanbia has three principal 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. Joint Ventures & Associates had a reasonable year. Revenue and operating profit improved primarily as a result of market price increases in US cheese and European mozzarella markets. Glanbia expanded its cheese position in 2010 to become one of the largest US manufacturers of American-style cheddar cheese, following the 40% expansion in production capacity of Southwest Cheese in New Mexico. This project was delivered on time and on budget.

The Group's share of results of Joint Ventures & Associates was €10.1 million, down marginally from €10.2 million in 2009. A table is set out on page 40, which reconciles Joint Ventures & Associates operating profit with share of results, as reported in the income statement.

Further information

Joint Ventures & Associates 40

Financing KPIs

	2010	2009
EBITDA	€182.8m	€152.5m
Free cash flow	€65.5m	€66.1m
Net debt	€408.1m	€442.6m
Net debt/Adjusted EBITDA(1)	2.1 times	2.6 times
Return on capital employed(2)	12.9%	11.2%

(1) Adjusted EBITDA for the purpose of financing ratios reflects Group EBITDA plus dividends from Joint Ventures & Associates.
(2) Return on capital employed is calculated as EBITA, including share of Joint Ventures & Associates EBITA, (post tax) over capital employed. Capital employed is defined as non-current assets plus working capital and includes Glanbia's share of the capital employed of the Joint Ventures & Associates.

Key financial covenants

Key financial covenants	Covenant	2010	2009	2008
Net debt(1) : Adjusted EBITDA(2) (times)	3.3	2.1	2.6	2.7
Adjusted EBIT(3) : Net finance costs (times)	3.5	6.7	5.4	6.4

(1) Including €63.5 million cumulative redeemable preference shares.
(2) Adjusted EBITDA reflects Group EBITDA plus dividends from Joint Ventures & Associates.
(3) Adjusted EBIT reflects Group EBIT plus dividends from Joint Ventures & Associates.

Net financing costs

Financing costs decreased by €1.9 million to €22.1 million (2009: €24.0 million) mainly due to lower interest rates in the year.

Taxation

The 2010 tax charge pre exceptional increased by €6.4 million to €25.5 million (2009: €19.1 million) reflecting increased profitability. The Group's effective tax rate in 2010, excluding Joint Ventures & Associates, was 22.3% (2009: 21.9%).

Exceptional items

In 2010, further revisions to the Group's pension arrangements for three additional Irish pension schemes were finalised, reflecting the planned continuation of the revision to pension arrangements which commenced in 2009. This gave rise to a further net reduction in pension liabilities and resulted in an exceptional credit of €10.2 million.

Basic earnings per share

Basic earnings per share (EPS) decreased 4.2% to 36.86 cents per share (2009: 38.46 cents per share), as a year-on-year reduction in net exceptional credit items of €25.2 million was partly offset by an increase in Group profit after tax of €20.7 million.

Adjusted earnings per share

Adjusted EPS is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets (net of tax). Adjusted EPS increased 24.1% to 38.07 cents per share (2009: 30.68 cents per share) driven mainly by the improved performance of Dairy Ingredients Ireland and a good performance in Global Nutritionals. A detailed calculation of adjusted EPS is shown in note 12 of the financial statements on page 105.

Financing KPIs

Net debt decreased by €34.5 million in the year to €408.1 million (2009: €442.6 million). The reduction in net debt, despite an adverse foreign exchange movement of €16.8 million (primarily on USD denominated debt) was due mainly to an increase in EBITDA performance.

The Group focused on cash management in the year, reducing the year end net debt/ adjusted EBITDA to 2.1 times (2009: 2.6 times). This is well within the Group's banking covenant of 3.3 times.

In 2010, adjusted EBIT to net financing cost cover improved to 6.7 times (2009: 5.4 times). The Group's average interest rate for the full year 2010 was 4.2% (2009: 4.3%). Glanbia operates a policy of fixing a significant amount of its interest exposure with approximately 75% of year-end debt currently contracted at fixed rates for 2011.

Return on capital employed is a post tax measure of the returns earned by the Group on capital invested including Joint Ventures & Associates. This return increased 170 basis points in the year to 12.9% (2009: 11.2%), due to the improved level of operating performance of the Group.

Group financing facilities

The Group has total committed debt facilities of €734.2 million incorporating bank facilities of €670.7 million and €63.5 million cumulative redeemable preference shares. Credit facilities are held with nine banks under bilateral arrangements with common documentation and terms. €160.7 million of the facilities are renewable in July 2012 and €510.0 million in July 2013. The €63.5 million cumulative redeemable preference shares mature in July 2014.

Glanbia will be reviewing overall Group financing in 2011 as part of the normal renewal process.

Summary cash flow

	2010 €m	2009 €m	Change €m
EBITDA pre exceptional	182.8	152.5	+ 30.3
Working capital movement	(53.6)	(18.8)	- 34.8
Net interest and tax paid	(34.5)	(30.7)	- 3.8
Business sustaining capital investment	(17.3)	(20.1)	+ 2.8
Other outflows	(11.9)	(16.8)	+ 4.9
Free cash flow	**65.5**	**66.1**	**- 0.6**
Dividends from joint ventures	11.2	17.9	- 6.7
Loans repaid by/(advanced to) joint ventures	23.3	(21.5)	+ 44.8
Strategic capital expenditure	(16.2)	(23.6)	+ 7.4
Restructuring costs	(9.8)	(14.1)	+ 4.3
Equity dividends	(20.5)	(19.5)	- 1.0
Cash flow pre currency exchange/fair value adjustments	**53.5**	**5.3**	**+ 48.2**
Currency exchange/fair value adjustments	(19.0)	4.2	- 23.2
Net decrease in debt during the year	**34.5**	**9.5**	**+ 25.0**
Net debt at the beginning of the year	(442.6)	(452.1)	+ 9.5
Net debt at the end of the year	**(408.1)**	**(442.6)**	**+ 34.5**

Summary cash flow

Free cash flow decreased year-on-year by €0.6 million to €65.5 million (2009: €66.1 million). Free cash flow is after charging working capital movements and business sustaining capital expenditure, but before dividends received from Joint Ventures, loans repaid by/advanced to Joint Ventures, strategic capital expenditure, restructuring costs, and equity dividends.

The minimal movement in free cash flow arose as the higher EBITDA in 2010 was offset by year on year investment in working capital due to strong volume growth in Global Nutritionals and higher global dairy and US cheese markets.

In 2010, dividends received from joint ventures were €11.2 million (2009: €17.9 million) and reflect a sustainable level of cash return to the Group from key strategic joint ventures. Loans advanced to Southwest Cheese during 2009 of €21.5 million, to fund the capacity expansion, were repaid during 2010.

As the Group conserved cash during 2010, strategic capital expenditure reduced by €7.4 million to €16.2 million (2009: €23.6 million).

Movement in the liability for retirement benefit obligations

	2010 €m	2009 €m
At the beginning of the year	**(85.8)**	**(164.4)**
Exchange differences	(1.0)	(1.8)
Disposed operations	–	(1.3)
Total expense	(7.1)	(12.8)
Curtailment gains and negative past service costs	10.2	100.1
Actuarial gain/(loss)	13.4	(31.2)
Employer contributions	21.7	25.6
At the end of the year	**(48.6)**	**(85.8)**

Pension

At 1 January 2011 the Group's net pension liability under IAS 19 'Employee Benefits', before deferred tax, decreased by €37.2 million to €48.6 million (2009: €85.8 million). A strategic review of the Group's pension arrangements was completed during 2009 following which the Group revised benefits under the main Irish defined benefit schemes giving rise to an exceptional gain and corresponding reduction in the pension deficit of €100.1 million. During 2010, revisions to the Group's pension scheme arrangements for three additional Irish pension schemes, consistent with the revisions made in the Group's main pension schemes, have been finalised. This gave rise to an exceptional gain in the year of €10.2 million.

The fair value of the assets of the pension schemes at 1 January 2011 was €389.3 million (2009: €349.2 million) and the value of the scheme liabilities was €437.9 million (2009: €435.0 million).

Dividends

The Board is recommending a final dividend of 4.49 cents per share (2009: final dividend 3.95 cents per share). This brings the total dividend for the year to 7.52 cents per share (2009: 6.84 cents per share), an increase of 10%.

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 does not trade in financial instruments. The Group's treasury policies and guidelines are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks.

The Board agrees and regularly reviews these policies and guidelines. 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 management section of this report.

Financial statements Note 3.1 90
Risk management 27

Further information on Divisional performance

US Cheese & Global Nutritionals 36
Dairy Ireland 38
Joint Ventures & Associates 40

Investor relations

In 2010, Glanbia senior management participated in over 100 investor meetings in Ireland, the UK, Europe and North America. In addition, the Group attended five capital market conferences and hosted capital market investor events in Ireland and the UK, focused on US Cheese & Global Nutritionals.

Glanbia's largest shareholder is Glanbia Co-operative Society Limited, which own 54.5% of the Group. The investor relations programme for 2010 included a series of meetings of Glanbia plc senior management with the Council of the Society.

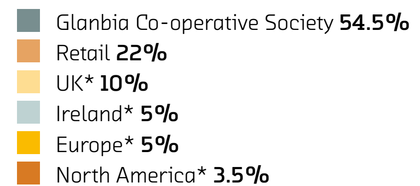
In 2010, the share price increased 27.4%. The share price high was €3.68 at year-end and the share price low during the year was €2.43. Total Shareholder Return (TSR) for the year was 30.2%. The share price outperformed the Irish Stock Exchange index by 30.4%, the FTSE E300 Index by 20.1%, the S&P 500 Index by 14.6% and the FTSE E300 Food Producers Index by 7.7%.

Events after the reporting period

On 19 January 2011, Glanbia announced the acquisition of the Bio-Engineered Supplements and Nutrition business (BSN) for a total consideration of $144 million (€108 million). The business was acquired on a debt free basis and is expected to be earnings enhancing in 2011. The acquisition was funded from Glanbia's existing banking facilities.

On 12 January 2011, the Group acquired the business and assets of Kerry Group plc's Limerick based liquid milk business, subject to regulatory approval.

Shareholder analysis
December 2010



* Institutional/other

2011 outlook

The current 2011 outlook for the Group is good. Including BSN, adjusted earnings per share growth is expected to be in the range of 11% to 13% for the year, on a constant currency basis. Following the acquisition of BSN, 2011 will be a period of consolidation as we ensure this business is integrated well and we continue to drive organic opportunities across the Group. We will continue to focus on costs, so that our operations are on a sustainable and competitive cost base. We will also be reviewing the Group's financing facilities during 2011 as part of the normal facility renewal cycle. Overall, we look forward to another year of growth.

Siobhán Talbot
Group Finance Director

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

Risk management: principal risks and uncertainties

The Board determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Across the business, there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on significant risks faced by the Group. This process has been in place for the year under review and up to and including the date of approval of the 2010 Annual Report. Risk identification processes take into account the four strategic priorities and five 2011 business focus areas outlined on page 10. A summary of the key risks identified, potential impacts and mitigating actions are set out below.

Strategic priorities and related risks

1. Align to key customers and markets

Risk description	Potential impact	Mitigation
Certain key customers represent a significant portion of Group revenue and operating profits. The loss of all or part of one or more of these customers represents a concentration risk to the business.	Reduced profitability and cash flow.	The Group believes that it currently enjoys good relationships with major customers and continues to manage and develop these relationships by focusing on superior customer service, product innovation, quality assurance and cost competitiveness. The Group continues to expand its geographic footprint to better serve its key customers and to provide a platform for future growth.

2. First class science-based innovation

Risk description	Potential impact	Mitigation
Increasing competition, product innovations, technical advances and changing market trends provide a constant challenge to the future success of the Group and its ability to successfully adapt.	Such changes may have material adverse effects on the Group's financial performance.	Glanbia's main innovation centre is located in Ireland with a further innovation and customer collaboration centre in the USA as well as associations with a number of research programmes at third level institutions. Research and development expenditure is focused on value added and customer specific solutions in sectors where Glanbia has significant technical and market knowledge.

3. Effective risk and capital management

Risk description	Potential impact	Mitigation
A failure by the Board to manage risk or make correct capital allocation decisions may impact the Group's objective of maximising shareholder return.	Loss of shareholder value. Inability to achieve strategic objectives.	The Group has a comprehensive programme for the identification and management of risk. The Group manages capital by operating within specific debt ratios as outlined in the Group Finance Director's report. All significant investment and divestment decisions are approved by the Board based on a range of financial criteria including return on capital employed. The Board will continue to focus on investments that are in line with Group strategy and capable of generating acceptable returns.

4. Operational excellence and strategic cost management

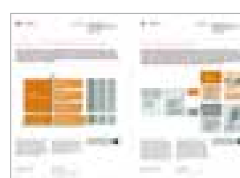
Risk description	Potential impact	Mitigation
A breach of existing environmental laws and regulations or the introduction of new more onerous legislation.	Reputational damage and regulatory penalties including restrictions on operations, damages or fines. Increased cost of compliance with modified or new legislation. Adverse operational consequences.	The Group is committed to compliance with regulations. We continue to invest in energy efficiency advancements, carbon reduction and emission programmes and recycling.
A breach of food safety legislation or the introduction of more stringent regulations.	Reputational damage and regulatory penalties including restrictions on operations, damages or fines. Product recall costs. Additional labelling requirements. Damage to customer relationships.	The Group conforms to international and local food safety, quality and environmental regulations and employs best practice across all its production facilities to maintain the highest standards. The Group maintains product liability insurance. Key sites have quality accreditations from external parties.
Contamination of products and/or raw materials.	Reputational damage and regulatory. penalties. Product recall costs, lost revenues and reduced growth prospects.	The Group conforms to international and local food safety, quality and environmental regulations and employs best practice across all its production facilities to maintain the highest standards. Key sites have quality accreditations from external parties.
A breach of health and safety regulations.	Reputational damage and regulatory penalties.	An independent risk consulting firm conducts an annual health and safety audit for the Group's main locations the results of which are presented to and considered by the Audit Committee.
Loss of capacity at a major site.	Inability to service customer requirements. Adverse impact on reputation. Reduced profitability and cash flow.	All business operations have business continuity plans in place including where relevant identification of alternative production locations. The Group monitors overall safety and loss prevention performance through the Glanbia risk management system (GRMS) to assist operational management responsible for the day to day management of business risk. A comprehensive insurance programme is in place for all significant insurable risks and major catastrophes.
One of our major ingredient suppliers being unable to fulfill product demand requirements.	Inability to service new and existing customer requirements. Operational efficiencies impacted.	A broad supplier base is maintained where possible. Management continuously seeks out and assesses additional sources of supply for key raw materials. The Group has invested heavily in supply chain resources and systems. Regular quality control assessments including supplier site audits are conducted to ensure the areas of greatest social, political and economic exposure are identified.
A significant increase in energy costs impacting the Group's large scale processing operations.	Adverse impact on cash flow and earnings.	Energy efficiency programmes are operated across all sites. When required the Group will enter into fixed price arrangements to cover certain future energy requirements.

Further information

Chairman's introduction to corporate governance

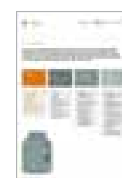
42

Our business models



20

Our strategy



10

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

2011 Business focus and related risks

1. Successful integration of BSN acquisition

Risk description	Potential impact	Mitigation
Acquisition failure to deliver in accordance with business case objectives.	Intended business benefits not realised impacting profitability and growth. Integration efforts may result in an excessive diversion of management attention.	Glanbia has significant knowledge of the performance/sports nutrition sector. There is regular reporting against targets outlined in the acquisition business case. The Group has significant post acquisition integration experience within the Group management team. The acquired entity management team will be strengthened by the transfer of experienced Glanbia managers.

2. Achieve organic growth plans across each business unit

Risk description	Potential impact	Mitigation
Global economic downturn leading to declining consumer confidence.	Negative impact on profitability and cash flow.	The Group maintains a balanced spread of businesses and continues to diversify its earnings base in order to reduce volatility in financial performance. The Group continues to streamline its cost base as appropriate to ensure it remains competitive.
Volatile global dairy commodity markets.	Inability to deliver higher quality and less volatile earnings.	Globally the Group has employed a number of risk management tools to limit volatility but the Group's ability to pass back pricing volatility in dairy commodities to its Irish milk suppliers can be constrained by competitive conditions and the pricing methods employed. As the Group maintains a portfolio of businesses there are some natural hedges to global dairy markets within that portfolio.
Changes in the cost and availability of milk procurement can be impacted by a number of factors including quality, demand, weather conditions and agricultural policies.	Negative impact on earnings and cash flow.	Group milk procurement teams constantly monitor the milk procurement environment to ensure that the Group remains competitive and that plant utilisation is maximised. Milk supply agreements have been entered into where possible. A number of risk management tools are made available to suppliers in the USA to facilitate them in managing their businesses. Strong links are sustained with the supplier base in Ireland.

3. Deliver Group results in line with market expectations

Risk description	Potential impact	Mitigation
Deterioration in market conditions or business unit performance, impacting on Group results.	Reduced profitability and cash flow. Possible impact on the achievement of Group strategy.	Monthly reviews take place with all business units tracking actual performance against planned assumptions and determining corrective actions as required. Regular reviews are undertaken with senior management on the status of business unit strategic objectives. Business unit senior management teams and the Board assess key market trends and implications for Group performance on an ongoing basis.
Foreign currency and interest rate exposure.	Unexpected variation in net earnings.	Exposures are monitored by the Group Treasurer with oversight by the Group Finance Director and the Group Managing Director. Regular liaison with business units on updated currency exposure reports.

4. Continue to develop people and organisation capability

Risk description	Potential impact	Mitigation
Recruitment and retention. The Group is dependent upon the quality, ability and commitment of key personnel in order to sustain, develop and grow the business.	The ongoing success of the Group being put at risk by failing to attract and retain high quality management and staff throughout the business.	The Group mitigates risk exposure through sustained succession management, strong recruitment processes, long term incentives and retention initiatives. The Group also operates management development programmes to ensure that there is a continuous pipeline of talent within the Group to support the ongoing growth and development of the business. The leadership structure provides a platform for management information to be relayed and discussed on a timely basis.

5. Review of Group financing facilities

Risk description	Potential impact	Mitigation
Refinancing of Group debt facilities is key to underpinning the liquidity requirements of the Group.	Lack of liquidity to sustain and grow the Group.	Strong current relationships with debt providers. Tight management of debt on a daily basis with significant headroom maintained against current covenants. New financing arrangements typically negotiated at least twelve months prior to expiration.

Risk management governance

Assurance/self assessment

- **Group Operating Executive reporting**
  Monthly performance reports and quarterly risk assessment
- **Financial reporting**
  Ongoing procedures in place designed to ensure financial reporting reliability
- **Management representation letter**
  Bi-annual process to assess the effectiveness of internal controls over financial reporting
- **Control self assessment**
  Bi-annual programme to assess internal control and fraud prevention processes
- **Internal Audit function**
  Audit plan and output reviewed by the Audit Committee

Risk management

- **Review & Identify**
  Quarterly key risk review by each business unit CEO and function head
- **Evaluate**
  Risks analysed for impact and probability to determine the exposure
- **Respond**
  Risk owners and action plans identified to manage key risks
- **Report**
  Risk exposure, risk velocity and mitigation reviewed by the Group Risk Committee and the Board

Operational framework

- The Group risk management structures operate within a framework of defined organisation structure, mandated policies and processes and delegated authority to key personnel.

Our responsibilities

Over 60 Irish employees climbed Ireland's highest mountain in September 2010 and raised almost €23,000 for Barretstown summer camp for sick children

Our responsibilities

Our corporate responsibilities include appropriate business conduct and accountability, fairness and respect for employees, health and safety, respect for the environment and community involvement. Our goal is to develop a sustainable business and to contribute to the communities in which we operate.

Our people

We employed an average of 4,313 people, including Joint Ventures & Associates, during 2010. While our average number of employees was very similar to 2009, there have been some significant changes by division.

Employee numbers reduced in Dairy Ireland by 148 people during the year following a reduction of 210 people in 2009. This reflects the rationalisation and change programme we implemented to put our Irish operations on a more sustainable and competitive base. This restructuring saw changes in operations, sales and administration, supply chain management and the implementation of significant new technology and automation. A key task for Human Resources (HR) throughout this period has been to ensure that the restructuring delivered effective change and productivity gains. In recognition of the delivery of this programme and to bring clarity and stability to the pay environment, a modest pay increase will be implemented this year for our Irish businesses following a pay freeze which was in place for 2009 and 2010.

In US Cheese & Global Nutritionals we have increased employee numbers by almost 7% to an average of 1,570 people. This is to enhance our capabilities and ensure we are appropriately resourced to take advantage of market growth opportunities as we expand the geographic reach and business horizons for these business units. We invested across a broad range of business areas including operations, business development, supply chain management, marketing, research and development.

2010 HR agenda

HR had clear business objectives in 2010. In the first instance it was to ensure successful delivery of the restructuring of the Irish businesses. In addition, during the first half of the year in particular it was to manage the uncertainty created by the proposed disposal of the Group's Irish Dairy and Agri businesses and to support the requirement to keep the business focused on performance delivery in 2010. Throughout the year, there were many employee communication initiatives to ensure that there was open and transparent dialogue.

A strategic review of the Group's pension scheme arrangements was completed during 2009 following which the Group revised benefits under the main Irish defined benefit schemes. During 2010, revisions to the Group's pension scheme arrangements for three additional Irish pension schemes, consistent with the revisions made in the Group's main pension scheme, have been finalised. These changes were necessary as a consequence of significant funding deficits experienced by these schemes and it is anticipated that the changes will place the defined benefit pension schemes on a firmer platform for the future.

Project Perform

Perform, which is a SAP based HR system, was rolled out across the Group in 2009. 2010 was a period of consolidation for this project to ensure that Perform was being used extensively within the business. Perform gives HR and business unit managers everything they need in relation to employees, salary and benefits, and puts performance/succession management processes at their fingertips. It also ensures that all essential HR processes are uniform across Glanbia. Feedback on Perform from business units has been very positive. The system is providing better quality information, performance management and manager/employee engagement.

People strategy

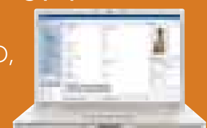
Our HR strategy is consistent and has two core priorities:

1. Sustained succession management, which identifies people who have the potential to develop to the next level and focuses on making sure that the Group has the right mix of people, experience and skills to deliver its business plans and strategic objectives; and
2. Ensuring an effective HR organisation and systems to support the global scale of Glanbia's operations.

During the year we made a series of changes to the leadership organisation of Glanbia, strengthening how we manage our business and the Group's governance and risk framework. Externally facilitated coaching is being provided to members of the new leadership organisation to improve their effectiveness and increase their value and contribution to the organisation.

"The new HR system has been a great help to my team and me. It saves us effort as everything is recorded electronically, and I now have all the information I need at my fingertips, so it is very empowering. I can now manage our Performance Development and Succession Management processes using the interactive workflow. My team is up to date on their development objectives and my boss is in the loop at all times. The focus is now around performance and the delivery of the strategy rather than chasing paper."

Jeff Williams,
President & CEO,
US Cheese



Health and safety

Health and safety is at the heart of our corporate responsibility. Protecting our employees, contractors and all visitors is fundamental to our business philosophy. We are committed to developing and maintaining a positive health and safety culture, in which statutory requirements are viewed as a minimum standard and strong performance is our goal. In 2010, we ranked safety across the Group through a detailed technical survey. We also undertook health and safety audits at 23 Glanbia sites during the year. The results of both demonstrate a continuous improvement across all health and safety measures throughout the Group.

Health and safety is embedded in risk management as part of our strategic priority to achieve operational excellence. The Glanbia Risk Management System underpins a systematic approach to ensuring a safe workplace for all employees. Strong management teams and committed senior management have proven to be critical to the successful implementation of good safety practice in all locations. In 2010, we conducted a health and safety forum to share best practice from around Glanbia to promote a strong health and safety culture.

Environmental highlights

Glanbia has major processing operations and significant consumer facing businesses in Ireland and the USA. At a minimum we seek to comply with all regulatory and legislative requirements and we are also committed to improving our environmental performance across the Group each year.

Dairy Ireland

Dairy Ingredients Ireland has two principal locations, including the largest integrated dairy processing facility in Europe. This business unit had a strong environmental performance in 2010:

- Energy efficiency per tonne of product produced improved by 4.5%
- Production carbon emissions are down 25% since 2005;
- A 7.5% reduction was achieved in site waste and 285 tonnes was diverted from landfill due to recycling; and
- Chemical use in waste water treatment reduced by 16%.

Dairy Ingredients Ireland

Dairy Ingredients Ireland was acknowledged as a leader in energy efficiency by the European Committee of Standardisation at the launch of Europe's newest energy management system, EN 16001. Dairy Ingredients Ireland is understood to be the first dairy company in the world to achieve this standard and this business unit was fully compliant in 2010.

Dairy Ingredients Ireland also has ISO 14001 accreditation for environmental management systems and the ISO 14001 Environmental Standard audit conducted during the year at the Virginia facility resulted in its best ranking ever with zero non-conformances. This demonstrates a strong commitment to environmental governance and continuous environmental improvement by Dairy Ingredients Ireland. One of the biggest accomplishments for this facility was on heat recovery processes with energy savings achieved at both the primary and secondary stages.

Pictured left to right:
Tommy Walsh, Jackie Tyrell, Colin Gordon,CEO, Consumer Products, TJ Reid and Michael Rice

Sponsorship in the community

In 2010, Glanbia signed a new three-year sponsorship deal with Kilkenny senior hurlers to continue what has become one of the most successful sponsorships in Irish sport. Under the Avonmore brand, Glanbia and Kilkenny hurling have enjoyed a particularly successful partnership over the last ten years. During this period Kilkenny has become one of the most successful teams of all time winning seven All Ireland titles (including four in a row).

Since 2005, under the Avonmore Supermilk brand, Glanbia is the sole sponsor of Munster Schools & Youths Rugby. The sponsorship includes Munster Schools Senior & Junior Cups, sponsorship of Munster Schools Interprovincial Team and the U17 & U19 Munster Youths Cups as well as the Munster Youths Interprovincial team. These competitions cover all schools in the province along with all senior and junior clubs. Sport sponsorships are an ideal fit for Glanbia in promoting a healthy and active lifestyle.

Consumer Products

Consumer Products energy management system was successfully accredited to the EN 16001 standard in 2010. This is the first multi site accreditation to the EN 16001 standard in Ireland. This management system complements the environmental management system ISO 14001 which is in place since 2003. The energy management system is fundamental to reducing the carbon dioxide (CO_2) emissions and simultaneously decreasing fossil fuel consumption and associated costs. Consumer Products reduced CO_2 emissions in 2010 by 9%.

Packaging formats and the materials used in packaging are continuously evaluated with a view to improving their impact on the environment. To this end, the liquid milk production facilities have ceased the use of phosphorous based detergents and the weight of some packaging formats has been reduced by 3%. Working with suppliers, Consumer Products are using only cartons which are produced from independently sustainable forests verified by organisations such as Forest Stewardship Council.

The business unit is currently recycling 60% of all its waste and in conjunction with its suppliers, Consumer Products is developing reuse and recycle loops which will enable a further 5% improvement in recycling rates.

US Cheese

Our US Cheese operations had a successful environmental performance this year improving water conservation, emissions and energy usage.

In 2010, our cheese operations in Idaho had one of the most successful water conservation years in recent history. This business unit reduced water usage across all operations by 12%. Several major projects related to condensate and polished water reuse, closed circuit cooling systems, and efficient utilisation of water during cleaning and sanitation processes resulted in over 74 million gallons of water being conserved. Connected to the successful water conservation is a continued reduction in carbon dioxide-equivalent (CO_2-e) emissions as a result of less water being pumped from natural sources and more energy efficient operations overall. CO_2-e emissions show a downward trend reflecting the implementation of numerous energy efficiency projects undertaken at the Idaho facilities. Emissions per tonne of product produced reduced by 7% since 2008. In 2010, US Cheese also continued to fully utilise its own renewable biogas energy resource. Biogas is generated as a result of treating wastewater at the Gooding facility. In 2010, over 1 billion cubic feet of biogas was used as fuel in the Gooding facility boilers.

CHAIRMAN'S STATEMENT
GROUP MANAGING DIRECTOR'S REVIEW
OUR BUSINESS MODELS
GROUP FINANCE DIRECTOR'S REVIEW
RISK MANAGEMENT
OUR RESPONSIBILITIES

Brian Phelan, Group Human Resources & Operations Development Director, Maria Porter, Glanbia Consumer Products 'Champion', Dee Ahearn, Chief Executive Barretstown with the Mulvey family, former Barretstown campers at the presentation by Glanbia staff of €60,000 to the charity.

"We are so thankful to Glanbia and all its fantastic employees who have made a tremendous contribution to life at Barretstown since this partnership began over two years ago. Glanbia has proven to be such fantastic supporters of the camp on so many levels and we look forward to continuing this relationship in the coming years. The Glanbia 'Champions' and employees all over Ireland should be so proud and know that they have made a direct impact on over 2,000 children and their families who are living and dealing with childhood cancer. On behalf of the camp, the children and families I would sincerely like to thank Glanbia and its employees for their tremendous contribution".

Dee Ahearn, Chief Executive of Barretstown

Southwest Cheese joint venture

In 2010, there was a 40% expansion of production capacity at Southwest Cheese and in conjunction with this expansion many sustainability improvement projects are being implemented to improve efficiency of those operations. This is an ongoing process.

In 2010, the amount of water used to process a pound of milk has reduced by 16% and further gains are expected in 2011 on foot of the new facilities and related sustainability improvement projects. CO_2 emissions declined year on year by 15% per pound of product processed, reflecting the positive benefits of the various environmental initiatives undertaken in 2010. Southwest Cheese achieved biogas generation and usage of 61 million cubic feet of biogas in 2010. In 2011, the target is 1 billion cubic feet.

Local community initiatives

Glanbia has a long tradition of working with local communities through corporate giving, sponsorship and employee volunteering. 2010 was another strong year of support.

Ireland

Glanbia's collaboration with Barretstown commenced in 2008 and has proven to be a highly successful three tiered partnership incorporating the Group, the Avonmore brand and employee fundraising. The association of Barretstown with the Avonmore brand aligns our corporate and employee giving with our business strategy. A corporate donation of €250,000 plus employee fundraising of €60,000 saw Glanbia donate €310,000 to the charity in 2010. Avonmore's sponsorship of weather forecasts on Irish television as part of its brand strategy is being used to highlight Glanbia's association with the charity and on-pack promotions gives Barretstown substantial exposure across Ireland on a daily basis.

During 2010 there was a lot of team spirit and dedication among employees in support of Barretstown, who rowed in behind their business unit 'Champions' and volunteered their personal time and money for the benefit of the many sick children and families that attend Barretstown camp. Record numbers participated in the many events organised throughout the year in an effort to achieve the fundraising goal, including:

- Over 420 cyclists who took part in the Tour de Kilkenny in August; and
- Over 60 Irish employees climbed Ireland's highest mountain in September 2010 and raised almost €23,000.

The money raised by Glanbia is a significant contribution to the running of Barretstown and the Group's contribution helped 220 sick children attend a 10-day summer camp this year.

USA

It is a million dollars ago that the US Cheese team started an annual charity golf event to raise money for local charities. $20,000 was raised in the first year and over the past 17 years over $1 million has been donated to more than 50 local non-profit groups in the Magic Valley in Idaho. With the help of golfers, sponsors and Glanbia volunteers, a million dollar event has been created. $115,000 was raised in 2010.

Following the end of a two year partnership with Shriner's Hospitals in the USA, US Cheese decided to work with community projects in the town of Gooding, Idaho where they have a major facility. A committee was established consisting of employees and representatives from the town to explore the community's needs. The first project was Christmas decorations for the streets of Gooding as the old lights dated back to the 1950's. The team also distributed cheese to the teachers, staff and administrators of local schools, in recognition of their contribution and the importance of their work in the community. This partnership will be developed further during 2011.

US Cheese & Global Nutritionals

	Constant Currency			Reported	
	2010	2009	Change	2010	Change
Revenue	€971.5m	€792.4m	+ 22.6%	€1,021.9m	+ 29.0%
Operating profit	€93.9m	€90.0m	+ 4.3%	€93.8m	+ 4.2%
Operating margin	9.7%	11.4%	- 170bps	9.2%	- 220bps
EBITA	€104.6m	€100.3m	+ 4.3%	€104.5m	+ 4.2%
EBITA margin	10.8%	12.7%	- 190bps	10.2%	- 250bps
EBITDA	€116.8m	€110.0m	+ 6.2%	€116.7m	+ 6.1%

Results are stated pre exceptional items

Results overview on a constant currency basis

In 2010, US Cheese & Global Nutritionals revenue increased 22.6% to €971.5 million (2009: €792.4 million). Operating profit pre exceptional increased 4.3% to €93.9 million (2009: €90.0 million). Operating margin pre exceptional decreased 170 basis points to 9.7% (2009: 11.4%). EBITA pre exceptional increased 4.3% to €104.6 million (2009: €100.3 million). EBITDA pre exceptional increased 6.2% to €116.8 million (2009: €110.0 million).

US Cheese

Given the trading environment, US Cheese performed reasonably well in 2010, however profits and margins were lower than 2009. Good revenue growth was achieved mainly as a result of better cheese market prices, which improved on the historical lows reached in 2009. Market demand was solid and export demand grew strongly from a relatively low base. Production volumes were lower in 2010 as a consequence of the planned major refurbishment of the smaller of the Idaho cheese plants in the first half. In addition, following a very difficult farming environment in 2009, milk production was tight particularly in the first half. This placed pricing pressure on securing supply, necessitating the payment of milk premiums during the year. Overheads were also higher as the business invested in supply chain management, technical services to cheese customers and risk management services to milk suppliers. While supply pressures eased somewhat into the second half, cheese markets were volatile and difficult, particularly in the fourth quarter when markets declined sharply. This was due to a combination of relatively high US cheese stocks and softer buyer demand.

For details of **US Cheese & Global Nutritionals management**

47

The Twin Falls plant refurbishment project was a significant operational success for the US Cheese team in 2010. The project involved upgrading the plants infrastructure and processing equipment. The timing of this project coincided with the commissioning of Southwest Cheese's capacity expansion, which enabled US Cheese to seamlessly continue to meet our customers' product requirements.

Strategically, the business is well positioned to continue to grow. This will be achieved through increasing added value services and products for customers, further improving the industry-leading level of efficiency and taking advantage of long term, scale growth opportunities internationally for US Cheese.

2011 outlook

A strong rally commenced in US cheese markets in early 2011, as a result of a perceived overcorrection in the fourth quarter of 2010. While overall milk supply is expected to grow modestly in 2011, we expect other dairy product prices to outpace cheese prices and as a result the milk procurement environment will remain very competitive. US Cheese continuously monitors the balance of milk cost to milk availability as part of risk management and has continued its strategy of reducing its exposure to US cheese market price volatility through hedging mechanisms. Glanbia is forecasting steady domestic US demand with expanding exports to international markets in 2011. Overall, an improved performance is expected for US Cheese this year.

Global Nutritionals

Global Nutritionals had a good year, with strong volume and revenue growth outpacing general market growth rates in all three business units. There was strong demand globally for sports nutrition and protein fortified products for weight management, active ageing, infant formula and fortified bar and beverage products.

Ingredient Technologies

Ingredient Technologies had a good year in 2010 as higher and broader demand, both geographically and by sector, together with higher global whey prices drove good revenue, profit growth and higher margins. Key factors in the 2010 market environment were increasing demand from the sports nutrition sector, more mainstream uptake of whey in bars and beverages, demand in new sectors such as processed and natural meats, prepared foods and yoghurts and growing consumer requirements for clean labelling and use of natural ingredients. The trends during 2010 are anticipated to continue through 2011.

For further information:
www.glanbianutritionals.com
www.glanbiausa.com
www.optimumnutrition.com
www.bsnonline.net

Highlights for Ingredient Technologies for the year include:

- Strong innovation and product development with:
  - good success in the growing lifestyle/granola and bar sector;
  - numerous launches globally to sports nutrition customers;
  - a range of novel functional whey propositions for processed food applications; and
  - partnering with customers to develop different protein beverage offerings and new whey ingredients to facilitate the development of complex beverage solutions;
- Formulation success by incorporating an increasing level of non-dairy ingredients into ingredient solutions to expand the range of offerings to customers; and
- Restructuring of the regional business to drive growth in value-added solutions in key markets.

2011 priorities for this business are to continue to grow value-added solutions, leverage Glanbia's scale and regional spread, develop complementary ingredient opportunities, continue to drive international development and further enhance R&D to focus on customer partnering.

Performance Nutrition

Performance Nutrition also had a good year, driven by strong volumes and innovation. Revenue growth significantly outpaced market rates but margins declined due to increased investment in marketing and management together with the impact of higher input costs. The business continued to perform strongly both in the USA and internationally and key new product launches for 2010 exceeded expectations. The ABB brand was successfully repackaged and relaunched. A new product in the growing pre-workout energy category – Amino Energy – was also successfully launched. The business won a number of industry awards including four prestigious supplement awards for best protein powder, best supplement, best new supplement and best brand. In addition, ON brand athletes were voted the top male and female BodySpace spokes models for the year. BodySpace is the largest online fitness forum in the world with over 700,000 active profiles.

Internationally, Performance Nutrition established a clear route-to-market in key territories and has developed distribution relationships across the EMEA and Asia Pacific regions. Another key milestone was the launch of a transactional website enabling e-commerce in selected markets. At the moment this capability is live in Ireland, the UK and South Korea and we plan to roll it out to a wider audience over time.

Market growth in the sports nutrition sector both in the USA and internationally is estimated to be approximately 7% in 2011and total market size at retail selling price is in the region of $3 billion in the USA and $1.5 billion internationally. The powder sub-sector, where ON is particularly strong, is estimated to represent 85% of the total sports nutrition market.

Key priorities in 2011 for Performance Nutrition are:

- Seamlessly integrate BSN and evaluate growth opportunities;
- Enhance customer service through best in class operational efficiency;
- Continue to drive new product commercialisation;
- Continue to develop key brands in both the premium protein category and the energy category; and
- Investment in resources and facilities to drive business growth momentum.

Customised Premix Solutions

Customised Premix Solutions achieved good revenue growth in key market segments and continued to develop customer specific solutions for core end markets globally. Revenue, profits and margins were ahead of 2009. This business unit achieved very solid growth across all regions with both organic growth and new business development. In the market environment, there was an increasing rate of product innovation demand from customers, beginning a shift away from the product renovation and cost saving projects of recent years. Customised Premix Solutions is increasingly being recognised by multinational companies as a global provider with a broad product offering.

Key priorities for this business unit in 2011 are to continue to deliver exceptional service to our key customers, increase geographic coverage and deepen the customer base.

2011 outlook

Glanbia's core nutritionals sectors have strong structural market growth drivers that are expected to continue to gather pace in 2011 and beyond. The new customer collaboration centre in Idaho is contributing to building joint development plans with key customers for Global Nutritionals and supporting business growth objectives. Expectations are that Global Nutritionals will perform well overall in 2011.

Dairy Ireland

	2010	2009	Change
Revenue	€1,138.6m	€1,028.8m	+ 10.7%
Operating profit	€43.5m	€24.0m	+ 81.3%
Operating margin	3.8%	2.3%	+ 150bps
EBITA	€47.9m	€27.5m	+ 74.2%
EBITA margin	4.2%	2.7%	+ 150bps
EBITDA	€66.9m	€45.2m	+ 48.0%

Results are stated pre exceptional items

Results overview

Dairy Ireland made a good recovery in 2010, compared with a very difficult 2009. Revenue grew 10.7% to €1.1 billion (2009: €1.0 billion). Operating profit pre exceptional increased 81.3% to €43.5 million (2009: €24.0 million) and the operating margin pre exceptional increased 150 basis points to 3.8% (2009: 2.3%). EBITA pre exceptional increased 74.2% to €47.9 million (2009: €27.5 million). EBITDA pre exceptional increased 48.0% to €66.9 million (2009: €45.2 million).

Love Irish Food

Over 25 of Ireland's leading food and drink brands formed a new independent organisation called Love Irish Food. This was established to promote Irish manufactured food and drink brands to consumers, in a bid to help enhance the future of Ireland's largest indigenous industry which offers direct and indirect employment to over 230,000 workers. Consumer Products is a key supporter of this initiative, which celebrated its first anniversary in 2010.

loveirishfood.ie

For details of **Dairy Ireland management**

Dairy Ingredients Ireland

In 2010, market conditions improved across all global dairy product categories in line with firm demand and tight supply conditions. This delivered an improved performance in Dairy Ingredients Ireland, despite higher milk costs during the year. This business recovered from being loss making for the first time in 2009 but margins were at the lower end of the historical range.

There was a strong focus on cost management during the year and targeted saving initiatives both at gross margin and overhead level were achieved. A significant number of people exited the business resulting in considerable reorganisation of resources and reshaping of work systems. A reallocation of management and technical resources coupled with the first full year's operation of a new manufacturing execution system facilitated by SAP, the Group's IT platform, resulted in a step change in operational performance of the processing facilities. Cost reduction and value creation are on-going aims within the business and the focus on these areas will continue into 2011.

Dairy Ingredients Ireland was recognised as 'Innovation Exporter of the Year' by The Irish Exporters Association for its successful commercialisation of the specialist milk protein product called Solmiko. Significant progress was also made in developing the Middle East as a market for cheese and fat-filled milk powders through having a dedicated sales team in the region and offering customised cheese solutions for local processing by key customers.

Dairy Ingredients Ireland continues to examine methods for reducing the effects of global dairy market price volatility on both the business and its supplier base. Towards the end of 2010 a fixed milk price scheme for a period of three years was discussed with milk suppliers. The concept was well received and the business will seek to develop the scheme further to reflect more closely current market conditions.

Global dairy markets have risen further to date in 2011 and are currently expected to remain firm throughout the year. Dairy Ingredients Ireland is expected to perform well in 2011.

For further information:
www.glanbia.com
www.avonmoresupermilk.ie
www.glanbiaagribusiness.ie

Consumer Products 2010 awards:

- The Supermilk marketing campaign won a gold medal in 'advertising effectiveness' from The Institute of Advertising Practitioners in Ireland;
- A Gold Medal from the Marketing Institute of Ireland for Avonmore's Corporate Social Responsibility (CSR) programme with Barretstown camp for sick children;

For more on this see 31
Our responsibilities

- The milk production facility in Ballitore was shortlisted as a finalist in the National Standards Authority of Ireland Environmental awards;
- Consumer Products became the first Irish business to be awarded a multi-site award for IS 16001 energy management; and
- Consumer Products supply chain won a prestigious environmental award from the Chartered Institute of Transport and Logistics.

Pictured receiving the Marketing Institute of Ireland award were – L to R – Aidan Power, EBS Building Society and Robert Jordan, Marketing Manager, Glanbia Beverages.

Consumer Products

Market conditions for Consumer Products remained very challenging in 2010 and overall revenue, operating profit and margins were lower than 2009. Consumer confidence in Ireland declined as the year progressed and value remains the key focus in all food categories.

Consumer Products had a mixed year across its portfolio. The highlights include market share gains for Avonmore milk and a good performance in particular by the value added branded milk products. The innovations in Avonmore 'Easy Pour' jug and Supermilk continued to underpin branded milk volumes in 2010, with household penetration of Avonmore 'Easy Pour' jug increasing by 50% in the year. 2010 also saw Consumer Products achieve national distribution for the Avonmore milk range. Subject to regulatory approval, Consumer Products has agreed to acquire the Limerick-based liquid milk business of Kerry Group plc. This will enable Consumer Products expand its successful liquid milk business.

The trading environment for fresh dairy products was difficult in 2010 driven by intensive price promotion activity. For the food business overall it was a difficult year with margin pressure both on pricing and input costs.Significant cost reductions were achieved in the operational cost base driven primarily by headcount and process re-engineering. Consumer Products continued to invest in supply chain management in 2010 and now has the most advanced route-to-market capability within the chilled grocery sector in Ireland. While Consumer Products performance was lower year-on-year, this business is now on a more sustainable operating platform given the prevailing market conditions.

While underlying volume trends have stabilised for Consumer Products the market remains fragile and the trading environment for 2011 is expected to continue to be difficult. In 2011, Consumer Products plans to continue to drive cost reductions to offset input and promotional cost pressures. Overall performance for 2011 is expected to be broadly in line with 2010.

Agribusiness

In 2010, the recovery in milk and grain prices boosted farm incomes. This supported good volume growth across key categories of feed and fertiliser in Agribusiness during the year. Throughout 2010 the business focused on:

- cost reduction programmes to achieve a more sustainable and competitive cost base; and
- enhanced customer offering by developing focused business manager teams with capability to add value for farmer customers.

In 2010, the business performed broadly in line with 2009. In 2011, the Group expects a marginal improvement in performance through an improved product mix and continued tight management of the cost base.

CountryLife Garden Centres

From a standing start three years ago Agribusiness has developed a niche garden centre offering in our CountryLife retail outlets. This business has strong growth prospects centered on excellent customer service supported by horticultural expertise, strong product quality and competitive pricing. Just one year after opening, the CountryLife Garden Centre in Castlecomer, Co. Kilkenny, has been awarded the prestigious Bord Bia `2010 Best DIY/ Garden Centre of the Year Award´ and the `2010 Best New Garden Centre of the Year Award´ and 4 Star Accreditation.

Joint Ventures & Associates

	Constant Currency			Reported	
	2010	**2009**	**Change**	**2010**	**Change**
Revenue[1]	€401.1m	€297.6m	+ 34.8%	€416.6m	+ 40.0%
Operating profit	€20.6m	€17.4m	+ 18.4%	€21.6m	+ 24.1%
Operating margin	5.1%	5.8%	- 70bps	5.2%	- 60bps
EBITA	€20.6m	€17.4m	+ 18.4%	€21.6m	+ 24.1%
EBITA margin	5.1%	5.8%	- 70bps	5.2%	- 60bps
EBITDA	€26.7m	€23.8m	+ 12.2%	€27.8m	+ 16.8%

(1) Not included in Group revenue.

	Reported	
Reconciliation of operating profit to the share of results per the income statement	**2010 €m**	**2009 €m**
Operating profit	21.6	17.4
Finance costs	(4.7)	(3.5)
Income taxes	(6.8)	(3.7)
Share of results of Joint Ventures & Associates	**10.1**	**10.2**

Analysis on a constant currency basis

Joint Ventures & Associates had a reasonable year. Revenue and operating profit improved as a result of market price increases in US cheese and European mozzarella markets. Glanbia's share of revenue grew 34.8% to €401.1 million (2009: €297.6 million). Glanbia's share of operating profit increased 18.4% to €20.6 million (2009: €17.4 million). Operating margins declined 70 basis points year-on-year to 5.1%, mainly as a result of lower margins in Southwest Cheese, which was challenged by the significant decline in cheese markets in the last quarter of the year. The Group's share of profit after interest and tax was €10.1 million, down marginally from €10.2 million in 2009. The above table reconciles operating profit with share of results of Joint Ventures & Associates, as reported in the income statement.

Glanbia expanded its US cheese position in 2010 to become one of the largest US manufacturers of American-style cheddar cheese, following the 40% expansion of production capacity of Southwest Cheese in New Mexico which was completed on time and on budget in 2010. Southwest Cheese is the largest of the Group's joint ventures and is located in New Mexico, a major milk producing region in the USA. This business is a 50:50 joint venture with The Greater Southwest Agency. Overall operating performance was in line with expectation for 2010.

Glanbia Cheese in the UK, the Group's European mozzarella cheese joint venture with Leprino Foods Company, benefited from good pizza demand across Europe, particularly in the home delivery segment where strong customer relationships and unique technologies underpinned growth. This business increased revenue, operating profit and operating margin in 2010.

Nutricima, based in Nigeria, is a 50:50 joint venture with PZ Cussons plc. This business is developing a portfolio of branded dairy-based consumer products for the Nigerian market, including liquid, condensed and powdered milk products. Nigeria is a large market with an estimated population of 150 million people. It has a significant local oil industry and high oil prices support a positive economic outlook. In 2010, Nutricima continued to make steady progress. Revenue growth in the year was in line with expectations. However, margin pressure was a feature of the second half, as increased dairy commodity prices were not fully recovered in the retail market. There is a strong pipeline of new product development for the Ready-to-Drink (RTD) sector, a key growth market for this business.

In 2011, Joint Ventures & Associates is expected to deliver some growth relative to 2010 with a good cash return to the Group through the forecast dividends.

For further information:
www.glanbia.com
www.southwestcheese.com
www.glanbiacheese.co.uk

Southwest Cheese is one of the largest cheese and high protein whey processing facilities in the USA. In 2010, a 40% expansion of production capacity, costing $90 million, was fully commissioned on time and on budget.

CHAIRMAN'S INTRODUCTION
BOARD OF DIRECTORS & SENIOR MANAGEMENT
APPLYING THE PRINCIPLES OF THE COMBINED CODE
OTHER STATUTORY INFORMATION
COMMITTEE REPORTS
STATEMENT OF DIRECTORS RESPONSIBILITIES

Chairman's introduction to corporate governance

Liam Herlihy
Chairman

Biography

44

"The Board and management of Glanbia are committed to achieving the highest standards of corporate governance. We take governance seriously at all levels of the organisation and a robust governance structure underpins the delivery of the Group's strategy. I set out below what governance means to Glanbia and those approaches that work for us, in the context of our business and culture."

We focus on governance in a way that promotes:

- Transparency, giving our shareholders the information they need to assess our performance;
- Effective decision-making, risk management and control;
- A good balance between executive, senior management and non-executive Director's roles and responsibilities;
- Keeping the interests of the shareholders aligned with how we manage the business; and
- Maintaining a good dialogue with other stakeholder groups who are associated with our business such as employees, customers, suppliers, regulators and the communities where we operate.

In keeping with the above, this year we have undertaken a review of our annual report and made changes in key areas such as setting out our strategy and business models in more detail; explaining how we manage the business and how governance and risk management is embedded in the organisation; giving greater detail on the risks Glanbia faces; and an enhancement in governance reporting and information.

Board effectiveness

Every three years we conduct an external evaluation of Board effectiveness and the last external review was completed in 2009. In 2010, I undertook a structured internal review through one-on-one interviews with each Director. Full details of this process are set out on page 50 of this report. Overall the results showed a high level of satisfaction amongst the Directors regarding Board processes and decision-making. In my view this is a very positive outcome in a year of significant strategic initiatives and very high levels of engagement by the Board. There are some recommendations from this review process, including more frequent reporting of risk to the Board and more Board meetings hosted at key Group locations. Both of these recommendations will be addressed this year.

Shareholder engagement

There was a high level of investor relations activity undertaken by senior management in 2010 and over 100 individual investor meetings were held. Whenever possible, all Directors attend the AGM and shareholders are invited to ask questions during the meeting and have the opportunity to meet with the Directors following the conclusion of the formal part of the meeting.

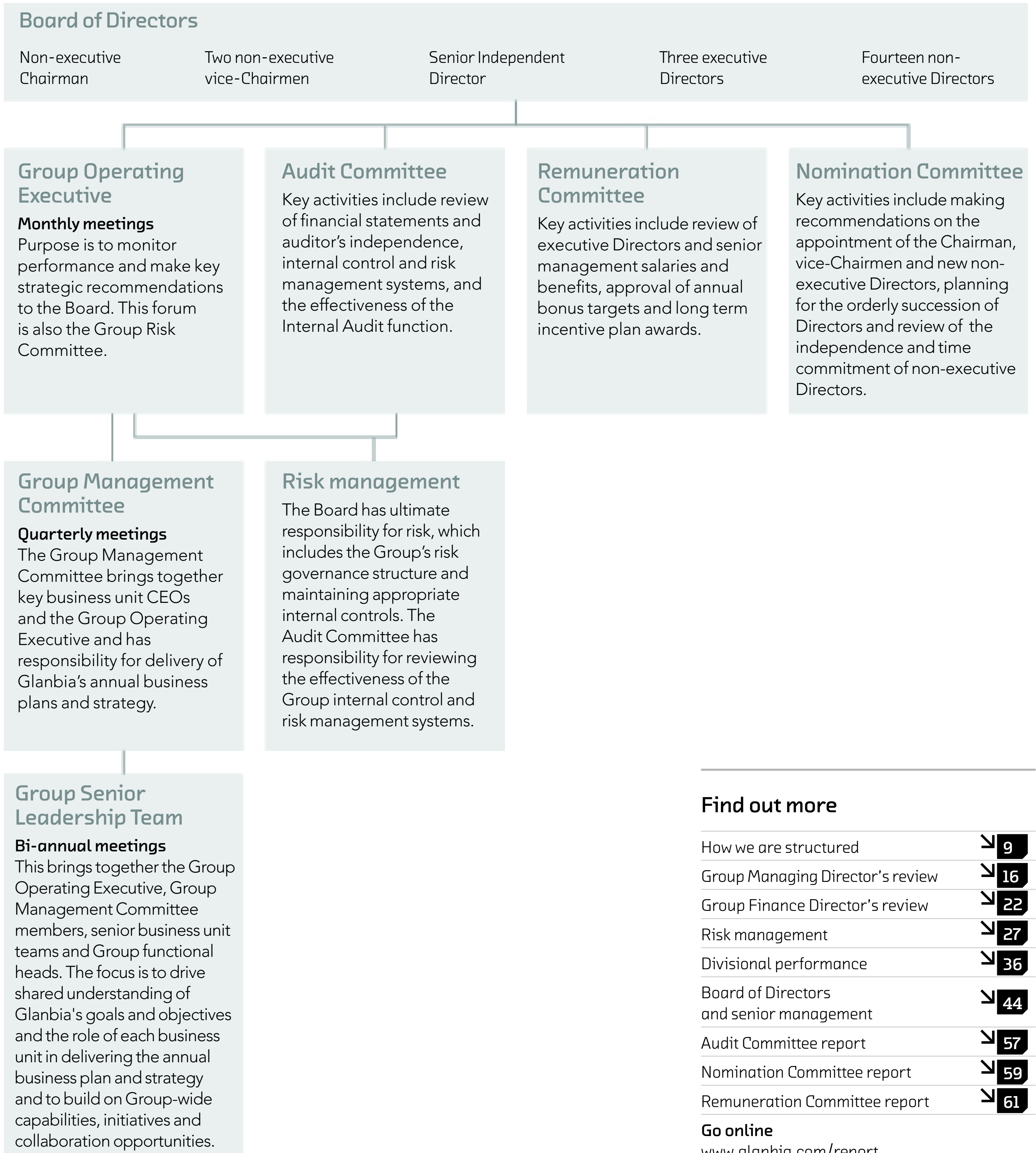
There were a number of meetings with the Council of Glanbia Co-operative Society Limited, including formal presentations to the Council on results and major strategic decisions such as the acquisition of Bio-Engineered Supplements and Nutrition business (BSN) in January 2011.

Looking ahead to 2011

As set out in corporate governance highlights on page 15 of my Chairman's statement, the Board has a strong commitment to high standards of conduct and good governance. Our 2011 governance objectives and targets include:

- Delivery of earnings growth in line with market expectations;
- Successful integration of the BSN acquisition;
- Ongoing assessment of key risks and uncertainties;
- Enhance Board relationships with key business units and personnel through on-site Board meetings at Irish and US business locations;
- Implement regulatory and governance changes at an appropriate level for the Group;
- Review and update of the Group remuneration policy framework.

Governance & risk framework



Find out more

How we are structured 9
Group Managing Director's review 16
Group Finance Director's review 22
Risk management 27
Divisional performance 36
Board of Directors and senior management 44
Audit Committee report 57
Nomination Committee report 59
Remuneration Committee report 61

Go online
www.glanbia.com/report

Board of Directors and senior management

Non-executive Directors

Jerry Liston | John Callaghan | Victor Quinlan | Martin Keane | Liam Herlihy

Jerry Liston Chairman of Remuneration Committee

Jerry Liston (B.A., MBA) (aged 70) was appointed to the Board in 2002. He was formerly Chief Executive of United Drug plc and past Executive Chairman of the Michael Smurfit Graduate School of Business.

Chair: Remuneration Committee

Member: Nomination Committee/ Audit Committee

John Callaghan Senior Independent Director

John Callaghan (FCA, FIB) (aged 68) was appointed to the Board in 1998 and is the Senior Independent Director. He is a director of a number of companies including Topaz Energy Group, 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.

Chair: Audit Committee

Member: Nomination Committee/ Remuneration Committee

Victor Quinlan[1] Vice-Chairman

Victor Quinlan (B.Agr.Sc.) (aged 65) is vice-Chairman. He was first appointed to the Board in 1996 and was appointed vice-Chairman in 2005. He is Chairman of Irish Co-operative Society Limited and the Malting Company of Ireland Limited and a director of D Walsh & Sons Limited and a number of other Irish companies. He farms at Baptistgrange, Lisronagh, Clonmel, Co. Tipperary.

Member: Audit Committee/ Remuneration Committee

Martin Keane Vice-Chairman

Martin Keane (aged 55) is vice-Chairman. He was appointed to the Board in 2006 and vice-Chairman on 29 June 2010. He is a director of Co-operative Animal Health Limited and Donaghmore Famine Work House and Agricultural Museum Co-operative Society Limited. He farms at Errill, Portlaoise, Co. Laois.

Member: Audit Committee/ Remuneration Committee

Liam Herlihy[1] Chairman

Liam Herlihy (aged 59) is Chairman. He was appointed to the Board in 1997, vice-Chairman in 2001 and Chairman in May 2008. He is also Chairman of Glanbia Co-operative Society Limited and a director of the Irish Dairy Board Co-operative Limited and Irish Co-operative Organisation Society Limited. He completed the Institute of Directors Development Programme (2006) and holds a certificate of merit in Corporate Governance at UCD. He farms at Headborough, Knockanore, Tallow, Co. Waterford.

Chair: Nomination Committee

Member: Audit Committee/ Remuneration Committee

1 Completed the University College Cork Diploma in Corporate Direction

Henry Corbally[1] (aged 56) was appointed to the Board in 1999. He is vice-Chairman of the National Dairy Council. He farms at Kilmainhamwood, Kells, Co. Meath.

Member: Audit Committee

Edward Fitzpatrick[1] (aged 62) 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.

James Gannon (aged 60) was appointed to the Board in 2009. He farms at Oldtown, Ballyragget, Co. Kilkenny.

James Gilsenan[1] (aged 51) was appointed to the Board in 1999. He farms at Drogheda Road, Collon, Co. Louth.

Patrick Gleeson (aged 49) 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.

Paul Haran (aged 53) 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.

Member: Audit Committee / Remuneration Committee/ Nomination Committee

Brendan Hayes (aged 50) was appointed to the Board on 29 June 2010. He farms at Ballyquinn, Carrick-on-Suir, Co. Waterford.

Michael Keane (aged 58) was appointed to the Board on 29 June 2010. He farms at Foxhall, Ballinamona, Ardmore, Youghal, Co. Cork. Michael previously served on the Board from June 2005 to May 2007.

Matthew Merrick (aged 59) was appointed to the Board in 2005. He is Chairman of the County Offaly Enterprise Board. He farms at Shean, Edenderry, Co. Offaly.

John Murphy (aged 48) was appointed to the Board on 29 June 2010. He farms at Ballinacoola, Craanford, Gorey, Co. Wexford.

William Murphy (B. Comm) (aged 65) 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.

Anthony O'Connor[1] (aged 59) was appointed to the Board in 2008. He farms at Ballymacsimon, Kilmuckridge, Gorey, Co. Wexford.

Robert Prendergast[1] (aged 49) was appointed to the Board in 2008. He farms at Jeanville, Goresbridge, Co. Kilkenny.

Group Operating Executive

John Moloney *Group Managing Director and Executive Director*

John Moloney (B.Agr.Sc., MBA) (aged 56) 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.

Brian Phelan *Group Human Resources & Operations Development Director*

Brian Phelan (B. Comm, FCA) (aged 44), is Group Human Resources & Operations Development Director of Glanbia plc. Brian was appointed to his Human Resources role in 2004 and his role was expanded in May 2007 to include Operations Development and in July 2009 to include the Group Purchasing and Group Business Service areas. Prior to this he was CFO of the Consumer Foods Division. He also worked in Glanbia Ingredients in Ireland and the USA. Prior to joining the Group in 1993 he worked with KPMG.

Kevin Toland *CEO and President of Glanbia USA and Global Nutritionals and Executive Director*

Kevin Toland (FCMA) (aged 45) 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.

Michael Horan *Group Secretary*

Michael Horan (B.Comm, FCA) (aged 46), was appointed Group Secretary of Glanbia plc in June 2005, having previously held the position of Group Financial Controller since June 2002. He joined the Glanbia Group in 1998 as Financial Controller of the Fresh Pork business in Ireland. Michael previously worked with Almarai Company Ltd in Saudi Arabia and BDO Simpson Xavier.

Siobhán Talbot *Group Finance Director and Executive Director*

Siobhán Talbot (B.Comm, FCA) (aged 47), joined the Board as Group Finance Director in July 2009. She was appointed Deputy Group Finance Director of Glanbia plc in June 2005. She was formerly Group Secretary and also held a number of senior finance positions, since she joined the Group in 1992. Prior to joining the Group she worked with PricewaterhouseCoopers in Dublin and Sydney, Australia.

Group Management Committee

Jim Bergin
CEO Dairy Ingredients Ireland

Jim Bergin (B. Comm, M. Sc. Mngt. Practice) (aged 48), is Chief Executive of Dairy Ingredients Ireland. He joined the Group in 1984 and has held a number of senior positions including Finance Director Agribusiness and subsequently Group Business Process Director. He joined the Ingredients Business as Operations Manager in May 2003 and was appointed Chief Executive of Dairy Ingredients Ireland in March 2005.

Colm Eustace
CEO Agribusiness

Colm Eustace (B. Ag. Sc, C Dip AF, MBA) (aged 49), is Chief Executive of Agribusiness. He joined the Group in 1985 and has held a number of senior positions within Agribusiness (including Commercial Manager since 1997). He has been Chief Executive of Agribusiness since October 2005 and is a director of Co-operative Animal Health Limited.

Colin Gordon
CEO Consumer Products

Colin Gordon (BBS, MBS, FMII) (aged 49), is Chief Executive of Consumer Foods since his appointment to the Group in 2006. He previously worked in C&C Group plc, the drinks and snack food company where he held a number of senior positions, including Managing Director of C&C (Ireland) Ltd. Colin is currently a member of the Consumer Foods Board of Bord Bia and Chairman of the Consumer Foods Council of the Irish Business and Employers Confederation.

Raimund C. Hoenes
CEO Customised Premix Solutions

Raimund C. Hoenes (Ph.D., M.Sc.) (aged 44) is Chief Executive of Glanbia Nutritionals Customised Premix Solutions. He joined the Group in 2008 and was appointed Chief Executive of Glanbia Nutritionals Customised Premix Solutions in 2009. He previously worked in a variety of senior roles in the ingredients sector and held positions in several countries.

Hugh McGuire
CEO Performance Nutrition

Hugh McGuire (M.Sc, Dip Finance) (aged 40), is Chief Executive of Glanbia Performance Nutrition. He joined the Group in 2003 and was appointed as Chief Executive of Performance Nutrition in 2008. He previously worked for McKinsey & Co. as a consultant across a range of industry sectors. Prior to this he worked in the consumer products industry with Nestle and Leaf.

Jerry O'Dea
CEO & President Ingredient Technologies

Jerry O'Dea (B. Sc Dy., MBA) (age 51), is the President and Chief Executive of Glanbia Nutritionals Ingredient Technologies. He joined the Group in 1981 and has held a number of senior positions including General Manager of Glanbia Ingredients USA and President of Glanbia Nutritionals. He was appointed Chief Executive of Glanbia Nutritionals Ingredient Technologies in 2008.

Jeff Williams
CEO & President US Cheese

Jeff Williams (BA, MBA) (aged 54), is the President and Chief Executive of US Cheese and has management responsibilities for Glanbia's joint venture Southwest Cheese. He joined the Group in 1989 and has held many positions in the US Cheese business including Chief Operations Officer and Executive Vice President. Jeff was appointed President and Chief Executive of US Cheese in 2005. Jeff previously worked for six years in the banking industry.

Find out more

Divisional performance: US Cheese & Global Nutritionals 36
Divisional performance: Dairy Ireland 38
Divisional performance: Joint Ventures & Associates 40

Applying the principles of the Combined Code on Corporate Governance and the 2010 UK Corporate Governance Code

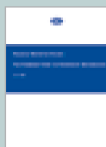
We conduct our business with due regard for applicable laws, regulations and internal policies. This includes the main and supporting principles in the UK 2008 Combined Code on Corporate Governance (the "Code"). We also acknowledge that laws, regulations and policies do not provide guidance on all types of behaviour. As a result, we have a Code of Conduct for everybody in Glanbia. The Glanbia Code of Conduct is intended as a code of best practice and provides a broad range of guidance about the expected standards of integrity and business conduct. The Code of Conduct is not intended to be a substitute for our responsibility and accountability to exercise good judgment and obtain guidance on proper business conduct. Glanbia employees are encouraged and expected to seek additional guidance and support from others when in doubt.

Compliance with the Code

It is our view that except in relation to the representation of the majority shareholder on the Board, the Company has been compliant throughout 2010 with the provisions set down in Section 1 of the 2008 Combined Code on Corporate Governance as this applies to all accounting periods beginning before 29 June 2010.

We have noted the changes made in the 2010 UK Corporate Governance Code which has replaced the 2008 Combined Code on Corporate Governance for accounting periods beginning on or after 29 June 2010 and the recommendations of the Irish Stock Exchange contained in the Irish Corporate Governance Annex (which is publicly available on the Irish Stock Exchange's website www.ise.ie), which will not impact the Company until 2011, and are reviewing our current corporate governance practices to ensure that the Company remains compliant and high standards are maintained.

The Code is referred to in the Listing Rules, applicable to Irish and UK listed companies and is publicly available on the Financial Reporting Council's website www.frc.org.uk/corporate/ukcgcode.cfm



Our Board

Our Board consists of the Chairman (Liam Herlihy), two vice-Chairmen (Martin Keane and Victor Quinlan); fifteen other non-executive Directors (including John Callaghan, the Senior Independent Director) and three executive Directors (John Moloney, the Group Managing Director, Siobhán Talbot, the Group Finance Director and Kevin Toland, the CEO and President of Glanbia USA and Global Nutritionals).

The roles of the Chairman and Managing Director are separate, with clear written guidance to support the division of responsibility.

Glanbia Co-operative Society Limited ("the Society"), an Irish industrial and provident society, owns 54.5% of the share capital of the Company. The Society nominates from its Board of Directors, which is elected on a three-year basis, fourteen non-executive Directors for appointment to our Board. All of the Directors nominated for appointment by the Society are full time farmers whose involvement in farming has brought them into the agricultural co-operative movement in Ireland. All have significant expertise in the dairy and agricultural industry in Ireland and a significant majority of them have overseen the growth of Glanbia plc into an international nutritional solutions and cheese group over the last number of years.

Board effectiveness

We consider that, to function effectively, all members of our Board need appropriate knowledge of the Group and access to its operations and staff. By reviewing the Group's operating performance at each Board meeting Directors are kept informed of its progress.

Between Board meetings, Directors are supplied with monthly performance reports, including detailed commentary and analysis. Additionally, presentations and reports on commercial initiatives, the Group's markets, the Group's competitive position and general economic indicators are given periodically to our Board.

We also hold a number of Board meetings away from the head office, which provide our Directors with the opportunity to broaden their understanding of the business and key markets and to gain invaluable insights through direct contact with business managers and the operations. The September 2010 Board meeting was held in the US. Our Directors used this opportunity to meet the management of the US Performance Nutrition business, the US Cheese business and the Southwest Cheese business and inspect these facilities.

Following appointment to our Board, Directors undertake an induction programme aimed at familiarising themselves with the Company and the Group. The programme for Directors who joined during 2010 included a review of the following:

- Directors' duties, corporate governance and Board procedures. The Company has a corporate manual which is issued to all Directors and is regularly updated for new legislation and procedures;
- Business planning and internal control processes;
- Strategy and planning;
- Metrics used to monitor business performance;
- Investor relations;
- Corporate responsibility (including ethical business conduct, and health and safety); and
- Internal Audit.

In addition to the above, as part of the induction process, the new Directors visited the Group's largest processing plant in Ireland at Ballyragget in order to meet employees and gain an understanding of our products and services.

Briefing sessions on legislative and accounting developments are held for our Board when appropriate. Our Board has received updates from the Group Secretary regarding regulatory changes and new legislation, including, amongst other things, the changes adopted in the 2010 UK Corporate Governance Code, the Irish Stock Exchange Annex, the new UK Stewardship Code and the European Communities (Directive 2006/46/EC) Regulations 2009.

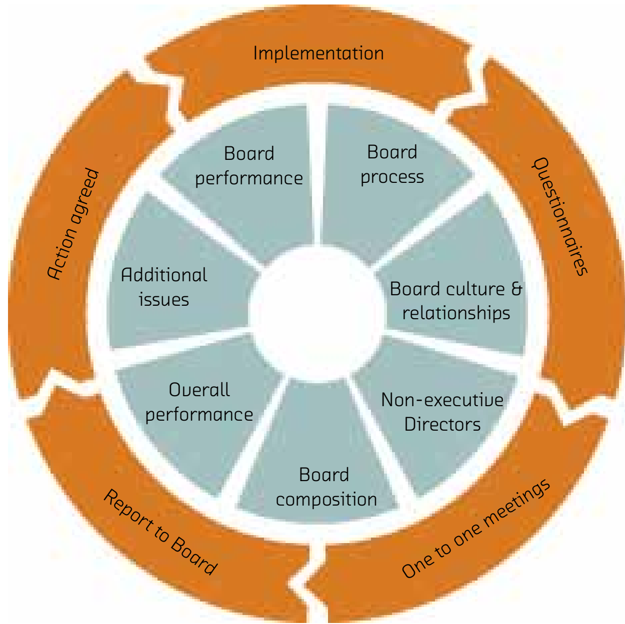
All Directors also have access to the advice and services of the Group Secretary, who is also responsible for advising our Board on all governance matters. The Directors also have access to external advice, if required, at the expense of the Group.

Key matters reserved to the Board

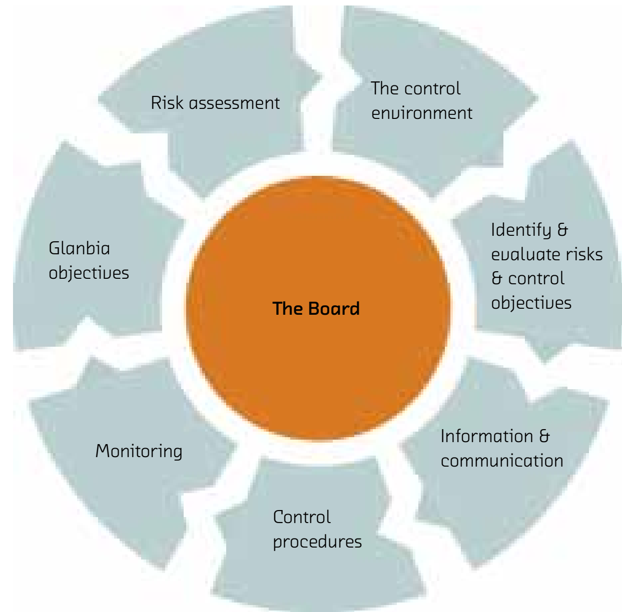
Our Board is responsible for the leadership, direction and control of the Company and its subsidiary companies and is accountable to shareholders for financial performance.

- **Group strategy and business plans** including responsibility for the overall leadership of the Group, approval of the Group's long-term objectives and commercial strategy, oversight of the Group's operations and review of performance in the light of our strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- **Acquisitions, disposals and other transactions outside delegated limits.** The Group Operating Executive considers all major acquisitions, disposals and other transactions prior to its consideration by the Board.
- **Financial reporting and controls** including approval of the half-yearly report, interim management statements and preliminary announcement of the final results. Approval of the annual report and financial statements, including this corporate governance statement and Committee reports. Approval of any significant changes in accounting policies or practices, ensuring maintenance of a sound system of internal control and risk management including: receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives. Undertaking an annual assessment of these processes and approving an appropriate statement for inclusion in this annual report.
- **Capital expenditure** including the annual approval of the operating and capital expenditure budgets and any material changes to them and the implementation of a Group wide policy on capital expenditure which defines limits on expenditure.
- **Dividend policy** including the annual review of our dividend policy and declaration of the interim dividend and recommendation of the final dividend.
- **Shareholder documentation** including approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting, approval of all circulars, prospectuses and listing particulars and approval of all press releases concerning matters decided by the Board.
- **Key business policies** including approval of the remuneration, treasury and risk policies.

Evaluation of the effectiveness of our Board



Internal control and risk management



Find out more 52

Evaluation of the effectiveness of our Board

We have established a formal process for the annual evaluation of the performance of the Board, its principal Committees and individual Directors. Questionnaires are drawn up, which provide the framework for the evaluation process. Each member of the Board and appropriate Committee is invited to comment on the performance of the individual, the Board and appropriate Committee and submits replies to the questionnaires which are then collated. The Chairman then meets with each Director individually to discuss the performance of the Board and appropriate Committee and individual Directors and reports his findings to the Board.

It is the practice that evaluation of the performance of the Board be externally facilitated every three years. An external review was completed in 2009.

During 2010 our Board and/or its Committees conducted an evaluation of its own performance, its principal Committees and individual Directors. In completing the annual performance evaluation, the Chairman met each Director individually to discuss the performance of the Board and individual Directors. The results showed a high level of satisfaction amongst the Directors as to the effectiveness of our Board, its individual Directors and Committees. Arising from the review, our Board has agreed to:

- enhance our risk monitoring policies to include more regular reporting of the status of risks to the Audit Committee and our Board
- ensure that more Board meetings are held at on-site locations to enhance our Directors opportunities to broaden their understanding of the business and key markets

The Chairman wishes to confirm that, following the completion of the performance evaluation process, the members of the entire Board who are all being proposed for re-appointment continue to be effective and continue to demonstrate commitment to their roles. The Senior Independent Director, John Callaghan confirms that the Chairman, also standing for re-appointment at this year's Annual General Meeting, continues to perform effectively and demonstrates commitment to his role.

Independence

During the year, the Nomination Committee reviewed the independence of the non-executive Directors in accordance with the guidance in the Code and reported its recommendations to the Board.

Our Board determined that throughout the reporting period, John Callaghan, Paul Haran and Jerry Liston were independent. We recognised, however, that the remaining non-executive Directors did not throughout the entire reporting period meet the criteria for independence as specified in the Code. We, however, considered that they are independent in character and judgement.

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

Board and Committee attendance

The Board held 10 scheduled Board meetings in 2010 (2009: 10) and as in 2009 also held a two day planning and strategy session. The attendance of each Director at the scheduled Board meetings and the two day planning and strategy session

CHAIRMAN'S INTRODUCTION
BOARD OF DIRECTORS & SENIOR MANAGEMENT
APPLYING THE PRINCIPLES OF THE COMBINED CODE
OTHER STATUTORY INFORMATION
COMMITTEE REPORTS
STATEMENT OF DIRECTORS RESPONSIBILITIES

are shown opposite. The Committee attendance of those Directors who are members of the principal Board are also shown opposite.

Committees

Finance Sub-Board

The Finance Sub-Board is chaired by Liam Herlihy and its other members are Victor Quinlan, Martin Keane, John Callaghan, Edward Fitzpatrick, Paul Haran, Jerry Liston, John Moloney and Siobhán Talbot.

The Finance Sub-Board met twice during 2010. The Finance Sub-Board's key objectives are to consider and, where appropriate, make recommendations to the Board in respect of any change in Group Strategy or any acquisition or divestment above a certain level.

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 industry sectors in the US. Liam Herlihy is Chairman of the US Advisory Board. The membership of the Advisory Board currently comprises John Callaghan, Kevin Toland, Martin Keane, Victor Quinlan, Michael Walsh (Glanbia Group Chairman from 2005 to 2008); and Joseph McCullough, Peter Rogers, Wayne Seltzer and Susan Davis (USA based members).*
John Moloney and Siobhán Talbot also attend meetings of the US Advisory Board.

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

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

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

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

Board Meeting attendance

L Herlihy (Chairman)	11/11
Mn Keane (Vice-Chairman)	11/11
V Quinlan (Vice-Chairman)	11/11
J Moloney	11/11
J Callaghan	11/11
H Corbally	11/11
N Dunphy [1]	5/5
J Fitzgerald [1]	5/5
E Fitzpatrick	11/11
J Gannon	11/11
J Gilsenan	11/11
P Gleeson	11/11
P Haran	11/11
B Hayes [2]	6/6
C Hill [1]	5/5
Ml Keane [2]	6/6
J Liston	11/11
M Merrick	11/11
J Murphy [2]	6/6
W Murphy	11/11
A O'Connor	11/11
R Prendergast	11/11
S Talbot	11/11
K Toland	10/11

1 Retired 29 June 2010
2 Appointed 29 June 2010

Nomination Committee Meeting attendance

L Herlihy (Chairman)	2/3
J Callaghan	3/3
P Haran	3/3
J Liston	3/3

Remuneration Committee Meeting attendance

J Liston (Chairman)	7/7
J Callaghan	7/7
J Fitzgerald [1]	3/4
P Haran	7/7
L Herlihy	7/7
Mn Keane [2]	3/3
V Quinlan	7/7

1 Retired 29 June 2010
2 Appointed 29 June 2010

Audit Committee Meeting attendance

J Callaghan (Chairman)	3/3
H Corbally	3/3
J Fitzgerald [1]	1/2
P Haran	3/3
L Herlihy	3/3
Mn Keane [2]	1/1
J Liston	2/3
V Quinlan	3/3

1 Retired 29 June 2010
2 Appointed 29 June 2010

Further information

Directors and senior management biographies

Our key systems of internal control and risk management are summarised below:

- a Code of Conduct that defines a set of agreed standards and guidelines for corporate behaviour;
- a clearly defined organisation structure and lines of authority including appropriate terms of reference for Board committees;
- Group-wide risk assessment process which is maintained by business unit management reporting to the Group Operating Executive and Board;
- the Audit Committee, a formally constituted committee of the Board comprising non-executive Directors only. It meets with internal and external auditors to satisfy itself that control procedures are in place and are being followed;
- a Group Internal Audit function, which is regulated by an Internal Audit Charter which monitors financial, operational and regulatory controls and reports to the Audit Committee and management. The annual audit plan is approved by the Audit Committee;
- a Control Self Assessment programme has been implemented which assesses internal control and fraud prevention processes;
- Internal control and risk management systems in relation to the process for preparing consolidated accounts and financial reporting which includes the following main features:

1. Board approval of the annual business plan following Group and business unit strategy plan reviews;
2. Monitoring of performance against the plan through monthly board reports detailing actual versus budgeted results, analysis of material variances, review of key performance indicators and re-forecasting where required;
3. Audit Committee review of the integrity of the half-year and annual financial statements. Any resulting recommendations are included in the Audit Committee Chairman's Board report;
4. Board review and approval of the Group consolidated half-year accounts, consolidated annual accounts, interim management statements and any formal announcements;
5. The establishment of clearly defined guidelines for capital expenditure, including detailed budgeting, appraisal and post-investment reviews;
6. Board approval of acquisitions and divestments;
7. The use of a Group finance management manual that clearly sets out Group accounting policies and financial control procedures; and
8. Board approved treasury risk management policies, designed to ensure that Group foreign exchange and interest rate exposures are managed within defined parameters.

Group Secretary

The appointment and removal of the Group Secretary is a matter for the Board. All Directors have access to the advice and services of the Group Secretary, who is responsible to the Board for ensuring compliance with Board procedures.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control, for reviewing its effectiveness and for confirming that a process exists for the identification, evaluation and management of risk in order to ensure that the Group's strategic objectives are achieved. The Board also has responsibility for determining the Group's risk appetite. This process has been in place for the year covered in this Annual Report and financial statements and up to the date of its approval. 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 Code's principles and compliance with the Code's provisions with regard to internal control. In accordance with Section 91(6)(b) of the EC (Directive 2006/43) Regulations 2010, responsibility for monitoring the effectiveness of the Group's risk management and internal control systems has been delegated to the Audit Committee. The Group's systems of internal control are regularly reviewed by the Audit Committee and the Board and accord with the Turnbull Guidance which the Board has fully adopted.

While acknowledging its responsibility for the system of internal control, we are 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.

Our Board has reviewed the effectiveness of the current systems of internal control specifically for the purpose of this statement. In judging the effectiveness of the Group's controls, our 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. In addition, the Board has also taken assurance through the work of the various other Board Committees. We are satisfied that the Group internal controls systems are properly reviewed and effective.

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.

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 has issued rules covering share dealings by Directors and employees who regularly, or even occasionally, have access to inside information.

The main principle underlying the rules is that no one should trade in shares of the Company while in possession of inside information about the Company and the Group. 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 from whom approval must be obtained, in advance, for any share dealings by persons to whom the rules apply.

Communication with shareholders

The Company has a well-developed investor relations programme managed by the Group Finance Director, which includes regular meetings with investors and Glanbia Co-operative Society Limited, its main shareholder, the annual general meeting and our corporate website.

The Company is committed to maintaining and improving dialogue with shareholders in order to ensure that the objectives of both the Group and the shareholders are understood.

Institutional shareholders, fund managers and analysts

A programme of meetings with institutional shareholders, fund managers and analysts takes place each year. The Company also makes presentations to analysts and investors around the time of the half-year and full-year results announcements. In addition, the Board consults with shareholders in connection with specific issues where it considers this appropriate.

During the year, in a number of additional meetings preceding the proposed disposal of the Irish Dairy and Agribusinesses to Glanbia Co-operative Society Limited, various members of the Board met with institutional shareholders and representative bodies, reinforcing the continuation of open dialogue and discussion of strategy between the Board and its shareholders.

The Board receives reports on matters that have been raised with executive Directors at the regular meetings held with investors.

The Senior Independent Director is available to meet with major shareholders to discuss any areas of concern that cannot be resolved through normal channels of investor communication and arrangements can be made to meet with the Senior Independent Director through the Group Secretary. Similarly, arrangements can be made for major shareholders to meet with newly appointed Directors or any of the other Directors.

Glanbia Co-operative Society Limited

A programme of meetings with Glanbia Co-operative Society Limited takes place each year. This includes presentations at the time of the half-year and full-year results announcement.

Private shareholders

The Board is equally interested in the concerns of private shareholders and, on its behalf, the Group Secretary oversees communication with these investors. All material information reported to the regulatory news services is simultaneously published on the Company's website affording all shareholders full access to Company announcements.

Corporate website

Presentations and webcasts on the development of the business are available to all shareholders on the Company's corporate website. The Company also uses email alerts and actively promotes downloading of all reports enhancing speed and equality of shareholder communication. The Company has availed of the provisions within the Transparency (Directive 2004/109/EC) Regulations 2007 allowing the website to be used as the primary means of communication with shareholders where they have not requested hard copy documentation. The shareholder information section on pages 139 to 141 contains further details on electronic shareholder communications together with more general information of interest to shareholders which is also included on the Company's corporate website.

Annual General Meeting (AGM)

The Board views the AGM, which is held in Kilkenny, as an opportunity to communicate with investors and sets aside time at these meetings for shareholders to ask questions of the Board. At the AGM, the Group Managing Director provides a brief summary of the Company's activities for the previous year to the shareholders. At the meeting, the Company complies with the Code as it relates to voting, the separation of resolutions and the attendance of Committee chairmen. Whenever possible, all Directors attend the AGM and shareholders are invited to ask questions during the meeting and have an opportunity to meet with the Directors following the conclusion of the formal part of the meeting. In line with the Code, details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

To ensure shareholders have time to consider the annual report and accounts and notice of the AGM and lodge their proxy votes they are mailed more than 20 working days prior to the meeting. The Group offers all shareholders the choice of submitting proxy votes either electronically or in paper format. It also offers them the ability to abstain.

Annual Report

The Company's annual report and accounts and annual review, together with the Company's half-yearly reports, interim management statements and other public announcements are designed to present a balanced and understandable view of the Group's activities and prospects and are available on the Company's website. The Chairman's statement, Group Managing Director's review, the Group Finance Director's review and Divisional performance review provide an assessment of the Group's affairs and are supported by a presentation to be made at the AGM.

Other statutory information

Principal activities

Glanbia plc is an international nutritional solutions and cheese group, headquartered in Ireland. Further detail can be found in the Overview section

3

The Company has set out in this report a fair review of the business of the Group during the financial year ended 1 January 2011 including an analysis of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a 'Business review'). The information that fulfils the Business review requirements can be found in the Group and Divisional Performance sections of this report on pages 12 to 41.

Directors

The current Directors who served during the 2010 financial year are listed on pages 44 to 46.

44

Brendan Hayes, Michael Keane and John Murphy were appointed to the Board on 29 June 2010 following the retirement of John Fitzgerald, Nicholas Dunphy and Christopher Hill.

Retirement of Directors

In accordance with the 2010 UK Corporate Governance Code, all Directors will retire at the 2011 Annual General Meeting and, being eligible, offer themselves for re-appointment.

Annual General Meeting (AGM)

The Company's AGM will be held on 11 May 2011. Full details of the AGM, together with explanations of the resolutions to be proposed, are contained in the Notice of Meeting available on the Company's website www.glanbia.com and posted with this report. In addition to the routine ordinary business of an AGM, shareholders are being asked to:

- authorise the Directors to fix the ordinary remuneration of the non-executive Directors from time to time up to an aggregate amount not exceeding €600,000 in any financial year.
- approve the re-election of all the Directors of the Board which is now required by the 2010 UK Corporate Governance Code.
- renew the Directors' authority to allot relevant securities, within the meaning of Section 20 of the Companies (Amendment) Act, 1983, up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company of the date of the AGM which currently represents 4.14% of the nominal value of the Company's issued share capital.
- renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate amount equal to the nominal value of the Company's authorised but unissued share capital as at 11 May 2011 which is currently equal to 4.14% of the nominal value of the Company's issued share capital.
- extend the authority to purchase up to 10% of its own shares until the earlier of the close of business on 10 August 2012 or the date of the AGM of the Company in 2012.
- pass a resolution authorising the Company to reissue such shares purchased by it and not cancelled as treasury shares.
- approve a resolution to permit an Extraordinary General Meeting to be called on 14 days notice.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation, and the Articles of Association.

At the 2010 AGM, the Directors were given the power to issue new shares up to a nominal amount of €746,658.96. This power will expire on the earlier of the conclusion of the 2011 AGM or 24 August 2011. Accordingly, a resolution will be proposed at the 2011 AGM to renew the Company's authority to issue further new shares. At the 2010 AGM, the Directors were also given the power to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate nominal amount of €746,658.96. This authority too will expire on the earlier of the conclusion of the 2011 AGM or 24 August 2011, and a resolution will be proposed at the 2011 AGM to renew this additional authority.

At the 2010 AGM, the Directors were given the power to buy back a maximum number of 29,355,568 ordinary shares at a minimum price of €0.06 each. The maximum price was an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the Irish Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary shares are contracted to be purchased. This power will expire at the earlier of the conclusion of the 2011 AGM or 24 August 2011 and a resolution will be proposed at the 2011 AGM to renew this power. A special resolution will be proposed at the 2011 AGM to renew the Company's authority to acquire its own shares. At the 2010 AGM, shareholders also authorised the maximum and minimum prices at which the Company may reissue off-market such shares as it may purchase. This authority will expire at the earlier of the conclusion of the 2011 AGM or 24 August 2011 and a resolution will be proposed at the 2011 AGM to renew this authority.

Dividends

An interim dividend of 3.03 cent per share was paid on 29 September 2010 to shareholders on the register at the close of business on 10 September 2010.

The Directors propose a final dividend of 4.49 cents per share. Subject to shareholder approval, the final dividend will be paid on 20 May 2011 to shareholders on the register of members on 8 April 2011.

All dividend payments will be made by direct credit transfer into a nominated Bank or Financial institution. If a shareholder has not provided his/her account details prior to the payment of the dividend, a shareholder will be sent the normal tax voucher advising a shareholder of the amount of his/her dividend and that the amount is being held because his/her direct credit transfer instructions had not been received in time. A shareholder's dividends will not accrue interest while they are held. Payment will be transferred to a shareholder's account as soon as possible on receipt of his/her direct credit transfer instructions.

Additionally, if a shareholder's registered address is in the UK and a shareholder has not previously provided the Company with a mandate form for an Irish Euro account, a shareholder will default to a Sterling payment. All other shareholders will default to a Euro payment.

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 Group.

Issued share capital

At 1 January 2011 the authorised share capital of the Company was 306,000,000 ordinary shares of €0.06 each and the issued share capital was 293,835,684 (2009: 293,555,684) ordinary shares of €0.06 each, of which 54.5% was held by Glanbia Co-operative Society Limited. All the Company's shares are fully paid up and quoted on the Irish and London Stock Exchanges. During the year 280,000 ordinary shares of €0.06 each were allotted to Geoff Meagher, former Finance Director, upon the exercise of his outstanding share options, for a total consideration of €522,125 (205,000 shares at €1.55 each and 75,000 shares at €2.725 each). The prices at which the shares were allotted were fixed on 29 August 2002 and 9 December 2004, the date of the grant of the options (being the market price at close of business on the day preceding the grant of the options).

Details of the Company's share capital and shares under option or award at 1 January 2011 are given in note 22 and note 23 to the financial statements.

Rights and obligations of ordinary shares

On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every member present in person or by proxy, shall have one vote for every ordinary share held. In accordance with the provisions of the Articles of Association, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. On return of capital on a winding up, holders of ordinary shares are entitled to participate in such a return.

Restrictions on transfer of shares

With the exception of restrictions on transfer of shares under the Company's share schemes while the shares are subject to the schemes, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company. Under the articles of association of the Company, the Directors have the power to impose restrictions on the exercise of rights attaching to shares where the holder of the share fails to disclose the identity of any person who may have an interest in those shares.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

Exercise of rights of shares in employee share schemes

As detailed in note 22 to the financial statements at 1 January 2011, 485,304 ordinary shares were held in an employee benefit trust for the purpose of the Company's employee share schemes.

The Trustees of the employee trust do not seek to exercise voting rights on shares held in the employee trust other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

Rights under the Shareholders' Rights Directive 2007/36/EC Regulations 2009

Members have the right to ask questions related to items on the agenda of a general meeting and to receive answers, subject to certain qualifications.

Members (s) holding 3% of the issued share capital of the Company, representing at least 3% of its total voting rights, will have the right to put items on the agenda and to table draft resolutions at AGMs. The request must be received by the Company at least 42 days before the relevant meeting.

Further details of shareholders rights under the Shareholders' Rights (Directive 2007/36/EC) Regulations 2009 are contained in the notice of the 2011 AGM available on the Company website www.glanbia.com and posted with this report.

Restrictions on voting deadlines

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the general meeting. The number of proxy votes for, against or withheld in respect of each resolution are published on the Company's website after the meeting.

Substantial interests

As at 1 March 2011, 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	54.5%

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles detail the rights attaching to each share class; the method by which the Company's shares can be purchased or re-issued; the provisions which apply to the holding of and voting at general meetings; and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. A copy of the Memorandum and Articles of Association can be obtained from the Company's website, www.glanbia.com.

Unless expressly specified to the contary, the Company's Memorandum and Articles of Association may be amended by a special resolution at a general meeting of shareholders.

Change of control provisions

The Group has certain debt facilities which may require repayment in the event that a change in control occurs with respect to the Group.

There are also a number of agreements that take effect, alter or terminate upon a change of control of the Group, which include the Group's joint ventures with Leprino Foods Company and PZ Cussons plc. If a third party were to acquire control of the Group, Leprino Foods Company could elect to terminate its joint venture with the Group and if this were to occur, the Group could then be required to sell its shareholding in the joint venture to Leprino Foods at a price equal to its fair value. In the same circumstances PZ Cussons plc can also elect to terminate its Nutricima joint venture with the Group and if this were to occur, the Group could then be required to sell to PZ Cussons plc at a nominal price certain trade marks which had been originally transferred from the PZ Cussons group to the Nutricima business. The Nutricima joint venture company would then be wound up.

In addition, the Company's long term incentive plans contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event that a change of control occurs.

Corporate social responsibility

As the Group grows and develops as a leading international nutritional solutions and cheese Group, so also does the Group's commitment to conducting its business in a way that is economically, socially and environmentally sustainable. During 2010 the Group made further progress in its corporate citizenship objectives.

More particular details of which are summarised in the **Our responsibilities** section

31

Research and development

The Group's key business objectives include central ownership of its worldwide intellectual property (IP) in Ireland, whether acquired IP or developed organically, to facilitate central management and control over IP development and its commercial exploitation. Accordingly, the Group's principal research and development centre is Global Nutritionals' Glanbia Innovation Centre, Kilkenny (the "GIC") and it has direct responsibility for overall Group research and development activity, including that undertaken at the Group's other substantial research and development centre at Twin Falls, Idaho where it also operates a Customer Collaboration Centre.

The Group is committed to achieving the highest standards of best practice in relation to science-based innovation and to an ongoing and extensive innovation programme to support a consumer-led business and marketing approach. The programme is directed towards the development of technically superior dairy-based food ingredients, nutritional products, cheese and high value consumer food products, using proprietary technologies and processes.

Through its research and development facilities at the GIC and Idaho, the Group has developed and launched advanced, differentiated and branded ingredients and consumer products, bringing a range of nutritional benefits that enhance physiological wellbeing, texture and flavour enhancements in foods.

In Kilkenny, the R&D activity has focused on the customer-led areas of sports nutrition, beverages, protein and energy bars, food texture and functionality, dietetic products, weight management, healthy aging, and medical nutrition. These developments cut across the Group's global business by collaboration with the Customer Collaboration Centre at Idaho. The GIC has performed a key role in connecting the Glanbia Research & Development Community with Food for Health Ireland (FHI), a joint development programme between Enterprise Ireland, Irish dairy research universities (UCC, UCD, UL) and organisations (Moorepark), and the Irish dairy industry. In 2010, the collaboration with FHI focused on Glanbia-produced milk and whey products that were screened for a variety of physiological functions. These programme collaborations will continue through 2011.

The work programme performed at the Collaboration Centre in Twin Falls, Idaho for the GIC during 2010 consisted of developments in sports nutrition and beverages, protein and energy bars, food texture and functionality, weight management, healthy aging, medical nutrition, and a move into the US health-food, retail markets under the beveri brand. These development areas are being addressed through both whey and flax-derived ingredients and solutions. The US Collaboration Centre has become a focal point for joint research with US customers, particularly in beverage and bar applications and, mediated through the GIC, it was also able to connect to the FHI programme.

Subsidiary and associated undertakings

A list of the principal subsidiary and associated undertakings is included in note 40 to the financial statements.

Responsibility Statement

Directors' responsibilities for preparing the financial statements for the Company and the Group are detailed on page 71. The 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.

Auditors

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

CHAIRMAN'S INTRODUCTION
BOARD OF DIRECTORS & SENIOR MANAGEMENT
APPLYING THE PRINCIPLES OF THE COMBINED CODE
OTHER STATUTORY INFORMATION
COMMITTEE REPORTS
STATEMENT OF DIRECTORS RESPONSIBILITIES

Audit Committee report

John Callaghan
Audit Committee Chairman and Senior Independent Director

Biography 44

Members

- John Callaghan (Chairman)
- Henry Corbally
- Paul Haran
- Liam Herlihy (Group Chairman)
- Martin Keane (Vice-Chairman)
- Jerry Liston
- Victor Quinlan (Vice-Chairman)

Key responsibilities

- Monitor and review the effectiveness of the Group's financial reporting process, the Group's systems of internal control and risk management processes.
- Monitor and review the role and effectiveness of the Internal Audit function, including the review of the Internal Audit programme, the review of all Internal Audit reports and the monitoring and review of management's responses to the findings and recommendations of the Internal Audit function.
- Monitoring the statutory audit of the annual and consolidated financial statements and reviewing significant financial reporting issues and application of accounting policies.
- Considering and making recommendations to the Board on the appointment of the auditors.
- Keeping the relationship with the auditors under review, including the terms of their engagement and fees, their independence (in particular the provision of non-audit services), expertise, resources and qualification, and assessing the effectiveness of the audit process.

The full terms of reference of the Audit Committee can be found on the Company's website or can be obtained from the Group Secretary.

Governance

The Committee was in place throughout 2010.

John Callaghan is the current chairman of the Committee. He is a fellow of the Institute of Chartered Accountants in Ireland and formerly Managing Partner of KPMG (Ireland), an international provider of audit, tax and advisory services in Ireland.

At the invitation of the Committee, the Group Managing Director, the Group Finance Director, Group Head of Internal Audit, the Group Financial Controller and external auditor regularly attend meetings. During the year the Group Managing Director, the Group Finance Director, Group Head of Internal Audit and external auditor attended all meetings. The Group Financial Controller attended two of the three meetings. The Group Secretary acts as secretary to the Committee.

The Committee comprises seven non-executive Directors and three members constitute a quorum. Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman and they recommend new appointments to the Nomination Committee for onward recommendation to the Board. Martin Keane joined the Committee on 29 June 2010 following the retirement of John Fitzgerald.

The Committee may obtain at the Company's expense independent professional advice on any matters covered by its terms of reference.

The external auditors and Group Head of Internal Audit have direct access to the Chairman of the Committee and the Chairman of the Board.

Relationship with the auditors

The Committee believes that it is not appropriate to limit the level of work undertaken by the auditors by reference to a set percentage of the audit work fee, as this does not take into account important estimates that need to be made concerning the nature of work undertaken, to help safeguard the auditors' independence. It has in place an approved Auditor Relationship and Independence Policy which governs the relationship between the Company and its auditors and recognises that certain work of a non-audit nature is best undertaken by the external auditors.

As part of its responsibilities, the Committee reviews annually the independence of the auditors and the amount and nature of non-audit work they perform. The Committee has agreed that the external auditors may provide audit and audit related services provided that any individual audit related service to be undertaken by the auditors in excess of €100,000 does not impair their independence and is approved by the Chairman of the Audit Committee in advance.

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

- bookkeeping or other administrative services related to the Group's accounting records or financial statements;
- financial information systems design and implementation;
- internal audit services;
- management functions;
- executive searches for the Group Managing Director or Group Finance Director; and
- legal services.

Auditors fees are detailed in note 6 of the financial statements. 101

In 2010, the Committee met three times and details of attendance at these meetings are provided in the **Applying the Principles of the Combined Code** section 51

Activities

The principal activities undertaken by the Committee in the period under review are set out below.

Risk management

- The Committee terms of reference include monitoring of the financial reporting process and the effectiveness of the Group internal control, internal audit and risk management systems.
- In fulfilling this responsibility the Committee continued its programme of evaluating the key areas of risk for Glanbia through a series of risk report presentations on the steps taken to manage such risks from the relevant responsible individuals within the Group.
- During 2010 the Committee also approved the introduction of a quarterly, formal, documented key risk review process to identify and analyse the principal risks across each business unit and Group function.
- This process is aimed at the early identification of key risks to the Group's businesses and the Group's overall strategy, followed by an understanding of the nature of those risks, the probability of them occurring and their likely impact if they did occur.
- Risk owners and robust action plans are developed and implemented with the aim of reducing or removing the likelihood of the risk occurring or managing the impact if the risk cannot be avoided. The results of the year end risk review are outlined in the risk management section of this report on pages 27 to 30.
- A full and half yearly assessment of the Board's performance against regulatory requirements and best practice guidance was completed following which the Committee reported to the Board expressing their level of satisfaction with the Group's internal control and risk management systems.

Internal controls

- The Committee received and considered reports during the year from the Group's auditors, PricewaterhouseCoopers, which included reports on any key matters arising from the statutory audit and on any material weaknesses in internal control in relation to the financial reporting process. The Committee also received and considered reports from the Group's Internal Audit function on the work undertaken in reviewing and auditing the control environment, in order to assess the quality and effectiveness of the internal control system.
- A comprehensive Internal Audit programme is agreed annually and is designed to ensure that all business units and key Group functions are audited on a regular basis. Internal Audit reports are issued to relevant senior management following the completion of the reviews which set out agreed Management Action Plans (MAPs) to address recommended areas of improvement. Members of the Committee receive an executive summary of all such Internal Audit reports.
- All MAPs are kept under review by the Internal Audit team until they are resolved. The Group Head of Internal Audit provides an update on the status of the resolution of the MAPs at regular intervals.
- Internal controls were assessed in detail as part of the bi-annual Control Self-Assessment (CSA) process. This assessment is approved by senior management and reviewed by Internal Audit for completeness.
- The Committee assessed the effectiveness of the Group's internal controls and reviewed the related disclosures in the Annual Report.
- As part of the Board and the Committee's programme to gain a greater awareness of the Group's operations, during 2010 the Board (which also comprised the Committee's members) met with senior executives from all US businesses in the USA and inspected the facilities of the Performance Nutrition business in the USA, US Cheese and Southwest Cheese, one of the Group's principal joint ventures.

Financial reporting

The Committee monitored the statutory audit of the annual and consolidated financial statements and:

- reviewed the financial statements and, as part of this process, the significant financial reporting estimates contained within them;
- reviewed the basis for preparing the Group accounts on a going concern basis, including the analysis supporting the going concern statement and disclosures in the financial statements; and
- reviewed the financial statements in the 2009 Annual Report and the 2010 Half-Yearly Report, and received a report from the auditors on the statements.

Internal Audit

The Committee:

- approved the Internal Audit Charter which sets out the framework for the Internal Audit department, its role and responsibilities, its authority, the conduct of the function and how it will operate to accomplish its mission;
- approved the Internal Audit programme for 2010;
- reviewed output from the Internal Audit programme during the year and considered progress against the programme; and
- reviewed the effectiveness of the Group's Internal Audit function.

External auditors

The Committee:

- agreed the approach and scope of the audit work to be undertaken by the auditors;
- reviewed the Group's processes for disclosing information to the auditors;
- reviewed the effectiveness and independence of the auditors. Based on the results of this review the Committee proposed to the Board that it recommend that the shareholders support the re-appointment of the auditors at the 2010 Annual General Meeting; and
- agreed the auditors' fees in respect of the 2011 audit work.

Terms of reference

The Board engaged a leading external governance expert to review the terms of reference of the Committee. This review indicated that the terms of reference met very high standards of corporate governance. Some opportunities for minor incremental improvement were noted and have now been incorporated into the terms of reference which are available for inspection on the Company's website.

Review of Committee performance

The Board and Committee assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its terms of reference.

On behalf of the Audit Committee

John Callaghan
Audit Committee Chairman

Nomination Committee report

Liam Herlihy
Nomination Committee Chairman and Group Chairman

Biography 44

Members

- Liam Herlihy (Group Chairman)
- John Callaghan (Senior Independent Director)
- Paul Haran
- Jerry Liston

Responsibilities

- Making recommendations to the Board on the appointment and re-appointment of the Directors. Glanbia Co-operative Society Limited ("the Society"), which owns 54.5% of the Company, nominates from its Board of Directors fourteen of the eighteen non-executive Directors for appointment to our Board. The Nomination Committee recommendations are made with due regard to these nominations.
- Planning for the orderly succession of new Directors to the Board.
- Recommending to the Board the appointment of the Chairman and vice-Chairmen.
- Keep under review the leadership needs of the Group both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place.
- Recommending to the Board the membership and chairmanship of the Audit and Remuneration Committees.
- Keep the extent of Directors' other interests under review to ensure that the effectiveness of the Board is not compromised

The full terms of reference of the Nomination Committee can be found on the Company's website or can be obtained from the Group Secretary.

Governance

The Committee was in place throughout 2010. Liam Herlihy, the Chairman of the Group, has been Chairman of the Committee since 2008.

The Committee comprises four non-executive directors and two members constitute a quorum.The Group Managing Director and vice-Chairmen attend certain meetings at the invitation of the Nomination Committee. During the year, the Group Managing Director attended one Meeting. The Group Secretary acts as secretary to the Committee.

When dealing with any matters concerning his membership of the Board the Group Chairman will absent himself from the meeting of the Committee as required and meetings will accordingly be chaired by the Senior Independent Director, John Callaghan.

Activities

The principal activities undertaken by the Committee in the period under review are set out below.

Review of Directors' independence

The Nomination Committee reviewed the independence of the non-executive Directors in accordance with the guidance in the UK 2008 Combined Code on Corporate Governance.

The Committee's review took into consideration the fact that:

- John Callaghan had served on the Board for thirteen years and Jerry Liston had served on the Board for eight years.
- Fourteen of the non-executive Directors are nominated by the Board of the Society, for appointment to the Board of the Company, of which each of Henry Corbally, Edward Fitzpatrick, James Gilsenan, Liam Herlihy and Victor Quinlan had served as Directors for nine years or more.
- William Murphy, who retired as Deputy Group Managing Director in September 2005, remains on the Board as a non-executive Director.

Provision A.3.1 of the Code suggests that the following could be relevant to the determination of a non-executive Director's independence:

- serving more than nine years from the date of their first election.
- represents a significant shareholder.
- has been an employee of the company or Group within the last five years.

The Committee concluded that:

- Jerry Liston and John Callaghan, in the same manner as the other non-executive Directors, continued to demonstrate the essential characteristics of independence expected by the Board and that there are no relationships or circumstances that are likely to affect, or could appear to affect, their judgment. Futhermore, they continue to constructively and appropriately challenge the executive Directors and the Board
- throughout the reporting period, John Callaghan, Paul Haran and Jerry Liston were independent
- William Murphy demonstrates the essential characteristics of independence and from September 2010, the fifth anniversary of his retirement from the Group, was independent
- the remaining non-executive Directors did not meet the criteria for independence as specified in the Code but considered that they were independent in character and judgement

The Committee reported its conclusions to the Board for final determination.

In 2010, the Committee met three times and details of attendance at these meetings are provided in the **Applying the Principles of the Combined Code** section 51

Appointment of vice-Chairman

The Committee considered the appointment of Martin Keane as vice-Chairman of the Company and recommended his appointment to the Board. As part of their consideration, the Committee noted that Martin Keane had been appointed as vice-Chairman of Glanbia Co-operative Society Limited and while there was no obligation on the Board of the Company to appoint the same candidate as the Society to the position of vice-Chairman, the custom and practice to-date had been that the vice-Chairman of the Society is also appointed vice-Chairman of the Company. The Committee considered the merits of the custom and practice in this regard and the quality of the candidate elected by the Society. The Committee noted the experience of Mr. Keane and his suitability for the role of vice-Chairman of the Company and recommended his appointment to the Board of the Company which was subsequently approved.

Review of the time required from a non-executive Director

The Committee assessed the time dedicated to the Company by each non-executive Director. Each of the Directors at the time of appointment agrees to a minimum time commitment of one to two days per month (after the induction phase). This will include attendance at monthly board meetings, the Annual General Meeting, two annual board away days, and at least one site visit per year and appropriate preparation time ahead of each meeting. The nature of the Directors appointments is, however, such that the Directors are required to be flexible in terms of their availability. Sometimes they can be required to work part-time, and sometimes significant time input is required depending on the criticality of the issues and challenges facing the Group. This review also considers the extent of the Directors' other interests to ensure that the effectiveness of the Board is not compromised by such interests.

The Board and Committee are 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 Chairman holds a number of other directorships including the Irish Dairy Board Co-operative Society Limited and Irish Co-operative Organisation Society Limited and farms at Headborough, Knockanore, Tallow, Co. Waterford, but the Committee and the Board considers that these do not interfere with the discharge of his duties to the Group.

Board committee membership

The Committee is responsible for recommending appropriate individuals for membership of the Board's committees to ensure that the committees are comprised of individuals with the necessary skills, knowledge and experience. During the year the Committee recommended to the Board that Martin Keane be appointed to the Audit and Remuneration Committees following the retirement of John Fitzgerald. This was implemented during the year by the Board.

Review of committee performance

The Board and Committee assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its terms of reference. Arising from the review, our Board has agreed to review the terms of appointment of the non-executive Directors arising from the changes to the UK Corporate Governance Code and other related matters.

The Nomination Committee did not use an external search consultancy or open advertising in the appointment of the new non-executive Directors, Brendan Hayes, Michael Keane and John Murphy, as they were nominated by the Board of the Society for appointment to the Board.

On behalf of the Nomination Committee

Liam Herlihy
Chairman

Remuneration Committee report

Jerry Liston
Remuneration Committee Chairman

Biography 44

Members

- Jerry Liston (Chairman)
- John Callaghan
- Paul Haran
- Liam Herlihy
- Martin Keane
- Victor Quinlan

Responsibilities

- Determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, the Group Managing Director, executive Directors, members of the Group Operating Executive, the Group Management Committee, the Group Secretary and other senior executives, as required.
- Within the agreed policy, determining individual total compensation packages for the Chairman, the Group Managing Director, executive Directors, members of the Group Operating Executive, the Group Management Committee, the Group Secretary and other senior executives, as required.
- Recommending to the Board any employee share-based incentive schemes and any performance conditions to be used for such schemes.

The full terms of reference of the Remuneration Committee (the "Committee"), can be found on the Company's website or can be obtained from the Group Secretary.

The Remuneration report is structured as follows:

A Governance
B Remuneration reporting:
  1 Remuneration strategy and policy
  2 Chairman's appointment
  3 Non-executive Directors
C Tabular information on Directors' shareholdings, share-based incentives, emoluments and pensions

A Governance

The Committee comprises six non-executive Directors and three members constitute a quorum. Following John Fitzgerald's retirement from the Board on 29 June 2010, the Board, on the recommendation of the Nomination Committee, appointed Martin Keane in his place.

The Group Managing Director and the Group Human Resources and Operations Development Director attend Committee meetings by invitation only. They do not attend where their remuneration is discussed and no Director is involved in deciding his own remuneration. The Group Secretary acts as secretary to the Committee.

During the year the Committee received material assistance and advice on remuneration policy from the Group Human Resources and Operations Development Director, Mr. Brian Phelan. External consultants provide advice to the Committee on market trends and competitive positioning of remuneration packages as required.

Legal advice to the Committee has been provided by Arthur Cox, who also provided services to the Company during the year. The Committee is satisfied that the services provided to it by Arthur Cox are of a technical nature and did not create any conflict of interest. If a conflict of interest were to arise in the future, the Committee would appoint separate legal advisors from those used by the Company.

The Board engaged a leading external governance expert to review the terms of reference of the Committee. This review indicated that the terms of reference met very high standards of corporate governance whilst making recommendations for further incremental improvement and fine-tuning which have now been incorporated into the terms of reference. An updated version of the terms of reference are available for inspection on the Company's website.

In 2010, the Committee met seven times and details of attendance at these meetings are provided in the **Applying the Principles of the Combined Code** section 51

Activities

During the period under review, the Committee:

- considered and approved executive Directors and other senior executives bonus arrangements for 2010.
- assessed and agreed the level of achievement against bonus objectives for 2009 under the approved Annual Incentive Plan.
- reviewed and approved the 2010 grant under the 2008 Long Term Incentive Plan ("2008 LTIP") to executive Directors and other senior executives.
- considered the outcome of the performance conditions for the 2007 LTIP share awards and the real growth in Adjusted Earnings Per Share[1] ("EPS") and Total Shareholder Return[2] ("TSR") over the three-year performance and determined the level of shares to be vested.
- initiated an external remuneration consultant selection process to assist the Committee in formulating an updated executive remuneration policy to be put to the Board for approval in 2011.
- undertook a review of executive Directors and other senior executives base salaries.
- assessed its performance, covering terms of reference, composition, procedures, contribution and effectiveness. As a result of that assessment, the Committee is satisfied that it is functioning effectively and has met its terms of reference.

1 Adjusted EPS is calculated as the profit for the year attributable to the equity holders of the Parent before exceptional items and amortisation of intangible assets (net of tax).

2 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.

Remuneration package

Elements	Purpose
Base salary	Recognise market value of role and the stage of professional consolidation of the role holder.
Annual incentive plan	Incentivise executives to achieve specific short term business and personal performance goals during a one year period.
Long term incentive plan	Aligns senior executives' interests with those of shareholders and incentivise them to pursue superior results over a three year period within the limits of the Group's risk appetite. The TSR metric measures the relative return from the Company's shares against an agreed group of comparator companies, providing alignment with shareholders interests. The EPS metric is also a key performance measure aligned with shareholders' interests.
Pension provision	Provide competitive, affordable and sustainable retirement benefits.
Other benefits	Provide a car benefit or equivalent. Provide suitable medical insurance.

B Remuneration reporting

1 Remuneration strategy and 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 are designed to form an appropriate portion of the total remuneration package of executive Directors. These link remuneration to individual performance and the Group's performance and align the interests of executive Directors with those of shareholders.

This framework is applied to the most senior executives within the Group globally (Business unit CEOs and their senior teams) to create a consistent global approach to reward. The principles of the remuneration strategy are also applied consistently across the Group below this level, taking account of seniority and local market practice.

Executive remuneration policy is generally reviewed by the Committee on a three year basis and is planned to be reviewed in 2011, with the assistance of an external advisor. The updated policy will be put to the Board for consideration and approval during 2011 and is to be effective from 2012.

Remuneration policy
The Board determines the remuneration policy for executive Directors and other senior executives. Key elements of the policy are as follows:

- setting base salary by reference to the market median based on an external evaluation of the role.
- incentivising executive Directors and senior executives to achieve specific performance goals which are linked to the Group's business plans.
- incentivising executive Directors and senior executives to deliver performance exceeding business plans.
- aligning the interests of executive Directors, senior executives and shareholders.
- provide an appropriate balance between:
  - short-term and long-term reward
  - fixed and variable reward
  - provide a competitive benefits package

Incentives
The Group's strategy is set out in the Strategic Review along with the Group Strategic Framework. The remuneration strategy incentivises and rewards executives to deliver the Group's strategy through the combination of short-term and long-term incentives.

Annual incentive plan
The Group operates a performance-related bonus scheme for executive Directors and senior executives. Payments under the scheme for executive Directors depend on the achievement of pre-determined financial targets for the Group or business unit performance and an assessment of individual performance against pre-agreed objectives relevant to their business unit or area of responsibility.

The financial targets are derived from the annual business plan as approved by the Board and are based on growth in annual Group EPS or business unit planned profitability as appropriate.

Long-term incentive plans (LTIPs)
The Company has operated three LTIPs – the 2002 LTIP (the "2002 Share Option Scheme"), the 2007 LTIP and the 2008 LTIP. The principal plan for executives is the 2008 LTIP which has received shareholder approval.

The combination of the annual incentive plan and the LTIPs (which are designed to link reward to the key long term drivers of the business and to align the interests of the executive Directors and senior executives with the long term interests of the shareholders through a long-term reward being delivered in shares) provide a balance between short-term cash reward and longer-term share-based reward as per recommended best practice.

LTIP awards under the 2008 LTIP are granted annually and vesting is dependent on the achievement of TSR and EPS performance conditions, full details of which are contained in the Summary of Long-Term Incentive Plans on page 63. The TSR and EPS performance conditions are designed to ensure that an appropriate proportion of an executive Directors' and senior executives' total incentive package is delivered through longer-term performance.

To the extent that any performance condition is not met the relevant part of the award will lapse.

How the 2008 LTIP works

Summary of long-term incentive plans

Plan provisions

Performance conditions for grants of awards to be made under the 2002 Share Option Scheme (if any) and the 2008 LTIP are detailed below.

It is not intended that any future awards will be granted under the 2007 LTIP.

2008 LTIP

2008 LTIP grant awards are generally based on a percentage of salary and share price at the date of grant. Key features are as follows:

- the shares are subject to satisfaction of three-year performance conditions;
- 50% of the 2008 LTIP award is based on a TSR performance condition and the other 50% is based on an EPS performance condition; and
- shares under award do not attract dividends prior to vesting.

How the 2008 LTIP works

An award shall not vest unless the Committee is satisfied that the Company's underlying financial performance has shown a sustained improvement in the period since the date of grant. If this condition is met, the extent of vesting shall be determined by the EPS condition and the TSR performance condition set out below.

2008 EPS performance condition

50% of the award is capable of vesting as determined by the rate of growth in the EPS over the three-year performance period, with nil vesting at EPS growth of less than the Consumer Price Index (CPI) plus 5%, 50% vesting at EPS growth in excess of CPI plus 5% and 100% vesting at EPS growth in excess of CPI plus 10%. Where EPS is between CPI plus 5% and CPI plus 10% then a pro rata vesting on a straight line basis will apply.

The rationale for the EPS performance measure is that investors consider EPS to be a key indicator of long-term financial performance and value creation of a public limited company.

2008 TSR performance condition

50% of the award is capable of vesting as determined by the Company's TSR (share price growth plus dividends) ranking relative to an agreed comparator group of 17 other international food and nutritional companies.

None of the shares vest if the Company's TSR performance is below the top 50% of TSR performance achieved by the sectoral comparator group (the "Comparator Group TSR performance"). 30% vests if the Company's TSR performance is equal to or above the top 50% Comparator Group TSR performance. 100% vests if the Company's TSR performance is equal to or above the top 25% of the Comparator Group TSR performance. Where the Company's TSR performance is between the top 50% and 25% of Comparator Group TSR performance then a pro rata vesting on a straight line basis will apply.

The rationale for using a TSR performance measure is that major investors regard TSR as an important indication of both earnings and capital growth relative to other major companies in the same sector and to ensure that awards only vest if there has been a clear improvement in the Company's relative performance over the relevant period.

Vesting/lapse during the year under the 2007 LTIP

In relation to the 2007 award which was based on performance in the three year period to 2 January 2010, the Committee assessed the performance criteria of the 2007 LTIP and the final award was as follows:

- 0% of the TSR amount vested (0% of the overall award)
- 100% of the EPS element vested (50% of overall award)

2002 Share Option Scheme

Key features for 2002 Share Option Scheme options are:

- grant of options over shares are granted based on a percentage of salary and share price at the date of grant;
- the shares are subject to satisfaction of rolling three-year performance conditions;
- the vesting of the options is all based on an EPS performance condition;
- shares under options will not attract dividends prior to vesting; and
- 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. The grant of such an award is at the discretion of the Committee.

2002 EPS performance condition

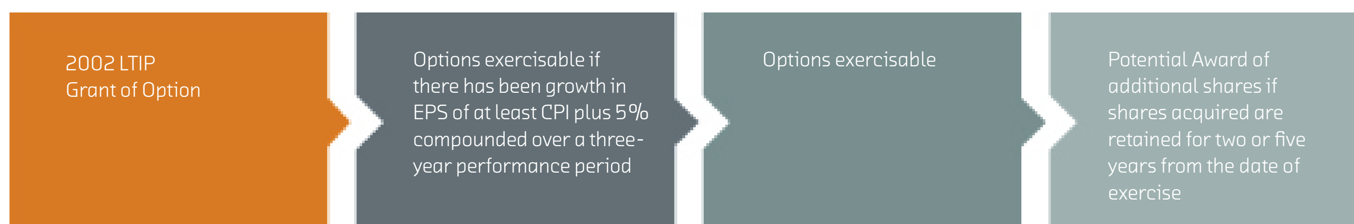
Whether an option is capable of exercise is determined by the rate of growth in EPS over a three-year performance period, with nil vesting at EPS growth of less than CPI plus 5% and 100% vesting at CPI plus 5% or more growth.

Other information on share plans

Share usage for employee share schemes

The Company currently intends to use existing shares to satisfy future share awards under the 2008 LTIP and an employee benefit trust was set up for this purpose. At 1 January 2011, 485,304

How the 2002 share option scheme works



ordinary shares were held by the employee benefit trust.

The Company currently intends to issue new shares to satisfy future share options and awards under the 2002 Share Option Scheme. The table below sets out the dilutive effect on the share capital if all options under the 2002 Share Option Scheme capable of being exercised and all awards under the 2002 Share Option Scheme capable of vesting were issued:

Total issued share capital:	293,835,684
Outstanding share options under 2002 Share Option Scheme capable of being exercised	1,930,000
Outstanding share awards under 2002 Share Option Scheme	90,600
Enlarged issued share capital	295,856,284

Information on post-retirement and other benefits
The Glanbia executive Directors are members of the Glanbia pension scheme and the Glanbia executive pension scheme. As such, they are subject to the same contribution rates payable by employee members of the Glanbia pension scheme.

The pension schemes also provide a lump sum death-in-service benefit and spouse death in service pension.

Executive directors' 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.

Policy on external board appointments
The long-standing policy of allowing executive Directors to hold external non-Glanbia related non-executive directorships with the prior approval of the Committee will continue. The Committee considers that external directorships provide the Company's senior executives with valuable experience that is of benefit to Glanbia. It is also considered appropriate for Glanbia to contribute to the pool of non-executive expertise available for the benefit of the wider business community. The Committee believes that it is reasonable for the individual executive Director to retain any fees received from such appointments given the additional personal responsibility that this entails. Such fees retained by executive Directors in 2010 were as follows: John Moloney: The Irish Dairy Board Co-operative Limited: €17,500 and DCC plc: €61,000.

2 Chairman's appointment

Liam Herlihy was appointed Chairman on 28 May 2008. His appointment is subject to annual re-appointment by the shareholders. His appointment as Chairman will automatically terminate if he ceases to be a Director of the Company or a Director of Glanbia Co-operative Society Limited. His fee, which was set by the Committee at €79,000 per annum, will be subject to review in 2011. This fee reflects the level of commitment and responsibility of the role and is determined by the Committee.

3 Non-executive directors' appointment

The non-executive Directors do not have service contracts but do have letters of appointment detailing the basis of their 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 (AGM) of the Company.

The non-executive Directors do not have periods of notice and the Company has no obligation to pay compensation when their appointment terminates. They are subject to annual re-election at the AGM.

Directors' fees, which will be subject to review in 2011, have been set as follows:

Chairman	€79,000
Vice-Chairman	€38,000
Senior Independent Director	€63,000
Remuneration Committee Chairman	€63,000
Paul Haran	€56,000
William Murphy	€56,000
Director appointed by Glanbia Co-operative Society Limited	€18,000

Table A: Directors and Secretary's interests in Glanbia plc

		As at 1 January 2011					As at 3 January 2010*				
		Ordinary shares	2008 LTIP awards	2007 LTIP awards	2002 LTIP options	2002 LTIP awards	Ordinary shares	2008 LTIP awards	2007 LTIP awards	2002 LTIP options	2002 LTIP awards
Directors											
L Herlihy		91,804	–	–	–	–	91,804	–	–	–	–
V Quinlan		31,347	–	–	–	–	31,347	–	–	–	–
Mn Keane		20,000	–	–	–	–	20,000	–	–	–	–
J Moloney	1	104,593	484,000	–	510,000	38,900	104,593	284,000	–	510,000	38,900
J Callaghan		35,000	–	–	–	–	35,000	–	–	–	–
H Corbally		7,495	–	–	–	–	7,495	–	–	–	–
E Fitzpatrick		50,501	–	–	–	–	50,501	–	–	–	–
J Gannon		12,552	–	–	–	–	12,552	–	–	–	–
J Gilsenan		5,842	–	–	–	–	5,842	–	–	–	–
P Gleeson		24,923	–	–	–	–	24,923	–	–	–	–
P Haran		7,462	–	–	–	–	7,462	–	–	–	–
B Hayes	2	18,920	–	–	–	–	18,920	–	–	–	–
Ml Keane	2	22,104	–	–	–	–	22,104	–	–	–	–
J Liston		15,000	–	–	–	–	15,000	–	–	–	–
M Merrick		3,600	–	–	–	–	3,600	–	–	–	–
J Murphy	2	4,000	–	–	–	–	4,000	–	–	–	–
W Murphy		230,827	–	–	–	–	230,827	–	–	–	–
A O'Connor		15,743	–	–	–	–	15,743	–	–	–	–
R Prendergast		4,007	–	–	–	–	4,007	–	–	–	–
S Talbot	1	29,693	221,000	–	75,000	7,900	17,693	101,000	24,000	75,000	7,900
K Toland	1	23,243	337,000	–	312,000	16,400	23,243	192,000	–	312,000	16,400
Secretary											
M Horan		10,093	110,000	–	–	–	4,593	48,000	11,000	–	–

1 Executive Director
2 Appointed 29 June 2010
* *Or at date of appointment if later*

c Information subject to audit

The information in Tables A, A(1), B and C are covered by the **Independent auditors' report**

↘ 74

The table above and the tables on pages 66 to 68 give details of the interests in shares in Glanbia plc and Glanbia Co-operative Society held by Directors, Secretary and their connected persons for those individuals who were Directors and Secretary of the Company as at 1 January 2011. There have been no changes in the interests of the current Directors listed in the table above between 1 January 2011 and 1 March 2011.

The market price of the ordinary shares as at 1 January 2011 was €3.68 and the range during the year was €2.43 to €3.68. The average price for the year was €3.12.

The Company's register of Directors' and Secretary's interests (which is open to inspection) contains full details of Directors' share interests.

Table A(1): Directors and Secretary's interests in Glanbia Co-operative Society Limited

		As at 1 January 2011			As at 3 January 2010*		
		"A" Ordinary Shares of €1.00	Convertible Loan Stock of €0.01269738	"C" Shares of €0.01	"A" Ordinary Shares of €1.00	Convertible Loan Stock of €0.01269738	"C" Shares of €0.01
Directors							
L Herlihy		91,425	–	48,176,819	90,397	410,210	48,176,819
V Quinlan		12,387	–	3,576,185	12,245	–	3,576,185
Mn Keane		6,626	–	84,564	6,360	56,298	84,564
J Moloney	1	–	–	4,952,304	–	–	4,952,304
H Corbally		5,912	–	1,040,133	5,814	79,510	1,040,133
E Fitzpatrick		24,623	–	10,036,078	24,329	85,412	10,036,078
J Gannon		10,974	–	142,905	10,759	83,584	142,905
J Gilsenan		3,971	–	5,157,402	3,917	83,439	5,157,402
B Hayes	2	9,996	–	1,500,000	9,874	–	1,500,000
Ml Keane	2	20,157	–	1,875,940	20,084	–	2,052,647
M Merrick		6,309	–	387,464	6,074	92,334	387,464
J Murphy	2	14,834	–	–	14,517	–	283,234
W Murphy		–	–	1,714,149	–	–	1,714,149
A O'Connor		20,530	–	–	19,785	104,550	–
R Prendergast		6,683	–	–	6,620	48,671	–
S Talbot	1	–	–	9,145,071	–	–	9,145,071
Secretary							
M Horan		–	–	1,000,000	–	–	1,000,000

1 Executive Director
2 Appointed 29 June 2010
* Or at date of appointment if later

CHAIRMAN'S INTRODUCTION
BOARD OF DIRECTORS & SENIOR MANAGEMENT
APPLYING THE PRINCIPLES OF THE COMBINED CODE
OTHER STATUTORY INFORMATION
COMMITTEE REPORTS
STATEMENT OF DIRECTORS RESPONSIBILITIES

Table B: Share Options and LTIP Awards – John Moloney

2002 LTIP	03–Jan–10	Granted during the year	Exercised during the year	Lapsed during the year	01–Jan–11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002[EPS]	290,000	–	–	–	290,000	1.55	29–Aug–02	–	–	30–Aug–05	28–Aug–12	1, 2
2002[EPS]	150,000	–	–	–	150,000	2.725	9–Dec–04	–	–	10–Dec–07	8–Dec–14	1, 3
2002[EPS]	70,000	–	–	–	70,000	4.03	30–Aug–07	–	–	31–Aug–10	29–Aug–17	1
	510,000	**–**	**–**	**–**	**510,000**							

LTIPs	03–Jan–10	Granted during the year	Vested during the year	Lapsed during the year	01–Jan–11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest date for vesting	Expiry date	Performance period	Note
2008[TSR]	71,000	–	–	–	71,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	4
2008[EPS]	71,000	–	–	–	71,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	4
2008[TSR]	71,000	–	–	–	71,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	4
2008[EPS]	71,000	–	–	–	71,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	4
2008[TSR]	–	100,000	–	–	100,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	4
2008[EPS]	–	100,000	–	–	100,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	4
	284,000	**200,000**	**–**	**–**	**484,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 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
3 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
4 Subject to a performance condition that is yet to be tested.

Table B: Share Options and LTIP Awards – Siobhán Talbot

2002 LTIP	03–Jan–10	Granted during the year	Exercised during the year	Lapsed during the year	01–Jan–11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002[EPS]	75,000	–	–	–	75,000	2.725	9–Dec–04	–	–	10–Dec–07	8–Dec–14	1, 2
	75,000	**–**	**–**	**–**	**75,000**							

LTIPs	03–Jan–10	Granted during the year	Vested during the year	Lapsed during the year	01–Jan–11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest date for vesting	Expiry date	Performance period	Note
2007[TSR]	12,000	–	–	12,000	–	4.03	30–Aug–07	25–May–10	–	Mar–10	30–Aug–11	2007–2009	3
2007[EPS]	12,000	–	12,000	–	–	4.03	30–Aug–07	25–May–10	2.82	Mar–10	30–Aug–11	2007–2009	1
2008[TSR]	22,500	–	–	–	22,500	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	4
2008[EPS]	22,500	–	–	–	22,500	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	4
2008[TSR]	28,000	–	–	–	28,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	4
2008[EPS]	28,000	–	–	–	28,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	4
2008[TSR]	–	60,000	–	–	60,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	4
2008[EPS]	–	60,000	–	–	60,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	4
	125,000	**120,000**	**12,000**	**12,000**	**221,000**								

Ms. S. Talbot is also eligible for a share award of 10% of the 4,000 ordinary shares (400) allotted to her on 28 August 2008.

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 Eligible for a share award of 10% of the ordinary shares she continues to hold following the second anniversary of the exercise of the option
3 The award lapsed in 2010 having not met the performance condition.
4 Subject to a performance condition that is yet to be tested.

Table B: Share Options and LTIP Awards – Kevin Toland

2002 LTIP	03–Jan–10	Granted during the year	Exercised during the year	Lapsed during the year	01–Jan–11	Exercise price €	Date of grant	Date of exercise or lapse	Market price on exercise €	Earliest date exercisable from	Expiry date	Note
2002[EPS]	164,000	–	–	–	164,000	1.55	29–Aug–02	–	–	30–Aug–05	28–Aug–12	1, 2
2002[EPS]	100,000	–	–	–	100,000	2.725	9–Dec–04	–	–	10–Dec–07	8–Dec–14	1
2002[EPS]	48,000	–	–	–	48,000	4.03	30–Aug–07	–	–	31–Aug–10	29–Aug–17	1
	312,000	**–**	**–**	**–**	**312,000**							

LTIPs	03–Jan–10	Granted during the year	Vested during the year	Lapsed during the year	01–Jan–11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest date for vesting	Expiry date	Performance period	Note
2008[TSR]	48,000	–	–	–	48,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	3
2008[EPS]	48,000	–	–	–	48,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	3
2008[TSR]	48,000	–	–	–	48,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	3
2008[EPS]	48,000	–	–	–	48,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	3
2008[TSR]	–	72,500	–	–	72,500	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	3
2008[EPS]	–	72,500	–	–	72,500	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	3
	192,000	**145,000**	**–**	**–**	**337,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 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
3 Subject to a performance condition that is yet to be tested.

Table B: Share Options and LTIP Awards – Michael Horan

LTIPs	03–Jan–10	Granted during the year	Vested during the year	Lapsed during the year	01–Jan–11	Market price at date of award €	Date of award	Date of vesting or lapse	Market price at vesting €	Earliest date for vesting	Expiry date	Performance period	Note
2007[TSR]	5,500	–	–	5,500	–	4.03	30–Aug–07	25–May–10	–	Mar–10	30–Aug–11	2007–2009	2
2007[EPS]	5,500	–	5,500	–	–	4.03	30–Aug–07	25–May–10	2.82	Mar–10	30–Aug–11	2007–2009	1
2008[TSR]	12,000	–	–	–	12,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	3
2008[EPS]	12,000	–	–	–	12,000	4.45	28–Aug–08	–	–	28–Aug–11	28–Aug–12	2008–2010	3
2008[TSR]	12,000	–	–	–	12,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	3
2008[EPS]	12,000	–	–	–	12,000	2.72	9–Jun–09	–	–	9–Jun–12	9–Jun–13	2009–2011	3
2008[TSR]	–	31,000	–	–	31,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	3
2008[EPS]	–	31,000	–	–	31,000	2.82	25–May–10	–	–	25–May–13	25–May–14	2010–2012	3
	59,000	**62,000**	**5,500**	**5,500**	**110,000**								

Note: Performance conditions for the options and awards set out above are detailed below.

1 Subject to a performance condition that has been met.
2 The award lapsed in 2010 having not met the performance condition.
3 Subject to a performance condition that is yet to be tested.

Table C: Directors remuneration

The salary, fees and other benefits pursuant to the remuneration package of each Director during the year were:

	Salary €'000	Fees €'000	Performance bonus €'000	Pension contribution €'000	Other benefits €'000	2010 Total €'000	2009 Total €'000
Executive Directors							
J Moloney	452	–	580	94	33	1,159	587
G Meagher (note (a))	–	–	–	–	–	–	199
K Toland	344	–	430	73	60	907	472
S Talbot (note (b))	251	–	326	60	15	652	164
2010	**1,047**	**–**	**1,336**	**227**	**108**	**2,718**	
2009	1,070	–	–	239	113		1,422
Non – executive Directors							
L Herlihy	–	79	–	–	–	79	79
Mn Keane (note (c))	–	28	–	–	–	28	18
V Quinlan	–	38	–	–	–	38	38
J Callaghan	–	63	–	–	–	63	64
H Corbally	–	18	–	–	–	18	18
N Dunphy (note (d))	–	9	–	–	–	9	18
J Fitzgerald (note (e))	–	19	–	–	–	19	38
E Fitzpatrick	–	18	–	–	–	18	18
J Gannon (note (f))	–	18	–	–	–	18	11
J Gilsenan	–	18	–	–	–	18	18
P Gleeson	–	18	–	–	–	18	18
P Haran	–	56	–	–	–	56	56
B Hayes (note (g))	–	9	–	–	–	9	–
C Hill (note (d))	–	9	–	–	–	9	18
Ml Keane (note (g))	–	9	–	–	–	9	–
J Liston	–	63	–	–	–	63	64
M Merrick	–	18	–	–	–	18	18
J Murphy (note (g))	–	9	–	–	–	9	–
W Murphy	–	56	–	–	–	56	56
A O'Connor	–	18	–	–	–	18	18
M Parsons (note (h))	–	–	–	–	–	–	8
R Prendergast	–	18	–	–	–	18	18
2010	**–**	**591**	**–**	**–**	**–**	**591**	
2009	–	594	–	–	–		594
Total 2010	**1,047**	**591**	**1,336**	**227**	**108**	**3,309**	
Total 2009	1,070	594	–	239	113		2,016

(a) Mr G Meagher retired as an executive Director on 30 June 2009.
(b) Ms S Talbot was appointed as an executive Director on 1 July 2009.
(c) Mr Mn Keane was appointed vice-Chairman on 29 June 2010.
(d) Messrs N Dunphy and C Hill resigned as Directors on 29 June 2010.
(e) Mr J Fitzgerald resigned as a vice-Chairman and Director on 29 June 2010.
(f) Mr J Gannon was appointed as a Director on 27 May 2009.
(g) Messrs B Hayes, Ml Keane and J Murphy were appointed Directors on 29 June 2010.
(h) Mr M Parsons resigned as a Director on 27 May 2009.

Table C: Directors remuneration (continued)

The 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 2010 in excess of inflation €' 000	Total annual accrued pension 1 January 2011 €' 000
J Moloney	77	9	338
K Toland	51	9	118
S Talbot	35	6	117
2010	**163**	**24**	**573**
2009	219	28	784

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.

All emoluments and compensation paid to the Directors during the year are shown above. Where the individual was appointed during the year the amount shown is for the period from appointment.

The benefits received by the Irish executive Directors include, where applicable, the provision of a car and suitable medical insurance.

The benefits received by the US-based executive Director include a cash allowance for a car, medical examination, dental benefits and insured life benefits.

On behalf of the Remuneration Committee

Jerry Liston
Remuneration Committee Chairman

Statement of Directors' responsibilities

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

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group.

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 applicable law and the Listing Rules issued by the Irish Stock Exchange to prepare a Directors' report and reports relating to Directors' remuneration and report on corporate governance in accordance with the European Communities (Directive 2006/46/EC) Regulations 2009 (as amended) and the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007.

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 2009 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 corporate and financial information included on the Company's website. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Transparency (Directive 2004/109/EC) Regulations 2007

Each of the Directors, executive and non-executive, whose names and functions are listed on pages 44 to 46 confirms that to the best of each person's knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the EU 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; and
- the Directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Directors' Report

On behalf of the Board

L Herlihy J Moloney S Talbot
Directors
1 March 2011

Financial statements

Independent auditors' report to the members of Glanbia plc **74**
Group income statement **76**
Group statement of comprehensive income **77**
Group statement of changes in equity **78**
Group statement of financial position **79**
Group statement of cash flows **80**
Company statement of financial position **81**
Company statement of changes in equity **82**
Company statement of comprehensive income and statement of cash flows **83**

Notes to the financial statements

1. General information 84
2. Summary of significant accounting polices 84
3. Financial risk management 90
4. Critical accounting estimates and judgements 95
5. Segment information 96
6. Operating expenses 101
7. Exceptional items 102
8. Employee benefit expense 103
9. Directors' remuneration 103
10. Finance income and costs 103
11. Income taxes 104
12. Earnings per share 105
13. Dividends 106
14. Property, plant and equipment 106
15. Intangible assets 107
16. Investments in associates 110
17. Investments in joint ventures 111
18. Available for sale financial assets 112
19. Trade and other receivables 113
20. Inventories 115
21. Cash and cash equivalents 115
22. Other reserves 116
23. Share capital and share premium 120
24. Retained earnings 121
25. Non-controlling interests 121
26. Borrowings 122
27. Deferred income taxes 124
28. Retirement benefit obligations 126
29. Provisions for other liabilities and charges 129
30. Capital grants 130
31. Trade and other payables 130
32. Derivative financial instruments 130
33. Contingent liabilities 131
34. Commitments 132
35. Cash generated from operations 132
36. Business combinations 133
37. Related party transactions 134
38. Events after the reporting period 135
39. Comparatives 136
40. Principal subsidiary and associated undertakings 136

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 1 January 2011, which comprise the Group income statement, the Group and Parent Company statements of financial position, the Group and Parent Company statements of changes in equity, the Group and Parent Company statements of cash flows, the Group and Parent Company statements of comprehensive income 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 Parent 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 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 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 Parent Company statement of financial position is in agreement with the books of account. We also report to you our opinion as to:

- whether the Parent Company has kept proper books of account;
- whether the Directors' report is consistent with the financial statements; and
- whether at the reporting date there existed a financial situation which may require the Parent Company to convene an extraordinary general meeting of the Parent Company; such a financial situation may exist if the net assets of the Parent Company, as stated in the Parent Company statement of financial position 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 are required by law to report to you our opinion as to whether the description in the statement on corporate governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition, we review whether the statement on corporate governance reflects the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and report if it does not. We are not required to consider whether the Board's statements on internal controls 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 of the following sections: our strategy, Group performance, divisional performance and governance. 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 Parent 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 1 January 2011 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 2009 of the state of the Parent Company's affairs as at 1 January 2011 and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 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 Parent Company. The Parent Company statement of financial position is in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statement, and the description in the statements on corporate governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements

The net assets of the Parent Company, as stated in the Parent Company statement of financial position 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 1 January 2011 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, Ireland
1 March 2011

Group income statement

for the financial year ended 1 January 2011

	Notes	Pre-exceptional 2010 €'000	Exceptional 2010 €'000 (note 7)	Total 2010 €'000	Pre-exceptional 2009 €'000	Exceptional 2009 €'000 (note 7)	Total 2009 €'000
Revenue	5	2,166,695	–	2,166,695	1,830,327	–	1,830,327
Cost of sales		(1,784,263)	–	(1,784,263)	(1,507,119)	(5,084)	(1,512,203)
Gross profit		**382,432**	**–**	**382,432**	**323,208**	**(5,084)**	**318,124**
Distribution expenses		(115,896)	–	(115,896)	(116,115)	(1,486)	(117,601)
Administration expenses		(130,029)	–	(130,029)	(95,927)	(8,485)	(104,412)
Other gains and losses		–	10,238	10,238	–	60,730	60,730
Operating profit		**136,507**	**10,238**	**146,745**	**111,166**	**45,675**	**156,841**
Finance income	10	3,290	–	3,290	5,542	–	5,542
Finance costs	10	(25,420)	–	(25,420)	(29,576)	–	(29,576)
Share of results of Joint Ventures & Associates		10,103	–	10,103	10,225	–	10,225
Profit before taxation		**124,480**	**10,238**	**134,718**	**97,357**	**45,675**	**143,032**
Income taxes	11	(25,527)	(558)	(26,085)	(19,103)	(10,770)	(29,873)
Profit for the year		**98,953**	**9,680**	**108,633**	**78,254**	**34,905**	**113,159**
Attributable to:							
Equity holders of the Parent				108,047			112,676
Non-controlling interests	25			586			483
				108,633			**113,159**
Basic earnings per share (cents)	12			**36.86**			**38.46**
Diluted earnings per share (cents)	12			**36.63**			**38.35**

On behalf of the Board
L Herlihy J Moloney S Talbot
Directors

Group statement of comprehensive income

for the financial year ended 1 January 2011

	Notes	2010 €'000	2009 €'000
Profit for the year		**108,633**	**113,159**
Other comprehensive income/(expense)			
Actuarial gain/(loss) – defined benefit schemes	28	13,379	(31,215)
Deferred tax (charge)/credit on actuarial gain/loss	27	(1,250)	2,684
Share of actuarial gain/(loss) – Joint Ventures & Associates	24	2,760	(1,730)
Deferred tax (charge)/credit on actuarial gain/loss – Joint Ventures & Associates	24	(316)	366
Currency translation differences	22	20,169	6,258
Revaluation of available for sale financial assets	22	(5,381)	(3,367)
Fair value movements on cash flow hedges	22	3,936	5,114
Deferred tax on cash flow hedges and revaluation of available for sale financial assets	27	2,267	(503)
Other comprehensive income/(expense) for the year, net of tax		**35,564**	**(22,393)**
Total comprehensive income for the year		**144,197**	**90,766**
Total comprehensive income attributable to:			
Equity holders of the Parent		143,611	90,283
Non-controlling interests	25	586	483
		144,197	**90,766**

Group statement of changes in equity

for the financial year ended 1 January 2011

	Attributable to equity holders of the Parent					
	Share capital and share premium €'000 (note 23)	Other reserves €'000 (note 22)	Retained earnings €'000 (note 24)	Total €'000	Non-controlling interests €'000 (note 25)	Total €'000
Balance at 3 January 2009	**99,219**	**100,983**	**19,707**	**219,909**	**8,010**	**227,919**
Profit for the year	–	–	112,676	112,676	483	113,159
Other comprehensive income/(expense)						
Actuarial loss – defined benefit schemes	–	–	(31,215)	(31,215)	–	(31,215)
Deferred tax on actuarial loss	–	–	2,684	2,684	–	2,684
Share of actuarial loss – Joint Ventures & Associates	–	–	(1,364)	(1,364)	–	(1,364)
Fair value movements	–	1,747	–	1,747	–	1,747
Deferred tax on fair value movements	–	(503)	–	(503)	–	(503)
Exceptional non-cash foreign exchange loss	–	18,280	–	18,280	–	18,280
Currency translation differences	–	(12,022)	–	(12,022)	–	(12,022)
Total comprehensive income for the year	**–**	**7,502**	**82,781**	**90,283**	**483**	**90,766**
Dividends paid during the year	–	–	(19,484)	(19,484)	(2,000)	(21,484)
Cost of share based payments	–	187	–	187	–	187
Balance at 2 January 2010	**99,219**	**108,672**	**83,004**	**290,895**	**6,493**	**297,388**
Profit for the year	–	–	108,047	108,047	586	108,633
Other comprehensive income/(expense)						
Actuarial gain – defined benefit schemes	–	–	13,379	13,379	–	13,379
Deferred tax on actuarial gain	–	–	(1,250)	(1,250)	–	(1,250)
Share of actuarial gain – Joint Ventures & Associates	–	–	2,444	2,444	–	2,444
Fair value movements	–	(1,445)	–	(1,445)	–	(1,445)
Deferred tax on fair value movements	–	2,267	–	2,267	–	2,267
Currency translation differences	–	20,169	–	20,169	–	20,169
Total comprehensive income for the year	–	**20,991**	**122,620**	**143,611**	**586**	**144,197**
Dividends paid during the year	–	–	(20,453)	(20,453)	(187)	(20,640)
Cost of share based payments	–	2,937	–	2,937	–	2,937
Transfer on exercise, forfeit or lapse of share based payments that have vested	–	(373)	373	–	–	–
Shares issued	17	–	–	17	–	17
Premium on shares issued	505	–	–	505	–	505
Balance at 1 January 2011	**99,741**	**132,227**	**185,544**	**417,512**	**6,892**	**424,404**

Goodwill previously written off amounting to €93.0 million (2009: €93.0 million) is included in opening and closing retained earnings.

Group statement of financial position

as at 1 January 2011

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	369,346	363,152
Intangible assets	15	356,830	342,112
Investments in associates	16	11,757	10,041
Investments in joint ventures	17	58,945	58,276
Trade and other receivables	19	23,084	50,555
Deferred tax assets	27	7,388	12,022
Available for sale financial assets	18	14,127	20,397
Derivative financial instruments	32	1,643	2,718
		843,120	**859,273**
Current assets			
Inventories	20	303,881	201,577
Trade and other receivables	19	246,831	204,326
Derivative financial instruments	32	3,912	7,501
Cash and cash equivalents	21	229,101	152,789
		783,725	**566,193**
Total assets		**1,626,845**	**1,425,466**
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	23	99,741	99,219
Other reserves	22	132,227	108,672
Retained earnings	24	185,544	83,004
		417,512	**290,895**
Non-controlling interests	25	6,892	6,493
Total equity		**424,404**	**297,388**
LIABILITIES			
Non-current liabilities			
Borrowings	26	636,251	594,462
Derivative financial instruments	32	3,315	5,631
Deferred tax liabilities	27	75,966	66,337
Retirement benefit obligations	28	48,560	85,765
Provisions for other liabilities and charges	29	22,392	20,133
Capital grants	30	18,609	18,582
		805,093	**790,910**
Current liabilities			
Trade and other payables	31	366,246	295,481
Current tax liabilities		2,538	2,816
Borrowings	26	972	945
Derivative financial instruments	32	6,487	10,615
Provisions for other liabilities and charges	29	21,105	27,311
		397,348	**337,168**
Total liabilities		**1,202,441**	**1,128,078**
Total equity and liabilities		**1,626,845**	**1,425,466**

On behalf of the Board
L Herlihy J Moloney S Talbot
Directors

Group statement of cash flows

for the financial year ended 1 January 2011

	Notes	2010 €'000	2009 €'000
Cash flows from operating activities			
Cash generated from operations	35	107,214	104,710
Interest received		3,054	5,352
Interest paid		(25,613)	(30,484)
Tax paid		(11,955)	(5,533)
Net cash inflow from operating activities		**72,700**	**74,045**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		–	(521)
Payment of deferred consideration on acquisition of subsidiaries		(644)	(762)
Purchase of property, plant and equipment		(31,631)	(47,463)
Purchase of intangible assets		(4,333)	(3,724)
Dividends received from joint ventures	17	11,210	17,924
Loans repaid by/(advanced to) joint ventures		23,280	(21,508)
Decrease in available for sale financial assets		438	433
Proceeds from sale of property, plant and equipment		1,163	1,609
Net cash outflow from investing activities		**(517)**	**(54,012)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	522	–
Increase in borrowings		21,823	16,642
Finance lease principal payments		(926)	(908)
Dividends paid to Company shareholders	13	(20,453)	(19,484)
Dividends paid to non-controlling interests	25	(187)	(2,000)
Capital grants received		1,432	6,793
Net cash inflow from financing activities		**2,211**	**1,043**
Net increase in cash and cash equivalents		**74,394**	**21,076**
Cash and cash equivalents at the beginning of the year		152,789	132,572
Effects of exchange rate changes on cash and cash equivalents		1,918	(859)
Cash and cash equivalents at the end of the year	21	**229,101**	**152,789**

Reconciliation of net cash flow to movement in net debt		2010 €'000	2009 €'000
Net increase in cash and cash equivalents		74,394	21,076
Cash movements from debt financing		(20,897)	(15,734)
		53,497	**5,342**
Fair value movement of interest rate swaps qualifying as fair value hedges		(2,165)	597
Exchange translation adjustment on net debt		(16,836)	3,526
Movement in net debt in the year		**34,496**	**9,465**
Net debt at the beginning of the year		(442,618)	(452,083)
Net debt at the end of the year		**(408,122)**	**(442,618)**
Net debt comprises:			
Borrowings	26	(637,223)	(595,407)
Cash and cash equivalents	21	229,101	152,789
		(408,122)	**(442,618)**

Company statement of financial position

as at 1 January 2011

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current assets			
Investments in associates	16	2,298	1,395
Available for sale financial assets	18	265	740
Investments in subsidiaries	18	599,325	452,814
		601,888	**454,949**
Current assets			
Trade and other receivables	19	109	76,327
Cash and cash equivalents	21	8,200	–
		8,309	**76,327**
Total assets		**610,197**	**531,276**
EQUITY			
Issued capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	455,009	454,487
Retained earnings	24	40,578	59,913
Other reserves		7,340	4,545
Total equity		**502,927**	**518,945**
LIABILITIES			
Current liabilities			
Trade and other payables	31	107,270	2,781
Borrowings	26	–	9,550
Total liabilities		**107,270**	**12,331**
Total equity and liabilities		**610,197**	**531,276**

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 €0.7 million (2009: €43.3 million).

On behalf of the Board
L Herlihy J Moloney S Talbot
Directors

Company statement of changes in equity

for the financial year ended 1 January 2011

	Share capital and share premium €'000 (note 23)	Retained earnings €'000 (note 24)	Other reserves: Capital reserve €'000 (note 22 a)	Other reserves: Own shares €'000 (note 22 f)	Other reserves: Share based payment reserve €'000 (note 22 g)	Total €'000
Balance at 3 January 2009	**454,487**	**36,056**	**4,227**	**(1,899)**	**1,612**	**494,483**
Profit for the year	–	43,341	–	–	–	43,341
Dividends paid during the year	–	(19,484)	–	–	–	(19,484)
Cost of share based payments	–	–	–	–	167	167
Transfer from trade and other payables – share based payments	–	–	–	–	438	438
Balance at 2 January 2010	**454,487**	**59,913**	**4,227**	**(1,899)**	**2,217**	**518,945**
Profit for the year	–	745	–	–	–	745
Dividends paid during the year	–	(20,453)	–	–	–	(20,453)
Cost of share based payments	–	–	–	–	2,937	2,937
Transfer on exercise, forfeit or lapse of share based payments that have vested	–	373	–	283	(656)	–
Transfer of reserves between Group companies	–	–	–	–	231	231
Shares issued	17	–	–	–	–	17
Premium on shares issued	505	–	–	–	–	505
Balance at 1 January 2011	**455,009**	**40,578**	**4,227**	**(1,616)**	**4,729**	**502,927**

Company statement of comprehensive income and statement of cash flows

for the financial year ended 1 January 2011

Company statement of comprehensive income

	Notes	2010 €'000	2009 €'000
Profit for the year	24	745	43,341
Total comprehensive income for the year		**745**	**43,341**

Company statement of cash flows

	Notes	2010 €'000	2009 €'000
Cash flows from operating activities			
Cash generated from operations	35	33,192	23,124
Net cash inflow from operating activities		**33,192**	**23,124**
Cash flows from investing activities			
Decrease in available for sale financial assets	18	475	550
Acquisition of other Group companies		(5,986)	–
Net cash (outflow)/inflow from investing activities		**(5,511)**	**550**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	23	522	–
Dividends paid to Company shareholders	13	(20,453)	(19,484)
Capital contribution from other Group companies		10,000	–
Net cash outflow from financing activities		**(9,931)**	**(19,484)**
Net increase in cash and cash equivalents		**17,750**	**4,190**
Cash and cash equivalents at the beginning of the year		(9,550)	(13,740)
Cash and cash equivalents at the end of the year		**8,200**	**(9,550)**

Notes to the financial statements

for the financial year ended 1 January 2011

1. General information

Glanbia plc ("the Company") and its subsidiaries (together "the Group") is a global nutritional solutions and cheese Group with its main operations in Ireland, Europe, the USA, Canada, Asia 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 54.5% 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 1 March 2011.

2. Summary of significant accounting polices

New accounting standards and IFRIC interpretations adopted by the Group during the year ended 1 January 2011 are dealt with in section (z) below. The adoption of these standards and interpretations had no significant impact on the results or financial position of the Group during the year.

The other 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 2009 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.

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 52 week period ending on 1 January 2011, comparatives are for the 52 week period ended 2 January 2010. The statements of financial position for 2010 and 2009 have been drawn up as at 1 January 2011 and 2 January 2010 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Costs also includes direct attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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 other comprehensive income. 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

In accordance with the requirements of IFRS 8 – Segment Reporting, operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Glanbia Operating Executive Committee who make strategic decisions.

(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 Group's 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 reporting date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as (i) qualifying cash flow hedges or (ii) exchange gains or losses on long term intra-group loans and on foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. When long term intra-group loans are repaid the related cumulative currency translation recognised in the currency reserve is not recycled through the income statement.

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 statement of financial position 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 reporting date are translated at the closing rate at the reporting date of the statement of financial position.
- 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, outside the Group 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 exchange rate at the end of the reporting period. In accordance with IFRS 1, the cumulative translation differences on foreign subsidiaries was set to zero on IFRS transition date (4 January 2004).

The Group uses the direct method of consolidation for revaluation of the net investments in foreign operations where the financial statements of the foreign operation are translated directly into the functional currency of the ultimate parent.

(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 assets. 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 at the following rates:

	%
Land	Nil
Buildings	2.5 – 5
Plant and equipment	4 – 33
Motor vehicles	20 – 25

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 expenditure is 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 - First time adoption of International Financial Reporting Standards, 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) **Brands/know-how, customer relationships and other intangibles**

Expenditure to acquire brands/know-how, customer relationships and other intangibles 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 financial assets

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 available for sale financial asset within 12 months of the reporting date. They are initially recognised at fair value plus transaction costs and are subsequently adjusted to fair value at each reporting date. Unrealised gains and losses arising from changes in the fair value of the available for sale financial assets classified as available for sale are recognised in other comprehensive income. When such available for sale assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available for sale financial assets.

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 and 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 loan receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

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 reporting date.

A provision for impairment of 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. If collectability appears unlikely according to the original terms of the receivable the Group will determine the appropriate provision based on the available evidence at that time. Significant financial difficulties of the trade/loan receivable, probability that the trade/loan receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the 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 receivable is uncollectible, it is written off against the provision account for 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 statement of financial position to the extent of the Group's continued involvement and retained risk.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. In the statement of financial position, 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 year, 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 reporting date are used to determine deferred income tax.

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

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

(m) Employee benefits

(i) **Pension obligations**

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting 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 other comprehensive income. Past-service costs, negative or positive, 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 when the Group is demonstrably committed to make a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan, so that a significant element of future service by current employees will no longer qualify for benefits or will qualify for reduced benefits. A past service cost, negative or positive, arises following a change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits. A settlement arises where the Group is relieved of responsibility for a pension obligation and eliminates significant risk relating to the obligation and the assets used to effect the settlement. Losses arising on settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Group becomes demonstrably committed to the transaction. Gains arising on a settlement or curtailment are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction. Curtailment and settlement gains and 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 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 the date of transition to IFRS (4 January 2004).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting 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 other comprehensive income. 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.

In accordance with IFRS 2 (Amendment), vesting conditions are service conditions and performance conditions only. Any other features do not impact the number of awards expected to vest or valuation thereof subsequent to grant date. In addition, all cancellations, whether by the entity or other parties, receive similar accounting treatment.

(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 LTIP 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 is adjusted so as to reflect the anticipated likelihood 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. Research and development taxation credits are recognised at their fair value in operating profit where there is reasonable assurance that the credit will be received.

(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. 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.

(p) Impairment of assets

(i) **Financial assets**
The Group assesses at each reporting 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 is 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 income statement 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 exceed their 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, interest rate swap contracts and forward rate agreements to hedge these exposures.

The Group accounts for financial instruments under IAS 32 (Amendment), 'Financial Instruments: Presentation', IAS 39 (Amendment), '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 the reporting 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 the European Central Bank interest rate at the measurement date.

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

The fair value of commodity contracts is estimated by discounting the difference between the contracted futures price and the current forward price for the residual maturity of the contracts using the European Central Bank and US Federal Reserve interest rates.

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 32. Movements on the fair value reserve are shown in note 22. 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 the income statement.

(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 other comprehensive income. 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 other comprehensive income 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 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 company statement of financial position.

Guarantees provided by Glanbia plc, the entity, over the payment of employer contributions in respect of the UK defined benefit pension schemes are treated as insurance contracts.

(t) Earnings per share
Earnings per share represents the profit in cents attributable to owners of the parent, divided by the weighted average number of ordinary shares in issue in respect of the period.

Adjusted earnings per share is calculated on the net profit attributable to the owners of the Parent, pre exceptional items and 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
In accordance with IAS 23 (Revised), 'Borrowing Costs', borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. 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 borrowings. 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 reporting 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) New accounting standards and IFRIC interpretations
The Group's assessment of the impact of these new standards and interpretations is set out below;

The following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ('IFRIC'), are effective for the Group for the first time in the year ended 1 January 2011 and have been adopted by the Group:

- IFRS 3, (Revised),'Business Combinations'
- IAS 27 (Revised), 'Consolidated and Separate Financial Statements'
- IAS 39 (Amendment), – Eligible Hedged Items, 'Financial Instruments: Recognition and Measurement'
- Improvements to IFRS's 2009

As highlighted in note 36 the Group acquired two businesses in 2011 and incurred acquisition related costs of €0.6m in 2010. Apart from the above, adoption of the standards and interpretations had no significant impact on the results or financial position of the Group during the year ended 1 January 2011.

Standards, amendments and interpretations effective in 2010, reviewed by the Group and determined not applicable by the Group for the year ended 1 January 2011:

- IFRS 2 'Group Cash Settled Share Based Payment Transactions'.
- IFRIC 17, 'Distributions of Non–cash Assets to Owners'.
- IFRIC 18, 'Transfers of Assets from Customers'.
- IFRIC 9 and IAS 39 (Amendments), 'Embedded Derivatives'.
- IFRIC 13, 'Customer Loyalty Programmes'
- IFRIC 15, 'Agreements for Construction of Real Estates.'
- IFRS 1 (Amendment), 'First time adoption of IFRS'.

The following standards, amendments and interpretations to existing standards have been published. They are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group:

Improvements to IFRSs, (effective for financial periods beginning on various dates and for companies using IFRS for the year ended 31 December 2011).
The IASB has issued the 'Improvements to IFRS 2010' standard which amends six standards and one interpretation based on the exposure draft issued in August 2009. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. The improvements are subject to EU endorsement. The Group has reviewed the improvements to IFRS' and will apply the revisions to applicable standards from the effective date and is currently assessing their impact on the Group's financial statements.

IFRS 9 ,'Financial Instruments'(effective for financial periods beginning on or after 1 January 2013).
The new standard is still subject to EU endorsement. IFRS 9 is the first step in the process to replace IAS39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the Group's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removed the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 also removes the cost exemption for unquoted equities.

IAS 32 (Amendment) – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010).
The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously such issues had to be accounted for as derivative liabilities.

Amendment to IFRS 7 'Disclosures – Transfer of Financial Assets', (effective for annual periods beginning on or after 1 July 2011)
The amendment is subject to EU endorsement. The amendment addressed disclosures required to help users of financial statements evaluate the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position.

Amendment to IAS 24 – Related Party Disclosures (effective for financial periods beginning on or after 1 January 2011).
The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.

Amendment to IFRIC 14,'Prepayments of a Minimum Funding Requirement', (effective for financial periods beginning on or after 1 January 2011).
The amendment corrects an unintended consequence of IFRIC14. Without the amendment entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued and the amendment corrects this.

IFRIC 19,' Extinguishing Financial Liabilities with Equity Instruments', (effective for financial periods beginning on or after 1 July 2010).
The interpretation clarified the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). IFRIC 19 requires a gain or a loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value or the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguised.

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 currency risk, interest rate risk, price risk, liquidity and cash flow risk and credit 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-term committed bank borrowings and short-term 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 management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. 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 liquidity risk, 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 and has extensive euro operations, it has significant investment in overseas operations primarily in the USA. As a result movements in US dollar/euro exchange rate can significantly affect the Group's euro statement of financial position 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 operating unit's 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 foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and profits earned in foreign currency entities, the Group use forward contracts or currency options, 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 or purchase is highly probable.

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 1 January 2011 and 2 January 2010, 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 1 January 2011 would have resulted in a currency translation gain/loss of approximately €19.7 million (2009: €16.1 million), which would be recognised directly in other comprehensive income.

At 1 January 2011 and 2 January 2010, if the euro 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 1 January 2011 would have resulted in a currency translation gain/loss of approximately €1.0 million (2009: €1.1 million), which would be recognised directly in other comprehensive income.

(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 2010, a 1% increase in prevailing market interest rates would have resulted in a €1.8 million loss (2009: €1.3 million loss), with no impact on other comprehensive income.

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 these 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 in listed and unlisted securities and classified on the consolidated statement of financial position as available for sale financial assets. Certain securities are carried at cost and therefore are not exposed to price risk.

To manage its price risk arising from investments in listed 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.

To manage its exposure to certain commodity markets the Group enters commodity futures contracts.

For further details regarding the Group's price risk see note 32 – derivative financial instruments.

(d) 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 €734.2 million (2009: €729.1 million) of which €101.2 million (2009: €138.8 million) was undrawn. The weighted average maturity of these facilities was 2.2 years (2009: 3.2 years).

For further details regarding the Group's borrowing facilities see note 26 – borrowings.

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 from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within one year equal their carrying value balances as the impact of discounting is not significant.

Financial liabilities

At 1 January 2011	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Total €'000
Borrowings	972	205,853	426,423	633,248
Future finance costs	25,307	20,107	10,328	55,742
Derivative financial instruments	6,487	2,221	1,155	9,863
Trade and other payables*	186,612	–	–	186,612
	219,378	**228,181**	**437,906**	**885,465**
Less future finance costs	(25,307)	(20,107)	(10,328)	(55,742)
	194,071	**208,074**	**427,578**	**829,723**

At 2 January 2010	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Total €'000
Borrowings	945	982	589,237	591,164
Future finance costs	29,375	29,376	35,094	93,845
Derivative financial instruments	10,615	3,297	2,544	16,456
Trade and other payables*	176,055	–	–	176,055
	216,990	**33,655**	**626,875**	**877,520**
Less future finance costs	(29,375)	(29,376)	(35,094)	(93,845)
	187,615	**4,279**	**591,781**	**783,675**

* Excludes accrued expenses and social security costs.

The Company has cash at bank of €8.2 million at year end (2009: €9.6 million overdraft). The contractual undiscounted cash flows equal the balance as at 1 January 2011.

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 from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Foreign exchange contracts

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Total €'000
At 1 January 2011				
Foreign exchange contracts – cash flow hedges				
Outflow	(10)	–	–	**(10)**

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Total €'000
At 2 January 2010				
Foreign exchange contracts – cash flow hedges				
Outflow	(956)	–	–	**(956)**

(e) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments 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 or whose obligations are covered by equivalently rated sovereign guarantee. The minimum credit rating applicable to a counterparty used for derivative financial instruments is A-.

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 and by holding appropriate security or liens.

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

For further details regarding the Group's credit risk see note 19 – trade and other receivables.

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. Total capital is calculated based on equity as shown in the statement of financial position and net debt.

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 1 January 2011, the Group's debt/adjusted EBITDA ratio was 2.1 times (2009: 2.6 times), which is deemed by management to be prudent and in line with industry norms. Adjusted EBITDA for the purpose of financing ratios is Group EBITDA plus dividends received from Joint Ventures & Associates.

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 reporting 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 reporting 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 reporting 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 and trade payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group for similar financial instruments.

In accordance with IFRS 7 – Financial Instruments: Disclosures, the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- inputs, other than quoted prices included in level 1, that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 1 January 2011 and 2 January 2010.

1 January 2011	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets				
Derivatives used for hedging	–	5,555	–	5,555
Available for sale financial assets			–	
– equity securities	143	2,983		3,126
Total assets	**143**	**8,538**	–	**8,681**
Liabilities				
Derivatives used for hedging	–	(9,802)	–	(9,802)
Total liabilities	–	**(9,802)**	–	**(9,802)**

2 January 2010	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets				
Derivatives used for hedging	–	10,219	–	10,219
Available for sale financial assets				
– equity securities	155	8,352	–	8,507
Total assets	**155**	**18,571**	**–**	**18,726**
Liabilities				
Derivatives used for hedging	–	(16,246)	–	(16,246)
Total liabilities	**–**	**(16,246)**	**–**	**(16,246)**

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 and indefinite life intangibles

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 intangible assets of Glanbia Nutritionals (NA), Inc., Optimum Nutrition, Inc. and Glanbia Nutritionals Deutschland GmbH, including goodwill arising on acquisition of €229.1 million (2009: €212.3 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 by 1% would not result in an impairment of the assets. A rate of zero percent has been used to estimate cash flow growth between three and ten 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.

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 also require the use of estimates.

An increase in the Group's effective tax rate by 1% would reduce profit after tax by €1.1 million (2009: €1.3 million).

(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 has plan assets totalling €389.3 million (2009: €349.2 million) and plan liabilities of €437.9 million (2009: €435.0 million) giving a net pension deficit of €48.6 million (2009: €85.8 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 1 January 2011, 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 €6.7 million (2009: €5.2 million).

The curtailment gains and negative past service costs have been calculated by management using certain estimates and judgements, primary among these being the inflation rate, investment strategy approach and discount rate assumed, the final determination of which may be different as actual results become certain.

(d) Estimating 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 policies 2 (e) and 2 (f) above. 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 one year reduction in useful lives would have a €0.2 million (2009: €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 one year reduction in useful lives would have a €2.2 million (2009: €2.1 million) reduction impact on operating profit.

The Group has reviewed the impact of a change in the amortisation period of customer relationships and a one year reduction in the write off period would result in a €0.7 million (2009: €0.7 million) reduction in operating profit.

The Group has reviewed the impact on indefinite life intangible assets by assigning a finite life to these assets and a 20 year useful life estimate would have a €4.5 million (2009: €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 reporting 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.

(f) 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. The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the reporting date, taking account of the risks and uncertainties surrounding the obligation and actual results may also differ from these estimates.

5. Segment information

In accordance with IFRS 8 the Group has four segments as follows: US Cheese & Global Nutritionals, Dairy Ireland, Joint Ventures & Associates and Other Business. These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker assesses performance and allocates the Group's resources. A segment manager is responsible for each segment and is directly accountable for the performance of that segment to the Glanbia Operating Executive Committee which acts as the Chief Operating Decision Maker for the Group.

Each segment derives their revenues as follows: US Cheese & Global Nutritionals earns its revenue from the manufacture and sale of cheese, whey protein and other nutritional solutions; Dairy Ireland incorporates the manufacture and sale of a range of dairy products and the sale of feed, fertiliser and other farm inputs; Joint Ventures & Associates revenue arises due to the manufacture and sale of cheese, whey proteins and dairy consumer products. The Other Business segment refers to all other businesses which comprise the Property business unit and a small dairy processing operation in Mexico which was disposed of in September 2010. Each segment is reviewed in its totality by the Chief Operating Decision Maker.

The Glanbia Operating Executive Committee assesses the trading performance of operating segments based on a measure of earnings before interest and tax. This measure excludes exceptional items.

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	1,024,653	1,154,023	416,564	6,244	2,601,484
Inter-segment revenue		(2,752)	(15,473)	–	–	(18,225)
Segment external revenue		**1,021,901**	**1,138,550**	**416,564**	**6,244**	**2,583,259**
Segment earnings before interest, tax and exceptional items	(b)	93,795	43,543	21,554	(831)	158,061
Exceptional items – defined benefit pensions		–	10,238	–	–	10,238
Segment earnings before interest and tax		**93,795**	**53,781**	**21,554**	**(831)**	**168,299**

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €69.2 million and related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €9.4 million.

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

5.1 (a): Segment revenue is reconciled to reported external revenue as follows:

	2010 €'000
Segment revenue	**2,601,484**
Inter-segment revenue	(18,225)
Joint Ventures & Associates revenue	(416,564)
Reported external revenue	**2,166,695**

5.1 (b): Segment earnings before interest, tax and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	2010 €'000
Segment earnings before interest, tax and exceptional items	**158,061**
Exceptional items – defined benefit pension schemes	10,238
Joint Ventures & Associates interest and tax	(11,451)
Finance income	3,290
Finance costs	(25,420)
Reported profit before tax	**134,718**
Income taxes	(26,085)
Reported profit after tax	**108,633**

Finance income, finance costs and income taxes are not allocated to segments as this type of activity is driven by the central treasury and taxation functions, which manage the cash and taxation position of the Group.

Other segment items included in the income statement for the year ended 1 January 2011 are as follows:

	US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	12,514	19,997	6,823	58	**39,392**
Amortisation of intangibles	10,711	4,400	6	–	**15,117**
Capital grants released to the income statement	(330)	(1,089)	(526)	–	**(1,945)**
Exceptional items – defined benefit pension schemes	–	(10,238)	–	–	**(10,238)**

The segment assets and liabilities at 1 January 2011 and segment capital expenditure and acquisitions for the year then ended are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Segment assets	(c)	725,960	556,455	87,362	17,041	**1,386,818**
Segment liabilities	(d)	200,380	288,125	–	1,536	**490,041**
Segment capital expenditure and acquisitions	(e)	23,085	13,522	11,901	124	**48,632**

5.1 (c): Segment assets are reconciled to reported assets as follows:

	2010 €'000
Segment assets	**1,386,818**
Unallocated assets	240,027
Reported assets	**1,626,845**

Unallocated assets primarily include taxation, cash and cash equivalents, available for sale financial assets and derivatives.

5.1 (d): Segment liabilities are reconciled to reported liabilities as follows:

	2010 €'000
Segment liabilities	**490,041**
Unallocated liabilities	712,400
Reported liabilities	**1,202,441**

Unallocated liabilities primarily include items such as taxation, borrowings and derivatives.

5.1 (e): Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:

	2010 €'000
Segment capital expenditure and acquisitions	**48,632**
Joint Ventures & Associates capital expenditure	(11,901)
Unallocated capital expenditure	466
Reported capital expenditure and acquisitions	**37,197**

5.2 The segment results for the year ended 2 January 2010 are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Total gross segment revenue	(a)	795,974	1,037,473	297,587	9,168	2,140,202
Inter-segment revenue		(3,581)	(8,707)	–	–	(12,288)
Segment external revenue		**792,393**	**1,028,766**	**297,587**	**9,168**	**2,127,914**
Segment earnings before interest, tax and exceptional items	(b)	89,982	24,004	17,453	(2,820)	128,619
Exceptional item – segment rationalisation costs		(219)	(13,738)	–	(84)	(14,041)
Segment earnings before interest and tax		**89,763**	**10,266**	**17,453**	**(2,904)**	**114,578**

Included in external revenue are related party sales between Dairy Ireland and Joint Ventures & Associates of €58.1 million and related party sales between US Cheese & Global Nutritionals and Joint Ventures & Associates of €2.2 million.

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

5.2 (a): Segment revenue is reconciled to reported external revenue as follows:

	2009 €'000
Segment revenue	**2,140,202**
Inter-segment revenue	(12,288)
Joint Ventures & Associates revenue	(297,587)
Reported external revenue	**1,830,327**

5.2 (b): Segment earnings before interest, tax and exceptional items are reconciled to reported profit before tax and profit after tax as follows:

	2009 €'000
Segment earnings before interest, tax and exceptional items	**128,619**
Exceptional items – segment rationalisation costs	(14,041)
Exceptional items – unallocated	59,716
Joint Ventures & Associates interest and tax	(7,228)
Finance income	5,542
Finance costs	(29,576)
Reported profit before tax	**143,032**
Income taxes	(29,873)
Reported profit after tax	**113,159**

Finance income, finance costs and income taxes are not allocated to segments as this type of activity is driven by the central treasury and taxation functions, which manage the cash and taxation position of the Group.

Other segment items included in the income statement for the year ended 2 January 2010 are as follows:

	US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Depreciation of property, plant and equipment	9,692	18,964	6,691	79	**35,426**
Amortisation of intangibles	10,364	3,494	6	–	**13,864**
Capital grants released to the income statement	(11)	(1,226)	(396)	–	**(1,633)**
Exceptional items – segment rationalisation costs	219	13,738	–	84	**14,041**
Exceptional items – unallocated	–	–	–	–	**(59,716)**

The segment assets and liabilities at 2 January 2010 and segment capital expenditure and acquisitions for the year then ended are as follows:

		US Cheese & Global Nutritionals €'000	Dairy Ireland €'000	JV's & Associates €'000	Other Business €'000	Group including JV's & Associates €'000
Segment assets	(c)	630,530	475,423	102,035	23,809	**1,231,797**
Segment liabilities	(d)	164,351	264,743	–	1,202	**430,296**
Segment capital expenditure and acquisitions	(e)	24,704	21,907	29,993	3,435	**80,039**

5.2 (c): Segment assets are reconciled to reported assets as follows:

	2009 €'000
Segment assets	**1,231,797**
Unallocated assets	193,669
Reported assets	**1,425,466**

Unallocated assets primarily include taxation, cash and cash equivalents, available for sale financial assets and derivatives.

5.2 (d): Segment liabilities are reconciled to reported liabilities as follows:

	2009 €'000
Segment liabilities	**430,296**
Unallocated liabilities	697,782
Reported liabilities	**1,128,078**

Unallocated liabilities primarily include items such as taxation, borrowings and derivatives.

5.2 (e): Segment capital expenditure and acquisitions are reconciled to reported capital expenditure and acquisitions as follows:

	2009 €'000
Segment capital expenditure and acquisitions	**80,039**
Joint Ventures & Associates capital expenditure	(29,993)
Unallocated capital expenditure	426
Reported capital expenditure and acquisitions	**50,472**

5.3 Entity wide disclosures

Revenue from external customers for each group of similar product in the US Cheese & Global Nutritionals, Dairy Ireland, Joint Ventures & Associates and Other Business segments are outlined at section 5.1 and 5.2 above.

Geographical information

Revenue by geographical destination is reviewed by the Chief Operating Decision Maker. The breakdown of revenue by geographical destination is as follows:

	2010 €'000	2009 €'000
Ireland	725,834	703,217
UK	137,874	113,569
Rest of Europe	122,508	85,003
USA	901,717	718,802
Other	278,762	209,736
	2,166,695	**1,830,327**

Revenue of approximately €249.6 million (2009: €231.1 million) is derived from a single external customer.

The total of non-current assets, other than financial instruments and deferred tax assets, located in Ireland is €271.5 million (2009: €305.9 million) and located in other countries, mainly the USA is €562.6 million (2009: €538.6 million).

6. Operating expenses

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

	2010 €'000	2009 €'000
Depreciation of property, plant and equipment (note 14)		
– Owned assets	31,177	27,221
– Leased assets under finance leases	1,392	1,514
Loss/(profit) on disposal of property, plant and equipment	957	(716)
Repairs and maintenance expenditure on property, plant and equipment	27,207	26,903
Exceptional items (pre tax)		
– Rationalisation costs	–	15,055
– Non-cash foreign exchange loss	–	18,280
– UK defined benefit pension schemes	–	21,088
– Irish defined benefit pension schemes	(10,238)	(100,098)
Net foreign exchange loss/(gain) (excluding exceptional items)	3,430	(2,543)
Amortisation of intangible assets (note 15)		
– Software costs	4,924	4,163
– Other intangible assets	10,187	9,695
Increase/(decrease) in inventories	102,304	(65,845)
Raw materials and consumables used	1,448,569	1,364,843
Energy costs	28,324	26,753
Sales and marketing costs	56,390	51,735
Trade receivables – impairment charge for bad and doubtful debts	1,357	5,172
Amortisation of government grants received (note 30)	(1,419)	(1,237)
Operating lease rentals (note 14)		
– Plant and machinery	8,376	6,606
– Other	3,345	3,923
Employee benefit expense – pre exceptional (note 8)	190,172	175,231
Auditors' remuneration*		
– Statutory audit of Group companies	546	546
– Other assurance services	834	587
– Tax advisory services	930	707
– Other non-audit services	2	4
Research and development costs	8,037	7,686
Other expenses	103,147	76,213
Total operating expenses	**2,019,950**	**1,673,486**

	2010 €'000	2009 €'000
Reconciliation of total operating expenses to the income statement		
Cost of sales	1,784,263	1,512,203
Distribution expenses	115,896	117,601
Administration expenses	130,029	104,412
Other gains and losses	(10,238)	(60,730)
Total operating expenses	**2,019,950**	**1,673,486**

* Auditors remuneration for the Company in respect of their statutory audit amounted to €35,000 (2009: €35,000)

7. Exceptional items

	Notes	2010 €'000	2009 €'000
Rationalisation costs	(a)	–	(15,055)
Non-cash foreign exchange loss	(b)	–	(18,280)
Defined benefit schemes			
– Irish defined benefit pension schemes	(c)	10,238	100,098
– UK defined benefit pension schemes	(d)	–	(21,088)
Total exceptional credit before tax		**10,238**	**45,675**
Exceptional tax charge (note 11)		(558)	(10,770)
Net exceptional credit		**9,680**	**34,905**

(a) An exceptional charge of €15.1 million was incurred during the prior year, primarily relating to redundancy costs due to the on-going rationalisation programmes in the Dairy Ireland segment.

(b) During the prior year, a review of the internal corporate structures of the Group was completed. This gave rise to an exceptional non-cash charge of €18.3 million on the repayment of certain sterling inter-group loans. This loss, which was previously recognised in the Group's currency reserve was recycled to the Group's income statement.

(c) The Group undertook a review of pension arrangements during 2009 which resulted in the recognition of a gain on the main Irish defined benefit pension schemes of €100.1 million. In 2010, further revisions to the Group's pension arrangements for three additional Irish defined benefit schemes, consistent with the revisions made to the Group's main pension schemes, have been finalised giving rise to an exceptional gain, in accordance with IAS 19, in the year of €10.2 million. This gain relates to curtailment gains and negative past service costs of €1.7 million and €10.9 million respectively offset by a change in the estimate of the prior year curtailment of €2.4 million.

(d) The Group's UK defined benefit schemes exceptional charge of €21.1 million in the prior year relates to the scheme's administration and certain other costs associated with businesses disposed of in prior years.

8. Employee benefit expense

	2010 €'000	2009 €'000
Wages and salaries	159,434	144,518
Termination costs	749	–
Social security costs	17,234	15,613
Cost of share based payments (note 22)	2,937	187
Pension costs – defined contribution schemes (note 28)	2,750	2,146
Pension costs – defined benefit schemes (note 28)	7,068	12,767
	190,172	**175,231**
Exceptional item – curtailment gains and negative past service costs	(4,651)	(60,400)
Exceptional item – rationalisation costs (note 7 a)	–	15,055
	185,521	**129,886**

The average number of employees, excluding the Group's Joint Ventures & Associates in 2010 was 3,311 (2009: 3,418) and is analysed into the following categories:

	2010	2009
US Cheese & Global Nutritionals	1,570	1,471
Dairy Ireland	1,682	1,852
Other	59	95
	3,311	**3,418**

9. Directors' remuneration

The Directors' remuneration information is shown on pages 65 to 70 in the governance section of this report.

10. Finance income and costs

	2010 €'000	2009 €'000
Finance income		
Interest income	3,008	4,662
Interest income on deferred consideration	282	880
Total finance income	**3,290**	**5,542**
Finance costs		
Bank borrowings repayable within five years	(13,001)	(16,756)
Interest cost on deferred consideration	(80)	(67)
UK pension provision	(121)	–
Finance lease costs	(256)	(241)
Interest rate swaps, transfer from equity	(7,613)	(8,163)
Interest rate swaps, fair value hedges	2,733	1,524
Fair value adjustment to borrowings attributable to interest rate risk	(2,733)	(1,524)
Finance cost of preference shares	(4,349)	(4,349)
Total finance costs	**(25,420)**	**(29,576)**
Net finance costs	**(22,130)**	**(24,034)**

Net finance costs exclude borrowing costs attributable to the acquisition, construction or production of a qualifying asset which has been capitalised, as disclosed in note 14.

11. Income taxes

	Notes	2010 €'000	2009 €'000
Current tax			
Irish current tax		11,620	3,044
Adjustments in respect of prior years		(422)	(1,623)
Irish current tax on income for the year		**11,198**	**1,421**
Foreign current tax		2,285	4,727
Adjustments in respect of prior years		1,050	215
Foreign current tax on income for the year		**3,335**	**4,942**
Total current tax		**14,533**	**6,363**
Deferred tax (note 27)		10,994	12,740
Pre exceptional tax charge		**25,527**	**19,103**
Exceptional tax charge/(credit)			
Current	(a)	–	(1,742)
Deferred	(b)	558	12,512
Total tax charge		**26,085**	**29,873**

(a) The restructuring provision charged in the prior year resulted in an exceptional current tax credit in 2009 of €1.7 million.

(b) The curtailment gains and negative past service costs recognised in the defined benefit pension schemes during the year resulted in an exceptional deferred tax charge of €0.6 million (2009: €12.5 million).

The exceptional net tax charges and credits in 2010 and 2009, by virtue of their nature and size, have been separately disclosed above.

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:

	2010 €'000	2009 €'000
Profit before tax	**134,718**	**143,032**
Tax calculated at Irish rate of 12.5% (2009: 12.5%)	16,840	17,879
Earnings at reduced Irish rates	(902)	(2,067)
Difference due to overseas tax rates	6,999	13,001
Adjustment to tax charge in respect of previous periods	(1,811)	(1,071)
Tax on profits of Joint Ventures & Associates included in profit before tax	(1,263)	(1,278)
Expenses not deductible for tax purposes and other differences	6,222	3,409
Total tax charge	**26,085**	**29,873**

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 27.

12. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the Parent 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 22 f).

	2010	2009
Profit attributable to equity holders of the Parent (€'000)	108,047	112,676
Weighted average number of ordinary shares in issue	**293,105,068**	**292,985,630**
Basic earnings per share (cents per share)	**36.86**	**38.46**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Share options are potential dilutive ordinary shares. In respect of share options, a calculation is performed 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.

	2010	2009
Weighted average number of ordinary shares in issue	293,105,068	292,985,630
Adjustments for share options	1,874,570	830,517
Adjusted weighted average number of ordinary shares	**294,979,638**	**293,816,147**
Diluted earnings per share (cents per share)	**36.63**	**38.35**

Adjusted

Adjusted earnings per share is calculated on the net profit attributable to equity holders of the Parent, before net exceptional items and intangible asset amortisation (net of related tax). Adjusted earnings per share is considered to be more reflective of the Group's overall underlying performance.

	2010 €'000	2009 €'000
Profit attributable to equity holders of the Parent	108,047	112,676
Amortisation of intangible assets (net of related tax)	13,222	12,126
Net exceptional items	(9,680)	(34,905)
Adjusted net income	**111,589**	**89,897**
Adjusted earnings per share (cents per share)	**38.07**	**30.68**
Diluted adjusted earnings per share (cents per share)	**37.83**	**30.60**

13. Dividends

The dividends paid in 2010 and 2009 were €20.5 million (6.98 cents per share) and €19.5 million (6.65 cents per share) respectively. On 29 September 2010 an interim dividend of 3.03 cents per share on the ordinary shares amounting to €8.9 million was paid to shareholders on the register of members as at 10 September 2010. The Directors have recommended the payment of a final dividend of 4.49 cents per share on the ordinary shares which amounts to €13.2 million. Subject to shareholders approval this dividend will be paid on 20 May 2011 to shareholders on the register of members at 8 April 2011, the record date. These financial statements do not reflect this final dividend.

14. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 2 January 2010				
Opening net book amount	132,995	227,623	513	361,131
Exchange differences	(1,396)	(2,971)	3	(4,364)
Additions	14,779	28,857	262	43,898
Disposals	(7,476)	(1,216)	(11)	(8,703)
Reclassification (note 15)	(2,218)	2,143	–	(75)
Depreciation charge	(4,678)	(23,650)	(407)	(28,735)
Closing net book amount	**132,006**	**230,786**	**360**	**363,152**
At 2 January 2010				
Cost	197,267	612,295	19,036	828,598
Accumulated depreciation	(65,261)	(381,509)	(18,676)	(465,446)
Net book amount	**132,006**	**230,786**	**360**	**363,152**
Year ended 1 January 2011				
Opening net book amount	132,006	230,786	360	363,152
Exchange differences	4,105	7,103	66	11,274
Additions	4,082	25,746	215	30,043
Disposals	(417)	(1,648)	(55)	(2,120)
Reclassification (note 15)	–	(434)	–	(434)
Depreciation charge	(5,158)	(27,052)	(359)	(32,569)
Closing net book amount	**134,618**	**234,501**	**227**	**369,346**
At 1 January 2011				
Cost	205,037	643,062	19,262	867,361
Accumulated depreciation	(70,419)	(408,561)	(19,035)	(498,015)
Net book amount	**134,618**	**234,501**	**227**	**369,346**

Depreciation expense of €32.6 million (2009: €28.7 million) has been charged as follows: cost of sales €28.7 million (2009: €25.1 million), distribution expenses €1.1 million (2009: €1.2 million) and administration expenses €2.8 million (2009: €2.4 million).

Included in the cost of plant and equipment is an amount of €4.9 million (2009: €8.9 million) incurred in respect of assets under construction.

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amount capitalised, using the Group's incremental cost of borrowing amounted to nil (2009: €0.3 million). Capitalised borrowing costs will be depreciated through 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.

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

	2010 €'000	2009 €'000
Cost – capitalised finance leases	41,673	41,673
Accumulated depreciation	(30,736)	(29,344)
Net book amount	**10,937**	**12,329**

Operating lease rentals amounting to €11.7 million (2009: €10.5 million) are included in the income statement.

15. Intangible assets

	Goodwill €'000 note (b)	Other intangibles €'000 note (a)	Software costs €'000	Development costs €'000	Total €'000
Year ended 2 January 2010					
Opening net book amount	145,584	184,297	22,157	7,174	359,212
Exchange differences	(3,756)	(5,832)	(101)	(202)	(9,891)
Additions	224	58	3,653	2,639	6,574
Reclassification (note 14)	–	–	75	–	75
Amortisation	–	(7,750)	(4,163)	(1,945)	(13,858)
Closing net book amount	**142,052**	**170,773**	**21,621**	**7,666**	**342,112**
At 2 January 2010					
Cost	142,052	186,135	50,280	11,309	389,776
Accumulated amortisation	–	(15,362)	(28,659)	(3,643)	(47,664)
Net book amount	**142,052**	**170,773**	**21,621**	**7,666**	**342,112**
Year ended 1 January 2011					
Opening net book amount	142,052	170,773	21,621	7,666	342,112
Exchange differences	9,885	12,911	269	548	23,613
Additions	–	–	4,333	2,821	7,154
Reclassification (note 14)	–	–	434	–	434
Write-off of intangibles	(215)	–	(200)	(957)	(1,372)
Amortisation	–	(7,538)	(4,924)	(2,649)	(15,111)
Closing net book amount	**151,722**	**176,146**	**21,533**	**7,429**	**356,830**
At 1 January 2011					
Cost	151,722	199,046	55,116	13,721	419,605
Accumulated amortisation	–	(22,900)	(33,583)	(6,292)	(62,775)
Net book amount	**151,722**	**176,146**	**21,533**	**7,429**	**356,830**

Amortisation expense of €15.1 million (2009: €13.9 million) has been charged to administration expenses during the year.

The average remaining amortisation period for software costs is 5 years and development costs is 4 years.

Approximately €3.1 million of software additions during the year were internally generated with the remaining balance acquired from external parties.

Development costs of €1.0 million were written off during the year due to uncertainty that these projects will reach commercialisation.

Note 15 (a): Other intangibles

	Brands/ know-how €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
Year ended 2 January 2010				
Opening net book amount	97,194	84,752	2,351	184,297
Exchange differences	(3,287)	(2,774)	229	(5,832)
Additions	–	–	58	58
Amortisation	(687)	(6,866)	(197)	(7,750)
Closing net book amount	**93,220**	**75,112**	**2,441**	**170,773**
At 2 January 2010				
Cost	96,329	86,667	3,139	186,135
Accumulated amortisation	(3,109)	(11,555)	(698)	(15,362)
Net book amount	**93,220**	**75,112**	**2,441**	**170,773**
Year ended 1 January 2011				
Opening net book amount	93,220	75,112	2,441	170,773
Exchange differences	6,361	5,158	1,392	12,911
Amortisation	(644)	(6,704)	(190)	(7,538)
Closing net book amount	**98,937**	**73,566**	**3,643**	**176,146**
Year ended 1 January 2011				
Cost	102,690	91,825	4,531	199,046
Accumulated amortisation	(3,753)	(18,259)	(888)	(22,900)
Net book amount	**98,937**	**73,566**	**3,643**	**176,146**

Included in intangibles is a carrying value of €89.2 million (2009: €85.2 million) relating primarily to brands/know-how with indefinite useful lives. In arriving at the conclusion that certain 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 these brands/know-how being capitalised is that there are no material legal, regulatory, contractual or other factors that limit the useful life of these intangibles. In addition, the likelihood that market based factors could truncate a brand's life is relatively remote because of the size, diversification and market share of the brands in question. The remaining amortisation period for the balance of brands/know-how is 11 years (2009: 12 years) and for other intangibles is 11 years (2009: 12 years).

Included in customer relationships are individual significant intangible assets of €68.2 million (2009: €66.1 million) with a remaining amortisation period of 11.5 years (2009: 12.5 years). The remaining customer relationships are amortised over a period of 10 years (2009: 11 years).

No intangible assets were acquired by way of Government grants during the financial years ended 1 January 2011 or 2 January 2010.

Note 15 (b): Impairment tests for goodwill and indefinite life intangibles

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

	2010 €'000	2009 €'000
Glanbia Nutritionals Deutschland GmbH	11,297	11,297
Glanbia Nutritionals (NA), Inc.	60,201	55,838
Optimum Nutrition, Inc.	68,411	59,918
	139,909	**127,053**
Multiple units without individual significant amounts of goodwill	11,813	14,999
	151,722	**142,052**

Indefinite life intangibles amounting to €89.2 million (2009: €85.2 million) are in the Optimum Nutrition, Inc. cash generating unit within "brands/know-how".

The recoverable amount of goodwill and indefinite life intangibles 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, replacement capital expenditure requirements and working capital investment. Capital expenditure requirements and profitability 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.

The value in use calculations are prepared using a pre tax discount rate of 5.25%, which is the Group's weighted average cost of capital depending on the cash generating unit, and incorporates terminal values. In forecasting terminal values, a multiple of between five and ten times EBITDA is generally used.

16. Investments in associates

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
At the beginning of the year	**1,395**	**10,041**	**1,395**	**11,597**
Share of profit after tax	–	79	–	586
Gain/(loss) recognised directly through the statement of comprehensive income	–	1,637	–	(1,038)
Additions	903	–	–	117
Write-down of investment	–	–	–	(1,078)
Exchange differences	–	–	–	(143)
At the end of the year	**2,298**	**11,757**	**1,395**	**10,041**

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

2009	Assets €'000	Liabilities €'000	Revenue €'000	Profit/ (loss) €'000	Interest held %
Co–operative Animal Health Limited*	8,832	(6,614)	16,660	276	50.00
South Eastern Cattle Breeding Society Limited*	5,205	(2,121)	1,946	180	57.00
Malting Company of Ireland Limited	5,268	(2,316)	3,723	102	33.33
South East Port Services Limited	7,327	(5,657)	1,473	201	49.00
Westgate Biological Limited	154	(197)	–	(173)	49.99
Greenfield Dairy Partners Limited	117	–	–	–	33.33
	26,903	**(16,905)**	**23,802**	**586**	

2010	Assets €'000	Liabilities €'000	Revenue €'000	Profit/ (loss) €'000	Interest held %
Co-operative Animal Health Limited*	8,306	(5,906)	15,732	92	50.00
South Eastern Cattle Breeding Society Limited*	5,187	(717)	1,821	(157)	57.00
Malting Company of Ireland Limited	4,632	(1,638)	1,902	42	33.33
South East Port Services Limited	7,178	(5,182)	1,595	321	49.00
Westgate Biological Limited	116	(299)	–	(183)	49.99
Greenfield Dairy Partners Limited	405	(325)	134	(36)	33.33
	25,824	**(14,067)**	**21,184**	**79**	

* 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 40.

17. Investments in joint ventures

	2010 €'000	2009 €'000
At the beginning of the year	**58,276**	**64,895**
Share of profit after tax	10,024	9,639
Additions	399	–
Gains recognised directly through the statement of comprehensive income	1,295	1,457
Deferred tax movement	(3,054)	3,445
Dividends received	(11,210)	(17,924)
Exchange differences	3,215	(3,236)
At the end of the year	**58,945**	**58,276**

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

	2010 €'000	2009 €'000
Assets		
Non-current assets	135,903	120,033
Current assets	59,588	60,143
	195,491	**180,176**
Liabilities		
Non-current liabilities	78,340	69,686
Current liabilities	58,206	52,214
	136,546	**121,900**
Net assets	**58,945**	**58,276**

	2010 €'000	2009 €'000
Revenue	395,380	273,785
Expenses	(385,356)	(264,146)
Share of profit after tax	**10,024**	**9,639**
Proportionate interest in joint ventures' commitments	**4,930**	**8,939**

A listing and description of interests in significant joint ventures is outlined in note 40.

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, as it only controls 50% of the voting rights and is only entitled to appoint 50% of the total number of directors. Therefore, the Group does not have the power to govern the financial or operating policies of the entity.

18. Available for sale financial assets

	Investments 2010 Company €'000	Available for sale financial assets 2010 Group €'000	Investments 2009 Company €'000	Available for sale financial assets 2009 Group €'000
At the beginning of the year	**453,554**	**20,397**	**460,771**	**24,112**
Disposals/redemption	(5,229)	(889)	(7,217)	(550)
Fair value movement recognised directly through the statement of other comprehensive income	–	(5,381)	–	(3,367)
Additions	151,265	–	–	202
At the end of the year	**599,590**	**14,127**	**453,554**	**20,397**

Investments include the following:

	Investments 2010 Company €'000	Available for sale financial assets 2010 Group €'000	Investments 2009 Company €'000	Available for sale financial assets 2009 Group €'000
Listed securities				
Equity securities – eurozone countries	1	143	1	155
Unlisted securities				
One51 plc	–	2,983	–	8,352
Irish Dairy Board	–	9,830	–	10,193
Glanbia Enterprise Fund Limited	265	265	740	740
Moorepark Technology	–	198	–	198
Other Group companies	599,324	–	452,813	–
Other available for sale financial assets	–	708	–	759
	599,590	**14,127**	**453,554**	**20,397**

There were no impairment provisions on available for sale financial assets or investments in 2010 or 2009.

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 financial assets with a carrying value of €11.0 million (2009: €11.9 million) are included at cost. Fair value information for these financial assets has not been disclosed as it cannot be measured reliably. These available for sale financial assets comprise the following – Irish Dairy Board, Glanbia Enterprise Fund Limited, Moorepark Technology and other investments. The fair value of these shares cannot be reliably measured as they are not actively traded or there is not a readily available market for such instruments. The Group has no plans to dispose of these financial assets in the foreseeable future.

Available for sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the reporting 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

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Trade receivables	–	230,794	–	194,424
Less provision for impairment of receivables	–	(12,802)	–	(12,035)
Trade receivables – net	–	217,992	–	182,389
Prepayments	22	6,344	30	14,569
Receivables from Joint Ventures & Associates (note 37)	–	6,882	–	2,357
Loans to joint ventures (note 37)	–	13,060	–	33,718
Amounts due from subsidiary companies	87	–	76,297	–
Value added tax	–	4,505	–	5,113
Other receivables	–	21,132	–	16,735
	109	**269,915**	**76,327**	**254,881**
Less non-current trade receivables:				
Other receivables	–	(6,424)	–	(16,837)
Receivables from Joint Ventures & Associates	–	(3,600)	–	–
Loans to joint ventures (note 37)	–	(13,060)	–	(33,718)
	109	**246,831**	**76,327**	**204,326**

In 2010, 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 €32.1 million (2009: €34.0 million). The Group has continued to recognise an asset of €0.4 million (2009: €0.4 million), representing the extent of its continuing involvement, and an associated liability of a similar amount.

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.

As shown in note 5.3, the Group has one significant external customer. Management are satisfied that they have satisfactory credit control procedures in place in respect of this customer.

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:

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Euro	109	126,725	76,327	101,144
US dollar	–	113,506	–	95,888
GBP sterling	–	5,323	–	3,325
Other	–	1,277	–	3,969
	109	**246,831**	**76,327**	**204,326**

Movement on the Group's provision for impairment of trade receivables is as follows:

	2010 €'000	2009 €'000
At the beginning of the year	12,035	8,091
Provision for receivables impairment	1,481	4,696
Receivables written off during the year as uncollectible	(261)	(356)
Unused amounts reversed	(453)	(396)
At the end of the year	**12,802**	**12,035**

As of 1 January 2011, trade receivables of €18.1 million (2009: €20.5 million) were impaired. Trade receivable balances are generally considered for an impairment review when falling due outside trade terms and are normally partially or wholly provided for. The amount of the provision was €12.8 million (2009: €12.0 million).

The breakdown of impaired trade receivables is as follows:

	2010 €'000	2009 €'000
Past due:		
Up to 3 months	1,652	2,987
3 to 6 months	2,863	4,533
Over 6 months	13,597	13,008
	18,112	**20,528**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group holds charges on property and other assets of certain trade debtors, valued at €9.6 million (2009: €8.0 million).

As of 1 January 2011, trade receivables of €39.5 million (2009: €31.3 million) were past due but not impaired, as they are considered recoverable.

	2010 €'000	2009 €'000
Past due not impaired:		
Up to 3 months	36,100	25,494
3 to 6 months	2,580	4,267
Over 6 months	838	1,572
	39,518	**31,333**

20. Inventories

	2010 €'000	2009 €'000
Raw materials	57,142	29,573
Finished goods	230,140	159,480
Consumables	16,599	12,524
	303,881	**201,577**

Included in the above are inventories carried at net realisable value amounting to €8.1 million (2009: €26.1 million). The amount written off in respect of these inventories was €2.0 million (2009: €4.1 million).

21. Cash and cash equivalents

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Cash at bank and in hand	8,200	59,554	–	38,831
Short term bank deposits	–	169,547	–	113,958
	8,200	**229,101**	**–**	**152,789**

The fair value of cash and cash equivalents are not materially different to their book values. The maximum exposure to credit risk at the reporting date is the carrying value of the cash and cash equivalent balances.

22. Other reserves

	Capital reserve €'000 (note a)	Merger reserve €'000 (note b)	Currency reserve €'000 (note c)	Hedging reserve €'000 (note d)	Available for sale financial assets reserve €'000 (note e)	Own shares €'000 (note f)	Share based payment reserve €'000 (note g)	Total €'000
Balance at 3 January 2009	**2,825**	**113,148**	**(5,230)**	**(18,727)**	**9,253**	**(1,899)**	**1,613**	**100,983**
Currency translation differences	–	–	(12,022)	–	–	–	–	(12,022)
Exceptional foreign exchange loss	–	–	18,280	–	–	–	–	18,280
Revaluation of interest rate swaps – loss in year	–	–	–	(3,690)	–	–	–	(3,690)
Foreign exchange contracts – loss in year	–	–	–	(983)	–	–	–	(983)
Transfers to income statement								
– Foreign exchange contracts – loss in year	–	–	–	903	–	–	–	903
– Forward commodity contracts – loss in year	–	–	–	716	–	–	–	716
– Interest rate swaps – loss in year	–	–	–	8,163	–	–	–	8,163
Revaluation of forward commodity contracts – gain in year	–	–	–	5	–	–	–	5
Revaluation of available for sale financial assets – loss in year	–	–	–	–	(3,367)	–	–	(3,367)
Deferred tax on fair value movements	–	–	–	(988)	485	–	–	(503)
Cost of share based payments	–	–	–	–	–	–	187	187
Transfer between reserves	–	–	(648)	–	–	–	648	–
Balance at 2 January 2010	**2,825**	**113,148**	**380**	**(14,601)**	**6,371**	**(1,899)**	**2,448**	**108,672**
Currency translation differences	–	–	20,169	–	–	–	–	20,169
Revaluation of interest rate swaps – loss in year	–	–	–	(4,180)	–	–	–	(4,180)
Foreign exchange contracts – gain in year	–	–	–	38	–	–	–	38
Transfers to income statement								
– Foreign exchange contracts – loss in year	–	–	–	743	–	–	–	743
– Forward commodity contracts – gain in year	–	–	–	(202)	–	–	–	(202)
– Interest rate swaps – loss in year	–	–	–	7,613	–	–	–	7,613
Revaluation of forward commodity contracts – loss in year	–	–	–	(76)	–	–	–	(76)
Revaluation of available for sale financial assets – loss in year	–	–	–	–	(5,381)	–	–	(5,381)
Deferred tax on fair value movements	–	–	–	922	1,345	–	–	2,267
Cost of share based payments	–	–	–	–	–	–	2,937	2,937
Transfer on exercise, forfeit or lapse of share based payments that have vested (note 24)	–	–	–	–	–	283	(656)	(373)
Balance at 1 January 2011	**2,825**	**113,148**	**20,549**	**(9,743)**	**2,335**	**(1,616)**	**4,729**	**132,227**

Note 22 (a): Capital reserve

The capital reserve comprises a capital redemption reserve and a capital reserve which arose due to the re-nominalisation of the Company's share capital on conversion to the euro.

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
At the beginning and the end of the year	**4,227**	**2,825**	**4,227**	**2,825**

Note 22 (b): Merger reserve

	2010 €'000	2009 €'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).

Note 22 (c): Currency reserve
The 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 the closing rate at the reporting date, income and expenses in the income statement are translated at the average rate for the year and resulting exchange differences are taken to the currency reserve within equity.

Note 22 (d): Hedging reserve
The hedging 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 hedging reserve are recycled to the income statement in the periods when the hedged item affects income or expense.

Note 22 (e): Available for sale financial assets reserve
Unrealised gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the available for sale financial asset reserve. When such available for sale financial assets are sold or impaired, the accumulated fair value adjustments are recycled to the income statement.

Note 22 (f): Own shares
The amount included as own shares relates to 485,304 (2009: 570,054) 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 Share Trust at 1 January 2011 cost €1.6 million (2009: €1.9 million) and had a market value of €1.8 million at 1 January 2011 (2009: €1.6 million). The dividend rights in respect of these shares have been waived, save 0.001 pence per share.

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: Presentation.

Note 22 (g): Share based payment reserve
The share based payment reserve reflects charges relating to granting of both shares and options under the 2002 LTIP, 2007 LTIP and 2008 LTIP schemes.

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
At the beginning of the year	**2,217**	**2,448**	**1,612**	**1,613**
Transfer from trade and other payables – share based payments	–	–	438	–
Transfer between reserves	–	–	–	648
Transfer of reserves between Group companies	231	–	–	–
Transfer on exercise, forfeit or lapse of share based payments that have vested	(656)	(656)	–	–
Cost of share based payments	2,937	2,937	167	187
At the end of the year	**4,729**	**4,729**	**2,217**	**2,448**

2002 Long Term Incentive Plan ('the 2002 LTIP')

Movement in the 2002 LTIP for the financial year ended 1 January 2011 is as follows:

	2010 Average exercise price in € per share	2010 Number of options	2009 Average exercise price in € per share	2009 Number of options
At the beginning of the year	2.35	2,308,000	2.35	2,258,000
Granted	–	–	2.29	50,000
Exercised	(1.86)	(280,000)	–	–
Lapsed	(4.03)	(48,000)	–	–
At the end of the year	**2.37**	**1,980,000**	**2.35**	**2,308,000**

Expiry date in	Exercise price €	2010 number	2009 number
2012	1.55	577,000	782,000
2013	1.90	160,000	160,000
2014	2.47	100,000	100,000
2014	2.73	925,000	1,000,000
2016	2.87	50,000	50,000
2017	4.03	118,000	166,000
2019	2.29	50,000	50,000
		1,980,000	**2,308,000**

Total options over 1,980,000 (2009: 2,308,000) ordinary shares were outstanding at 1 January 2011 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 90,600 (2009: 118,600) ordinary shares. The amount of the 2002 LTIP credited to the Group income statement during the year was €15,761 (2009: charge of €84,208). A credit arose due to the lapse of certain share awards.

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 Group has been achieved. The performance criterion is that there has been an increase in the adjusted earnings per share of the Group of at least the Consumer Price Index plus 5% over a three year period.

The fair value of share options has been calculated using the Trinomial Model. Options over 1,930,000 (2009: 2,092,000) ordinary shares were exercisable at 1 January 2011 at a weighted average price of €2.38 (2009: €2.21).

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

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

Arising from a review of the Group's compensation arrangements for senior managers and executive Directors, the Directors approved the introduction of the 2007 LTIP for selected senior managers and the shareholders approved the introduction of the 2008 LTIP for selected senior managers and executive Directors. Awards outstanding under the 2007 LTIP and the 2008 LTIP as at 1 January 2011 amounted to nil (2009: 169,500) and 2,283,000 ordinary shares (2009: 1,201,000) respectively.

The performance criteria for 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 2007 LTIP scheme was 115% of base salary per annum in the form of conditional shares and the vesting period was three years. With regard to the 2008 LTIP, an award shall not vest unless the Remuneration Committee is satisfied that the Company's underlying financial performance has shown a sustained improvement in the period since the date of grant.

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 €2,953,071 (2008 LTIP: €2,823,605, 2007 LTIP: €129,466) 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

Granted in 2007	Share price at date of award €	Period to earliest release date	Number of shares	Fair value €	Expense in Group income statement 2010 €'000	Expense in Group income statement 2009 €'000
2007 Long Term Incentive Plan	4.03	–	169,500	3.85	**129**	**63**

Shares awarded under the 2007 LTIP are equity settled share-based payments as defined in IFRS 2-Share Based Payment. On 25 May 2010, 50% of the share options above vested and the balance has lapsed.

The fair value of the shares awarded was 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:

	Share price at date of award €	Period to earliest release date	Number of shares	Fair value €	Expense in Group income statement 2010 €'000	Expense in Group income statement 2009 €'000
Granted in 2008						
2008 Long Term Incentive Plan	4.45	1 year	583,000	3.54	**1,332**	(153)
Granted in 2009						
2008 Long Term Incentive Plan	2.72	2 years	618,000	2.22	**659**	193
Granted in 2010						
2008 Long Term Incentive Plan	2.82	3 years	1,082,000	2.31	**833**	–

Shares awarded under the 2008 LTIP are equity settled share-based payments as defined in IFRS 2-Share Based Payment. The 2008, 2009 and 2010 awards will expire in 2011 (583,000 shares), 2012 (618,000 shares) and 2013 (1,082,000 shares) respectively.

The number of options granted in 2008 and 2009, expected to vest has increased, resulting in an increased charge to the income statement during the year.

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:

	Granted in 2010	Granted in 2009	Granted in 2008
Risk-free interest rate	**1%**	2%	4%
Expected volatility	**47%**	35%	29%
Dividend yield	**1%**	2%	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.

23. Share capital and share premium

Company	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 3 January 2009 and 2 January 2010	**293,556**	**17,613**	**436,874**	**454,487**
Shares issued	280	17	505	522
At 1 January 2011	**293,836**	**17,630**	**437,379**	**455,009**

Group	Number of shares (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 3 January 2009 and 2 January 2010	**293,556**	**17,613**	**81,606**	**99,219**
Shares issued	280	17	505	522
At 1 January 2011	**293,836**	**17,630**	**82,111**	**99,741**

The total authorised number of ordinary shares is 306 million shares (2009: 306 million shares) with a par value of €0.06 per share (2009: €0.06 per share). All issued shares are fully paid.

24. Retained earnings

	Company retained earnings €'000	Group retained earnings €'000	Group goodwill write-off €'000	Group Total €'000
Balance at 3 January 2009	**36,056**	**112,668**	**(92,961)**	**19,707**
Profit for the year	43,341	112,676	–	112,676
Other comprehensive income/(expense)				
Actuarial loss – defined benefit schemes	–	(31,215)	–	(31,215)
Deferred tax on actuarial loss	–	2,684	–	2,684
Share of actuarial loss – Joint Ventures & Associates	–	(1,364)	–	(1,364)
Total comprehensive income for the year	**43,341**	**82,781**	–	**82,781**
Dividends paid during the year	(19,484)	(19,484)	–	(19,484)
Balance at 2 January 2010	**59,913**	**175,965**	**(92,961)**	**83,004**
Profit for the year	745	108,047	–	108,047
Other comprehensive income/(expense)				
Actuarial gain – defined benefit schemes	–	13,379	–	13,379
Deferred tax on actuarial gain	–	(1,250)	–	(1,250)
Share of actuarial gain – Joint Ventures & Associates	–	2,444	–	2,444
Total comprehensive income for the year	**745**	**122,620**	**–**	**122,620**
Dividends paid during the year	(20,453)	(20,453)	–	(20,453)
Transfer on exercise, forfeit or lapse of share based payments that have vested (note 22)	373	373	–	373
Balance at 1 January 2011	**40,578**	**278,505**	**(92,961)**	**185,544**

25. Non-controlling interests

	2010 €'000	2009 €'000
At the beginning of the year	**6,493**	**8,010**
Share of profit for the year	586	483
Dividends paid to non-controlling interests during the year	(187)	(2,000)
At the end of the year	**6,892**	**6,493**

26. Borrowings

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Current				
Bank overdrafts/borrowings	–	–	9,550	–
Finance lease liabilities	–	972	–	945
	–	**972**	**9,550**	**945**
Non-current				
Bank borrowings	–	569,545	–	526,803
Cumulative redeemable preference shares	–	63,487	–	63,487
Finance lease liabilities	–	3,219	–	4,172
	–	**636,251**	**–**	**594,462**
Total borrowings	–	**637,223**	**9,550**	**595,407**

Bank borrowings are secured by cross-guarantees from Group companies.

The cumulative redeemable preference shares carry the right to such fixed cumulative annual dividend as was last determined by the Directors in July 2007. All 50 million of the €1.2697 shares currently carry the right to a fixed cumulative annual dividend 8.6977 cents per share. In July 2014 all shares still in issue will be redeemed at the issue price.

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:

	2010 €'000	2009 €'000
Between 1 and 2 years	205,853	982
Between 2 and 5 years	430,398	593,480
	636,251	**594,462**

During February 2011, €100 million of a committed bank facility was extended by one year from July 2012 to July 2013.

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

	2010 €'000	2009 €'000
6 months or less	379,545	336,803
Between 2 and 5 years	257,678	258,604
	637,223	**595,407**

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

	EUR		USD		CAD	
	2010	2009	2010	2009	2010	2009
Bank overdrafts	**1.65%**	1.18%	**5.25%**	5.25%	**4.00%**	3.25%
Bank borrowings	**3.54%**	3.40%	**1.15%**	1.04%	**2.05%**	1.26%

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

	Carrying amount 2010 €'000	Carrying amount 2009 €'000	Fair values 2010 €'000	Fair values 2009 €'000
Non-current borrowings	**636,251**	594,462	**632,008**	589,283

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:

	2010 €'000	2009 €'000
Euro	445,620	458,168
US dollar	179,527	126,605
Canadian dollar	12,076	10,634
	637,223	**595,407**

The Group has the following undrawn borrowing facilities:

	2010 €'000	2009 €'000
Expiring within 1 year	16,646	16,286
Expiring beyond 1 year	101,178	138,795
	117,824	**155,081**

Finance lease liabilities – minimum lease payments:

	2010 €'000	2009 €'000
12 months or less	1,181	1,149
Between 1 and 2 years	1,181	1,149
Between 2 and 5 years	2,362	3,447
	4,724	5,745
Future finance charges on finance leases	(533)	(628)
Present value of finance lease liabilities	**4,191**	**5,117**

The present value of finance lease liabilities is as follows:

	2010 €'000	2009 €'000
12 months or less	972	945
Between 1 and 2 years	1,021	982
Between 2 and 5 years	2,198	3,190
	4,191	**5,117**

27. 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 statement of financial position:

	2010 €'000	2009 €'000
Deferred tax assets	(7,388)	(12,022)
Deferred tax liabilities	75,966	66,337
Net deferred tax liability	**68,578**	**54,315**

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

	2010 €'000	2009 €'000
At the beginning of the year	**54,315**	**33,676**
Income statement – pre exceptional charge (note 11)	10,994	12,740
Income statement – exceptional charge	558	12,512
Deferred tax (credit)/charge to other comprehensive income (note 22)	(2,267)	503
Deferred tax charge/(credit) on actuarial gain/loss (note 24)	1,250	(2,684)
Exchange differences	3,728	(2,432)
At the end of the year	**68,578**	**54,315**

The movement in deferred tax liabilities and assets 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	IP and deferred development costs €'000	Other €'000	Total €'000
At 3 January 2009	**25,686**	**2,969**	**23,780**	**6,621**	**59,056**
Charged/(credited) to income statement	9,271	–	(831)	100	8,540
Charged to other comprehensive income (note 22)	–	503	–	–	503
Exchange differences	(787)	–	(765)	(210)	(1,762)
At 2 January 2010	**34,170**	**3,472**	**22,184**	**6,511**	**66,337**
Charged/(credited) to income statement	2,163	–	(1,336)	7,172	7,999
(Credited) to other comprehensive income (note 22)	–	(2,267)	–	–	(2,267)
Exchange differences	1,822	–	1,657	418	3,897
At 1 January 2011	**38,155**	**1,205**	**22,505**	**14,101**	**75,966**

Deferred tax on intellectual property (IP) of €21.2 million, previously shown in 'Other', is now included with deferred development costs within 'IP and deferred development costs'.

Deferred tax assets	Retirement obligations €'000	Tax losses €'000	Total €'000
At 3 January 2009	**(17,087)**	**(8,293)**	**(25,380)**
Charged to income statement	13,684	3,028	16,712
(Credited) to other comprehensive income (note 24)	(2,684)	–	(2,684)
Exchange differences	–	(670)	(670)
At 2 January 2010	**(6,087)**	**(5,935)**	**(12,022)**
Charged to income statement	1,300	2,253	3,553
Charged to other comprehensive income (note 24)	1,250	–	1,250
Exchange differences	2	(171)	(169)
At 1 January 2011	**(3,535)**	**(3,853)**	**(7,388)**

The decrease in the retirement benefit obligation has given rise to a decrease 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 carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has tax losses of €72.6 million (2009: €14.8 million) to carry forward against future taxable income on which a deferred tax asset has not been recognised. 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.

The deferred tax credited to other comprehensive income during the year is as follows:

	2010 €'000	2009 €'000
Available for sale financial assets (note 22)	(1,345)	(485)
Hedging reserve (note 22)	(922)	988
Impact of decrease/(increase) in retirement benefit obligations due to actuarial gain/loss (note 24)	1,250	(2,684)
	(1,017)	**(2,181)**

28. Retirement benefit obligations

Pension benefits

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

The contributions paid to the defined benefit schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 1 January 2008 and 1 January 2010. The contributions paid to the scheme in 2010 are in accordance with the contribution rates recommended in the actuarial valuation reports.

The discount rate applied to the UK pension schemes changed from Merrill Lynch AA Bonds in 2009 to Towers Watson Global Rate: Link Model in 2010. This decreased the pension liability at year end by approximately €1.8 million. The inflation rate applied to the UK pension scheme changed from the Consumer Price Index for both schemes in 2009 to the Consumer Price Index and Retail Price Index in 2010, depending on the rules of the scheme. This decreased the pension liability at year end by approximately €2.6 million.

The amounts recognised in the statement of financial position are determined as follows:

	2010 €'000	2009 €'000
Present value of funded obligations	(437,911)	(435,010)
Fair value of plan assets	389,351	349,245
Liability in the Group statement of financial position	**(48,560)**	**(85,765)**

The amounts recognised in the Group income statement are as follows:

	2010 €'000	2009 €'000
Defined benefit pension schemes		
– Service costs – current	(4,803)	(5,515)
– Interest costs	(24,153)	(23,635)
– Expected return on plan assets	21,888	16,383
Total expense pre curtailment gains and negative past service costs	(7,068)	(12,767)
Exceptional item – curtailment gains and negative past service cost (note 7 and note 8)	10,238	100,098
Total gain	**3,170**	**87,331**
Defined contribution pension schemes	**(2,750)**	**(2,146)**

The actual return on plan assets was a profit of €29.8 million (2009: €28.7 million).

The movement in the liability recognised in the Group statement of financial position over the year is as follows:

	2010 €'000	2009 €'000
At the beginning of the year	**(85,765)**	**(164,410)**
Exchange differences	(972)	(1,821)
Movements relating to disposed operations	(38)	(1,280)
Total expense pre curtailment gains and negative past service costs	(7,068)	(12,767)
Curtailment gains and negative past service costs	10,238	100,098
Actuarial gain/(loss) on defined benefit schemes	13,379	(31,215)
Contributions paid by employer	21,666	25,630
At the end of the year	**(48,560)**	**(85,765)**

The movement in obligations during the year is as follows:

	2010 €'000	2009 €'000
At the beginning of the year	**(435,010)**	**(465,909)**
Exchange differences	(2,431)	(4,800)
Movements relating to disposed operations	(38)	(4,131)
Current service costs	(4,803)	(5,515)
Interest costs	(24,153)	(23,635)
Actuarial gains/(losses)		
– Experience gains	8,442	5,366
– Change in assumptions	(2,992)	(48,895)
Contributions by plan participants	(2,963)	(3,796)
Curtailment gains and negative past service costs	10,238	100,098
Benefits paid	15,799	16,207
At the end of the year	**(437,911)**	**(435,010)**

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

	2010 €'000	2009 €'000
At the beginning of the year	**349,245**	**301,499**
Exchange differences	1,459	2,979
Movements relating to disposed operations	–	2,851
Expected return on plan assets	21,888	16,383
Actuarial gain	7,929	12,314
Contributions by plan participants	2,963	3,796
Contributions paid by employer	21,666	25,630
Benefits paid	(15,799)	(16,207)
At the end of the year	**389,351**	**349,245**

The principal actuarial assumptions used were as follows:

	2010 IRL	2010 UK	2009 IRL	2009 UK
Discount rate	5.40%	5.45%–5.50%	5.65%	5.80%
Expected return on plan assets				
– Equities	7.70%	8.20%	7.75%	8.25%
– Corporate bonds	4.90%	5.45%	5.80%	5.80%
– Government bonds and gilts	4.40%	4.20%	4.45%	4.50%
– Cash	2.00%	3.70%	2.50%	4.10%
– Property	6.50%	7.70%	6.50%	8.00%
– Other assets	7.70%	n/a	7.75%	n/a
Inflation rate*	2.00%	2.75%–3.45%	2.25%	3.45%
Future salary increases*	3.00%	4.20%	2.25%–3.25%	4.20%
Future pension increases	2.75%–3.45%	3.25%	0%–3.50%	3.25%

* The Irish inflation rate and future salary increase assumptions have been decreased for the next three years by 1% to reflect the current economic conditions in Ireland. The rates set out above are the longer term assumptions.

Cumulative actuarial losses:	2010 €'000	2009 €'000
Actuarial (gain)/loss for the year	(13,379)	31,215
Cumulative actuarial losses	**141,827**	**155,206**

Plan assets are comprised as follows:

	2010 €'000	2010 %	2009 €'000	2009 %
Equities	218,484	56	177,273	50
Corporate bonds	33,664	9	34,522	10
Government bonds and gilts	90,341	23	86,426	25
Property	20,456	5	20,638	6
Cash	26,406	7	30,386	9
	389,351	**100**	**349,245**	**100**

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

Following a detailed review of the Group's schedule of contributions during the year, contributions to post-employment benefit plans are expected to be €20.4 million in 2011 (2010: €20.0 million).

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:

	2010 Irish mortality rates	2010 UK mortality rates	2009 Irish mortality rates	2009 UK mortality rates
Male	21.5	23.9	21.5	24.8
Female	24.2	27.0	24.2	27.4

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

	2010 Irish mortality rates	2010 UK mortality rates	2009 Irish mortality rates	2009 UK mortality rates
Male	19.2	21.8	19.2	23.0
Female	21.9	24.9	21.9	25.8

Five year summary	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
At the end of the year					
Fair value of plan assets	389,351	349,245	301,499	382,521	376,585
Present value of funded obligations	(437,911)	(435,010)	(465,909)	(496,769)	(501,473)
Deficit	**(48,560)**	**(85,765)**	**(164,410)**	**(114,248)**	**(124,888)**
Experience adjustments on plan liabilities	**8,442**	**5,366**	**(3,175)**	**(7,160)**	**(12,651)**
Experience adjustments on plan assets	**7,929**	**12,314**	**(104,229)**	**(32,542)**	**11,575**

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.

2010

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by 3.7%	Decrease/increase by (4.1%)/4.4%
Price inflation	Increase/decrease 0.25%	Increase/decrease by 1.6%	Increase/decrease by 3.0%/(2.9%)
Mortality	Increase/decrease by one year	Increase/decrease by 2.2%	Increase/decrease by 3.1%

2009

Assumption	Change in assumption	Impact on Irish plan liabilities	Impact on UK plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by 3.8%	Decrease/increase by 4.7%
Price inflation	Increase/decrease 0.25%	Increase/decrease by 1.4%	Increase/decrease by 3.1%
Mortality	Increase/decrease by one year	Increase/decrease by 3.8%	Increase/decrease by 2.1%

29. Provisions for other liabilities and charges

	Restructuring €'000 note (a)	UK pension €'000 note (b)	Other €'000 note (c)	Total €'000
At 2 January 2010	**20,356**	**20,086**	**7,002**	**47,444**
Provided in the year	400	–	7,140	7,540
Utilised in the year	(9,828)	(1,124)	(1,645)	(12,597)
Exchange differences	–	637	381	1,018
Unwinding of discounts	–	121	(29)	92
Reclassifications	(457)	–	457	–
At 1 January 2011	**10,471**	**19,720**	**13,306**	**43,497**
Non-current	–	18,484	3,908	22,392
Current	10,471	1,236	9,398	21,105
	10,471	**19,720**	**13,306**	**43,497**

(a) The restructuring provision relates mainly to the rationalisation programme Glanbia is currently undertaking. The provision which relates mainly to redundancy is expected to be fully utilised during 2011.

(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 over the next 33 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 €9.4 million of this provision will be utilised during 2011, with the balance being utilised over a further five year period. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

30. Capital grants

	2010 €'000	2009 €'000
At 2 January 2010	**18,582**	**12,694**
Receivable for the year	1,440	7,114
Exchange differences	6	11
Released to income statement	(1,419)	(1,237)
At 1 January 2011	**18,609**	**18,582**

31. Trade and other payables

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Trade payables	66	128,645	14	113,002
Amounts due to Joint Ventures & Associates (note 37)	–	30,059	–	31,095
Amounts due to other related parties (note 37)	–	235	–	510
Amounts due to other Group companies	104,682	–	–	–
Social security costs	–	3,262	–	3,153
Accrued expenses	2,522	176,372	2,767	116,273
Other payables	–	27,673	–	31,448
	107,270	**366,246**	**2,781**	**295,481**

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

32. Derivative financial instruments

	2010 Assets €'000	2010 Liabilities €'000	2009 Assets €'000	2009 Liabilities €'000
Non-hedging instruments	–	(77)	–	–
Interest rate swaps – cash flow hedges	–	(8,076)	–	(11,057)
Interest rate swaps – fair value hedges	3,975	–	5,848	(1,606)
Forward foreign exchange contracts – cash flow hedges	590	(600)	2,085	(3,041)
Commodity futures – cash flow hedges	267	(326)	1,933	(189)
Commodity futures – fair value hedges	723	(723)	353	(353)
Total	**5,555**	**(9,802)**	**10,219**	**(16,246)**
Less non-current portion:				
Interest rate swaps – cash flow hedges	–	(3,315)	–	(5,631)
Interest rate swaps – fair value hedges	1,643	–	2,718	–
Non-current portion	**1,643**	**(3,315)**	**2,718**	**(5,631)**
Current portion	**3,912**	**(6,487)**	**7,501**	**(10,615)**

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts, qualifying as cash flow hedges at 1 January 2011 were €148.5 million (2009: €236.2 million).

The notional principal amounts of the outstanding interest rate swap contracts, qualifying as fair value hedges at 1 January 2011 were €100.0 million (2009: €265.1 million).

At 1 January 2011, the fixed interest rates vary from 3.79% to 4.94% (2009: 3.665% to 4.94%) and the main floating rates are set in advance by reference to inter-bank interest rates 1.143% EURIBOR, 0.45631% $LIBOR (2009: 1.153% EURIBOR, 0.45575% $LIBOR).

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swap contracts at 1 January 2011 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 1 January 2011 are €51.7 million (2009: €225.9 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 1 January 2011 will be released to the income statement at various dates within one year from the reporting 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 1 January 2011 were €4.2 million and €61.4 million respectively (2009: €6.4 million and €36.8 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures as at 1 January 2011 will be released to the income statement at various dates within one year from the reporting 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. No adjustment has been made to the Glanbia plc company statement of financial position to reflect fair value of the financial guarantee contracts issued in its name.

33. 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 1 January 2011 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.

The Group recognises a defined benefit liability and incurs administration and certain other costs in relation to its UK pension schemes for businesses disposed of in prior years, as outlined in note 28 and note 29. In addition, the Company has guaranteed the payment of a proportion of employer contributions in respect of these UK pension schemes. The Company considers these guarantees to be insurance contracts and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Group
Bank guarantees amounting to €7.1 million (2009: €10.5 million) are outstanding as at 1 January 2011, mainly in respect of payment of EU subsidies. The Group does not expect any material loss to arise from these guarantees. The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from these contingent liabilities other than those provided for.

34. Commitments

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

	2010 €'000	2009 €'000
Property, plant and equipment	**4,980**	**2,260**

Capital commitments not contracted for at the reporting date amounted to €60.9 million (2009: €44.4 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:

	2010 €'000	2009 €'000
Not later than 1 year	7,868	6,750
Later than 1 year and not later than 5 years	20,171	18,232
Later than 5 years	15,331	12,951
	43,370	**37,933**

35. Cash generated from operations

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Profit before taxation	**745**	**134,718**	**43,341**	**143,032**
Development costs capitalised	–	(2,821)	–	(2,639)
Impairment charge	–	1,372	–	1,078
Non-cash exceptional (gain) (note 7)	–	(10,238)	–	(45,675)
Share of results of Joint Ventures & Associates	–	(10,103)	–	(10,225)
Depreciation	–	32,569	–	28,735
Amortisation	–	15,111	–	13,858
Cost of share based payments	2,937	2,937	167	187
Difference between pension charge and cash contributions	–	(14,598)	–	(12,863)
Loss/(profit) on disposal of property, plant and equipment	–	957	–	(716)
Profit on disposal of investments	–	–	(12,891)	–
Interest income	–	(3,290)	–	(5,542)
Interest expense	–	25,420	–	29,576
Amortisation of government grants received	–	(1,419)	–	(1,237)
Cash generated from operations before changes in working capital	**3,682**	**170,615**	**30,617**	**137,569**
Change in net working capital:				
– (Increase)/decrease in inventory	–	(97,009)	–	71,568
– Decrease/(increase) in short term receivables	66,449	(28,065)	(7,991)	(10,504)
– (Decrease)/increase in short term liabilities	(36,693)	66,048	498	(78,077)
– (Decrease) in provisions	(246)	(4,375)	–	(15,846)
Cash generated from operations	**33,192**	**107,214**	**23,124**	**104,710**

36. Business combinations

On 19 January 2011 the Group acquired the business and assets of a leading US based performance nutrition business – Bio-Engineered Supplements and Nutrition ("BSN"). BSN is a leading developer, provider and distributor of nutritional products designed for health, physique development and training.

Details of net assets acquired and goodwill arising from the acquisition is as follows:

	€'000
Purchase consideration – cash paid	107,696
Less: Fair value of assets acquired	90,271
Goodwill	**17,425**

The acquisition of BSN significantly enhances the Group's Performance Nutrition portfolio and delivers further growth opportunities in this area. The goodwill is attributable to the profitability and development opportunities through combined R&D and the benefits associated with the extension of Glanbia's scale and specific capabilities to the acquired business.

The fair value of assets and liabilities arising from the acquisition is as follows:

	Fair value €'000
Property, plant and equipment	1,700
Other intangible assets	83,614
Inventories	9,666
Receivables	7,523
Payables	(12,232)
Fair value of assets acquired	**90,271**

Acquisition related costs included in administration expenses in the Group's consolidated income statement for the year ended 1 January 2011 amounted to €0.6 million.

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

37. Related party transactions

The Group is controlled by Glanbia Co-operative Society Limited ('the Society'), which holds 54.5% 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

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Sales of goods:				
– Associates	–	2,498	–	5,497
– Joint ventures	–	64,077	–	52,613
– Key management*	–	791	–	659
	–	**67,366**	–	**58,769**
Sales of services:				
– The Society	–	336	–	395
– Associates	–	17	–	18
– Joint ventures	–	11,977	–	7,503
– Subsidiaries	16,068	–	11,241	–
	16,068	**12,330**	**11,241**	**7,916**

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

(b) Purchases of goods and services

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Purchases of goods:				
– Associates	–	9,721	–	10,431
– Joint ventures	–	3,090	–	3,339
– Key management*	–	2,083	–	1,737
	–	**14,894**	**–**	**15,507**
Purchases of services:				
– The Society	–	290	–	290
– Associates	–	2,174	–	1,660
– Joint ventures	–	8	–	19
– Subsidiaries	2,086	–	1,996	–
	2,086	**2,472**	**1,996**	**1,969**

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

(c) Key management compensation[1]

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Salaries and other short-term employee benefits	–	3,671	–	2,041
Post-employment benefits	–	354	–	376
Share based payments	–	2,004	–	114
	–	**6,029**	**–**	**2,531**

1 Key management compensation includes the Glanbia Operating Executive Committee.

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

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Receivables from related parties:				
– The Society	–	682	–	502
– Associates	–	118	–	509
– Joint ventures	–	6,764	–	1,848
– Key management*	–	207	–	134
– Subsidiaries	–	–	79,346	–
	–	**7,771**	**79,346**	**2,993**
Payables to related parties:				
– The Society	–	31	–	360
– Associates	–	1,972	–	2,822
– Joint ventures	–	28,087	–	28,273
– Key management*	–	204	–	150
– Subsidiaries	101,249	–	–	–
	101,249	**30,294**	**–**	**31,605**

(e) Loans to joint ventures

	2010 Company €'000	2010 Group €'000	2009 Company €'000	2009 Group €'000
Loan to Southwest Cheese Company, LLC	–	7,484	–	28,313
Loan to Milk Ventures (UK) Limited	–	5,576	–	5,405
	–	**13,060**	**–**	**33,718**

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

38. Events after the reporting period

On 19 January 2011 the Group announced the acquisition of the business and assets of a leading US based performance nutrition business – Bio-Engineered Supplements and Nutrition ("BSN"). For further details regarding this acquisition see note 36 – business combinations.

On 12 January 2011, the Group also acquired the business and assets of Kerry Group plc's Limerick based liquid milk business subject to regulatory approval.

39. Comparatives

Certain comparatives in the statement of financial position have been restated to reflect the current year classifications as shown below:

	Group as previously reported 2009 €'000	Reclassified 2009 €'000	Group restated 2009 €'000
Trade and other receivables – non current	33,718	16,837	**50,555**
Trade and other receivables – current	191,594	12,732	**204,326**
Trade and other payables – current	(265,912)	(29,569)	**(295,481)**
Share capital and share premium	(97,320)	(1,899)	**(99,219)**
Other reserves	(110,571)	1,899	**(108,672)**

40. Principal subsidiary and associated undertakings

(a) Subsidiaries

Incorporated and operating in	Principal place of business	Principal activities	Group interest %
Ireland			
Glanbia Foods Ireland Limited	Ballyragget, Co. Kilkenny and Citywest, Dublin 24	Dairying, liquid milk, consumer food products and general trading	100.00
Glanbia Consumer Foods Limited	Inch, Co. Wexford and Kilkenny	Fresh dairy products and soups	100.00
Glanbia Ingredients (Ballyragget) Limited	Ballyragget, Co. Kilkenny	Milk products	100.00
Glanbia Ingredients (Virginia) Limited	Virginia, Co. Cavan	Milk products	100.00
Glanbia Nutritionals (Ireland) Limited	Kilkenny	Nutritional products	100.00
Glanbia Nutritionals (Blending) Limited	Kilkenny	Nutritional products	100.00
ON Optimum Nutrition Limited	Kilkenny	Nutritional products	100.00
Glanbia Nutritionals (Europe) Limited	Kilkenny	Nutritional products	100.00
Glanbia Nutritionals (Research) Limited	Kilkenny	Research and development	100.00
Glanbia Feeds Limited	Enniscorthy, Co. Wexford and Portlaoise, Co. Laois	Manufacture of animal feed products	100.00
Glanbia Estates Limited	Kilkenny	Property and land dealing	100.00
Avonmore Proteins Limited	Kilkenny	Financing	100.00
Glanbia Financial Services	Kilkenny	Financing	100.00
Glanbia Investments (Ireland) Limited	Kilkenny	Investment company	100.00
Glassonby	Kilkenny	Holding company	100.00
Waterford Foods plc	Kilkenny	Holding company	100.00
Grassland Fertilisers (Kilkenny) Limited	Palmerstown, Co. Kilkenny	Fertilisers	73.00
D. Walsh & Sons Limited	Palmerstown, Co. Kilkenny	Grain and fertilisers	60.00
Eilish Oils Limited	Newtown Mount Kennedy, Co. Wicklow	Biofuels	80.00

Incorporated and operating in	Principal place of business	Principal activities	Group Interest %
Britain and Northern Ireland			
Glanbia (UK) Limited	Victoria Square, Birmingham	Holding company	100.00
Glanbia Holdings Limited	Victoria Square, Birmingham	Holding company	100.00
Glanbia Investments (UK) Limited	Victoria Square, Birmingham	Holding company	100.00
Glanbia Nutritionals (UK) Limited	Middlesbrough	Sports nutrition products	100.00
Glanbia Foods (NI) Limited	Portadown, Co. Armagh	Consumer food products	100.00
Glanbia Feedstuffs Limited	Victoria Square, Birmingham	Supply of animal feeds	100.00
Optimum Nutrition EMEA Limited	London, England	Sports nutrition products	100.00
United States			
Glanbia, Inc.	Delaware	Holding company	100.00
Glanbia Foods, Inc.	Twin Falls, Idaho	Milk products	100.00
Optimum Nutrition, Inc.	Illinois, South Carolina, Florida	Sports nutrition products	100.00
Glanbia Nutritionals (NA), Inc.	Carlsbad, California	Nutrient delivery systems	100.00
Glanbia Nutritionals, Inc.	Madison, Wisconsin	Nutritional distribution	100.00
Canada			
Glanbia Nutritionals (Canada), Inc.	Angusville, Manitoba	Nutrient delivery systems	100.00
Germany			
Glanbia Nutritionals Deutschland GmbH	Orsingen-Nensingen, Germany	Nutrient delivery systems	100.00
Netherlands			
Glanbia Foods B.V.	Moergestel, Netherlands	Holding company	100.00
Asia			
Glanbia Nutritionals (Suzhou) Company Limited	Suzhou, China	Nutrient delivery systems	100.00
GN Life Science (Shanghai) Co. Ltd	Shanghai, China	Nutrient ingredient trading	100.00
Glanbia Nutritionals Singapore Pte Ltd	Singapore	Customer service office	100.00

(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–Dec–09	Tullow, Co. Carlow	Agri chemicals	50.00
South Eastern Cattle Breeders Society Limited *	31–Dec–09	Thurles, Co. Tipperary	Cattle breeding	57.00
Malting Company of Ireland Limited *	30–Sept–10	Togher, Cork	Malting	33.33
South East Port Services Limited *	01–Jan–11	Kilkenny	Port services	49.00
Greenfield Dairy Partners Limited *	31–Dec–10	Dunbell, Co. Kilkenny	Dairy production and development	33.33
Corman Miloko Ireland Limited **	01–Jan–11	Carrick-on-Suir, Co. Tipperary	Dairy spreads	45.00
Garristown Properties Limited **	01–Jan–11	Garristown, Co. Dublin	Property development	50.00
Britain and Northern Ireland				
Glanbia Cheese Limited **	01–Jan–11	Magheralin and Llangefni	Cheese products	51.00
Milk Ventures (UK) Limited **	30–Nov–10	Stockport, England	Holding company	50.00
Nigeria				
Nutricima Limited *	30–Nov–10	Nigeria	Evaporated and powdered milk	50.00
United States				
Southwest Cheese Company, LLC **	01–Jan–11	Clovis, New Mexico	Milk products	50.00

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

Stock exchange listings
The Company's shares are listed on the main market of the Irish Stock Exchange as well as having a premium listing on the main market of the London Stock Exchange.

Managing your shareholding
Computershare Investor Services (Ireland) Limited ("Computershare") maintains the Company's register of members. Should a shareholder have any queries in respect of their shareholding, they should contact Computershare directly using the contact details provided below:

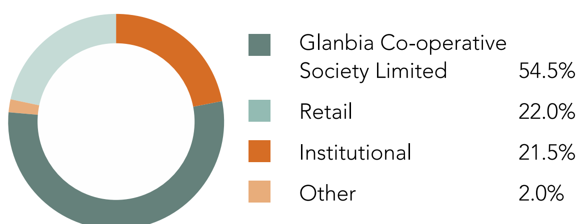
Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Contact details: telephone number 01 2475349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus.

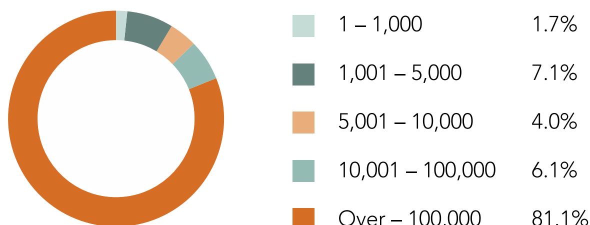
	2010	2009
Share price data	**€**	**€**
Share price as at 1 January 2011	**3.68**	2.89
Market capitalisation	**1,081m**	848m
Share price movements during the year:		
– high	**3.68**	3.00
– low	**2.43**	1.84

The current share price of Glanbia plc ordinary shares can be accessed at http://www.glanbia.ie/prices-delayed

Shareholder analysis



Analysis of shareholders by number of shares held



Share capital
The authorised share capital of the Company at 1 January 2011 was 306,000,000 ordinary shares at €0.06 each. The issued share capital at 1 January 2011 was 293,835,684 ordinary shares of €0.06 each.

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 at 1 March 2011 in accordance with the requirements of Rule 7.1 of the Transparency Rules issued by the Financial Regulator under section 22 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2006.

Shareholder	No. of ordinary shares	% of issued share capital
Glanbia Co-operative Society Limited	160,277,308	54.5%

Employee share schemes
The Company operates a number of employee share schemes. At 1 January 2011, 485,304 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 shares.

Dividend payments direct to your bank account
An interim dividend of 3.03 cents per share was paid in respect of ordinary shares on 29 September 2010.

Subject to shareholders approval, a final dividend of 4.49 cents per share will be paid in respect of ordinary shares on 20 May 2011 to shareholders on the register of members on 8 April 2011. If a shareholder's registered address is in the UK and a shareholder has not previously provided the company with a mandate form for an Irish Euro account, a shareholder will default to a sterling payment. All other shareholders will default to a Euro payment.

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 Registrars, Computershare. DWT applies to dividends paid by way of cash and is deducted at the standard rate of income tax (currently 20%). 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 Computershare. Copies of this form may be obtained from Computershare.

In order to continue to improve the security of dividend payments to shareholders and reduce costs, the Company proposes, to pay future dividend payments on its ordinary shares only by credit transfer into a nominated bank or building society account.

Shareholders will continue to receive tax vouchers in respect of dividend payments. The Company takes data security issues very seriously. Required bank account details supplied to the Company and its Registrars will be used only for dividend distribution and the information will not be used for any purpose or supplied to any third party.

www.glanbia.com
Shareholders may visit www.glanbia.ie/shareholder-centre for up-to-date investor information. An electronic copy of current and past annual and half-yearly reports can be downloaded from the website. Current and historic share prices, news, updates and presentations may also be obtained. Shareholders may also register to receive future shareholder communications electronically.

Electronic communications
The changes brought about by the Transparency (Directive 2004/109/EC) Regulations 2007 recognises the growing importance of electronic communications. The Group therefore provides documentation and communications to all shareholders via our website unless a shareholder has specifically elected to receive a hard copy.

Using electronic communications enables fast receipt of documents, helps the environment by significantly reducing the amount of paper used to communicate with shareholders and reduces associated printing, mailing and distribution costs.

Shareholders can also vote online for the next Annual General Meeting ("AGM"). This is a quick and easy option, using the proxy voting service provided by Computershare. Shareholders may use this facility by visiting www.eproxyappointment.com.

Financial calendar

Announcement of final results for 2010	02 March 2011
Ex-dividend date	06 April 2011
Record date for dividend	08 April 2011
Date for receipt of proxy forms	09 May 2011
Record date for AGM	09 May 2011
AGM	11 May 2011
Dividend payment date	20 May 2011

AGM
The AGM will be held on 11 May 2011.

The Notice of Meeting, together with details of the business to be conducted at the Meeting is available on www.glanbia.ie/agm

The voting results for the 2011 AGM, including proxy votes and votes withheld will be available on our website shortly after the meeting at the following address: www.glanbia.ie/agm

Conditions for participating in a meeting
Every shareholder, irrespective of how many Glanbia shares they hold has the right to attend, speak, ask questions and vote at the AGM. Completion of proxy form will not affect a shareholder's right to attend, speak, ask questions and/or vote at the meeting in person.

The quorum for a general meeting of the Company is constituted by three persons entitled to vote upon the business of the meeting, each being a shareholder or a proxy or corporate representative for a shareholder.

The right to participate in the AGM is subject to the registration of the shares prior to the date of the meeting (the record date). For the 2011 AGM the record date is 5:00 pm on 09 May 2011 (or in the case of an adjournment 5:00 pm, on the day prior to the day before the time fixed for the adjourned meeting).

Appointment of proxy
Where a shareholder is unable to attend the AGM in person, a proxy (or proxies) may be appointed to attend, speak, ask questions and vote on their behalf. For this purpose a form of proxy is posted to all shareholders. Copies of these documents may be requested by telephoning the Company's Registrar on 01 2475349 (within Ireland), 00353 1 247 5349 (outside Ireland), or by logging on to www.investorcentre.com/ie/contactus or by writing to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny.

Alternatively, a shareholder may appoint a proxy electronically, by visiting www.eproxyappointment.com and submitting their proxy details. They will be asked to enter the Control Number, the Shareholder Reference Number (SRN) and PIN and agree to certain terms and conditions. The Control Number, the shareholder Reference Number (SRN) and the PIN can be found on the top of the form of proxy.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

How to exercise shareholders rights
Shareholders have several ways to exercise their right to vote:

- by attending the AGM in person;
- by appointing the Chairman or another person as a proxy to vote on their behalf; or
- by appointing a proxy via the CREST system.

The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires at least 75% of the votes cast to be in favour of the resolution.

Tabling agenda items
A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of the AGM. In order to exercise this right, written details of the item to be included on the 2011 AGM agenda together with a written explanation why the item is to be included on the agenda and evidence of the shareholding must be received by the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie no later than 29 March 2011 (i.e. 42 days before the AGM meeting). An item cannot be included on the AGM agenda unless it is accompanied by the written explanation and received at either of these addresses by this deadline.

Tabling draft resolutions
A shareholder, or a group of shareholders acting together, who hold at least 3% of the issued share capital of the Company, has the right to table a draft resolution for inclusion on the agenda of the 2011 AGM subject to any contrary provision in company law.

In order to exercise this right, the text of the draft resolution and evidence of shareholding must be received by no later than 29 March 2011 (i.e. 42 days before the AGM meeting) by post to the Group Secretary at Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie. A resolution cannot be included on the 2011 AGM agenda unless it is received at either of these addresses by this deadline. Furthermore, shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.

How to ask a question before or at the meeting

The AGM is an opportunity for shareholders to put a question to the Chairman during the question and answer session. Before the 2011 AGM, a shareholder may also submit a question in writing by sending a letter, and evidence of your shareholding at least four business days before the 2011 AGM (i.e. 5 May 2011) to the Group Secretary, Glanbia plc, Glanbia House, Kilkenny, Ireland or by email to ir@glanbia.ie /info@glanbia.ie.

Advisors:

Auditors

PricewaterhouseCoopers, Ballycar House, Newtown, Waterford, Ireland.

Principal bankers

The Royal Bank of Scotland 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).

Additional shareholder information

Dividend rights

The Company may, by ordinary resolution declare dividends in accordance with the respective rights of shareholders, 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 shareholders 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 shareholders 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. Further if, in a winding up, the assets available for distribution among shareholders 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 shareholders 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.

Five year trends

Summary income statement

	2010	2009	2008	2007	2006
Revenue	€2,166.7m	€1,830.3m	€2,232.2m	€2,206.6m	€1,853.4m
Operating profit pre exceptional	€136.5m	€111.2m	€134.1m	€115.8m	€85.6m
Operating margin pre exceptional	6.3%	6.1%	6.0%	5.2%	4.6%
Net financing costs	(€22.1m)	(€24.0m)	(€21.1m)	(€17.3m)	(€14.0m)
Share of results of Joint Ventures & Associates*	€10.1m	€10.2m	€7.3m	€1.0m	€2.8m
Profit before tax pre exceptional	€124.5m	€97.4m	€120.3m	€99.5m	€74.4m
Taxation pre exceptional	(€25.5m)	(€19.1m)	(€21.5m)	(€16.4m)	(€8.0m)
Profit after tax pre exceptional	€99.0m	€78.3m	€98.8m	€83.1m	€66.4m
Net exceptional items (post tax)	€9.7m	€34.9m	(€19.4m)	(€22.8m)	(€0.1m)
Basic earnings per share	36.86c	38.46c	26.76c	20.42c	22.51c
Adjusted earnings per share	38.07c	30.68c	35.86c	30.25c	23.89c
Dividend per share in respect of the full year	7.52c	6.84c	6.51c	6.08c	5.79c

* Share of results in Joint Ventures & Associates is an after interest and tax amount.

Adjusted earnings per share

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Profit attributable to the equity holders of the Parent	108,047	112,676	78,399	59,833	65,964
Amortisation of intangible assets (net of related tax)	13,222	12,126	7,312	5,964	3,896
Net exceptional items	(9,680)	(34,905)	19,358	22,846	134
Adjusted net income	**111,589**	**89,897**	**105,069**	**88,643**	**69,994**
Weighted average number of ordinary shares in issue	**293,105,068**	**292,985,630**	**293,018,610**	**293,012,540**	**292,958,667**
Adjusted earnings per share (cents per share)	**38.07**	**30.68**	**35.86**	**30.25**	**23.89**

Index

A
Applying the principles of the Combined Code 48
Audit Committee report 57
Available for sale financial assets 112

B
Board of Directors and senior management 44
Borrowings 122
Business combinations 133

C
Capital grants 130
Cash and cash equivalents 115
Cash generated from operations 132
Chairman's introduction to corporate governance 42
Chairman's statement 12
Commitments 132
Company statement of changes in equity 82
Company statement of comprehensive income and statement of cash flows 83
Company statement of financial position 81
Comparatives 136
Contingent liabilities 131
Critical accounting estimates and judgements 95

D
Dairy Ireland – business model 21
Dairy Ireland – divisional performance 38
Deferred income taxes 124
Derivative financial instruments 130
Directors' remuneration 103
Dividends 106

E
Earnings per share 105
Employee benefit expense 103
Events after the reporting date 135
Exceptional items 102

F
Finance income and costs 103
Financial risk management 90
Financial statements contents 73
Five year trends 142

G
General information 84
Group Finance Director's review 22
Group income statement 76
Group Managing Director's review 16
Group statement of cash flows 80
Group statement of changes in equity 78
Group statement of comprehensive income 77
Group statement of financial position 79

H
How we are structured 9
How we did in 2010 3

I
Income taxes 104
Independent auditors' report 74
Intangible assets 107
Inventories 115
Investments in associates 110
Investments in joint ventures 111

J
Joint Ventures & Associates – divisional performance 40

K
Key Performance Indicators (KPIs) 5

N
Nomination Committee report 59
Non-controlling interests 121
Notes to the financial statements 84

O
Operating expenses 101
Other reserves 116
Other statutory information 54
Our business models 20
Our global footprint 6
Our markets 11
Our performance 4
Our responsibilities 31
Our strategy 10

P
Principal subsidiary and associated undertakings 136
Property, plant and equipment 106
Provisions for other liabilities and charges 129

R
Related party transactions 134
Remuneration Committee report 61
Retained earnings 121
Retirement benefit obligations 126
Risk management 27

S
Segment information 96
Share capital and share premium 120
Shareholders' information 139
Statement of Directors' responsibilities 71
Summary of significant accounting policies 84

T
Trade and other payables 130
Trade and other receivables 113

U
US Cheese & Global Nutritionals – business model 20
US Cheese & Global Nutritionals – divisional performance 36

Text paper used: UPM Fine.

UPM focuses on reducing the impact on water, air, soil and groundwater.

UPM complies with the principles of sustainable forestry wherever it operates.

design_www.reddog.ie

Cautionary statement
The 2010 Annual Report contains forward-looking statements. These statements have been made by the Directors in good faith, based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this report, whether as a result of new information, future events, or otherwise.

Glanbia plc, Glanbia House,
Kilkenny, Ireland.
Tel +353 56 777 2200
Fax +353 56 777 2222

www.glanbia.com