LISTING PARTICULARS

Dated 1 December 2016

€100,000,000

GLANBIA CO-OPERATIVE SOCIETY LIMITED

1.375%. Secured Exchangeable Bonds due 9 June 2021
exchangeable into ordinary shares of Glanbia plc.

Glanbia Co-Operative Society Limited (the "**Issuer**") is an industrial and provident society with its registered office at Glanbia House, Kilkenny, Ireland, registered in Ireland on 4 September 1997 under the Industrial and Provident Societies Acts 1893 - 2014 with registration number 4928R. The Issuer issued €100,000,000 aggregate principal amount of 1.375% secured exchangeable bonds due 9 June 2021 (the "**Bonds**") on 9 June 2016. The Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer.

Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for approval of this document as Listing Particulars and for the Bonds to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

This document, together with the Incorporated Documents (as defined below), constitutes the listing particulars (the "**Listing Particulars**") in respect of the admission of the Bonds to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

This document should be read in conjunction with the PLC's Annual Reports in respect of the financial years ended 2 January 2016 and 3 January 2015 incorporating the audited financial statements of Glanbia plc ("**PLC**") (the "**PLC Annual Reports**") which have been filed with the ISE and are incorporated herein by reference (the "**Incorporated Documents**").

The Issuer has not undertaken to update any information in these Listings Particulars or the Incorporated Documents and the incorporation by reference of the Incorporated Documents to this document does not create any implication that the information therein remains correct after their respective dates (except as specifically stated below) or that there have been no changes in the information presented in the Incorporated Documents subsequent to their respective dates.

The Issuer accepts responsibility for the information contained in these Listing Particulars and confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars do not constitute a prospectus for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and have not been approved by a competent authority for the purposes of the Prospectus Directive.

Capitalised terms used in these Listing particulars but not defined shall have the meanings given to them in the terms and conditions of the Bonds (set out at Section 5 to these Listing Particulars) (the "**Conditions**").

TABLE OF CONTENTS

1. SUMMARY

DESCRIPTION OF THE BONDS

On 2 June 2016, the Issuer entered into a privately negotiated subscription agreement with BNP Paribas (the "**Sole Bookrunner**"), pursuant to which the Sole Bookrunner agreed to purchase approximately $100,000,000 in aggregate principal amount of the Bonds. The Bonds are exchangeable into ordinary shares (the "**Ordinary Shares**") in the capital of Glanbia PLC (the "**PLC**").

Interest

The Bonds bear interest from (and including) 9 June 2016 at the rate of 1.375 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear on 9 June and 9 December in each year (each, an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 9 December 2016.

Ranking

The Bonds will constitute direct, unconditional, secured obligations of the Issuer which rank *pari passu* without any preference among themselves.

Governing Law

The Bonds and the Trust Deed are governed by and will be construed in accordance with English law.

Maturity

Unless previously exchanged, redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the 9 June 2021.

Exchange Rights

On the exercise of Exchange Rights, Bondholders will initially be entitled to receive approximately 4,299.2261 Ordinary Shares for each €100,000 principal amount of Bonds subject to adjustment pursuant to the Conditions. See Condition 9 "*Exchange Rights*" below for further information.

Listing of the Bonds

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

Form of Bonds

The Bonds are in bearer form and in denominations of €100,000. The Bonds are initially in the form of a temporary global bond (the "**Temporary Global Bond**"), which is exchangeable for interests in a permanent global bond (the "**Permanent Global Bond**") in the circumstances specified in the Temporary Global Bond. The Permanent Global Bond will in turn be exchangeable for bonds in definitive form ("**Definitive Bonds**"), with interest coupons ("**Coupons**") attached, in the circumstances specified in the Permanent Global Bond.

2. BUSINESS DESCRIPTION

2.1 DESCRIPTION OF THE ISSUER

(a) The Issuer

The Issuer, an industrial and provident society with its registered office at Glanbia House, Kilkenny, Ireland, was registered in Ireland on 4 September 1997 under the Industrial and Provident Societies Acts 1893 - 2014 with registration number 4928R.The Issuer, holds a 36.5% share in Glanbia plc (the "**PLC**").The Issuer also holds 60% of the shares in Glanbia Ingredients Ireland ("**GII**"), a milk processing joint venture between the Issuer and the PLC; the PLC holds 40% of the shares in GII. The Issuer's assets are substantially comprised of shares in the PLC and GII. It does not conduct any independent business and is accordingly dependant on other members of the Issuer Group (as defined at paragraph 2.2(a) below).

(b) Description of the Issuer's Business

The Issuer's primary business is its ownership of the 36.5% stake in the PLC and its 60% holding in GII. Actions taken by the Issuer (including the issuance of the Bonds) are related to these shareholdings. As a shareholder in the PLC and in GII the Issuer's business largely depends on the success of both the PLC and GII. In this regard, we refer you to the Risk Factors in Section 4 of these Listing Particulars.

The Issuer's strategic priorities are to be strong, progressive and supportive on behalf of all members and to continue to grow its value and sustainability over the long term, on behalf of its members.

The success of the Issuer's strategy enables it, to sustain a progressive dividend policy, patronage, bonuses and to deliver ongoing support through value creation for its members.

(c) Directors of the Issuer

The directors of the Issuer (the "**Issuer Directors**") are as follows:

Name	Date of Commencement of Service as a Director
Henry Corbally (Chairman)	9 June 1999
Matthew Merrick	9 June 2005
Martin Keane (Vice Chairman)	24 May 2006
Siobhán Talbot	1 July 2009
Michael Keane	29 June 2010
John Murphy	29 June 2010
Eamon Power	26 May 2011
Patrick Murphy (Vice Chairman)	26 May 2011
Jeremiah Doheny	29 May 2012
Vincent Gorman	27 June 2013
Brendan Hayes	30 May 2014
Patsy Ahern	12 June 2015
James Gilsenan	12 June 2015
Patrick Hogan	12 June 2015
Tom Grant	15 December 2015

All of the Directors listed above have their business address at Glanbia House, Ring Road, Kilkenny, Ireland.

2.2 DESCRIPTION OF THE PLC

(a) The PLC

The PLC is an Irish public limited company whose shares are listed on the London and Irish Stock Exchanges. It was incorporated on 10 March 1988 under the Companies Act 1963 of Ireland (since replaced by the Companies Act 2014 of Ireland) with registration number 129933. The registered office is located at Glanbia House, Ring Road, Kilkenny, Ireland, R95 E866 and its telephone number is +353 56 777 2200. The PLC, the Issuer and GII and their subsidiary undertakings, joint ventures and associated undertakings will be collectively referred to as the "**Issuer Group**" for the purposes of these Listing Particulars.

(b) Description of the PLC's Business

The PLC operates as a global nutrition company. It offers a range of consumer sports nutrition products, including protein, pre-workout, recovery and snacking products; it also supplies food processor customers with dairy and non-dairy based nutritional ingredients, including cheddar cheese; precision functional premixes and protein based nutritional solutions. In Ireland the PLC produces consumer foods primarily under the Avonmore brand, which comprise dairy products, such as standard and value added milks, cheese, butter, cream and chilled soups as well as long life milks for export. The PLC's agribusiness sells animal feed products; fertilizers; and nutrient delivery systems predominately to farmers in Ireland. The Issuer Group has four sectors including Glanbia Performance Nutrition, Glanbia Nutritionals, Dairy Ireland and Joint Ventures and Associates, of which GII is one. The PLC's shares are listed on the Irish Stock Exchange and the London Stock Exchange under the symbol "GLB".

The Issuer Group employs approximately 6,000 employees in 32 countries and its products are sold and distributed in over 130 countries worldwide. The Issuer Group is organised across a number of geographic regions including Europe, the United States, Latin America, Oceania and Asia. The main shareholder in the PLC is the Issuer who holds a 36.5% stake. Deloitte act as auditor of the PLC.

(c) Directors of the PLC

The directors of the PLC (the "**PLC Directors**") are as follows:

Name	**Date of Commencement of Service as a Director**
Henry Corbally(Chairman)	9 June 1999
Paul Haran	9 June 2005
Matthew Merrick	9 June 2005
Martin Keane (Vice Chairman)	24 May 2006
Siobhán Talbot	1 July 2009
John Murphy	29 June 2010
Michael Keane	29 June 2010
Patrick Murphy (Vice Chairman)	26 May 2011
Jeremiah Doheny	29 May 2012
Brian Phelan	1 January 2013
Donard Gaynor	12 March 2013
Hugh McGuire	1 June 2013
Vincent Gorman	27 June 2013
Mark Garvey	12 November 2013
Patrick Coveney	30 May 2014
Daniel O'Connor	1 December 2014
Patsy Ahern	12 June 2015

2.3 DESCRIPTION OF GII

(a) Glanbia Ingredients Ireland

GII is a producer of dairy products and ingredients, mainly milk powders, butter, cheese, whey protein, milk protein and casein. GII exports to approximately 60 countries worldwide. GII has approximately 4,800 milk suppliers and current expectations are that it will process approximately 2.1 billion litres of milk in 2016. Recent capacity expansion has been focused on value added ingredients to supply the infant, clinical and sports nutrition segments. GII takes a progressive Co-op approach to supporting milk suppliers and is owned 60% by the Issuer and 40% by the PLC. GII has approximately 700 employees in Ireland where it is head quartered and has sales offices in, Germany, the United States, and Dubai.

All of GII's manufacturing sites are located in Ireland, at Ballyragget, Co Kilkenny; Belview, Co Kilkenny; Corman Miloko, Carrick-on-Suir, Co. Tipperary; Virginia, Co. Cavan, and Wexford Creamery, Co. Wexford.

Deloitte act as auditor of GII.

3. FINANCIAL STATEMENTS

The Issuer has prepared consolidated audited financial statements as at 2 January 2016 and 3 January 2015 (together, the "**Issuer Annual Accounts**"), forming part of the Annual Reports which are scheduled hereto at Schedule 1(a) and 1(b) respectively . The Issuer Annual Accounts have been audited by Pricewaterhouse Coopers who are a member of the Institute of Chartered Accountants in Ireland.

The financial statements forming part of the annual reports reflect all assets and liabilities of the Issuer as of their respective dates.

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

4. RISK FACTORS

PART 4 – RISK FACTORS

These risk factors contain forward-looking information based on current expectations. Most of these factors are contingencies which may or may not occur and the Issuer Group is not in a position to express a view on the likelihood of any such contingency occurring. The risk factors identified are those which the Issuer believes to be material in the context of the Issuer Group's business and the Bonds, which individually or in aggregate, could have a material adverse effect on the Issuer or on Bondholders.

These risk factors may not be exhaustive. Additional risks, including those that the Issuer is unaware of or currently deems to be immaterial, may also result in decreased income, increased expenses or other events that could result in a decline in the value of the Bonds or underlying Ordinary Shares.

An investment in the Bonds is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. If you are in any doubt about the contents of this document and what action you should take, you should consult your stockbroker, bank manager, solicitor or other independent financial adviser immediately.

4.1 Suitability

Prospective purchasers of the Bonds in the secondary market should ensure that they understand the nature of the Bonds and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, regulatory, accounting and financial evaluation of the merits and risks of investment in such Bonds and that they consider the suitability of such Bonds as an investment in light of their own circumstances and financial condition and that of any accounts for which they are acting.

4.2 Strategy Risk

The Issuer Group has procedures in place to assess exposure to risk in advance of establishing new operations. However, if the Issuer Group were to adopt an incorrect business strategy in relation to market opportunities or fail to obtain accurate and relevant competitive intelligence before entering particular international markets, this could result in a negative impact to financial performance, possible restrictions on future growth opportunities or potential impairments.

4.3 Supplier Risk

The Issuer Group is subject to risk arising from not achieving an appropriate balance between sustainable milk supply and cost. Milk availability can fluctuate from quarter-to-quarter and year-to-year with resulting impacts on plant production levels. The relative whey pricing dynamic between base and high-end whey could also have a significant impact on the Issuer Group, as its ability to pass pricing volatility to suppliers and customers could be constrained by competitive pressures. This may have a potential adverse impact on earnings.

4.4 Market Risk

While the Issuer Group faces increasing competition across certain channels through high promotional activity and product innovations from competitors, it has numerous practices in place to mitigate such market risk. However, should the Issuer Group fail to adapt successfully where and when required to meet market challenges, there could be an adverse impact on the Issuer Group's financial performance.

4.5 Customer Concentration Risk

The Issuer Group benefits from close commercial relationships with a number of key customers, regularly reviews its exposure to individual customers and considers the impact of potential acquisitions where relevant. However, the loss of one or more of these customers, or a significant deterioration in commercial terms, could have a material impact on the Issuer Group's profitability.

4.6 Talent Management Risk

The Issuer Group has implemented strong recruitment processes, effective human resources policies, long term incentives, robust succession management planning and a range of talent management initiatives. However, the Issuer Group is dependent upon its global talent to deliver best in class portfolio management, brand management, operational excellence, science-based innovation and strong customer relationships. Failure to retain, attract and/or develop key talent could impact the Issuer Group's ability to create sustainable value for all its stakeholders.

4.7 Economic, industry and political risk

(a) Macroeconomic uncertainty continues to increase, partly as a result of the United Kingdom (UK) electorate voting on 23 June 2016 to leave the European Union (Brexit risk). While the direct impacts of this decision are limited, currency volatility, further movement in discount rates and other economic uncertainties will require on-going monitoring by the Issuer Group. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer Group. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Bonds and/or the market value and/or the liquidity of the Bonds.

(b) The Issuer Group's performance is influenced by global economic conditions, consumer confidence and the stability of the markets in which the Issuer Group operates. Any deterioration in economic growth or consumer confidence, significant currency movements, political instability or civil disturbances may impact business unit performance and the achievement of organic growth targets.

(c) The global financial system has yet to overcome the difficulties which first manifested themselves in August 2007 and were intensified by the bankruptcy filing of Lehman Brothers in September 2008. Since mid-2007, the global economy and financial markets have experienced extreme levels of instability, and there is substantial volatility in markets across asset classes, including (without limitation) stock markets, foreign exchange markets, commodity markets, fixed income markets and credit markets. In addition, concerns about credit risk (including that of sovereigns) and the Eurozone crisis has recently intensified and the large sovereign debts and/or fiscal deficits of a number of European countries and the United States have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (a) located in these countries; (b) that have direct or indirect exposure to these countries; and/or (c) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Issuer Group operates.

(d) The investments backing the Issuer Group's pension scheme include corporate bonds. Yields on these bonds may fall, which could create a need for further cash funding in the future.

4.8 Risks Related to Changes in Tax Law

Changes in local or international tax rules or new challenges by tax authorities may expose the Issuer Group to additional tax liabilities or impact the carrying value of the Issuer Group’s deferred tax assets.

4.9 IT and Cyber Security Risks

The Issuer Group is dependent on robust IT systems and infrastructure for most of its principal business processes and has policies in place to protect both business and personal information. However, a successful cyber-attack on such IT infrastructure may result in significant disruption to operating performance. This could potentially lead to a loss of sensitive financial and/or commercial information. Such an attack could also result in serious reputational damage and consequential customer loss. This could also expose the Issuer Group to financial penalties.

4.10 Acquisition Risk

The Issuer Group anticipates benefits will accrue to it from certain acquisitions. Such acquisitions are dependent on the Issuer Group being able to identify suitable targets, conduct full and proper due diligence, raise the required funds, and properly integrate the operations of an acquired business. Below expected performance of an acquired business or the diversion of management attention to integration efforts could result in significant value destruction, which could, in turn, impact the Issuer Group's profitability and growth objectives.

4.11 Site Compliance Risk and Environment, Health & Safety Regulation Risk

Non-compliance by the Issuer Group with regulations pertaining to building and fire codes and/or zoning restrictions could result in a loss of capacity at a major site or a breach of applicable environmental or health & safety regulations. Potential impacts include health & safety risks, reputational damage, regulatory penalties and an inability to service customer requirements.

4.12 Risks Relating to Changes in Operating Conditions or Applicable Regulations

Sudden or extreme changes in local conditions or in regulatory requirements imposed on the Issuer Group may result in a negative impact to financial performance of the Issuer Group or possible restrictions on future growth opportunities.

4.13 Product Safety and Compliance Risk

A breakdown in the Issuer Group's control processes may result in contamination of products and/or raw materials. This could lead to a breach of existing food safety legislation and potential consumer or employee illness. This could potentially result in reputational damage, regulatory penalties or restrictions, product recall costs, compensation payments, lost revenues and reduced growth potential. A sudden introduction of more stringent regulations such as additional labelling requirements, over which the Issuer Group has no control, could also cause operational difficulties.

4.14 Risks related to exchangeable nature of the Bonds

Each Bondholder has the right to have all or any of its Bonds redeemed by exchange for a *pro rata* share of the Ordinary Shares if certain conditions are met. An investor in the Bonds will receive Ordinary Shares in the Issuer upon the exchange of the Bonds. Prospective investors should be aware that the market price of the Bonds will depend on the price of the underlying Ordinary Shares.

4.15 Change of law

The structure of the issue and the conditions of the Bonds are based on English law and regulatory and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to any possible judicial decision or change to English law or regulatory or administrative practice after the date of these Listing Particulars which may impact this decision.

Payments of interest on the Bonds may be (on the basis of current tax law and practice once the Bonds have been admitted to trading to the Official List and to trading on the Irish Stock Exchange) made by the Issuer without withholding or deduction for or on account of Irish income tax. No assurance can be given as to any possible judicial decision or change to any tax law or regulatory or administrative practice after the date of these Listing Particulars which may impact this position.

4.16 **Examinership**

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest (**COMI**) is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies and/or societies in financial difficulties. Where a society, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 14 of the Friendly Societies and Industrial and Provident Societies (Miscellaneous Provisions) Act 2014 (as amended).

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, are each entitled to petition the court for the appointment of an examiner.
Among other things, an examiner has, in certain circumstances, the power to: (i) halt, prevent or rectify the effect of acts, omissions, courses of conduct, decisions or contracts where such proposed acts, omissions, courses of conduct, decisions or contracts, are or are likely to be in his opinion, to the detriment of the company or any interested party; and (ii) act so that negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests or claims would be impaired under the proposals, has voted in favour of the proposals and the relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests and claims would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to the interest of any interested party.

If an examiner were appointed while any amounts due by the Issuer under the Bonds were unpaid, the primary risks to the holders of Bonds would be as follows:

(a) the Bondholders would not be able to enforce their rights against the Issuer during the period of examinership;

(b) no payment may be made by a company during the period of court protection by way of satisfaction or discharge of the whole or a part of a liability incurred by the Issuer before the date upon which the petition for the examiner's appointment was presented unless the independent expert's report recommends it, or such payment is authorised by the court where the court is satisfied that a failure to discharge or satisfy in whole or in part that liability would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern;

(c) it would be open to an examiner to borrow monies and to certify such borrowings where the examiner certifies such liabilities incurred by a company as having been incurred in circumstances where, had they not been incurred, that company's survival as a going concern during the protection period would have been seriously prejudiced, such liabilities are treated as expenses properly incurred by the examiner and accordingly, they will rank for payment ahead of any payments to the Bondholders; and

(d) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Bondholders irrespective of the Bondholders' views.

4.17 **Fixed Security Interests**

In certain circumstances, a charge granted by a co-operative society which purports to be taken as a fixed charge may not take effect. For a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid.

4.18 **Market Disruption Events**

There is a risk that market disruption events or the failure of stock exchanges to open or disruptions relating to securities trading and clearing services and any consequential valuation postponements may have an adverse effect on the value of the Ordinary Shares.

5. SELLING RESTRICTIONS

The offer and sale of the Bonds has not been registered under the Securities Act or the securities laws of any other jurisdiction. The Bonds may not be offered, sold, pledged or otherwise transferred under the Securities Act except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

6. CONDITIONS OF THE BONDS

TERMS AND CONDITIONS OF THE BONDS

The following, other than the paragraphs in italics, are the terms and conditions of the Bonds, substantially as they will appear on the reverse of the Bonds in definitive form (if issued):

The issue of the €100,000,000 1.375 per cent. Secured Exchangeable Bonds due 9 June 2021 (the "**Bonds**") by Glanbia Co-operative Society Limited (the "**Issuer**") of Glanbia House, Kilkenny, Ireland was authorised by a resolution of the Board of the Issuer passed on 16 May 2016. The Bonds are subject to a trust deed dated 9 June 2016 (as modified and/or restated and/or supplemented from time to time in accordance with its terms, the "**Trust Deed**") and made between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which term shall, where the context so permits, include all other persons for the time being appointed as trustee for the Bondholders) as trustee for the Bondholders. The Issuer has entered into a paying and exchange agency agreement (as modified and/or restated and/or supplemented from time to time, the "**Agency Agreement**") with the Trustee, BNP Paribas Securities Services, Luxembourg Branch as principal paying and exchange agent, and the other paying and exchange agents named therein. The principal paying and exchange agent and the other paying and exchange agents for the time being are referred to below, respectively, as the "**Principal Paying and Exchange Agent**" and the "**Paying and Exchange Agents**" (which expression shall include the Principal Paying and Exchange Agent). The Issuer has also entered into a calculation agency agreement dated 9 June 2016 with Conv-Ex Advisors Limited (the "**Calculation Agent**", which expression shall include any successor as calculation agent under the Calculation Agency Agreement) whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds. In addition, the Issuer has entered into a custody agreement dated 9 June 2016 with BNP Paribas Securities Services, Dublin Branch (the "**Custodian**", which expression shall include any successor as custodian under the Custody Agreement) relating to custody arrangements in respect of the Exchange Property (as defined below). The statements in these terms and conditions of the Bonds (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds. Copies of the Trust Deed, the Pledge Agreement (as defined below), the Agency Agreement, Calculation Agency Agreement and the Custody Agreement are available for inspection by Bondholders at the registered office of the Trustee being at the date hereof at 55 Moorgate, London, EC2R 6PA United Kingdom and at the specified office(s) of the Paying and Exchange Agents. The holders of the Bonds (the "**Bondholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Pledge Agreement, the Agency Agreement, the Calculation Agency Agreement and the Custody Agreement applicable to them.

Capitalised terms used but not defined in these Conditions shall have the meanings attributable to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1. Form and Denomination

The Bonds are serially numbered and in bearer form in the denomination of €100,000 each (the "**Authorised Denomination**") with Coupons attached at the time of issue.

2. Status

The Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer, secured in the manner provided in Condition 5. The Bonds shall at all times rank *pari passu* and without any preference among themselves.

3. **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed):

(a) the Issuer shall not, and the Issuer shall procure that none of its Relevant Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution of Bondholders; and

(b) the Issuer shall not create or permit to subsist any Security Interest over the Company Shares held directly or indirectly by the Issuer representing 15 per cent. of the outstanding Company Shares (not including, for this purpose, the Company Shares comprised in the Secured Property).

4. **Financial Covenant**

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer undertakes that the maximum amount of Net Financial Indebtedness at any time shall not be greater than the lower of (i) EUR 400,000,000 or (ii) Shareholder Funds.

5. **Security Arrangements**

(a) ***Security***

The obligations of the Issuer under the Bonds, Trust Deed and the other Transaction Documents and the claims of the Paying and Exchange Agents and the Calculation Agent are secured in favour of the Trustee for the benefit of itself and the Bondholders, the Paying and Exchange Agents and the Calculation Agent (together, the "**Secured Parties**") (subject as provided in these Conditions and the Transaction Documents) as follows:

(i) by an Irish law governed first fixed charge over the Pledged Property pursuant to a deed of charge dated on or about the Closing Date between the Issuer and the Trustee (the "**Pledge Agreement**"); and

(ii) by an assignment (the "**Assignment**") by way of security of, *inter alia*, all the Issuer's rights, title and interest in and to any sums held by the Principal Paying and Exchange Agent under or pursuant to the Agency Agreement, including in respect of all moneys held by the Principal Paying and Exchange Agent to meet payments due in respect of the Bonds.

The property specified in (i) and (ii) above, together with any other property or assets charged or pledged in favour of and/or assigned to the Trustee pursuant to the Trust Deed, the Pledge Agreement and the other Transaction Documents and/or any deed or document supplemental thereto is referred to in these Conditions as the "**Secured Property**" and the security created thereby, is referred to as the "**Security**".

"**Pledged Property**" means all the present and future assets, rights and claims the Issuer has or will have in relation to the Securities Account and the Cash Account, including, for the avoidance of doubt:

(i) the Company Shares registered in the Securities Account (which, as at the Closing Date, were equal to 4,299,226 Company Shares);

(ii) all other securities which are registered in the Securities Account from time to time;

(iii) any and all rights, property and assets derived from the Company Shares and any other securities registered in the Securities Account from time to time (including without limitation any Dividends and any subscription rights);

(iv) all amounts standing to the credit of the Cash Account from time to time;

(v) any proceeds and products thereof and property received, receivable or otherwise distributed in respect of the Securities Account and the Cash Account; and

(vi) any assets from time to time subject, or expressed to be subject, to the pledge created or expressed to be created by or pursuant to the Pledge Agreement or any part of those assets.

(b) ***Further Security***

As soon as reasonably practicable following any change in the composition of the Exchange Property as prescribed by these Conditions (other than the release of any Exchange Property and/or other cash or assets from the Security as provided in these Conditions or any of the Transaction Documents), the Issuer will procure that such further Company Shares and/or other Relevant Securities and/or other property (including cash amounts to be credited into the Cash Account pursuant to Condition 5(*d*)(i)(B)) are credited to the Securities Account or the Cash Account, as the case may be, and thereby made subject to the Pledge Agreement or that such other security interest is created in respect thereof to the satisfaction of the Trustee, in each case in favour of the Trustee for the benefit of itself, the Bondholders and the other Secured Parties as security for the obligations described in these Conditions and the Trust Deed, and so that at all times the number of Company Shares and/or other Relevant Securities in the Securities Account and constituting Secured Property are sufficient to enable the Exchange Rights in respect of all the Bonds, and any adjustments to the Exchange Property, to be satisfied in full.

(c) As used in these Conditions:

"**Cash Account**" means, the cash account in the name of the Issuer held with the Custodian pursuant to the Custody Agreement or such other account as, in accordance with the terms of the Pledge Agreement, may be held by the Issuer with the Custodian for this purpose; and

"**Securities Account**" means the securities account in the name of the Issuer held with the Custodian pursuant to the Custody Agreement and into which shall be deposited the Company Shares and all other securities comprising Exchange Property.

(d) ***Covenants***

(i) So long as any Bond remains outstanding, save with the prior written consent of the Trustee or as approved by an Extraordinary Resolution of the Bondholders or as expressly contemplated or permitted in any of the Transaction Documents:

(A) the Issuer will not:

(1) create or permit to subsist any mortgage, pledge, lien, security interest, charge or encumbrance or any arrangement having a like or similar effect upon all or any of the Secured Property; or

(2) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the Secured Property; or

(3) permit any of the Transaction Documents to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise of any powers of consent or waiver pursuant to any of the Transaction Documents, or permit any party to any of the Transaction Documents or any other person whose obligations form part of the Security to be released from such obligations;

(B) the Issuer shall procure that all amounts received by it or to which it is entitled in respect of dividends and other cash distributions in respect of the Secured Property, or which are otherwise to be included in the Exchange Property, are credited to the Cash Account and, for this purpose, the Issuer will grant relevant irrevocable payment instructions to the relevant paying bank; and

(C) the Issuer shall procure that all securities received by it in respect of the Secured Property are credited to the Securities Account.

(ii) In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of the Bonds, the Trust Deed or any of the other Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its sole discretion) in the interests of the Bondholders.

(e) ***Release of Secured Property***

The following shall be released from the Security:

(i) the *pro rata* share of the Exchange Property required to be delivered to a Bondholder on an exercise of Exchange Rights in respect of the Bonds;

(ii) an amount or amounts from the Cash Account up to or equal, in aggregate, to any Cash Dividends received in respect of the Company Shares or other Equity Shares comprised in the Secured Property, other than in any case to the extent comprising a Capital Distribution;

(iii) any Relevant Securities received into the Securities Account in respect of which no adjustment is required to be made to the Exchange Property in accordance with Condition 10(*b*);

(iv) in the circumstances set out in Condition 10*(e)* where additional Company Shares or Equity Share Capital shall have been added to the Exchange Property, any securities or other property to be sold pursuant to Condition 10(*e*) and an amount or amounts from the Cash Account up to or equal, in aggregate, to any cash amounts received by the Issuer in respect of any Equity Share Capital comprised in the Exchange Property;

(v) where the Cash Alternative Amount shall have been paid in full to Bondholders in respect of an exercise of Exchange Rights in respect of the Bonds, the *pro rata* share of the Exchange Property that would otherwise have been required to be delivered to the relevant Bondholders upon exercise of such Exchange Rights in the absence of a Cash Election;

(vi) where Bonds are redeemed pursuant to Condition 13(*b*) or (*c*) or purchased and cancelled pursuant to Conditions 13(*e*) and (*f*), the relevant *pro rata* share of the Exchange Property in respect of such Bonds;

(vii) the Issuer's rights, title and interest in and to any amounts held by the Paying and Exchange Agents under or pursuant to the Agency Agreement to meet payments of principal and interest due in respect of the Bonds on the relevant due dates in accordance with the Conditions;

(viii) Relevant Securities comprising Exchange Property for the purposes of taking up any rights pursuant to a Rights Issue, subject to and in accordance with Condition 10(*b*)(ii);

(ix) Relevant Securities comprising Exchange Property required to be delivered upon acceptance of an Offer by the Issuer pursuant to Condition 11, **provided that** the Trustee shall be satisfied that there are arrangements in place at the time of such release for the grant of an effective first ranking security interest to the Trustee over the relevant Offer Consideration as security for the obligations described in these Conditions and the Trust Deed;

(x) where a Relevant Company redeems any Relevant Securities comprised in the Exchange Property, the Relevant Securities so redeemed, provided the redemption proceeds are included as part of the Exchange Property in accordance with Condition 10(*b*)(iii)(C) and/or Condition 10(*b*)(iv), as the case may be.

In the case of (ix), release shall be made in respect of all but not some only of the series or class of Relevant Securities in the Securities Account to which the relevant Offer relates.

For the avoidance of doubt, the Issuer may use any cash amounts which have been released from the Security, as described in this Condition 5(e), for the purposes of satisfying any cash payments under the Bonds.

(f) ***Enforcement of Security***

The Security shall become enforceable:

(i) upon written notice being given by the Trustee to the Issuer that the Bonds are due and payable pursuant to Condition 16; or

(ii) if the Issuer shall have failed for more than 7 days to make payment of any amount due in respect of the redemption of any Bonds when due and payable pursuant to these Conditions.

If the Security becomes enforceable, the Trustee may at its discretion and without further notice or formality and shall, if so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) enforce all or any of the Security subject as provided below. To do this, the Trustee may at its discretion appoint a receiver and/or take possession of and/or realise all or any part of the Secured Property and/or take action or proceedings against any person liable in respect of all or any part of the Secured Property and/or any sums held by the Principal Paying and Exchange Agent under or pursuant to the Agency Agreement and/or any rights in relation to the Pledge Agreement and/or the Cash Account and/or the Securities Account and take any step, action or proceedings provided for in or pursuant, and/or subject to, the Transaction Documents, but without any liability to any person as to the consequences of such step, action or proceedings and without having regard to the effect of such action or proceedings on the Issuer or individual Bondholders, and **provided that** the Trustee shall not be required to take any action, step or proceedings without first being indemnified and/or secured and/or prefunded to its satisfaction and **provided that** if a Bondholder who has submitted an Exchange Notice so elects by notice in writing to the Trustee (without any liability on the Trustee as to the consequences of such election and without having regard to the effect of such election on Bondholders or on the beneficial owners of the Bonds), to the extent such Bondholder has submitted an Exchange Notice during the period of 14 business days after the Due Date in accordance with Condition 9*(a)*(iii) and the Trustee has express notice of such Exchange Notice, the Trustee shall, as far as reasonably practicable, exclude such of the Secured Property as shall relate to such Exchange Notice for the purposes of permitting those Bondholders to exchange their Bonds for the relevant *pro rata* share of the Exchange Property and the Trustee shall realise only the Security relating to the remaining Secured Property.

In circumstances where there shall have been a default in making payment of any amount due in respect of the redemption of some only of the Bonds (the "**Defaulted Bonds**"), then the Trustee may only enforce the Security over that *pro rata* part of the Secured Property as is equal to the ratio of the number of such Defaulted Bonds to the total number of outstanding Bonds (including the Defaulted Bonds) at the relevant time.

(g) ***Application***

Pursuant to the Trust Deed, the Trustee shall apply all moneys received by it under the Transaction Documents in connection with the realisation or enforcement of the Secured Property as follows:

(i) *first*, in payment or satisfaction of the fees, costs, charges, expenses, liabilities and indemnity payments properly incurred by the Trustee or any receiver or Appointee (as defined in the Trust Deed) of the Trustee in preparing and performing the trusts constituted by, and in carrying out or exercising its rights, powers, duties, discretions and authorities under the Trust Deed and/or the other Transaction Documents (including holding and enforcing the Security and including any taxes required to be paid in connection therewith, the costs of realising any Secured Property and the remuneration and expenses of the Trustee and any receiver or any Appointee appointed by it);

(ii) *secondly*, in or towards payment or discharge or satisfaction, *pari passu* of all amounts due and payable to (A) the Paying and Exchange Agents under the Agency Agreement (B) the Calculation Agent under the Calculation Agency Agreement and (C) the Custodian under the Custody Agreement, including in any such case any fees, costs, charges, expenses and liabilities then due and payable to them or any of them under the Pledge Agreement, the Agency Agreement, the Calculation Agency Agreement and/or the Custody Agreement, as the case may be;

(iii) *thirdly*, in or towards payment or discharge or satisfaction *pari passu* of all amounts due and payable to the Bondholders in respect of the Bonds and pursuant to the Trust Deed; and

(iv) *fourthly*, in payment of any balance to the Issuer for itself.

6. Title to the Bonds

Title to the Bonds and the Coupons will pass by delivery. The holder of any Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

7. Definitions

For the purpose of these Conditions, the following words and phrases shall have the following meanings:

"**Acceptable Bank**" means a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's

Rating Services or Fitch Ratings Ltd or A3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency.

"**Additional Exchange Property**" has the meaning provided in Condition 9(*b*)(ii);

"**Authorised Officer**" means any member of the Board of the Issuer or any other person or persons notified in writing to the Trustee and signed by any such Board member or such other person (as the case may be) as being an Authorised Officer of the Issuer;

"**business day**" means, in relation to any place, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in such place, and if no place is specified shall mean a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in Dublin;

"**Calculation Agency Agreement**" means the calculation agency agreement dated 9 June 2016 relating to the Bonds between the Issuer and the Calculation Agent, as modified and/or restated and/or supplemented from time to time in accordance with its terms;

"**Calculation Agent**" means Conv-Ex Advisors Limited, or such other entity as may be appointed as such by the Issuer, at its expense, from time to time;

"**Capital Distribution**" means:

(a) any Non-Cash Dividend; or

(b) any Cash Dividend (the "**Relevant Cash Dividend**") paid or made in any Relevant Year (as specified below) in respect of any Unit of Equity Shares if and to the extent that the sum of:

(i) the Fair Market Value of the Relevant Cash Dividend; and

(ii) the aggregate of the Fair Market Value of any other Cash Dividend paid or made in such Relevant Year in respect of any Unit of Equity Shares at any time in such Relevant Year (disregarding for such purpose all or any part of any such Cash Dividend or Cash Dividends which shall previously have been determined to be a Capital Distribution in respect of such Relevant Year),

(and, where at any time a Unit of Equity Shares would comprise a fraction of an Equity Share, taking into account the *pro rata* proportion of any such Cash Dividend in respect of any such Equity Share) such sum being the "**Current Year's Dividends**", exceeds the Threshold Amount in respect of such Relevant Year (as specified below), and in such case the amount of the relevant Capital Distribution shall be the lesser of:

(i) the amount by which the Current Year's Dividends exceeds the Threshold Amount; and

(ii) the Fair Market Value of the Relevant Cash Dividend.

For the purposes of the above, Fair Market Value in respect of any Relevant Cash Dividend or any such other Cash Dividend shall (subject as otherwise provided in paragraph (a) of the definition of "Dividend") be determined as at the Effective Date in respect of such Relevant Cash Dividend or such other Cash Dividend, as the case may be, and "**Unit of Equity Shares**" means at any time the Company Shares or any other Equity Shares comprised in the *pro rata* share of the Exchange Property in respect of a Bond in the principal amount of €100,000, including for this purpose any fraction of an Equity Share (rounded down, if necessary, to four decimal places).

"**Relevant Year**" and "**Threshold Amount**" are set out below:

Relevant Year	**Threshold Amount (EUR)**
The calendar year ending 31 December 2016...................................	223.5598
The calendar year ending 31 December 2017...................................	571.7971
The calendar year ending 31 December 2018...................................	601.8917
The calendar year ending 31 December 2019...................................	631.9862
The calendar year ending 31 December 2020...................................	662.0808
The calendar year ending 31 December 2021...................................	408.4265

"**Cash**" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group with an Acceptable Bank and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

(a) that cash is repayable on demand;

(b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;

(c) there is no Security Interest over that cash except for any Security Interest constituted by a netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements; and

(d) the cash is freely and immediately available to be applied in the redemption of the Bonds.

"**Cash Alternative Amount**" has the meaning provided in Condition 9(*c*);

"**Cash Dividend**" means (i) any Dividend which is to be paid in cash (in whatever currency), but other than falling within paragraph (b) of the definition of "Spin-Off" and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) or (b) of the definition of "Dividend";

"**Cash Election**" has the meaning provided in Condition 9(*c*);

"**Cash Election Exercise Date**" has the meaning provided in Condition 9(*c*);

"**Cash Equivalent Investments**" means at any time:

(a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;

(b) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;

(c) commercial paper not convertible or exchangeable to any other security:

(i) for which a recognised trading market exists;

(ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area;

(iii) which matures within one year after the relevant date of calculation; and

(iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating; or

(d) any investment in money market funds which (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above and (iii) can be turned into cash on not more than 30 days' notice;

in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security Interest.

A "**Change of Control**" shall occur if a person or persons acting in concert (other than an Excepted Person, in the case of a Change of Control in relation to the Company), respectively, acquires or acquire direct or indirect legal or beneficial ownership of (i) in the aggregate, more than 50 per cent. of the Voting Rights of the Issuer or the Company, or (ii) the right to elect the majority of the board of directors or other governing body of the Issuer or the Company;

"**Change of Control Period**" means the period commencing on the occurrence of a Change of Control and ending 60 days following the Change of Control or, if later, 60 days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 12*(e)*;

"**Change of Control Notice**" has the meaning provided in Condition 12*(e)*;

"**Change of Control Put Date**" has the meaning provided in Condition 13*(c)(i)*;

"**Change of Control Put Exercise Notice**" has the meaning provided in Condition 13*(c)(i)*;

"**Closing Date**" means 9 June 2016;

"**Company**" means Glanbia plc;

"**Company Group**" means the Company and its consolidated subsidiaries and associated companies taken as a whole;

"**Company Shares**" means fully paid ordinary shares with, on the Closing Date, a nominal value of EUR 0.06 (6 cents) each in the capital of the Company (ISIN: IE0000669501 SEDOL: 0066950) and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of those shares which, as between themselves, have no preference in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation or winding-up of the Company;

"**CREST**" means the dematerialised securities trading system operated by Euroclear UK & Ireland Limited or its successor from time to time;

"**Custodian**" means BNP Paribas Securities Services, Dublin Branch or such other entity as may be appointed as such by the Issuer, at its expense, from time to time;

"**Custody Agreement**" means the custody agreement dated 9 June 2016 relating to the Bonds between the Issuer and the Custodian, as modified and/or restated and/or supplemented from time to time in accordance with its terms;

a "**Delisting Event**" shall occur if:

(i) the Company Shares at any time cease to be admitted to listing and trading on the Irish Stock Exchange or (if the Company Shares have been admitted to listing and trading on another Relevant Exchange in place of (and not in addition to) the Irish Stock Exchange) on another Relevant Exchange, save that the movement of listing and trading from one Relevant Exchange to another Relevant Exchange shall not itself constitute a Delisting Event; or

(ii) trading of the Company Shares on the Irish Stock Exchange or (if the Company Shares have been admitted to listing and trading on another Relevant Exchange in place of (and not in addition to) the Irish Stock Exchange) on another Relevant Exchange being suspended for a period of 20 consecutive Trading Days;

"**Delisting Event Notice**" has the meaning provided in Condition 12(*g*);

"**Delisting Put Date**" has the meaning provided in Condition 13(*c*)(*iii*);

"**Delisting Put Exercise Notice**" has the meaning provided in Condition 13(*c*)(*iii*);

"**Delisting Put Period**" means the period commencing on the occurrence of a Delisting Event and ending 30 days thereafter or, if later, 30 days following the date on which a Delisting Event Notice is given to Bondholders as required by Condition 12(*g*);

"**Dividend**" means any dividend or distribution to holders of Relevant Securities (including a Spin-Off), whether of cash, assets or other property, and whenever paid or made and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital, a reduction in the par value or nominal value of any Relevant Securities comprised in the Exchange Property or otherwise (and for these purposes a distribution of assets includes, without limitation, an issue of shares or other securities credited as fully or partly paid up) **provided that**:

(a) where a Dividend in cash is announced which may (at the election of a holder or holders of Relevant Securities) be satisfied by the issue or delivery of Relevant Securities or other property or assets, or where an issue of Relevant Securities or other distribution of property or assets to a holder or holders of Relevant Securities by way of a capitalisation of profits or reserves is announced which may (at the election of a holder or holders of Relevant Securities be) satisfied by the payment of cash, then the Dividend or capitalisation in question shall be treated as a Cash Dividend of an amount equal to (i) the Fair Market Value of such cash amount or (ii) the Fair Market Value of such Relevant Securities or other property or assets, in any such case as at the Effective Date in respect of the relevant Dividend or capitalisation (or, if later, the date on which the number of Relevant Securities (or amount of other property or assets, as the case may be) is determined), the Issuer being entitled to make such election as it may determine in its sole discretion in respect of any such Dividend or capitalisation by giving notice to the Trustee and to the Bondholders in accordance with Condition 21 by not later than the last day on which a holder of the Relevant Securities would be required or entitled to make the relevant election, and failing such notice, the Dividend or capitalisation shall be treated as a Cash Dividend of whichever is the greater of (i) and (ii);

(b) where, other than in circumstances described in proviso (a) above, (i) there shall be any issue of Relevant Securities or other distribution of property or assets by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash dividend equivalent or amount is announced), or a Dividend in cash is announced that is to be satisfied by the issue or delivery of Relevant Securities or other distribution of property or assets, or (ii) any issue of Relevant Securities or other distribution of property or assets by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) that is to be satisfied by the payment of cash, then, in the case of (i) the capitalisation in question shall be treated as a Cash Dividend of an amount equal to the Fair Market Value of such Relevant Securities or other property or assets as at the Effective Date in respect of the relevant capitalisation or, if later, the date on which the number of Relevant Securities to be issued is determined, and, in the case of (ii), the capitalisation in question shall be treated as a Cash Dividend of an amount equal to the Fair Market Value of such cash amount as at the Effective Date in respect of the relevant capitalisation;

(c) any issue of Relevant Securities falling within Condition 10(*b*)(i) or 10(*b*)(iii)(A) shall be disregarded;

(d) any offer by a Relevant Company of Relevant Securities or other securities or options, warrants or rights to subscribe or purchase further Relevant Securities (or any of them) or other securities falling within Condition 10(*b*)(ii) shall be disregarded;

(e) a repurchase or redemption of Equity Shares by or on behalf of a Relevant Company shall be disregarded;

(f) where a Dividend is paid to holders of any Equity Shares pursuant to any plan implemented by the issuer of such Equity Shares for the purpose of enabling holders of the Equity Shares to elect, or which may require such holders, to receive Dividends in respect of such Equity Shares held by them from a person other than, or in addition to, the Relevant Company, such Dividend shall for the purposes of these Conditions be treated as a Dividend paid to holders of the Equity Shares by the issuer of such Equity Shares, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly; and

(g) a Dividend that is a Spin-Off shall be deemed to be a Non-Cash Dividend;

and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

"**Effective Date**" means the first date on which the Company Shares or, as the case may be, the relevant Equity Share Capital, are traded ex- the relevant Dividend or capitalisation on the Relevant Exchange or, in the case of a Spin-Off, on the first date on which the Company Shares or, as the case may be, the relevant Equity Share Capital are traded ex- the relevant Spin-Off on the Relevant Exchange;

"**Equity Share Capital**" means, in relation to any entity, its issued share capital (or equivalent) excluding any part of that capital (or equivalent) which, neither in respect of dividends nor in respect of capital, carries any right to participate beyond a specific amount in a distribution, and "**Equity Share**" shall be construed accordingly;

"**Equivalent Amount**" has the meaning provided in Condition 9(*b*)(iii)(a);

"**Excepted Person**" means the Issuer;

"**Exchange Date**" has the meaning provided in Condition 9(*b*)(i);

"**Exchange Expenses**" has the meaning provided in Condition 9(*b*)(i);

"**Exchange Notice**" has the meaning provided in Condition 9(*b*)(i);

"**Exchange Period**" has the meaning provided in Condition 9(*a*)(iv);

"**Exchange Property**" has the meaning provided in Condition 10(*a*);

"**Exchange Right**" has the meaning provided in Condition 9(*a*)(i);

"**Extraordinary Resolution**" has the meaning provided in the Trust Deed;

"**Fair Market Value**" means as at or on any date (i) in the case of a Cash Dividend paid or to be paid per Company Share or other Equity Share, the amount of such Cash Dividend (unless other specified) per Company Share or other Equity Share (determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit); (ii) in the case of any other cash amount, the amount of such cash (determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit); (iii) in the case of Relevant Securities, Spin-Off Securities, shares, options, warrants or other securities or rights or assets which are publicly traded on a Relevant Exchange of adequate liquidity (as determined by the Calculation Agent), the arithmetic mean of the daily Volume Weighted Average Price of such Relevant Securities, Spin-Off Securities, shares, options, warrants or other securities or rights or assets during the period of 5 Trading Days on the Relevant Exchange commencing on such date (or, if later, on the first such Trading Day such Relevant Securities, Spin-Off Securities, shares, options, warrants or other rights or assets are publicly traded) or such shorter period as such Spin-Off Securities, shares, options, warrants or other securities or rights or assets are publicly traded; (iv) in the case of Relevant Securities, Spin-Off Securities, shares, options, warrants or other securities or rights or assets which are not publicly traded on a Relevant Exchange of adequate liquidity (as aforesaid), an amount equal to the fair market value thereof determined by an Independent Adviser on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per share, the dividend yield of a share, volatility, prevailing interest rates and the terms of such Relevant Securities, Spin-Off Securities, shares, options, warrants or other securities or rights or assets and (v) in each case converted into the currency in which the Company Shares (where such determination relates to the Company Shares) or such other Equity Shares (where such determination relates to such other Equity Shares) are traded on the Relevant Exchange (if expressed in a currency other than such currency) at the Screen Rate on such date (or, in the case of (ii), at the average of the Screen Rates for each Trading Day in the relevant period);

"**Final Date**" means, in relation to any Offer, the date the Offer becomes or is declared unconditional in all respects;

"**Final Maturity Date**" means 9 June 2021;

"**Financial Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**First Call Date**" has the meaning provided in Condition 13(*b*)(ii);

"**GII**" means Glanbia Ingredients Ireland Limited;

"**GII Group**" means GII and its consolidated subsidiaries and associated companies taken as a whole;

"**Group**" means the Issuer and its consolidated Relevant Subsidiaries;

"**Guarantee**" means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

(a) any obligation to purchase such Financial Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and

(d) any other agreement to be responsible for such Financial Indebtedness;

"**Independent Adviser**" means an independent, reputable institution or adviser, which may be (without limitation) the Calculation Agent, appointed by the Issuer at its own expense and (in the case of an institution or adviser other than the initial Calculation Agent) approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees, expenses and liabilities of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without any liability for doing so) following notification to the Issuer, which appointment shall be deemed to be an appointment of the Issuer;

"**Interest Payment Date**" has the meaning provided in Condition 8(*a*);

"**Interest Period**" has the meaning provided in Condition 8(*a*);

"**Irish Stock Exchange**" means the Irish Stock Exchange plc;

"**Net Debt Trigger Event**" shall occur if at any time the Net Financial Indebtedness exceeds the lower of (i) EUR 400,000,000 and (ii) the Shareholder Funds;

"**Net Debt Trigger Notice**" has the meaning provided in Condition 12(i);

"**Net Debt Trigger Put Date**" has the meaning provided in Condition 13(c)(iv);

"**Net Debt Trigger Put Exercise Notice**" has the meaning provided in Condition 13(c)(iv);

"**Net Debt Trigger Put Period**" means the period commencing on the occurrence of a Net Debt Trigger Event and ending 30 days thereafter or, if later, 30 days following the date on which a Net Debt Trigger Notice is given to Bondholders as required by Condition 12(i);

"**Net Financial Indebtedness**" means at any time the aggregate outstanding principal, capital or nominal amount of all obligations of the Group for or in respect of Financial Indebtedness and Guarantee of Financial Indebtedness but:

(a) excluding any such obligations to any other member of the Group, including the Company Group or GII Group for this purpose; and

(b) deducting the aggregate amount of freely available Cash and Cash Equivalent Investments held by any member of the Group at that time,

and so that no amount shall be included or excluded more than once;

"**Non-Cash Dividend**" means any Dividend which is not a Cash Dividend;

"**Offer**" has the meaning provided in Condition 11*(g)*;

"**Offer Consideration**" has the meaning provided in Condition 11*(b)*;

"**Optional Redemption Date**" has the meaning provided in Condition 13(*b*)(*ii)*;

"**Optional Redemption Notice**" has the meaning provided in Condition 13(*b*)(*ii*);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Event of Default**" has the meaning provided in the Trust Deed;

"**Predominant Exchange Security**" means, if at any time there is more than one type or series of Relevant Securities in the Exchange Property, such type or series of Relevant Securities which in the determination of an Independent Adviser represents the largest proportion or weighting by value in the Exchange Property at such time;

"***pro rata* share**" means, for each Bond at any time, a fraction of the Exchange Property or the Pledged Property the numerator of which shall be the principal amount of such Bond and the denominator of which shall be the aggregate principal amount of all the Bonds (including the Bond to which the *pro rata* share relates) which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder (the "**Exchanged Bonds**") but the Exchange Property or the relevant Cash Alternative Amount, as the case may be, has not yet been delivered or paid and (a) excluding from the Exchange Property such *pro rata* share of the Exchange Property in relation to such Exchanged Bonds and (b) excluding from the Pledged Property such *pro rata* share of the Pledged Property in relation to such Exchanged Bonds;

"**Realisation Proceeds**" means the proceeds of sale (after the deduction of costs and expenses of such sale) of the relevant Exchange Property (in the case of Condition 9(*b*)(ii)) or the relevant dividends or other income or distributions or rights (in the case of Condition 9(*b*)(iii)(b)) carried out by an independent broker or investment bank selected by the Issuer and the identity of which is approved by the Trustee, on an arm's length basis (converted if necessary into euro at the Screen Rate on the date of receipt of such proceeds);

"**Registered Securities**" has the meaning provided in Condition 9(*b*)(ii);

"**Registration Date**" means, in respect of any Registered Securities comprised in the Exchange Property to be delivered to a Bondholder upon exercise of Exchange Rights, the date on which the relevant Bondholder or the person designated by it in the relevant Exchange Notice is registered as the holder of such Registered Securities;

"**Regulation S**" has the meaning provided in Condition 9(*b*)(i);

"**Relevant Bond**" has the meaning provided in Condition 8(*c*);

"**Relevant Company**" means the Company, and any corporation or company derived from or resulting or surviving from the merger, consolidation, amalgamation, reconstruction or acquisition of the Company with, into or by such other corporation or company, and any other entity, all or part of the share capital of which is, or all or some of the securities of which are, at the relevant time included in the Exchange Property;

"**Relevant Date**" means, in respect of any Bond or Coupon, whichever is the later of:

(a) the date on which payment in respect of it first becomes due; and

(b) if any payment is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days following the date on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 21 that such payment will be made, **provided that** such payment is in fact made as provided in these Conditions;

"**Relevant Event**" has the meaning provided in Condition 10(*b*)(iii);

"**Relevant Exchange**" means:

(i) in the case of the Company Shares, the Irish Stock Exchange or, if the Company Shares are no longer admitted to trading on the Irish Stock Exchange, the principal stock exchange or securities market on which the Company Shares are then listed, admitted to trading or quoted or dealt in; or

(ii) in the case of any other Equity Shares or Relevant Securities or any other shares, or options, warrants or other securities, rights or assets, the principal stock exchange or securities market on which such Equity Shares or Relevant Securities or any other shares, or options, warrants or other securities, rights or assets are then listed, admitted to trading or quoted or dealt in;

"**Relevant Indebtedness**" means any Financial Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Securities**" means any securities which at the relevant time are included in the Exchange Property;

"**Relevant Subsidiaries**" means the Subsidiaries of the Issuer excluding the Company, GII, any member of the Company Group and any member of the GII Group;

"**Rights Issue**" has the meaning provided in Condition 10(*b*)(ii);

"**Screen Rate**" means in respect of any pair of currencies on any calendar day, the spot rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date as appearing on or derived from Bloomberg page "BFIX" (or any successor page) in respect of such pair of currencies. If such a rate cannot be determined at such time as aforesaid, the prevailing rate shall be determined *mutatis mutandis* but with respect to the immediately preceding day on which such rate can be so determined (all as determined by the Calculation Agent), or if such rate cannot be so determined, the rate determined in such other manner as an Independent Adviser shall consider in good faith appropriate;

"**securities**" means shares or other securities (including without limitation any options, warrants, convertible bonds, evidence of indebtedness or rights to subscribe or purchase shares or other securities);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Settlement Date**" means, in the case of the exercise of Exchange Rights (other than where a Cash Election is made) the date falling seven Trading Days after the relevant Exchange Date;

"**Shareholder Funds**" means the total of the share capital, capital reserves, revenue reserves, loan stock, investment stock, capital grants and minority interests as set out in the latest audited consolidated balance sheet of the Issuer and its Subsidiaries;

"**Shareholding Reduction Event**" shall occur if at any time the Issuer ceases to hold directly or indirectly at least 15 per cent. of the outstanding Company Shares;

"**Shareholding Reduction Notice**" has the meaning provided in Condition 12(f);

"**Shareholding Reduction Put Date**" has the meaning provided in Condition 13(c)(ii);

"**Shareholding Reduction Put Exercise Notice**" has the meaning provided in Condition 13(c)(ii);

"**Shareholding Reduction Put Period**" means the period commencing on the occurrence of a Shareholding Reduction Event and ending 30 days thereafter or, if later, 30 days following the date on which a Shareholding Reduction Notice is given to Bondholders as required by Condition 12(f);

"**Spin-Off**" means:

(a) a distribution of Spin-Off Securities by the Company to holders of Company Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class; or

(b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Company or, as the case may be, the Relevant Company) to holders of Company Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class pursuant to any arrangements with the Company or any of its Subsidiaries or, as the case may be, with the Relevant Company or any of its Subsidiaries;

"**Spin-Off Securities**" means Equity Share Capital of an entity other than the Company, or as the case may be, the Relevant Company or options, warrants or other rights to subscribe for or purchase Equity Share Capital of an entity other than the Company, or as the case may be, the Relevant Company;

"**Sub-division, Consolidation or Redenomination**" has the meaning provided in Condition 10(*b*)(i);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**TARGET Business Day**" means a day (other than a Saturday or Sunday) on which the TARGET System is operating;

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system which was launched on 19 November 2007 or any successor thereto;

"**Taxing Jurisdiction**" means Ireland or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other or additional jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax to which the Issuer becomes subject in respect of payments under the Bonds;

"**Trading Day**" means in respect of Company Shares or any Relevant Security, Spin-Off Securities or other shares or options, warrants or other rights or assets, a day on which the Relevant Exchange is open for business, other than, in any such case, a day on which the Relevant Exchange is scheduled to or does close prior to its regular closing time, **provided that** for the purposes of determining the Cash Alternative Calculation Period or any date on which payment of any amount or delivery of any Exchange Property is to be made, "**Trading Day**" will be the Trading Day applicable to the Predominant Exchange Security;

"**Transaction Documents**" means the Trust Deed, the Pledge Agreement, the Agency Agreement, the Calculation Agency Agreement and the Custody Agreement, as the same may be amended, modified, supplemented and/or restated from time to time;

the "**Value**" of any Exchange Property or Additional Exchange Property on any day means the aggregate of:

(i) the value of publicly traded securities included in such Exchange Property or Additional Exchange Property, which shall be deemed to be the Volume Weighted Average Price of such securities on such day, **provided that** if such day is not a Trading Day then the value of such publicly traded securities shall be deemed to be the Volume Weighted Average Price on the immediately preceding Trading Day, converted (if necessary) into euro at the Screen Rate on such day; and

(ii) the value of all other assets (other than cash) and of publicly traded securities for which a value cannot be determined pursuant to (i) above included in such Exchange Property or Additional Exchange Property, which shall be deemed to be the value on such day (converted (if necessary) into euro as aforesaid) as certified by an Independent Adviser; and

(iii) the value of cash shall be the amount thereof (converted (if necessary) into euro as aforesaid),

provided that (A) if on any day any such publicly traded securities are quoted on the Relevant Exchange cum any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (ii) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case to which a Bondholder would not be entitled pursuant to these Conditions (including in respect thereof pursuant to Condition 9*(b)*(iii) or Condition 9*(b)*(ii) in the absence of a Cash Election) in respect of the relevant exercise of Exchange Rights (disregarding for this purpose any Cash Election), then the value of any such assets or publicly traded securities on such day shall be reduced by an amount equal to the Fair Market Value of any such dividend or other entitlement as at such date and (B) if on any day any such publicly traded securities are quoted or traded on the Relevant Exchange ex any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (ii) above do not have the benefit of, or are not entitled to, or do not carry the right to, any dividend or other entitlement, in any such case to which a Bondholder would be entitled pursuant to these Conditions (or in respect of which the relevant Bondholder would have been entitled to receive any amount pursuant to Condition 9*(b)*(iii) or which would have been taken into account for the purposes of Condition 9*(b)*(ii) in the absence of a Cash Election) in respect of the relevant exercise of Exchange Rights (disregarding for this purpose any Cash Election), then the value of any such assets or publicly traded securities on such day shall be increased by an amount equal to the Fair Market Value of any such dividend or other entitlement as at such date;

"**Volume Weighted Average Price**" means, in respect of any Trading Day the order book volume weighted average price of any Company Shares, any other Relevant Security, Spin-Off Securities, shares, options, warrants or other securities or rights or assets, as the case may be, published by or derived from:

(i) in the case of Company Shares, the order book volume weighted average price of a Company Share on the Relevant Exchange as published by or derived from Bloomberg page GLB ID Equity HP (using the setting 'Weighted Average Line', or any other successor setting and using values not adjusted for any event occurring after such Trading Day, and, for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such Trading Day; and

(ii) in the case of any other Relevant Security, Spin-Off Securities, shares, options, warrants or other securities or rights or assets, the order book volume weighted average price on the Relevant Exchange as published by or derived from the equivalent Bloomberg page in respect of the Relevant Exchange on such Trading Day,

or, if such price is not available from Bloomberg on such Trading Day, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Trading Day, **provided that** if on any such Trading Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Company Share or, as the case may be, any other Relevant Security, Spin-Off Security, share, option, warrant or other security or right or asset in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined;

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency) or to elect the majority of the members of the board of directors or other governing body of the relevant entity;

"**€**", "**euro**" and "**EUR**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

In making any calculation of a Capital Distribution, such adjustments (if any) shall be made, including in respect of the Threshold Amount, as an Independent Adviser may consider appropriate to reflect any Sub-division, Consolidation or Redenomination of the Company Shares or any other Equity Share Capital or any change in the number of Company Shares or shares comprising the relevant Equity Share Capital, as the case may be, in issue in any fiscal year, or any change in the fiscal year of the Company or, as the case may be, any Relevant Company, or any adjustment to the Exchange Property.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

8. Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 1.375 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear on 9 June and 9 December in each year (each, an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 9 December 2016.

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**".

The amount of interest payable in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Exchange Right shall have been exercised in respect thereof, from, and including, the Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Closing Date (subject in any such case as provided in Condition 8(*c*)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 13 or Condition 16, from, and including, the due date for redemption or repayment unless, upon due presentation thereof, payment of the full amount due is improperly withheld or refused, in which event such Bond shall continue to bear interest at the rate specified in Condition 8(*a*) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day seven days after the Trustee or the Principal Paying and Exchange Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is any subsequent default in payment to the relevant Bondholder) or, as the case may be, until such delivery of the relevant Exchange Property.

(c) *Interest upon Exchange prior to Early Redemption*

If:

(i) any notice requiring the redemption of any Bonds is given pursuant to Condition 13(*b*) on or after (or within 15 days before) the record date or other due date for the establishment of entitlement in respect of any dividend, distribution or interest payable in respect of the Company Shares (or other Relevant Securities comprising on such date more than one-quarter by Value of the Exchange Property);

(ii) such notice specifies a date for redemption falling on or before (or within 14 days after) the Interest Payment Date next following such record date; and

(iii) the Exchange Date in respect of any Bond which is the subject of any such notice (a "**Relevant Bond**") falls after such record date or other due date for the establishment of entitlement in respect of any such dividend, distribution or interest and on or before the Interest Payment Date next following such record date or other due date for the establishment of entitlement in respect of any such dividend, distribution or interest,

then interest shall accrue on each Relevant Bond from, and including, the preceding Interest Payment Date (or, if the relevant Exchange Date falls on or before the first Interest Payment Date, from, and including, the Closing Date) to, but excluding, the relevant Exchange Date.

Any such interest shall be paid by the Issuer not later than 14 days after the relevant Exchange Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice.

9. **Exchange Right**

(a) ***Exchange Period, Exchange Rights and Cash Election***

(i) Subject to the right of the Issuer to make a Cash Election, each Bondholder shall have the right to have all or any of its Bonds redeemed at any time during the Exchange Period referred to below by exchange for, a *pro rata* share of the Exchange Property as at the relevant Exchange Date. Such redemption of a Bond in exchange for a *pro rata* share of the Exchange Property (and/or, as the case may be, for payment of the Cash Alternative Amount) is referred to herein as an "**exchange**" and the right of a Bondholder to require an exchange is herein referred to as the "**Exchange Right**". Upon exercise of Exchange Rights, the Issuer shall (subject to the right of the Issuer to make a Cash Election) deliver or procure the delivery of the relevant *pro rata* share of the Exchange Property calculated as at the relevant Exchange Date as provided in these Conditions.

(ii) Subject to applicable law and as provided in Condition 9(*a*)(iii) and save as provided in these Conditions, the Exchange Right relating to any Bond may be exercised by the holder thereof, at any time during the period from (and including) 20 July 2016 up to (and including) the close of business (at the place where the Bond is deposited for exchange) on the date which is scheduled on such date to fall 28 Trading Days prior to the Final Maturity Date or if such Bond is to be redeemed pursuant to Condition 13(*b*) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the date which is scheduled on such date to fall 10 calendar days prior to the date fixed for redemption thereof, unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Exchange Right shall extend (the "**Extension Period**") up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment has been received by the Trustee or the Principal Paying and Exchange Agent and notice thereof has been duly given to the Bondholders in accordance with Condition 21 or, if earlier, the Final Maturity Date, **provided that**, in each case, if such final date for the exercise of Exchange Rights is not a business day at the place aforesaid, then the period for exercise of Exchange Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Exchange Rights may not be exercised in respect of a Bond where the Bondholder shall have exercised its right to require redemption pursuant to Condition 13(*c*) unless there is default by the Issuer in redeeming the relevant Bonds. In such circumstances Exchange Rights in respect of such Bond shall extend for the Extension Period in the manner *mutatis mutandis* prescribed in this Condition 9(*a*)(ii).

(iii) If the Trustee shall give notice to the Issuer declaring the Bonds to be immediately due and repayable pursuant to Condition 16, notice of such fact shall forthwith be given by the Issuer to the Bondholders in accordance with Condition 21 and each Bondholder shall (whether or not the Exchange Right attaching to its Bond is then otherwise exercisable) be entitled, at any time after the date on which the Bonds become so due and repayable (the "**Due Date**") until the date being the last day of the period of 14 business days after the Due Date (but not thereafter), to elect (by delivering in accordance with the provisions of this Condition 9 a duly signed and completed Exchange Notice, together with the relevant Bond (and unmatured Coupons relating thereto), to the specified office of any Paying and Exchange Agent) in lieu of having his Bond repaid, to exercise the Exchange Right in respect of such Bond as at the Due Date (and references to the Exchange Date shall be construed as being the Due Date), save that no such election may be made in respect of a Bond which has been presented for payment on or after the Due Date (**provided that** payment in full of all amounts then due on the relevant Bond is made upon such presentation). Subject as provided in this Condition 9, Exchange Rights shall lapse in the event that the Trustee shall give notice to the Issuer that the Bonds are immediately due and repayable.

(iv) The period during which Bondholders shall be entitled to exercise Exchange Rights pursuant to these Conditions is referred to as the "**Exchange Period**".

(v) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, upon a due exercise of Exchange Rights the relevant Bondholder shall be entitled to receive a *pro rata* share of the Exchange Property calculated as at the relevant Exchange Date.

(vi) No fraction of a Relevant Security or any other property comprised in the Exchange Property which is not divisible shall be delivered on exercise of the Exchange Rights and the Issuer shall not be under any obligation to make any payment to Bondholders in respect of any such fraction and any such fraction will be rounded down to the nearest whole multiple of a Relevant Security or unit of any such other property.

(vii) If more than one Bond is to be exchanged by a Bondholder pursuant to any one Exchange Notice, the Exchange Property to be delivered and any sum payable to that Bondholder (including, where applicable, any Cash Alternative Amount) shall be calculated by the Calculation Agent on the basis of the aggregate principal amount of such Bonds.

(b) ***Procedure for exercise of Exchange Rights***

(i) Exchange Rights may be exercised by a Bondholder during the Exchange Period by delivering the relevant Bond together with all unmatured Coupons relating thereto to the specified office of any Paying and Exchange Agent, during its usual business hours, accompanied by a duly completed and signed notice of exchange (an "**Exchange Notice**") in the form (for the time being current) obtainable from any Paying and Exchange Agent.

Exchange Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying and Exchange Agent to whom the relevant Exchange Notice is delivered is located.

If such delivery is made later than 4.00 pm on any day or on a day which is not a business day in the place at the specified office of the relevant Paying and Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day in such place.

An Exchange Notice, once delivered, shall be irrevocable.

Any determination as to whether any Exchange Notice has been duly completed and properly delivered shall be made by the relevant Paying and Exchange Agent (following consultation with the Issuer) and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Paying and Exchange Agents and the relevant Bondholder.

A Bondholder exercising Exchange Rights will be required to certify in the relevant Exchange Notice (a "**U.S. Certification**") that such exchange is being made outside of the United States (as such term is defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933) and it and any person for whom it is acquiring Exchange Property is not a U.S. person (as such term is defined in Regulation S) and it is not acting as agent for, or on behalf of, a U.S. person. If such U.S. Certification is not provided, the relevant Exchange Notice shall be void.

Exchange Rights may only be exercised in respect of each Bond.

The exchange date in respect of a Bond (the "**Exchange Date**") in respect of which the Exchange Right shall have been exercised by a Bondholder will be the business day immediately following the date of the delivery of the Exchange Notice and the relevant Bond as provided in this Condition 9(*b*).

The Issuer will pay any stamp, registration, documentary, transfer or other similar taxes or duties (including penalties) arising on the transfer or delivery of any Exchange Property to or to the order of a Bondholder pursuant to the exercise of Exchange Rights ("**Stamp Taxes**") which are payable or imposed in Ireland, the United Kingdom and the jurisdiction in which the relevant Exchange Property is situated (and for this purpose any securities in registered form comprising Exchange Property shall be deemed to be situated in the jurisdiction in which the register (or in the case of more than one register, the principal register) on which title to and transfers of such securities are recorded or maintained) is located) or imposed or payable by virtue of the place of incorporation, domicile or tax residence of the issuer of any Relevant Securities comprised in the relevant *pro rata* share of the Exchange Property, and all other costs, fees and expenses in connection with the transfer or delivery of Exchange Property on exercise of Exchange Rights, including the costs, fees and expenses of any custodian, depositary, agent or other entity appointed by the Issuer to facilitate the relevant transfer or delivery (together "**Exchange Expenses**").

Subject to the above, a Bondholder exercising Exchange Rights must pay directly to the relevant authorities any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising in any jurisdiction not mentioned above on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of Exchange Rights.

Neither the Trustee, the Calculation Agent nor the Principal Paying and Exchange Agent shall be responsible for determining whether any Exchange Expenses are payable or the amount thereof and they shall not be responsible or liable for any failure by the Issuer to pay such Exchange Expenses.

If the Issuer shall fail to pay any Exchange Expenses for which it is responsible as provided above, the relevant Bondholder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse each such Bondholder in respect of the payment of such Exchange Expenses and any penalties payable in respect of the Issuer's failure to pay.

Each Bondholder must pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Exchange Rights by it.

(ii) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, the Issuer shall, as soon as practicable, and in any event not later than the Settlement Date:

(1) in respect of Company Shares (or other securities of companies incorporated in the United Kingdom or Ireland and cleared through CREST which are included in the Exchange Property) comprising the relevant *pro rata* share of the Exchange Property, effect delivery of such Exchange Property through CREST to the person designated for the purpose in the relevant Exchange Notice;

(2) procure that Relevant Securities (other than Company Shares or other securities of companies incorporated in the United Kingdom or Ireland and cleared through CREST which are included in the Exchange Property) comprising the relevant *pro rata* share of the Exchange Property to be delivered on exercise of Exchange Rights are transferred by the Settlement Date into such name as the Bondholder shall direct pursuant to the Exchange Notice and shall procure that forms of transfer and certificates (if certificates for the Relevant Securities are then generally being issued) together with all other documents of title and evidence of ownership and all other documents necessary to transfer or evidence the transfer of such Relevant Securities will be despatched by mail, and free of charge (but uninsured and at the risk of the person entitled thereto), to such address, subject to applicable securities laws, as the Bondholder may request (as specified in the relevant Exchange Notice); and

(3) procure that such documents of title and evidence of ownership of any other Exchange Property to be delivered on exercise of Exchange Rights shall be despatched and that payment of any part of the Exchange Property comprising cash to be delivered on exercise of Exchange Rights (converted if necessary into euro at the Screen Rate on the relevant Exchange Date) shall be made, in each case by the Settlement Date and in accordance with directions given by the relevant Bondholder in the Exchange Notice.

Notwithstanding the above, if the Issuer delivers a certificate to the Trustee signed by an Authorised Officer (which certificate the Trustee shall be entitled to rely on without further investigation or liability) to the effect that CREST (or, where the Exchange Property is comprised of Relevant Securities other than Company Shares and certificates for such Relevant Securities are not then generally being issued, the clearing system through which the transfer of such Relevant Securities is required to be effected) has been closed for a continuous period of two or more days (excluding Saturdays and Sundays and save by reason of public holidays, statutory or otherwise) in the period from (and including) the Exchange Date to (but excluding) the Settlement Date, then the Issuer will notify the relevant Bondholder in accordance with Condition 21 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the date for such delivery shall be the later of the Settlement Date and the earliest practicable date on which the relevant Exchange Property may be delivered by or through CREST or, as the case may be, the relevant clearing system.

Securities cleared through CREST (other than the Company Shares) to be transferred and delivered on exercise of Exchange Rights will not be available for transfer and delivery (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking S.A. or any other person a providing clearance services within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom; in each case, at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act of the United Kingdom or any similar charge (under any successor legislation) would arise as a result of such transfer and delivery or (iii) to the CREST account of any person mentioned in (i) or (ii).

Neither the Issuer nor the Trustee shall be responsible or liable to any person for any delay in the delivery of any property comprising Exchange Property following exercise of Exchange Rights arising as a result of a failure by the relevant Bondholder to supply all information and details as required by the relevant Exchange Notice.

Notwithstanding the above, if, on or after the relevant Exchange Date, the Exchange Property has changed in whole or in part as a result of an Offer or as a result of the compulsory acquisition of any Equity Share Capital, in each case as provided in Condition 11, then the Issuer will notify the relevant Bondholder in accordance with Condition 21 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the due date for such delivery shall be the later of the date set out above and the day falling 10 business days after the Offer Consideration Date.

If, at any time when the transfer or delivery of any Exchange Property (other than cash) to a Bondholder is required in accordance with these Conditions, such transfer or delivery would, as certified to the Trustee by one Authorised Officer of the Issuer (which certificate the Trustee shall be entitled to rely on without further investigation or liability), be unlawful under the laws of any applicable jurisdiction or contrary to any official declaration, order, directive or regulation in any applicable jurisdiction, the Issuer will notify the relevant

Bondholder in accordance with Condition 21 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the Issuer will make a cash payment to the relevant Bondholder equal to the aggregate of the Realisation Proceeds in respect of the relevant Exchange Property in lieu of the delivery of such Exchange Property to such Bondholder. The Issuer will pay any such amount to the relevant Bondholder not later than 10 TARGET Business Days after the relevant Settlement Date.

Without prejudice to Condition 9(*c*), if:

(A) the Exchange Date in respect of any Bond shall be on or after the date of any public announcement affecting the composition of any part of the Exchange Property (other than Company Shares or other securities in registered form ("**Registered Securities**") in circumstances where the relevant entitlement is determined by reference to a record date in respect thereof), but before the date on which such change is effective; or

(B) the Exchange Date in respect of any Bond shall be on or after the record date or other due date for the establishment of the relevant entitlement in respect of any Rights Issue or any Subdivision, Consolidation or Redenomination or Relevant Event in respect of any Registered Securities comprising Exchange Property but before the date on which any resulting adjustment of the Exchange Property becomes effective in accordance with Condition 10(*b*); or

(C) the Exchange Date in respect of any Bond shall be before the record date or other due date for the establishment of the relevant entitlement in respect of any Rights Issue or any Subdivision, Consolidation or Redenomination or Relevant Event in respect of any Registered Securities comprising Exchange Property in circumstances where the Registration Date in respect of such Registered Securities is on or after such record date or other due date for the establishment of the relevant entitlement and the relevant Bondholder would not otherwise receive the relevant entitlement but the Issuer has received or is entitled to receive such entitlement,

then the relevant Bondholder, (other than where a Cash Election applies to the relevant exercise of Exchange Rights and in respect of the Exchange Property to which such Cash Election relates, in which case the provisions of Condition 9(*c*)(ii) shall apply) shall be entitled to receive, in respect of the exercise of the relevant Exchange Rights, such *pro rata* amount or, as the case may be, further *pro rata* amount of the Exchange Property ("**Additional Exchange Property**") as would have been receivable had the relevant Exchange Date occurred immediately after the date on which such change in the composition of the Exchange Property became effective or, as the case may be, had the relevant Registration Date in respect of such Registered Securities been immediately before such record date, and such Additional Exchange Property shall be delivered to the relevant Bondholder in accordance with instructions contained in the relevant Exchange Notice as soon as practicable following the relevant adjustment to the Exchange Property or the receipt by the Issuer of the relevant Additional Exchange Property.

(iii) Unless a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, the relevant Bondholder (or the person designated in the relevant Exchange Notice) shall, as between such person and the Issuer, be treated as the owner of the *pro rata* share of the Exchange Property to be delivered upon exchange with effect from (and including) the relevant Exchange Date and will as between such person and the Issuer be entitled to all rights, distributions or payments in respect of such Exchange Property from (and including) such Exchange Date and, in respect of any related Additional Exchange Property, will be entitled to all rights, distributions or payments in respect of such Additional Exchange Property from (and including) such Exchange Date.

Subject as provided herein, Exchange Property delivered on exercise of Exchange Rights shall not include any dividends, interest or other income payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of the relevant entitlement falling prior to the relevant Exchange Date.

Exchange Property (and, where appropriate, any Additional Exchange Property) delivered or transferred or to be delivered or transferred upon exchange shall rank for and be entitled to all dividends, interest and other income, payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of entitlement falling on or after the relevant Exchange Date.

If the record date or other due date for the establishment of the relevant entitlement for or in respect of any dividend, interest or other income, payment or distribution or rights on or in respect of such Exchange Property falls on or after the Exchange Date but before the relevant Settlement Date (or any other date from which the relevant Bondholder is treated as the owner of, or entitled to all rights and entitlement to, such Exchange Property) with the effect that the relevant Bondholder is not entitled to receive such dividend, interest or other income, payment or distribution of rights, the Issuer will (unless it is able to confer on or deliver to the relevant Bondholder an entitlement to receive such dividend, interest or other income, payment or distribution or rights or unless and to the extent that the same is taken into account for the purposes of Condition 9(*b*)(ii) relating to entitlement to Additional Exchange Property):

(a) (in the case of dividends, interest or other income, payment or distributions or rights to be paid or made in cash) pay, or procure the payment to, the exchanging Bondholder in lieu of such dividend, interest or other income or distribution or rights, an amount equal thereto, converted if necessary into euro at the Screen Rate on the date of receipt thereof by the Issuer (the "**Equivalent Amount**"). The Issuer will pay the Equivalent Amount, or procure that it is paid, to the relevant Bondholder by not later than 10 TARGET Business Days after the receipt by the Issuer of such dividend, interest or other income, payment or distribution or rights; and

(b) (in the case of dividends, or other income or distributions or rights to be satisfied or made otherwise than in cash) deliver, or procure the delivery of, the same to the relevant Bondholder not later than 10 TARGET Business Days after the receipt by the Issuer of such dividend or other income or distribution or rights. If, at any time when the delivery of any such dividend or other income or distribution or rights is required, delivery would, as certified to the Trustee by an Authorised Officer of the Issuer, be unlawful under the laws of any applicable jurisdiction or contrary to any official declaration, order, directive or regulation in any applicable jurisdiction, the Issuer will make a cash payment equal to the aggregate Realisation Proceeds of such dividend or other income or distribution or rights, converted, if necessary into euro at the Screen Rate on the date of receipt by the Issuer of the Realisation Proceeds. The Issuer will pay any such amount to the relevant Bondholders not later than 10 TARGET Business Days after the receipt by the Issuer of such dividend or other income or distribution or rights.

For the purposes of the above, if there is an option to receive the relevant entitlement in the form of a cash amount or otherwise than in cash, the entitlement shall be treated as being paid or made in cash, and accordingly the provisions of (a) above shall apply.

(iv) Upon exercise of Exchange Rights, a Bondholder shall, in the relevant Exchange Notice, specify a euro account with a bank in a city in which banks have access to the TARGET System to which any cash amount payable on or in respect of the exercise of Exchange Rights by that Bondholder shall be credited and the Issuer shall pay such sum to the relevant Bondholder in accordance with any such directions.

(c) ***Cash Election***

(i) Upon the exercise of Exchange Rights by a Bondholder, the Issuer may make an election (a "**Cash Election**") by giving written notice (a "**Cash Election Notice**") to the relevant Bondholder by not later than the date falling four business days following the relevant Exchange Date (the "**Cash Election Exercise Date**"), to the address (or, if a fax number or email address is provided in the relevant Exchange Notice, that fax number or email address) specified for that purpose in the relevant Exchange Notice, to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part, by making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount, together with any other amounts payable by the Issuer to such Bondholder pursuant to these Conditions in respect of, or relating to, the relevant exercise of Exchange Rights, including any interest payable pursuant to Condition 8(*c*).

A Cash Election may be made in respect of the whole or any part of the Exchange Property that would otherwise be deliverable in respect of the relevant exercise of Exchange Rights. The relevant Cash Election Notice shall specify whether the Cash Election is in respect of the whole of such Exchange Property or any part thereof, and if in respect of part, shall specify the relevant part.

A Cash Election shall be irrevocable.

The Issuer will pay the Cash Alternative Amount, together with any other amount as aforesaid, by not later than the Cash Alternative Payment Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice.

"**Cash Alternative Amount**" means a sum in euro equal to the average of the Value on each Trading Day in the Cash Alternative Calculation Period of the relevant *pro rata* share of the Exchange Property (or in the case of a Cash

Alternative Election made in part, the relevant portion thereof) which, had a Cash Election not been made, would otherwise fall to be delivered to such Bondholder upon exercise of Exchange Rights in respect of the relevant Bonds.

"**Cash Alternative Calculation Period**" means the period of 20 consecutive Trading Days commencing on the second Trading Day following the relevant Cash Election Exercise Date.

"**Cash Alternative Payment Date**" means the date falling 5 TARGET Business Days after the last day of the Cash Alternative Calculation Period.

(d) ***Calculation Agent***

At any time (i) any Cash Alternative Amount falls to be calculated in accordance with Condition 9(*c*), (ii) an amount of Equity Share Capital to be added to the Exchange Property falls to be calculated in accordance with Condition 10(*e*) or adjustments to the Exchange Property pursuant to Condition 10 are to be determined or (iii) a Premium Compensation Amount falls to be calculated in accordance with Condition 11(*d*), each such calculation shall be made in good faith by the Calculation Agent on behalf of the Issuer. The Calculation Agent may, subject to prior consultation with the Issuer and the provisions of the Calculation Agency Agreement, consult, at the expense of the Issuer, on any matter (including but not limited to, any legal matter), with any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Bondholders or the Couponholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion. The Calculation Agent shall act solely upon request from and as agent of the Issuer and it will not thereby assume any obligations towards or relationship of agency or trust with, and it shall not be liable and shall incur no liability as against, the Trustee, the Bondholders or the Couponholders.

10. The Exchange Property

(a) ***Initial Exchange Property***

The "**Exchange Property**" shall initially comprise 4,299,226 Company Shares and shall thereafter include such other Relevant Securities and other property as may be deemed or required to comprise all or part of the Exchange Property pursuant to these Conditions, including any interest accrued in respect of any amounts attributable to the Exchange Property standing to the credit of the Cash Account and credited to the Cash Account by the Custodian pursuant to the Pledge Agreement, but excluding any such property as may be deemed to have ceased to form part of the Exchange Property pursuant to these Conditions and excluding any Cash Dividend other than to the extent comprising a Capital Distribution and excluding any other income and other benefits, rights and entitlements derived from the Exchange Property except to the extent forming or to form part of or giving rise to an adjustment to the Exchange Property pursuant to these Conditions.

On the exercise of Exchange Rights, Bondholders will initially be entitled to receive approximately 4,299.2261 Company Shares for each €100,000 principal amount of Bonds (equivalent to an initial exchange price of €23.26 per Company Share) subject to adjustment pursuant to these Conditions.

The Exchange Property is subject to adjustment as provided in these Conditions.

All Exchange Property transferred or delivered upon exercise of Exchange Rights shall be transferred or delivered with full title guarantee and free from any and all security interests or other adverse interests.

(b) ***Adjustments to the Exchange Property***

If at any time any event occurs which may result in any change in composition of the Exchange Property pursuant to paragraphs (i) to (iv) below the Issuer shall consult with the Calculation Agent, and (without prejudice to Condition 10(*g*)) the Calculation Agent shall in good faith determine, on behalf of and at the expense of the Issuer, the appropriate adjustment (if any) to be made to the Exchange Property.

(i) *Sub-division, Consolidation or Redenomination*

If any Relevant Securities comprising the Exchange Property shall be sub-divided or consolidated, re-classified or re-denominated or in any other manner have their par value changed ("**Sub-division, Consolidation or Redenomination**") then the securities resulting from such Sub-division, Consolidation or Redenomination so far as attributable to the Exchange Property, shall be included in the Exchange Property upon receipt by the Issuer of such securities.

(ii) *Rights Issues*

If further Relevant Securities or other securities, or options, warrants or rights to subscribe or purchase further Relevant Securities (or if there is more than one type or series of Relevant Securities in the Exchange Property, to holders of any type or series of Relevant Securities) or other securities, shall be offered by way of rights or allotted, as the case may be, to holders of Relevant Securities (or any of them) (a "**Rights Issue**"), then the Issuer shall notify the Trustee and the Bondholders in accordance with Condition 21 and (**provided that** it is possible to sell such rights under applicable law and/or the terms of the Rights Issue), by not later than the latest day for accepting or taking up any such rights (the "**Election Date**"), the Issuer may elect either:

(A) to procure on an arm's length basis in good faith the sale by an independent reputable broker or investment bank selected by the Issuer of sufficient rights to enable the whole of the balance of such rights relating to the Relevant Securities to be taken up and procure the application of the proceeds of sale, after the deduction of the costs and expenses of such sale, in the taking up of such rights relating to the Relevant Securities (with any excess proceeds of sale being added to and forming part of the Exchange Property); or

(B) to add to the Exchange Property such number of Company Shares or other securities or options, warrants or rights determined by dividing the average of the Volume Weighted Average Price in respect of such rights for each Trading Day in the period of five consecutive Trading Days commencing on the first Trading Day on which such rights may be sold by the exercise, subscription or purchase price (or the like) payable upon exercise of such rights (rounded down, if necessary to the nearest whole number).

In the absence of any such election being notified to the Trustee and to the Bondholders in accordance with Condition 21 by not later than the Election Date, paragraph (B) shall apply.

If such rights may not be sold under applicable law and/or the terms of the Rights Issue, the Issuer shall use any part of the Exchange Property comprising cash to take up such rights and/or, on an arm's length basis, sell sufficient Relevant Securities to enable (after the deduction of the costs and expenses of such sale) the whole of the balance of such rights to be taken up, with, in any such case, any excess proceeds of sale being added to and forming part of the Exchange Property.

Any Relevant Securities or other securities or options, warrants or rights taken up pursuant to this paragraph and any excess proceeds of sale as aforesaid shall upon receipt by the Issuer be added to and form part of the Exchange Property.

(iii) *Bonus Issues, Capital Distributions, Reorganisations and Payments*

If any of the following events occurs (each a "**Relevant Event**"):

(A) Relevant Securities or other securities are issued credited as fully paid to holders of Relevant Securities comprised in the Exchange Property by way of capitalisation of profits or reserves or otherwise by virtue of being holders of Relevant Securities (other than where the Relevant Event is determined to constitute a Cash Dividend pursuant to paragraph (a) or (b) of the definition of "Dividend"); or

(B) any Capital Distribution is paid or made in respect of any Company Shares or Equity Share Capital comprised in the Exchange Property; or

(C) a Relevant Company (or any person on behalf of or at the direction or request of a Relevant Company) purchases or redeems any Relevant Securities of a class comprised in the Exchange Property; or

(D) pursuant to any scheme of arrangement, reorganisation, amalgamation, reconstruction, merger, demerger or any like or similar event of any company or companies (whether or not involving liquidation or dissolution), any further Relevant Securities or other securities, property or assets (including cash) are issued, distributed or otherwise made available to holders of Relevant Securities or other securities of a class comprised in the Exchange Property, or

(E) any cash amount is paid or distributed in whatever manner (including by way of payment of interest, distribution, dividend, repayment of principal or capital or redemption monies) or any securities or other property is distributed, issued, transferred or delivered in whatever manner, in each case in respect of any Relevant Securities or other property or assets (other than Company Shares or Equity Share Capital) comprised in the Exchange Property,

then the further Relevant Securities, securities or other property or assets (including cash amounts) received in relation to the Relevant Event, so far as attributable to the Exchange Property or, as the case may be, the relevant Capital Distribution in respect of the Company Shares or Equity Share Capital comprised in the Exchange Property, shall upon receipt by the Issuer be included as part of the Exchange Property (and, if applicable, applied in accordance with Condition 10(*e*)).

(c) ***Notice of Change in Exchange Property***

The Issuer shall give notice to the Trustee and to the Bondholders in accordance with Condition 21 and to the Principal Paying and Exchange Agent of any change in composition of the Exchange Property to which a holder of a Bond in the Authorised Denomination would be entitled to upon exercise of the Exchange Right in respect of such Bond following such change (including but not limited to any such change following an adjustment pursuant to this Condition 10) as soon as reasonably practicable following such change, and such notice shall include details of such Exchange Property per €100,000 principal amount of Bonds as aforesaid.

(d) ***Release from the Exchange Property***

Upon delivery of Exchange Property to the relevant Bondholder and/or payment of the Cash Alternative Amount or upon redemption of the Bonds or upon any purchase and cancellation of the Bonds, the *pro rata* share of the Exchange Property or the relevant part thereof attributable to each relevant Bond shall cease to be part of the Exchange Property and the Exchange Property shall be reduced accordingly.

(e) ***Purchase of Equity Securities etc.***

If at any time Equity Share Capital is comprised in the Exchange Property and any cash amount (including any Capital Distribution) or securities or other property is comprised in or is to be added to and form part of the Exchange Property pursuant to these Conditions (other than (i) any additional Equity Share Capital of a class already comprised in the Exchange Property or (ii) as included in the Offer Consideration under Condition 9) before the Exchange Rights lapse, then such cash amount shall be paid to the account of the Issuer and credited to the Cash Account, and/or such securities or other property shall be sold on an arm's length basis in good faith by an independent reputable broker or investment bank selected by the Issuer and the proceeds of such sale (net of any costs and expenses incurred in connection with such sale) shall be paid to the account of the Issuer and credited to the Cash Account, and in each case released from the Security in accordance with Condition 3(e)(iv), **provided that** the Issuer shall procure that additional Equity Share Capital of the class then comprised in the Exchange Property is added to the Exchange Property (and where at the relevant time the Exchange Property comprises more than one class of Equity Share Capital, procure that Equity Share Capital of each such class is added on a *pro rata* basis), as is determined by dividing such cash amount by the Fair Market Value of the relevant Equity Share Capital as at the third Trading Day immediately following the receipt by the Issuer of the relevant cash amount.

Any such additional Company Shares or Equity Share Capital shall be added to and form part of the Exchange Property.

If any cash amount is to be added to and form part of the Exchange Property in circumstances where the Exchange Property comprises solely cash, such cash amount (converted, if necessary, into euro at the Screen Rate prevailing on the date of receipt of such cash amount) shall be or as the case may be, shall be added to the Exchange Property and thereafter the Exchange Property shall comprise and remain solely cash. No interest shall accrue on or in respect of any such cash amount.

(f) ***Voting Rights etc.***

Bondholders and the Trustee shall have no voting rights in respect of the Company Shares or any other part of the Exchange Property prior to their delivery or transfer to the relevant Bondholder (or as it may direct) upon exercise of Exchange Rights.

In exercising any voting rights attaching to the Company Shares and other Relevant Securities that it may have or making any such election to which it may be entitled, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner in connection therewith which is contrary to the interests of the Bondholders.

(g) ***Other Adjustments to the Exchange Property and Contemporaneous Events***

If, having first consulted with the Calculation Agent, the Issuer determines that:

(i) an adjustment should be made to the Exchange Property as a result of one or more events or circumstances not referred to in Condition 10(*b*)(i), 10(*b*)(ii) or 10(*b*)(iii), even if the relevant event is or circumstances are specifically excluded from the operation of Condition 10(*b*)(i), 10(*b*)(ii) or 10(*b*)(iii); or

(ii) more than one event which gives rise or may give rise to an adjustment to the Exchange Property has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result; or

(iii) one event which gives rise or may give rise to more than one adjustment to the Exchange Property has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

the Issuer shall, at its own expense, request an Independent Adviser to determine as soon as practicable what adjustment (if any) to the Exchange Property is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination the Issuer shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination **provided that** such adjustment shall result in an increase to the Exchange Property.

(h) ***Decision of an Independent Adviser; Calculation by the Calculation Agent***

If any doubt shall arise as to whether an adjustment falls to be made to the Exchange Property, or as to the appropriate adjustment to the Exchange Property, or as to when such adjustment shall take effect or be deemed to have taken effect, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

Adjustments to the Exchange Property pursuant to this Condition 10 shall be determined and calculated in good faith by the Calculation Agent, and/or to the extent so specified in the Conditions, in good faith by an Independent Adviser. Any calculation of any Cash Alternative Amount, amount of Equity Share Capital to be added to the Exchange Property, Premium Compensation Amount or any adjustments made to the Exchange Property by the Calculation Agent or, where applicable, an Independent Adviser on behalf of the Issuer in accordance with these Conditions, shall be final and binding (in the absence of manifest error) on the Issuer, the Trustee, the Bondholders or the Couponholders. The Calculation Agent may, subject to prior consultation with the Issuer and the provisions of the Calculation Agency Agreement, consult, at the expense of the Issuer, on any matter (including but not limited to, any legal matter), with any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Bondholders or the Couponholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion. The Calculation Agent shall act solely upon request from and as agent of the Issuer, and the Calculation Agent or, as the case may be, any Independent Adviser appointed by the Issuer in accordance with these Conditions, will not thereby assume any obligations towards or relationship of agency or trust with, and they shall not be liable and shall incur no liability as against, the Trustee, the Bondholders or the Couponholders.

(i) ***No duty to monitor***

None of the Trustee, the Calculation Agent or the Paying and Exchange Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Exchange Property and will not be responsible or liable to the Bondholders for any loss arising from any failure or delay by it to do so.

11. General Offers

(a) ***Acceptance of Offers***

In the event of an Offer for any Equity Shares, comprised in the Exchange Property, the Issuer shall have absolute discretion to accept such Offer (and as to any alternative consideration) or reject such Offer, **provided that** the Issuer (I) will not accept such Offer (a) prior to the Specified Date or (b) unless the value of the consideration offered for such Equity Shares pursuant to the Offer or, where there is any alternative consideration, unless the value of the consideration accepted by the Issuer, is equal to or greater than the value of such Equity Shares; and (II) if the Issuer accepts such Offer, it shall do so in respect of all but not some only of the Equity Shares comprised in the Exchange Property.

For the avoidance of doubt, (i) the Issuer may announce its intention to accept any Offer prior to the Specified Date, and (ii) if there is more than one simultaneous Offer, the Issuer may accept any such Offer (including the Offer which includes the lowest consideration) or none of such Offers.

The value of such Equity Shares and the value of any consideration will be determined by an Independent Adviser by reference to market values, where applicable, and such other considerations as the Independent Adviser shall consider appropriate.

The Issuer will not accept any Offer in respect of such part of the Exchange Property which would (disregarding for this purpose, any Cash Election) be deliverable to those Bondholders who have exercised Exchange Rights in respect of Bonds where the relevant Exchange Date falls prior to the commencement of any Suspension Period.

Save as otherwise provided in this Condition 11(*a*), the Issuer shall at all times be entitled at its discretion, in relation to any shares or other securities owned or controlled by it or in respect of which it is entitled to exercise voting rights (whether or not such shares or securities comprise Exchange Property), to vote on, exercise its rights in respect of, or otherwise participate in (or in any such case refrain from doing so), any scheme of arrangement, reorganisation, amalgamation, merger, demerger or reconstruction of any company or companies or other entity or entities (whether or not involving liquidation or dissolution) as it thinks fit.

The Issuer shall give notice to the Trustee and the Bondholders in accordance with Condition 21 as soon as practicable upon becoming aware of the existence of any Offer.

In accepting or rejecting any Offer or electing for any alternative consideration or in voting on, exercising its rights in respect of, or otherwise participating in, any scheme of arrangement, compromise, reorganisation, amalgamation, merger, demerger or reconstruction, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner which is contrary to the best interests of the Bondholders. The Trustee shall have no liability to the Bondholders or any other person for any act or omission by the Issuer in connection with this Condition 11(a).

(b) ***Adjustment to Exchange Property***

If the Issuer accepts such Offer and the Offer becomes unconditional in all respects (or if all the Equity Shares not tendered in relation to the relevant Offer are subject to compulsory acquisition) then, and in relation to each Bond for which the Exchange Date has not occurred prior to the Final Acceptance Date, with effect from the Offer Consideration Date, the Equity Shares the subject of such Offer or compulsory acquisition shall be deemed no longer to form part of the Exchange Property and shall be deemed to be replaced by the consideration in respect of the Equity Shares under the Offer or pursuant to such compulsory acquisition or, if there is alternative consideration, such consideration as the Issuer may elect for the purposes of these Conditions, and if the Issuer shall fail to make such election by not later than five business days prior to the Final Date in respect of the relevant Offer, that consideration as shall be determined by an Independent Adviser to have the greatest value (the "**Offer Consideration**").

(c) ***Suspension of Exchange Rights***

The Exchange Rights shall be suspended during the period from and including (i) the Specified Date until the relevant Offer is withdrawn or the relevant Offer lapses or the Final Acceptance Date or, if earlier, until the Final Date and (ii) the date any vote is cast in relation to any applicable scheme referred to in this Condition, which is approved by the required majority, until the same is approved or rejected by any relevant judicial or other authority or otherwise is or becomes or is declared to be effective or the like.

If the Issuer accepts the relevant Offer and the Offer is or becomes unconditional in all respects, Exchange Rights will also be suspended during the period from the Final Acceptance Date, or if earlier, the Final Date until the Offer Consideration Date.

The period during which Exchange Rights are suspended pursuant to this Condition 11(*c*) is referred to as the "**Suspension Period**".

Notice of any such Suspension Period (including the commencement and termination thereof) will be given by the Issuer to the Trustee, the Principal Paying and Exchange Agent and to the Bondholders in accordance with Condition 21.

If Exchange Rights are exercised such that the relevant Exchange Date would otherwise fall in the Suspension Period, such exercise shall be null and void.

(d) ***Premium Compensation Amount***

If the Offer Consideration in relation to an Offer in respect of Equity Shares comprised in the Exchange Property consists wholly or partly of cash or other property (other than Eligible Equity Shares), such cash or such other property shall be added to and form part of the Exchange Property and if the Exchange Date in respect of any Bond falls after the Offer Consideration Date, then the relevant Bondholder shall be entitled to receive, in addition to the relevant *pro rata* share of the Exchange Property pursuant to Condition 9 (or, as appropriate, any Cash Alternative Amount), an amount (the "**Premium Compensation Amount**") in respect of each €100,000 principal amount of Bonds surrendered for exchange calculated in accordance with the following formula:

$$PC = K^2 * (Principal - IP) * (T/C) * (CB/(CB+CS))$$

Where:

PC	Premium Compensation Amount per Bond
K	the lesser of (a) IP/MP and (b) MP/IP
Principal	€100,000
IP	€71,428.57
CB	the Offered Cash Amount
CS	the Offered Property Value
MP	the Value of the *pro rata* share of the Exchange Property in respect of a Bond in the principal amount of €100,000 on the Final Acceptance Date
C	1,826, being the number of days from (but excluding) the Closing Date to (and including) the Final Maturity Date
T	the number of days from (but excluding) the Final Acceptance Date to (and including) the Final Maturity Date (which shall be zero if the Final Acceptance Date occurs after such date)

If any doubt shall arise as to the calculation of the Premium Compensation Amount, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent

Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

(e) ***Subsequent Offers***

The provisions of this Condition 11 shall apply *mutatis mutandis* to any subsequent Offer, with the result that such Bondholder may become entitled to receive more than one Premium Compensation Amount.

(f) ***Self tenders***

If a tender or other Offer is made by or on behalf of the issuer of any Relevant Securities comprised in the Exchange Property (or any person associated with such issuer) to purchase or otherwise acquire, redeem or exchange such Relevant Securities, then for the purposes of these Conditions and for the determination of the composition of the Exchange Property for the purposes of these Conditions only, the Issuer shall not tender or be entitled to be treated as having tendered any such Relevant Securities which are comprised in the Exchange Property or be treated as having accepted any such Offer in respect thereof or vote in respect of any such Relevant Securities in relation to any such tender or other Offer, nor shall the Issuer exercise or be treated as having exercised any option which it may have in connection therewith or otherwise to require the redemption or repayment of such Relevant Securities.

(g) ***Definitions***

As used in these Conditions:

"**EEA Regulated Market**" means a market as defined by Article 4.1(14) of Directive 2004/39 EC of the European Parliament and of the Council on Markets in Financial Instruments;

"**Eligible Equity Shares**" means Equity Share Capital of the offeror **provided that**, (i) the offeror is a limited liability company (or equivalent) incorporated in or established under the laws of a European Union member state, a state within the European Economic Area or an OECD member state; and (ii) such Equity Share Capital is listed and admitted to trading on an EEA Regulated Market; and (iii) the Equity Share Free Float in respect of such Equity Share Capital shall have been not less than 20 per cent. of the issued and outstanding Equity Share Capital on each of the 30 consecutive Trading Days ending on and including the Final Date;

"**Equity Share Capital**" and "**Equity Shares**" have the meaning provided in Condition 7;

"**Equity Share Free Float**" means, in respect of any Equity Shares, the aggregate number of such Equity Shares held by (a) collective investment schemes or mutual funds; (b) pension funds; and (c) persons that own (together with any other person or persons with whom they act in concert, as defined in the Takeover Code of the United Kingdom on Takeovers and Mergers) Equity Shares representing less than 5 per cent. of the total number of such Equity Shares issued and outstanding, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer and where (i) references to "**Equity Shares**" shall include Equity Shares represented by depositary or other receipts or certificates representing Equity Shares; (ii) Equity Shares held by or on behalf of a depositary or custodian or similar person in respect of any such depositary or other receipts of certificates representing Equity Shares from time to time shall be treated as being held by the holder of the relevant depositary or other receipts or certificates and not by such depositary, custodian or similar person; (iii) Equity Shares that have been borrowed and remain borrowed pursuant to any stock lending arrangement shall be treated as not being owned by the relevant lender; and (iv) Equity Shares held by or on behalf of the issuer of such Equity Shares or any subsidiary of such issuer or any person acting in concert with such issuer shall be treated as not constituting part of the Equity Share Free Float;

"**Final Acceptance Date**" means, in respect of any Offer, the final date for acceptance of such Offer which, if such Offer is extended prior to becoming unconditional, shall be the final date for acceptance of the extended Offer (but, if such Offer is or becomes unconditional, disregarding any additional or further period during which such Offer is open for acceptance);

"**Final Date**" means, in relation to any Offer, the date the Offer becomes or is declared unconditional in all respects;

"**Offer**" means an offer to the holders of any Equity Shares comprising the Exchange Property, whether expressed as a legal offer, an invitation to treat or in any other way, in circumstances where such offer is available to all holders of the applicable Equity Shares (or all or substantially all such holders other than any holder to whom such offer may not be extended pursuant to applicable securities or other laws or who is, or is connected with, or is deemed to be acting in concert with, the person making such offer or to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any stock exchange in any territory, it is determined not to make such an offer);

"**Offer Consideration Date**" means, in relation to any Offer (or compulsory acquisition), the date upon which the Offer Consideration is made available to the holders of the Relevant Securities;

"**Offered Cash Amount**" means the cash amount in euro (or, where applicable, translated into euro at the applicable Screen Rate on the Final Date) comprising the whole or part of the Offer Consideration for one Relevant Security in the Offer (other than cash paid in respect of fractional entitlements to the Offered Property) **provided that** if the Offered Property comprises securities or property other than Eligible Equity Shares, such securities or property will be deemed, for the purpose of this definition to form part of the Offered Cash Amount in an amount equal to their Fair Market Value at the close of business on the Final Date;

"**Offered Property**" means the Offer Consideration for one Relevant Security in the Offer excluding the Offered Cash Amount;

"**Offered Property Value**" means the Fair Market Value of the Offered Property at the close of business on the Final Date. In the case of an Offer the Offer Consideration in respect of which is entirely in cash or securities or property other than Eligible Equity Shares, the Offered Property Value shall be zero; and

"**Specified Date**" means, in relation to any Offer, five Trading Days prior to the Final Acceptance Date.

12. **Undertakings**

(a) The Issuer undertakes to make or cause to be made an application for the Bonds to be admitted to listing and trading on a recognised, regularly operating, regulated or non-regulated stock exchange that requires the preparation of a prospectus, listing particulars or other equivalent listing document to grant such admission (the "**Admission**") prior to the first Interest Payment Date and to maintain such Admission for so long as any of the Bonds remain outstanding. If the Issuer is unable to maintain such Admission or if the maintenance of such Admission is unduly onerous or burdensome, the Issuer undertakes to use all reasonable endeavours to obtain and maintain a listing and/or admission to trading for the Bonds on another internationally recognised, regulated or non-regulated and regularly operating stock exchange, and the Issuer will forthwith give notice to the Bondholders in accordance with Condition 21 of the listing or delisting or the admission or cessation of admission to trading of the Bonds by or on any of such stock exchanges.

(b) The Issuer undertakes to obtain and/or maintain all applicable consents and approvals which are required for the performance of its obligations under the Bonds, the Trust Deed, the Pledge Agreement and the other Transaction Documents.

(c) Where these Conditions require or contemplate a sale of any property or assets to be made or procured to be made by the Issuer, the Issuer shall procure that the relevant sale is made as soon as reasonably practicable and in any event, if a payment calculated by reference to any such sale (including payment of the Realisation

Proceeds) is to be made pursuant to these Conditions, in such time to enable the relevant payment to be made by the time specified in these Conditions.

(d) If the appointment of an Independent Adviser is required by these Conditions or if these Conditions relate to any matter to be determined by an Independent Adviser, the Issuer shall procure that the relevant appointment is made as soon as practicable and, in any event, in time to enable the proper operation of the relevant provisions of these Conditions.

(e) Within 14 days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 21 (a "**Change of Control Notice**"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 13(*c*)(i).

The Change of Control Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the last practicable date prior to the publication of the Change of Control Notice;

(ii) the last day of the Change of Control Period;

(iii) the Change of Control Put Date; and

(iv) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether any such Change of Control or any event which could lead to such Change of Control has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(f) Within 14 days following the occurrence of a Shareholding Reduction Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 21 (a "**Shareholding Reduction Notice**"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 13(c)(ii).

The Shareholding Reduction Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the last practicable date prior to the publication of the Shareholding Reduction Notice;

(ii) the last day of the Shareholding Reduction Put Period;

(iii) the Shareholding Reduction Put Date; and

(iv) such other information relating to the Shareholding Reduction Event as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether any such Shareholding Reduction Event or any event which could lead to such Shareholding Reduction Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(g) Within 14 days following the occurrence of a Delisting Event the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 21 (a "**Delisting Event Notice**"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 13(c)(iii).

The Delisting Event Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the last practicable date prior to the publication of the Delisting Event Notice;

(ii) the last day of the Delisting Put Period; and

(iii) the Delisting Put Date.

The Trustee shall not be required to take any steps to ascertain whether any Delisting Event or any event which could lead to a Delisting Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure or delay by it to do so.

(h) Promptly after the publication of its audited accounts in respect of each financial period commencing with the financial period ending 31 December 2016 and in any event not later than 180 days after the end of each such financial period, the Issuer shall give notice to the Trustee and to the Bondholders in accordance with Condition 21 specifying the Net Financial Indebtedness and Shareholder Funds as at the end of each such financial period.

(i) Within 14 days following the occurrence of a Net Debt Trigger Event the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 21 (a "**Net Debt Trigger Event Notice**"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 13(c)(iv).

The Net Debt Trigger Event Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the last practicable date prior to the publication of the Net Debt Trigger Event Notice;

(ii) the last day of the Net Debt Trigger Put Period; and

(iii) the Net Debt Trigger Put Date.

The Trustee shall not be required to take any steps to ascertain whether any Net Debt Trigger Event or any event which could lead to a Net Debt Trigger Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure or delay by it to do so.

13. Redemption and Purchase

(a) *Final Redemption*

Unless previously exchanged, redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Final Maturity Date.

The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 13(*b*).

(b) *Redemption at the Option of the Issuer*

(i) *For tax reasons*

At any time the Issuer may, having given not less than 30 nor more than 45 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 21, redeem (subject as provided below) all but not some only of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest to the Tax Redemption Date, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 15 as a result of any change in, or amendment to, the laws or regulations of a Taxing Jurisdiction or therein, or any change in the application or interpretation or administration of such laws or regulations, which change or amendment becomes effective on or after 2 June 2016; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

At least 15 days prior to the publication of any Tax Redemption Notice, the Issuer shall deliver to the Trustee (a) a certificate signed by an Authorised Officer of the Issuer stating that the obligation referred to in (i)(A) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out above in which event it shall be conclusive and binding on the Trustee and the Bondholders.

Any Tax Redemption Notice shall be irrevocable. Any Tax Redemption Notice shall specify (i) the Tax Redemption Date, (ii) the last day on which Exchange Rights may be exercised by a Bondholder and (iii) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the most recent practicable date prior to the giving of the relevant Tax Redemption Notice.

On the Tax Redemption Date, the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued interest to such date.

If the Issuer gives a notice of redemption pursuant to this Condition 13(*b*)*(i)*, each Bondholder will have the right to elect that its Bonds shall not be redeemed and that the provisions of Condition 15 shall not apply in respect of any payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 15 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted by the Taxing Jurisdiction. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying and Exchange Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying and Exchange Agent and present the relevant Bonds together with all unmatured Coupons relating thereto on or before the day falling 10 days prior to the Tax Redemption Date.

(ii) *For other reasons*

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with accrued interest to the relevant date fixed for redemption:

(i) at any time on or after 1 July 2019 (the "**First Call Date**"), **provided that** the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of Bonds on each of not less than 20 Trading Days in any period of 30 consecutive Trading Days ending not earlier than the seventh Trading Day prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded €130,000, as verified by the Calculation Agent at the request of the Issuer; or

(ii) at any time if, prior to the date on which the relevant notice of redemption is given by the Issuer, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued.

In order to exercise such option, the Issuer shall give not less than 30 nor more than 45 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 21 specifying the date for redemption (the "**Optional Redemption Date**").

Any Optional Redemption Notice shall be irrevocable. Any Optional Redemption Notice shall specify (i) the Optional Redemption Date, (ii) the last day on which Exchange Rights may be exercised by a Bondholder and (iii) the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of the Bonds as at the most recent practicable date prior to the giving of the relevant Optional Redemption Notice.

On the Optional Redemption Date, the Issuer shall redeem the Bonds at their principal amount, together with accrued interest to the relevant Optional Redemption Date.

(c) ***Redemption at the Option of the Bondholders***

(i) *Redemption following a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond together with all unmatured Coupons relating thereto to the specified office of any Paying and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Exchange Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The Paying and Exchange Agent with which a Bond (including such related Coupons) is so deposited shall deliver a duly completed receipt for such Bond (and related Coupons) to the depositing Bondholder. For so long as any outstanding Bond (including such related Coupons) is held by a Paying and Exchange Agent in accordance with this Condition 13(c)(i), the depositor of such Bond (and related Coupons) and not such Paying and Exchange Agent shall be deemed to be the holder of such Bond (and related Coupons) for all purposes.

The "**Change of Control Put Date**" shall be the 14th calendar day after the expiry of the Change of Control Period (or if that is not a TARGET Business Day, the next following TARGET Business Day).

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(ii) *Redemption following a Shareholding Reduction Event*

Following the occurrence of a Shareholding Reduction Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Shareholding Reduction Event Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond together with all unmatured Coupons relating thereto to the specified office of any Paying and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Exchange Agent (a "**Shareholding Reduction Put Exercise Notice**"), at any time during the Shareholding Reduction Put Period. The Paying and Exchange Agent with which a Bond (including such related Coupons) is so deposited shall deliver a duly completed receipt for such Bond (and related Coupons) to the depositing Bondholder. For so long as any outstanding Bond (including such related Coupons) is held by a Paying and Exchange Agent in accordance with this Condition 13(c)(ii), the depositor of such Bond (and related Coupons) and not such Paying and Exchange Agent shall be deemed to be the holder of such Bond (and related Coupons) for all purposes.

The "**Shareholding Reduction Put Date**" shall be the 14th calendar day after the expiry of the Shareholding Reduction Put Period (or if that is not a TARGET Business Day, the next following TARGET Business Day).

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Shareholding Reduction Put Exercise Notice.

A Shareholding Reduction Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Shareholding Reduction Put Exercise Notices delivered as aforesaid on the Shareholding Reduction Put Date.

(iii) *Redemption following a Delisting Event*

Following the occurrence of a Delisting Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Delisting Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond together with all unmatured Coupons relating thereto to the specified office of any Paying and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Exchange Agent (a "**Delisting Put Exercise Notice**"), at any time during the Delisting Put Period. The Paying and Exchange Agent with which a Bond (including such related Coupons) is so deposited shall deliver a duly completed receipt for such Bond (and related Coupons) to the depositing Bondholder. For so long as any outstanding Bond (including such related Coupons) is held by a Paying and Exchange Agent in accordance with this Condition 13(c)(iii), the depositor of such Bond (and related Coupons) and not such Paying and Exchange Agent shall be deemed to be the holder of such Bond (and related Coupons) for all purposes.

The "**Delisting Put Date**" shall be the 14^{th} calendar day after the expiry of the Delisting Put Period (or if that is not a TARGET Business Day, the next following TARGET Business Day).

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Delisting Put Exercise Notice.

A Delisting Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Delisting Put Exercise Notices delivered as aforesaid on the Delisting Put Date.

(iv) *Redemption following a Net Debt Trigger Event*

Following the occurrence of a Net Debt Trigger Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Net Debt Trigger Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond together with all unmatured Coupons relating thereto to the specified office of any Paying and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Exchange Agent (a "**Net Debt Trigger Put Exercise Notice**"), at any time during the Net

Debt Trigger Put Period. The Paying and Exchange Agent with which a Bond (including such related Coupons) is so deposited shall deliver a duly completed receipt for such Bond (and related Coupons) to the depositing Bondholder. For so long as any outstanding Bond (including such related Coupons) is held by a Paying and Exchange Agent in accordance with this Condition 13(c)(iv), the depositor of such Bond (and related Coupons) and not such Paying and Exchange Agent shall be deemed to be the holder of such Bond (and related Coupons) for all purposes.

The "**Net Debt Trigger Put Date**" shall be the 14th calendar day after the expiry of the Net Debt Trigger Put Period (or if that is not a TARGET Business Day, the next following TARGET Business Day).

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Net Debt Trigger Put Exercise Notice.

A Net Debt Trigger Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Net Debt Trigger Put Exercise Notices delivered as aforesaid on the Net Debt Trigger Put Date.

In accordance with the Irish Industrial and Provident Societies Acts 1893-2014, the Rules constituting the Issuer contain a limit on the board of directors' power to borrow. The aggregate amount of all monies borrowed by the Issuer may not exceed one and one half times the total of its Shareholder Funds (total share capital, capital reserves, revenue reserves, loan stock, investment stock, capital grants and minority interests as set out in the latest audited consolidated balance sheet of the Issuer and its Subsidiaries). Although the Bonds are issued within the permitted borrowing limits, it is uncertain whether a valid challenge could be made if the borrowing limits were breached in the future and there is no Irish case law on this matter. Therefore, the Net Debt Trigger Event put option in favour of Bondholders is set out above and will be exercisable in the event that the Net Financial Indebtedness exceeds the lesser of (i) EUR 400,000,000 and (ii) one times the total of the its shareholder funds as set out in its latest audited financial statements. As at 2 January 2016, the Issuer's Shareholder Funds were EUR 1,249.206 million and the Net Financial Indebtedness (adjusted to include the issue of the Bonds) was EUR 7.274 million.

(d) ***Multiple Notices***

If more than one notice of redemption is given pursuant to this Condition 13, the first of such notices to be given shall prevail.

(e) ***Purchase***

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price, **provided that** all unmatured Coupons are purchased therewith.

(f) ***Cancellation***

Bonds (together with any unmatured Coupons relating thereto) purchased by the Issuer or any such Subsidiaries may be held, re-issued or sold or cancelled. All Bonds redeemed or exchanged and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

14. Payments

(a) *Principal and Interest*

Payment of principal in respect of the Bonds (other than pursuant to Condition 13(*c*)), and, subject to Condition 14(c) below, payment of accrued interest payable on a redemption of the Bonds (other than pursuant to Condition 13(*c*)) and payment of any interest due on an Interest Payment Date in respect of the Bonds, will be made only against presentation and (**provided that** payment is made in full) surrender of Bonds and/or appropriate Coupons, as the case may be, at the Specified Office of any Paying and Exchange Agent outside the United States.

Payment of all other amounts will be made as provided in these Conditions.

(b) *Method of Payment*

Each payment referred to in Condition 14(*a*) will be made in euro by transfer to a euro account (or other account to which euro may be credited or transferred) maintained with a bank in a city in which banks have access to the TARGET System specified by the relevant Bondholder.

(c) *Payments other than in respect of matured Coupons*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying and Exchange Agent outside the United States.

(d) *Agents*

The names of the initial Paying and Exchange Agents and their initial specified offices are set out below. The Issuer reserves the right under the Agency Agreement at any time with the prior written approval of the Trustee to remove any Paying and Exchange Agent, and to appoint other or further Paying and Exchange Agents, **provided that** it will at all times maintain Paying and Exchange Agents having specified offices in any place required by the rules of any relevant stock exchange if and for so long as the Bonds are listed or admitted to trading on any stock exchange or admitted to listing by any other relevant authority for which the rules require the appointment of a Paying and Exchange Agent in any particular place. Notice of any such removal or appointment and of any change in the specified office of any Paying and Exchange Agent will be given as soon as practicable to Bondholders by the Issuer in accordance with Condition 21.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 15 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any official interpretations thereof, or (without prejudice to the provisions of Condition 15) any law implementing an intergovernmental approach to them. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(f) *Fractions*

When making payments to Bondholders or Couponholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest such unit.

(g) *Delay in payment*

Bondholders and Couponholders will be entitled to present a Bond or Coupon on a business day that falls on or after the relevant due date for payment but will not be entitled to any further interest or other payment for any delay after the due date in receiving any amount due:

(i) as a result of the due date not being a business day; or

(ii) if the relevant Bondholder or Couponholder presents the relevant Bond or Coupon after the due date.

In this Condition 14(g) "**business day**" means a day (other than a Saturday or Sunday) which is a TARGET Business Day and a business day in the place of the specified office of the Paying and Exchange Agent at which the relevant Bond or Coupon is presented.

(h) ***Deduction for unmatured Coupons***

If a Bond is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 14(a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void Coupons.

15. Taxation

All payments in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Bondholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any payment in respect of any Bond or Coupon:

(a) to, or to a third party on behalf of, a Bondholder or Couponholder, as the case may be, who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of the Bond or Coupon or the receipt of the relevant payment; or

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the Bondholder or Couponholder, as the case may be, would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) presented for payment by or on behalf of a Bondholder or Couponholder, as the case may be, who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying and Exchange Agent in a Member State of the European Union.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 15 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 13(*b*)(i).

16. Events of Default

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested in writing by holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (**provided in each case that**, the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at the Relevant Amount:

(a) ***Non-Performance***: a default is made for more than 7 days (in the case of interest) or 7 days (in the case of principal or a Cash Alternative Amount or any other amount payable in respect of any Bond) in the payment on the due date of any interest, principal, Cash Alternative Amount or any other amount, as the case may be, in respect of any of the Bonds or there is a failure for more than 14 days in the delivery of any Exchange Property or Additional Exchange Property, as the case may be, (as and when such Exchange Property or Additional Exchange Property is required to be delivered in accordance with these Conditions) or of the performance by the Issuer of any of its other obligations in respect of the exercise of Exchange Rights in relation to any of the Bonds; or

(b) ***Breach of Other Obligations***: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds, the Trust Deed or the Pledge Agreement, which default (i) is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee and (ii) has been certified in writing by the Trustee to be materially prejudicial to the interest of Bondholders; or

(c) ***Cross-Acceleration***: (i) any other Financial Indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness, **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 16(c) have occurred equals or exceeds €5,000,000 or its equivalent in another currency;

(d) ***Enforcement Proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days; or

(e) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Relevant Subsidiaries **provided that**, in the case of a Relevant Subsidiary only, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of Bondholders; or

(f) ***Insolvency, etc.***: (i) the Issuer or any of its Relevant Subsidiaries is unable to pay its debts as they fall due, (ii) an examiner or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Relevant Subsidiaries or the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Relevant Subsidiaries, (iii) the Issuer or any of its Relevant Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Relevant Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Relevant Subsidiary of the Issuer, (x) where all or substantially all of the undertaking and assets of such Relevant Subsidiary are transferred to or otherwise vested in the Issuer or another of the Issuer's Subsidiary, (y) where all or substantially all of the undertaking and assets of such Relevant Subsidiary are transferred to a third party for full consideration on an arms' length basis; or (z) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) **provided that**, for each of (i) to (iv) above, in the case of a Relevant Subsidiary only, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of Bondholders; or

(g) ***Winding up, etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Relevant Subsidiaries (otherwise than, in the case of a Relevant Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) **provided that**, in the case of a Relevant Subsidiary only, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of Bondholders; or

(h) ***Illegality***: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed or the Pledge Agreement **provided that**, other than in relation to the obligations mentioned in Condition 16(a) above, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of Bondholders; or

(i) ***Analogous Events***: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 18.

"**Relevant Amount**" means, in respect of each €100,000 principal amount of Bonds, an amount equal to such principal amount, together with accrued interest thereon, save that if the relevant Event of Default occurs as a result of or in connection with a failure by the Issuer to comply with any of its obligations in relation to the exercise of Exchange Rights, it means an amount equal to the higher of:

(i) the Value of the *pro rata* share of the Exchange Property and any other amounts which would have been payable and/or deliverable on exchange in respect of such principal amount of Bonds had the date of such declaration been the Exchange Date; and

(ii) such principal amount, together with accrued but unpaid interest.

References in these Conditions and the Trust Deed to the principal amount of the Bonds shall, other than in Condition 8 and unless the context otherwise requires, include the Relevant Amount.

17. Prescription

Claims in respect of the principal amount or interest on Bonds will become void unless made within ten (10) years (in the case of the principal amount) and five (5) years (in the case of interest) from the appropriate Relevant Date in respect thereof.

Claims in respect of any other amounts payable in respect of the Bonds will become void unless made within ten (10) years following the due date for payment thereof.

18. Meetings of Bondholders, Modification and Waiver, Substitution

(a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or any Transaction Document. Such a meeting may be convened by the Issuer or the Trustee (subject, in the case of the Trustee, to being indemnified and/or secured and/or prefunded to its satisfaction) and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 15 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date or the First Call Date (other than deferring the First Call Date) or any date for the payment of interest in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds or (iii) to modify or cancel the Exchange Rights, (iv) to change the currency of any payment in respect of the Bonds, (v) to change the governing law of the Bonds or any Transaction Document (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 18(c)), (vi) to modify the terms of the Transaction Documents relating to the Security (unless such modification is expressly contemplated by the Transaction Documents) and (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing in the aggregate not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any

Extraordinary Resolution duly passed shall be binding on Bondholders and Couponholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of Bonds outstanding (a "**Written Resolution**"), or (ii) where the Bonds are held on or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. aggregate in principal amount of Bonds outstanding ("**Electronic Consent**"), shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a Written Resolution and/or Electronic Consent will be binding on all Bondholders and Couponholders whether or not they participated in such Written Resolution or Electronic Consent. A Written Resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more holders.

(b) ***Modification and Waiver***

The Trustee may agree, without the consent of the Bondholders or the Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any other Transaction Document or the Bonds or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to the Trust Deed or any other Transaction Document or the Bonds or these Conditions (except as mentioned in the Trust Deed), and (subject as provided in the Trust Deed) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, or any other Transaction Document or the Bonds or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders or the Couponholders, determine any Event of Default or Potential Event of Default should not be treated as such, **provided that** in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, such modification shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 21.

(c) ***Substitution***

The Trustee may, without the consent of the Bondholders or the Couponholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, (b) the Bonds remaining secured in the manner set out in these Conditions and the Transaction Documents or failing which, such other security being put in place as is acceptable to the Trustee, and (c) the Bonds continuing to be exchangeable for Exchange Property as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate **provided that** in any such case, (x) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or the Couponholders, to a change of the law governing the Bonds and/or any Transaction Document **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and the Couponholders and shall be notified promptly to the Bondholders in accordance with Condition 21. By subscribing to, acquiring or otherwise purchasing the Bonds, the holders of the Bonds are expressly deemed to have consented to the substitution of the Issuer by a new issuer and to the release of the Issuer from any and all obligations in respect of the Bonds and all relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof, subject to and as provided in the Trust Deed and these Conditions.

(d) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its rights, trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

19. **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps, actions or proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds and/or any other Transaction Document, but it shall not be bound to take any such steps, actions or proceedings or any other action in relation to the Trust Deed or any other Transaction Document or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

20. **The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely and act without liability to Bondholders or Couponholders on a report, confirmation, certificate, opinion, information or any advice of any accountants, financial advisers or investment bank or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be entitled to rely and act (without liability) on any such report, confirmation, certificate, opinion, information or advice where the Issuer procures delivery of the same pursuant to its obligation to do so under any provision of these Conditions or the Trust Deed and such report, confirmation, certificate, opinion, information or advice shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders in the absence of manifest error.

The Trustee has no responsibility for delivery of Exchange Property to Bondholders nor for the validity or value of the Security, Exchange Property nor for any insufficiency of the Exchange Property resulting from the Trustee or the Issuer being liable for tax in respect of the Exchange Property.

The Trustee shall not be responsible for loss, diminution in value or theft of all or part of the Exchange Property.

The Trustee shall not be responsible for monitoring or supervising the performance by the Custodian or any agent of the Issuer of their respective functions, duties and obligations under the Transaction Documents or otherwise. The Trustee shall not be liable to any person for any loss occasioned by any act or omission of the Custodian or any agent of the Issuer.

21. Notices

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of first publication.

The Issuer shall send a copy of all notices given by it to Bondholders pursuant to these Conditions simultaneously to the Calculation Agent.

Notwithstanding the above, so long as the Bonds are represented by a global Bond deposited with a common depository for Euroclear, Clearstream Luxembourg and/or any other relevant clearing system, notices to Bondholders shall be given by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system as the case may be.

22. Replacement of Bonds and Coupons

If any Bond or Coupon is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Principal Paying and Exchange Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Principal Paying and Exchange Agent may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

23. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

24. Governing Law and Jurisdiction

(a) *Governing law*

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by English law. The Pledge Agreement is governed by Irish law.

(b) *Jurisdiction*

The courts of England are to have exclusive jurisdiction to settle any disputes (a "**Dispute**") which may arise out of or in connection with the Trust Deed or the Bonds (including a dispute relating to any non-contractual obligation arising out of or in connection with the Trust Deed or the Bonds or a dispute regarding the existence, validity or termination of the Trust Deed or the Bonds or the consequences of their nullity). The Issuer has agreed in the Trust Deed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. Notwithstanding the above, the Trustee and each of the Bondholders may take proceedings relating to a Dispute ("**Proceedings**") in any other court of competent jurisdiction and, to the extent allowed by law, the Trustee and each of the Bondholders may take Proceedings in any number of jurisdictions (whether concurrently or not).

(c) *Agent for Service of Process*

The Issuer has irrevocably appointed Glanbia (UK) Limited at its registered office for the time being, currently at One Victoria Square, Birmingham B1 1BD as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in England or elsewhere in any other manner permitted by law.

GENERAL INFORMATION

Application has been made to the Irish Stock Exchange for the €100,000,000 1.375 per cent. Secured Exchangeable Bonds due 9 June 2021 issued by the Issuer to be admitted to listing and trading on the Global Exchange Market (the "**GEM**") which is the exchange regulated market of the Irish Stock Exchange. The GEM is not a regulated market for the purposes of Directive 2004/39/EC.

Admission to listing and trading on the Global Exchange Market of the Irish Stock Exchange is expected to become effective on 1 December 2016.

There has been no significant change in the financial or trading position of the Issuer since 2 January 2016, being the date of the Issuer's last published financial statements.

The Issuer does not anticipate that an active secondary market will develop in the Bonds. No application has been made for the listing of the Bonds on any other stock exchange.

Information relating to the performance of the PLC's shares (which are listed on the Main Securities Market of the Irish Stock Exchange) can be obtained from the PLC's annual reports.

The Ordinary Shares are listed on the regulated market of the Irish Stock Exchange under the symbol "GLB". As of 31 October 2016, the average daily trading volume (in terms of value) of all order book trading on the Irish Stock Exchange was €255,600. Price and trading information is available on the Irish Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the Irish Stock Exchange's website and in the Irish Stock Exchange's Daily Official List. The ISIN of the Ordinary Shares is IE0000669501.

The principal market for the Ordinary Shares (Bloomberg ticker: GLB/:LN) is the EEA regulated market of the London Stock Exchange plc (which was founded in 1801 and, for the purposes of which, the UK Financial Conduct Authority is the competent authority), and information about past and further performance of the Ordinary Shares, daily trading volumes and their historical and daily volatility can be obtained from Bloomberg GLB/ LN Equity. The London Stock Exchange plc reported its average daily trading volume to be 1,015,948 trades per day for the month of October 2016.

Information relating to the past performance of the PLC's shares can be obtained from http://www.londonstockexchange.com and http://www.ise.ie. Information relating to the PLC's shares' projected future performance can be obtained from https://www.glanbia.com/investors/results-reports-presentations/results-releases/2016.

The Issuer is owned by its members who number more than 16,000. No single member acting alone or with its nominees has the ability to direct the operations of the Issuer.

Neither the admission of the Bonds to the Global Exchange Market of the Irish Stock Exchange, nor the approval of the Listing Particulars shall constitute a warranty or representation by the Irish Stock Exchange as to the competence of service providers to or any other party connected with the Issuer, the adequacy of information contained in these Listing Particulars or the suitability of the Issuer for investment purposes.

The Bonds have the ISIN IE00BDDN2224.

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last twelve months, which may have, or have had in the recent past significant effects on the Issuer's financial position or profitability.

Save as disclosed in these Listing Particulars, there has been no material adverse change in the prospects of the Issuer since the date of it last audited financial statements (2 January 2016).

The Issuer is not aware of any potential conflicts of interest between the duties to the Issuer of the persons listed under "Directors of the Issuer" above and their private interests or other duties.

Any websites referred to herein do not form part of this Listing Particulars.

Any information sourced from third parties contained in this Listing Particulars has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. All sources have been cited where used.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Bonds and is not itself seeking admission of the Bonds to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

For so long as the Bonds are listed on the Global Exchange Market of the Irish Stock Exchange, copies of the following items will be available in physical form at the offices of the Issuer (whose address is set out in the Directory) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- these Listing Particulars;
- the Trust Deed;
- the annual reports including the audited annual accounts of the Issuer for the periods ending 3 January 2015 and 2 January 2016; and
- a copy of the constitutional documents of the Issuer.

<table>
<tr><td colspan="2" align="center">DIRECTORY</td></tr>
<tr><td colspan="2" align="center">THE ISSUER
Glanbia Co-Operative Society Limited
Glanbia House
Kilkenny
Ireland</td></tr>
<tr><td colspan="2" align="center">PRINCIPAL PAYING AND EXCHANGE AGENT
BNP Paribas Securities Services, Luxembourg Branch
60, avenue J.F. Kennedy
L-1855 Luxembourg</td></tr>
<tr><td align="center">IRISH LEGAL COUNSEL TO THE ISSUER
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland</td><td align="center">IRISH LISTING AGENT
Arthur Cox Listing Services
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland</td></tr>
<tr><td align="center">TRUSTEE
BNP Paribas Trust Corporation UK Limited
55 Moorgate
London EC2R 6PA
United Kingdom</td><td align="center">AUDITORS TO THE ISSUER
PricewaterhouseCoopers
Ballycar House
Newtown
Waterford
Ireland</td></tr>
</table>

SCHEDULE 1 – ISSUER ANNUAL ACCOUNTS

Schedule 1(a)
Audited Financial Statements for the period ending 2 January 2016

Glanbia Co-operative Society Limited

Consolidated financial statements for the financial year ended 02 January 2016

glanbia

Glanbia Co-operative Society Limited

Consolidated financial statements for the financial year ended 02 January 2016

glanbia

Financial Statement Contents

Independent auditors' report to the members of Glanbia Co-operative Society Limited

Our opinion
In our opinion, Glanbia Co-operative Society Limited's Group Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Group's affairs as at 02 January 2016 and of its profit and cash flows for the year then ended; and
- have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited
The Financial Statements comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group statement of changes in equity;
- the Group balance sheet as at 02 January 2016;
- the Group cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group's Financial Statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In applying the financial reporting framework, the Committee of Management have made a number of subjective judgements, for example in respect of significant accounting estimates. The Committee of Management are herein after referred to as Directors. In making such estimates, they have made assumptions and considered future events.

Matter on which we are required to report by the Industrial and Provident Societies Act

As required by section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the parent society balance sheet showing the receipts and expenditure, funds and effects of the society, and verified the same with the books, deeds, documents, accounts and vouchers relating thereto, and found them to be correct, duly vouched, and in accordance with law.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 67, the Directors are responsible for the preparation of the Financial Statements giving a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with section 13 of the Industrial and Provident Societies Act, 1893 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of Financial Statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Waterford, Ireland

06 April 2016

Group income statement

for the financial year ended 02 January 2016

	Notes	Pre-exceptional 2015 €'000	Exceptional 2015 €'000 (note 5)	Total 2015 €'000	Pre-exceptional 2014 €'000	Exceptional 2014 €'000 (note 5)	Total 2014 €'000
Revenue		3,627,811	–	3,627,811	3,415,881	–	3,415,881
Earnings before interest, tax and amortisation (EBITA)		306,185	(29,452)	276,733	241,179	(15,949)	225,230
Intangible asset amortisation	4	(32,318)	–	(32,318)	(23,487)	–	(23,487)
Operating profit		273,867	(29,452)	244,415	217,692	(15,949)	201,743
Finance income	7	2,005	–	2,005	1,764	–	1,764
Finance costs	7	(26,618)	–	(26,618)	(26,532)	–	(26,532)
Share of results of Joint Ventures & Associates		14,583	–	14,583	13,289	–	13,289
Profit before taxation		263,837	(29,452)	234,385	206,213	(15,949)	190,264
Income taxes	8	(40,930)	2,543	(38,387)	(31,751)	1,870	(29,881)
Profit for the year		222,907	(26,909)	195,998	174,462	(14,079)	160,383
Attributable to:							
Equity holders of the Parent				84,381			73,427
Non-controlling interests	21			111,617			86,956
				195,998			160,383

On behalf of the Board
H Corbally S Talbot Mn Keane
Directors

Group statement of comprehensive income

for the financial year ended 02 January 2016

	Notes	2015 €'000	2014 €'000
Profit for the year		**195,998**	160,383
Other comprehensive income/(expense)			
Items that are reclassified subsequently to the Group income statement:			
Remeasurements - defined benefit schemes	25	**33,681**	(65,334)
Deferred tax (charge)/credit on remeasurements	24	**(3,909)**	7,681
Share of remeasurements - Joint Ventures & Associates	20	**(393)**	(312)
Deferred tax (charge)/credit on remeasurement - Joint Ventures & Associates	20	**(31)**	42
Items that may be reclassified subsequently to the Group income statement			
Currency translation differences	18	**91,102**	97,805
Net investment hedge	18	**(8,684)**	(9,544)
Recycle of currency reserve to the Group income statement on disposal of investment in Joint Venture	18	**5,037**	–
Revaluation of available for sale financial assets - gain in year	18	**1,673**	1,857
Fair value movements on cash flow hedges	18	**44**	(1,532)
Deferred tax on cash flow hedges and revaluation of available for sale financial assets	24	**(514)**	14
Equity adjustment arising on the sale of Glanbia plc shares		**55,083**	–
Other comprehensive income for the year, net of tax		**173,089**	30,677
Total comprehensive income for the year		**369,087**	191,060
Total comprehensive income attributable to:			
Equity holders of the parent		**191,680**	78,453
Non-controlling interests		**177,407**	112,607
Total comprehensive income for the year		**369,087**	191,060

Group balance sheet

as at 02 January 2016

	Notes	2015 €'000	2014 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**942,950**	794,522
Intangible assets	11	**962,290**	671,559
Investments in Associates	12	**7,063**	11,401
Investments in Joint Ventures	13	**64,513**	73,679
Trade and other receivables	15	**1,850**	9,863
Deferred tax assets	24	**43,556**	36,959
Available for sale financial assets	14	**16,054**	14,555
		2,038,276	1,612,538
Current assets			
Inventories	16	**484,915**	465,138
Trade and other receivables	15	**459,650**	392,521
Derivative financial instruments	29	**562**	1,279
Cash and cash equivalents	17	**230,008**	142,361
		1,175,135	1,001,299
Total assets		**3,213,411**	2,613,837
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	19	**46,217**	42,018
Other reserves	18	**157,814**	118,707
Retained earnings	20	**362,319**	282,663
		566,350	443,388
Non-controlling interests	21	**682,856**	477,266
Total equity		**1,249,206**	920,654
LIABILITIES			
Non-current liabilities			
Borrowings	23	**910,693**	785,583
Derivative financial instruments	29	**584**	583
Deferred tax liabilities	24	**213,783**	135,781
Retirement benefit obligations	25	**128,785**	170,984
Provisions	26	**49,274**	34,296
Capital grants	27	**23,216**	20,786
		1,326,335	1,148,013
Current liabilities			
Trade and other payables	28	**542,944**	499,141
Current tax liabilities		**18,969**	3,115
Borrowings	23	**52,028**	11,776
Derivative financial instruments	29	**2,455**	2,030
Provisions	26	**19,480**	29,108
Capital grants	27	**1,994**	–
		637,870	545,170
Total liabilities		**1,964,205**	1,693,183
Total equity and liabilities		**3,213,411**	**2,613,837**

On behalf of the Board
H Corbally S Talbot Mn Keane

Group statement of changes in equity

for the financial year ended 02 January 2016

	Attributable to Equity holders of the Parent					
	Share capital and share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total €'000
	(note 19)	(note 18)	(note 20)		(note 21)	
Balance at 03 January 2015	42,018	118,707	282,663	443,388	477,266	920,654
Profit for the year	–	–	84,381	84,381	111,617	195,998
Other comprehensive income/(expense)						
Remeasurement – defined benefit schemes	–	–	33,681	33,681	–	33,681
Deferred tax on remeasurement	–	–	(3,909)	(3,909)	–	(3,909)
Share of remeasurement – Joint Ventures & Associates (net of tax)	–	–	(424)	(424)	–	(424)
Fair value movements	–	1,717	–	1,717	–	1,717
Deferred tax on fair value movements	–	(514)	–	(514)	–	(514)
Currency translation differences	–	91,102	–	91,102	–	91,102
Recycle of currency reserve to the Group income statement on disposal of investment in Joint Venture	–	5,037	–	5,037	–	5,037
Net investment hedge	–	(8,684)	–	(8,684)	–	(8,684)
Equity adjustment arising on sale of Glanbia plc shares	–	–	55,083	55,083	12,316	67,399
	–	88,658	168,812	257,470	123,933	381,403
Dividend paid during the year	–	–	–	–	(21,037)	(21,037)
Ordinary share interest paid to Society shareholders	–	–	(4,197)	(4,197)	–	(4,197)
Distribution paid to Society shareholders	–	–	(36,748)	(36,748)	–	(36,748)
Cost of share based payments	–	8,724	–	8,724	–	8,724
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	4,078	(4,078)	–	–	–
Deferred tax credit on share based payment	–	–	1,728	1,728	–	1,728
Cancellation of Society shares arising on spin out	(3,222)	3,222	–	–	–	–
Shares issued	1,484	–	–	1,484	–	1,484
Purchase of Glanbia plc own shares	–	(13,351)	–	(13,351)	–	(13,351)
Premium on shares issued	5,937	–	–	5,937	–	5,937
Equity adjustment arising on issue of Glanbia plc shares	–	–	261	261	–	261
Equity adjustment arising on the spin out of Glanbia plc shares	–	–	(34,294)	(34,294)	34,294	–
Transfer to non-controlling interests	–	(52,224)	(11,828)	(64,052)	64,052	–
Increase in non-controlling interests	–	–	–	–	4,348	4,348
Balance at 02 January 2016	46,217	157,814	362,319	566,350	682,856	1,249,206

	Attributable to Equity holders of the Parent					
	Share capital and share premium €'000	**Other reserves €'000**	**Retained earnings €'000**	**Total €'000**	**Non-controlling interests €'000**	**Total €'000**
	(note 19)	(note 18)	(note 20)		(note 21)	
Balance at 04 January 2014	42,075	81,573	246,114	369,762	382,975	752,737
Profit for the year	–	–	73,427	73,427	86,956	160,383
Other comprehensive income/(expense)						
Remeasurement – defined benefit schemes	–	–	(65,334)	(65,334)	–	(65,334)
Deferred tax on remeasurement	–	–	7,681	7,681	–	7,681
Share of remeasurement – Joint Ventures & Associates (net of tax)	–	–	(270)	(270)	–	(270)
Fair value movements	–	325	–	325	–	325
Deferred tax on fair value movements	–	14	–	14	–	14
Currency translation differences	–	97,805	–	97,805	–	97,805
Net investment hedge	–	(9,544)	–	(9,544)	–	(9,544)
	–	88,600	15,504	104,104	86,956	191,060
Dividend paid during the year	–	–	–	–	(18,700)	(18,700)
Ordinary share interest paid to Society shareholders	–	–	(3,416)	(3,416)	–	(3,416)
Distribution paid to Society shareholders	–	–	(1,369)	(1,369)	–	(1,369)
Cost of share based payments	–	5,516	–	5,516	–	5,516
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	4,361	(4,361)	–	–	–
Deferred tax credit on share based payment	–	–	272	272	–	272
Cancellation of Society shares arising on spin out	(57)	57	–	–	–	–
Purchase of Glanbia plc own shares	–	(7,981)	–	(7,981)	–	(7,981)
Equity adjustment arising on the spin out of Glanbia plc shares	–	–	(89)	(89)	–	(89)
Sale of shares held by subsidiary	–	–	2,092	2,092	–	2,092
Transfer to non-controlling interests	–	(53,419)	27,916	(25,503)	25,503	–
Increase in non-controlling interests	–	–	–	–	532	532
Balance at 03 January 2015	42,018	118,707	282,663	443,388	477,266	920,654

Group statement of cash flows

for the financial year ended 02 January 2016

	Notes	2015 €'000	2014 €'000
Cash flows from operating activities			
Cash generated from operating activities	32	332,626	266,799
Interest received		2,072	1,722
Interest paid		(29,777)	(24,677)
Tax paid		(11,162)	(42,095)
Net cash inflow from operating activities		293,759	201,749
Cash flows from investing activities			
Acquisition of subsidiaries - purchase consideration	34	(195,579)	(133,916)
Acquisition of subsidiaries - liabilities settled at completion	34	(1,296)	(16,138)
Acquisition of subsidiaries - cash and cash equivalents acquired	34	6,991	6,166
Transfer from associate to subsidiary - cash and cash equivalents acquired		597	–
Payment of deferred consideration on acquisition of subsidiaries		(2,592)	–
Disposal of investment in Joint Venture		28,516	–
Capital grants received	27	6,100	5,400
Insurance proceeds		–	1,035
Purchase of property, plant and equipment		(176,801)	(234,582)
Purchase of intangible assets		(22,183)	(19,174)
Interest paid in relation to property, plant and equipment		(7,303)	(4,297)
Dividends received from Joint Ventures and Associates	12/13	14,924	12,648
Net redemption and additions in available for sale financial assets		1,222	334
Proceeds from property, plant and equipment		428	63
Net cash outflow from investing activities		(346,976)	(382,461)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	19	3,363	–
Sale of shares held by subsidiary	20	–	2,092
Purchase of Glanbia plc shares	18	(13,351)	(7,981)
Proceeds from sale of Glanbia plc shares held by Society		67,400	–
Increase in borrowings		81,523	239,473
Redemption of preference shares		–	(39,062)
Finance lease payments		(1,210)	1,090
Distribution paid to Society's shareholders	9	(36,748)	(1,369)
Ordinary share interest paid to Society's shareholders		(3,979)	(2,346)
Dividend paid to non-controlling interests	21	(21,037)	(18,700)
Revolving share plan - purchase of C shares		–	(23,747)
Revolving share plan - issue of shares		14,004	8,355
Net cash inflow from financing activities		89,965	157,805
Net increase/(decrease) in cash and cash equivalents		36,748	(22,907)
Cash and cash equivalents at the beginning of the year		142,361	156,556
Effects of exchange rate changes on cash and cash equivalents		7,703	8,712
Cash and cash equivalents at the end of the year	17	186,812	142,361

	Notes	2015 €'000	2014 €'000
Reconciliation of net cash flow to movement in net debt			
Net increase/(decrease) in cash and cash equivalents		36,748	(22,907)
Cash movements from debt financing		(80,313)	(201,501)
Acquisition of subsidiaries - debt acquired		(327)	(1,401)
		(43,892)	(225,809)
Exchange translation adjustment on currency swaps		1,107	(453)
Exchange translation adjustment on net debt		(34,930)	(30,597)
Movement in net debt in the year		(77,715)	(256,859)
Net debt at the beginning of the year		(654,998)	(398,139)
Net debt at the end of the year		(732,713)	(654,998)
Net debt comprises:			
Borrowings	23	(919,525)	(797,359)
Cash and cash equivalents	17	186,812	142,361
		(732,713)	(654,998)

Notes to the financial statements

for the financial year ended 02 January 2016

1. General information

Glanbia Co-operative Society Limited (the "Society") and its subsidiaries (together the "Group") is a leading global nutrition group with its main operations in Europe, USA, Middle East, Asia Pacific and Latin America.

The Society is domiciled in Ireland and the address of its registered office is Glanbia House, Kilkenny, Ireland.

These consolidated financial statements have been approved for issue by the Board of Directors on 06 April 2016.

2. Summary of significant accounting polices

New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the Group during the year ended 02 January 2016 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 the Financial Statements are set out below.

These policies have been consistently applied to all years presented, by the Society, its subsidiaries and Joint Ventures & Associates unless otherwise stated.

(a) Basis of preparation

The consolidated Financial Statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations as applied in accordance with the provisions of the Industrial and Provident Societies Act 1893 to 2014.

The consolidated Financial Statements have also been prepared in accordance with IFRS as adopted by the European Union (EU) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The consolidated Financial Statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

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, derivative financial instruments, share-based payments and retirement benefit obligations. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of the consolidated 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 consolidated 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 the 52-week period ended 02 January 2016. Comparatives are for the 52-week period ended 03 January 2015. The balance sheets for 2015 and 2014 have been drawn up as at 02 January 2016 and 03 January 2015 respectively.

Going Concern

After making enquiries the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated Financial Statements incorporate the Financial Statements of the Society and entities controlled by it (its subsidiaries). Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Society, together with its subsidiaries, holds 36.5% of the issued share capital of Glanbia plc. The Board of Directors of Glanbia plc for the year ended 02 January 2016 is comprised of 22 members, of which up to 14 are nominated by the Society. The number of members the Society may nominate to the Board will reduce to 10 members in 2016. In accordance with IFRS 10 'Consolidated Financial Statements', the Society controls the Group and is the ultimate parent of the Group.

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.

Inter-company transactions, balances and unrealised gains and losses, unless they provide an indicator of impairment, between Group companies are eliminated.

(ii) Joint Ventures

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be Joint Ventures. Investments in Joint Ventures are accounted for using the equity method of accounting.

(iii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in Associates are accounted for using the equity method of accounting.

(iv) Equity method of accounting - Joint Ventures & Associates

Under the equity method of accounting, investments in Joint Ventures & Associates are initially recognised at cost.

The Group's share of Joint Ventures & Associates' post acquisition profits or losses after tax are recognised in the "Share of results of Joint Ventures & Associates" in the Group income statement.

The Group's share of Joint Ventures & Associates post acquisition movement in reserves is recognised in other comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment less any impairment in value. Where indicators of impairment arise, the carrying amount of the Joint Venture or Associate is tested for impairment by comparing its recoverable amount against its carrying value.

Unrealised gains arising from transactions with Joint Ventures & Associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment.

When the Group's share of losses in a Joint Venture or Associate equals or exceeds its interest in the Joint Venture or Associate the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the Joint Venture or Associate.

When the Group ceases to have joint control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when joint control or significant influence is lost with the change in carrying amount recognised in the income statement. The Group also reclassifies any movements previously recognised in other comprehensive income to the income statement.

(v) Business combinations
The Group uses the acquisition method of accounting to account for business combinations.

The acquisition date is deemed to be the date the Group gained control of the entity.

The cost of the acquisition is measured at the aggregate of the fair value of the consideration given.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Upon acquisition, the Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition-related costs are expensed as incurred in the income statement.

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.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the net identifiable assets acquired and liabilities assumed. 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

(vi) Discontinued operations and non-current assets held for sale
Discontinued operations and non-current assets held for sale are defined as follows: a component of an entity that either has been disposed of, abandoned or is classified as held for sale and:

- represents a separate major line of business or geographical area of operation; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal, abandonment or when the operations meet the criteria to be classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying value and the fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than continued use. This condition is regarded as satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an Associate, Joint Venture or financial asset.

In addition, any movements previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(vii) Non-controlling interests
Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the Society and are presented separately in the income statement and within equity in the balance sheet, distinguished from shareholders' equity attributable to owners of the Society.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the Financial Statements of each of the Group's subsidiaries, Joint Ventures & Associates 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 Society's functional currency and the 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 or net investment 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 net investment hedges.

Net investment hedges are 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 reclassified to the income statement unless the entity is disposed of.

(iii) Subsidiaries, Joint Ventures & Associates
The income statement and balance sheet of subsidiaries, Joint Ventures & Associates 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 balance sheet; and
- income and expenses in the income statement and statement of comprehensive income are translated at average exchange rates for the year. Average exchange rates are only permissible if they approximate actual. The average exchange rates are a reasonable approximation of the cumulative effect of the rates on transaction dates.
- all resulting exchange differences are recognised in other comprehensive income.

Resulting exchange differences are taken to a separate currency reserve within equity. When a foreign entity is disposed outside the Group, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

The principal exchange rates used for the translation of results and balance sheets into euro are as follows:

	Average		Year end	
euro 1=	**2015**	2014	**2015**	2014
US dollar	**1.1092**	1.3271	**1.0887**	1.2043
Pound Sterling	**0.7259**	0.8058	**0.7340**	0.7800
Danish Kroner	**7.4589**	7.4547	**7.4626**	7.4434

In accordance with IFRS 1 'First time Adoption of International Financial Reporting Standards', cumulative currency translation differences arising prior to the transition date to IFRS (04 January 2004) have been set to zero for the purpose of ascertaining the gain or loss on disposal of a foreign operation.

iv) Business combinations
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are expressed as functional currency assets and liabilities of the foreign entity and are recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

(d) Property, plant and equipment
(i) Cost
Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses.

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.

Subsequent costs, for example the costs of major renovation, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is de-recognised when replaced.

All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of the assets.

Certain items of property, plant and equipment that had been revalued prior to the date of transition to IFRS (04 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.

(ii) Depreciation
Depreciation is calculated on the straight-line method to write off the cost (less residual value) of each asset over its estimated useful life at the following rates:

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

Land is not depreciated. 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.

(iii) Impairment
In accordance with IAS 36 'Impairment of Assets', the carrying amounts of items of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value over the remaining useful life.

(e) Intangible assets

(i) Goodwill

Goodwill is initially recognised at cost being the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, Joint Venture or Associate at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill associated with the acquisition of Joint Ventures & Associates is included within the investment in Joint Ventures & Associates under the equity method of accounting.

Following initial recognition goodwill is carried at cost less accumulated impairment losses, if applicable. Goodwill impairments are not reversed.

Goodwill is not amortised but is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist; the annual goodwill impairment tests are undertaken at a consistent time in each annual period.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

(ii) Research and development costs

Research expenditure is recognised as an expense in the income statement 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 six years.

(iii) Brands, customer relationships and other intangibles

Brands, customer relationships and other intangibles acquired as part of a business combination are stated at their fair value at the date control is achieved.

Indefinite life brands are carried at cost less accumulated impairment losses, if applicable. Indefinite life brands are not amortised on an annual basis but are tested annually for impairment. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of the brands as indefinite is assessed annually.

Definite life brands, customer relationships and other intangibles are amortised using the straight-line method over their useful life, which is set out in note 11. The useful life used to amortise definite life brands, customer relationships and other intangibles relates to the future performance of the assets acquired and management's judgement of the period over which the economic benefit will be derived from the assets.

The carrying values of definite life brands, customer relationships and other intangibles are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or circumstances indicate that the carrying values may not be recoverable.

(iv) Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses.

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes for internal use, if they meet the recognition criteria of IAS 38 'Intangible Assets'.

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives, which is normally between 5 and 10 years.

(v) Impairment of intangible assets

All intangible assets are reviewed for impairment annually or more frequently if indicators of impairment exist.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised in the income statement for the amount by which the carrying value of the cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is determined as the discounted future cash flows of the CGU.

(f) 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 classified as 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 are recognised in other comprehensive income.

When such available for sale assets are disposed 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 financial assets are based on current bid prices (level 1 within the fair value hierarchy).

If the market for a financial asset is not active the Group establishes fair value using valuation techniques (level 2 within the fair value hierarchy).

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.

Dividends on available for sale financial assets are recognised in the income statement.

Impairment
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, the cumulative loss is measured as the difference between the acquisition cost and the current fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(g) Inventories
Inventories are stated at the lower of cost or net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition.

Cost is determined by the first-in, first-out (FIFO) method or by weighted average cost. 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).

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision is made, where necessary, for aged, slow moving, obsolete and defective inventories.

(h) 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.

Impairment
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.

Objective evidence includes 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.

If collectability appears unlikely compared with the original terms of the receivable, the Group will determine the appropriate provision based on the available evidence at that time.
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. When a receivable is uncollectable it is written off against the provision account for receivables.

Subsequent recoveries of amounts previously written off are credited to the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements such receivables are recognised in the balance sheet to the extent of the Group's continued involvement and retained risk. The Group has not entered into any debt purchase arrangement.

(i) Trade and other payables
Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost which approximates to fair value given the short dated nature of these liabilities.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid.

The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(j) Provisions
Provisions are recognised on the balance sheet when the Group has a constructive or legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured using management's best estimate of the present value of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognised as an interest expense.

Provisions arising on business combinations are only recognised to the extent that they have qualified for recognition in the Financial Statements of the acquiree prior to acquisition.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

(k) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the Group statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above net of bank overdrafts.

(l) Borrowings
Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterpart.

(m) Employee benefits

(i) Pension obligations

The 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.

Defined contribution pension

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense in the income statement when they are due.

Defined benefit pension obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets.

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 obligation.

The fair value of plan assets is based on market price information and in the case of published securities, it is the published bid price.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Remeasurements are not reclassified to the income statement in subsequent periods.

A curtailment arises when the Group significantly reduces the number of employees or employee entitlements covered by a plan. A past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than a payment of benefits to, or on behalf of, employees in accordance with the terms of the plan and included in the actuarial assumptions).

The gain or loss on a settlement is the difference between:

(a) the present value of the defined benefit obligation being settled, as determined on the date of settlement; and
(b) the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

The deferred tax impact of pension scheme obligations is disclosed separately within deferred tax assets.

(ii) Share based payments - Glanbia plc

The Group operates a number of equity settled share based compensation plans which include share option and share award schemes which are open to Executive Directors and certain senior managers.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted.

The charge is spread over the period from the start of the performance period to the date of vesting of the instrument. This is the period over which all of the specified vesting conditions are to be satisfied.

Options under the 2002 Long Term Incentive Plan

The fair value of the instruments awarded is calculated using the binomial model.

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.

Awards under the 2008 Long Term Incentive Plan

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain inter alia a Total Shareholder Return (TSR) based (and hence market based) vesting condition and, accordingly, the fair value assigned to the related equity instruments on initial application of IFRS 2 'Share-based Payment' is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition.

Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The non-market based charge to the income statement is only reversed where awards do not vest because non-market performance conditions have not been met or where, subject to the rules of the scheme, an employee in receipt of share awards relinquishes service before the end of the vesting period.

Awards under the Annual Incentive Deferred Into Shares Scheme

The fair value of shares awarded is determined in line with the Group's Annual Incentive Scheme rules and equates with the cash value of the portion of the annual incentive that will be settled by way of shares. The expense is recognised immediately in the income statement with a corresponding entry to equity.

(n) Derivative financial instruments

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group uses foreign currency, interest rate and commodity derivative financial instruments to hedge these exposures.

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 any foreign currency contracts or any commodities contract is estimated by discounting the difference between the contractual forward price and the current forward price, using the market interest rate at the measurement date, for a time period equal to the residual maturity of the contract.

The fair value of any interest rate swap is estimated by discounting future cash flows under the swap, using the market interest rates, at the measurement date, for time periods equal to the residual maturity of the contracted cash flows.

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 hedging transactions. The Group also documents its assessment, both at hedge inception and every six months, 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 29. Movements on the cash flow hedging reserve in equity are shown in note 18. 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.

(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 is 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 foreign exchange contracts 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 (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

(iii) Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement.

(iv) Financial guarantee contracts
Financial guarantee contracts are issued to banking institutions by the Group 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 Group balance sheet. Guarantees provided by the Group over the payment of employer contributions in respect of the UK defined benefit pension schemes are treated as insurance contracts.

(o) Income taxes
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current tax
Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Group balance sheet date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred 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. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, Joint Ventures & Associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

(p) Government grants
Grants from government authorities 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.

Revenue grants 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 current and 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 the income statement where there is reasonable assurance that the credit will be received.

(q) Share capital
(i) Equity
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.

(ii) Glanbia plc Own Shares
The cost of own shares, held by an Employee Share Trust in connection with the Glanbia plc 2008 LTIP Scheme and the Annual Incentive Deferred into Shares Scheme is deducted from total equity and classified as own shares until they are re-issued. Where such shares are re-issued, they are re-issued on a first in, first out basis and the amount re-issued is transferred from own shares to retained earnings.

(r) Revenue recognition
Revenue is measured at the fair value of the consideration received/receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when 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. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Rebates and discounts are recorded in the same period as the original revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

The timing of recognition of service revenue equals the timing of when the services were rendered.

(s) Ordinary share interest
Ordinary share interest is recognised as a liability of the Society when approved by the Society's shareholders.

(t) Rebates to Society members
Pursuant to rule 98 of the Society, the Board may distribute rebates to members of the Society. These rebates are recorded in retained earnings.

(u) Finance costs
Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, net losses on hedging instruments that are recognised in the income statement, facility fees and the unwinding of discounts on provisions. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other finance costs are expensed in the income statement in the period in which they are incurred.

(v) Finance income
Finance income is recognised in the income statement as it accrues using the effective interest rate method and includes net gains on hedging instruments that are recognised in the income statement.

(w) Leases
(i) Finance leases
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are operating leases.

A determination is also made as to whether the substance of an arrangement could equate to 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 cost. 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.

The corresponding rental obligation, net of finance charges is included in borrowings and split between current and non-current, as appropriate.

(ii) Operating leases
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.

(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 at the earlier of the following dates (a) when the Group can no longer withdraw the offer of those benefits and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits.

(y) Income statement format

(i) Exceptional Items

The Group has adopted an income statement format that seeks to highlight significant items within the Group results for the year. Such items may include restructuring, impairment of assets, adjustments to contingent consideration, material acquisition integration costs, restructuring costs, profit or loss on disposal or termination of operations, material acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension scheme restructuring 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.

(ii) Earnings before interest, tax and amortisation (EBITA)

The Group believes that EBITA is a relevant performance measure and has therefore disclosed this amount in the Group income statement. EBITA is stated before considering the share of results of Joint Ventures & Associates.

(z) New accounting standards and IFRIC interpretations

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 02 January 2016 and have been adopted by the Group:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards';
- Amendments to IFRS 2 'Share-based Payment';
- Amendments to IFRS 3 'Business Combinations';
- Amendments to IFRS 8 'Operating Segments';
- Amendments to IFRS 13 'Fair Value Measurement';
- Amendments to IAS 16 'Property, Plant & Equipment' and IAS 38 'Intangible Assets';
- Amendments to IAS 24 'Related Party Disclosures';
- Amendments to IAS 40 'Investment Property';
- Amendment to IAS 19 'Employee Benefits'; and
- IFRIC 21 'Levies'.

None of the above have had a significant impact on the results or the financial position of the Group during the year ended 02 January 2016.

The following standards, amendments and interpretations have been published. The Group will apply the relevant standards from their effective dates and at this point the Group does not believe that they will have a material impact on the Group's Financial Statements. The standards are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 11 'Joint Arrangements' on acquisition of an interest in a joint operation (effective on or after 01 January 2016).

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets', on depreciation and amortisation (effective on or after 01 January 2016).

These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendments to IAS 27 'Consolidated and Separate Financial Statements' on the equity method (effective on or after 01 January 2016).

These amendments allow entities to use the equity method for investments in subsidiaries, Joint Ventures & Associates in their separate Financial Statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures' (effective on or after 01 January 2016 - not yet endorsed).

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its Associates or Joint Ventures. The main consequence of the amendment is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Amendment to IAS 1 'Presentation of Financial Statements' on the disclosure initiative (effective on or after 01 January 2016 - not yet endorsed).

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial report, effective for annual periods beginning on or after 01 January 2016, subject to EU endorsement.

IFRS 15 'Revenue from Contracts with Customers' (effective on or after 01 January 2018 - not yet endorsed).

IFRS 15, is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in Financial Statements globally.

IFRS 9 'Financial Instruments' (effective on or after 01 January 2018 - not yet endorsed).

This standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Amendments to IAS 12 'Income Taxes' on the recognition of deferred tax assets for unrealised losses (effective on or after 01 January 2017 - not yet endorsed).

These amendments clarify the recognition of deferred tax assets for unrealised losses on debt instruments.

Amendments to IAS 7 'Statement of Cash Flows' under its disclosure initiative (effective on or after 01 January 2017 - not yet endorsed).

These amendments are intended to improve the information provided to users of Financial Statements about an entity's financing activities.

IFRS 16 'Leases' (effective on or after 01 January 2019 - not yet endorsed).

IFRS 16 supersedes IAS 17 'Leases'. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

3. 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 (e). 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 Dairy Ireland, Global Ingredients and Glanbia Performance Nutrition, including goodwill arising on acquisition were tested for impairment using projected cash flows over a three year period and a terminal value for a further seventeen year period assuming zero growth. 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. 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.

Additional information in relation to impairment reviews is disclosed in note 11.

(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 during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise this risk. It recognises liabilities for anticipated tax authority review issues based on estimates of whether additional taxes will be due, having regard to all information available on the tax matter. The Group engages with local tax experts to support the judgements made where there is significant uncertainty about the position taken. In determining any liability for amounts expected to be paid to tax authorities, the Group has regard to the tax status of the entities involved, the external professional advice received, the status of negotiations and correspondence with the relevant tax authorities, a probability weighted expected value, past practices of the tax authorities and any precedents in the relevant jurisdiction. Where the final outcome of these tax 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 may 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.

The decision to recognise deferred tax assets (or not) also requires judgement as it involves an assessment of future recoverability of those assets.

(c) Retirement benefit obligations

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 €518.9 million (2014: €548.8 million) and plan liabilities of €647.7 million (2014: €719.8 million) giving a net pension deficit of €128.8 million (2014: €171.0 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 02 January 2016, an increase in the discount rates applied of 0.25% across the various defined benefit plans, would have the impact of decreasing the pension deficit for the Group by €28.7 million (2014: €33.6 million).

Additional information in relation to post employment benefits is disclosed in note 25.

(d) Business combinations

Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts, estimated customer attrition and royalty savings as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

4. Operating expenses

	Notes	2015 €'000	2014 €'000
Revenue		**3,627,811**	3,415,881
Less costs:			
Raw materials and consumables used		**(2,581,839)**	(2,609,504)
Depreciation of property, plant and equipment	10	**(58,568)**	(47,298)
Amortisation of government grants received	27	**1,683**	1,544
Employee benefit expense	6	**(381,299)**	(301,086)
Auditors' remuneration			
– Statutory audit of Group companies		**(1,012)**	(939)
– Other assurance services		**(588)**	(672)
– Tax advisory services		**(1,992)**	(2,207)
– Other non-audit services		**(69)**	(644)
Research and development costs		**(10,411)**	(9,628)
Net foreign exchange gain		**573**	880
Other expenses		**(288,104)**	(205,148)
Earnings before interest, tax, amortisation (EBITA) and exceptional items		**306,185**	241,179
Intangible asset amortisation	11	**(32,318)**	(23,487)
Operating profit before exceptional items		**273,867**	217,692

5. Exceptional items

	Notes	2015 €'000	2014 €'000
Organisation redesign costs	(a)	**(6,953)**	-
Acquisition integration costs	(b)	**(2,919)**	-
Rationalisation costs	(c)	**(7,841)**	(6,379)
Irish defined benefit pension schemes	(d)	**(5,006)**	-
Disposal of Joint Venture	(e)	**(3,631)**	-
Transaction related costs	(f)	**-**	(9,570)
2015 SGM costs	(g)	**(3,102)**	-
Total exceptional charge before tax		**(29,452)**	(15,949)
Exceptional tax credit		**2,543**	1,870
Total exceptional charge		**(26,909)**	(14,079)

The nature of the total exceptional charge before tax is as follows:

	Notes	2015 €'000	2014 €'000
Employee benefit expense	6	**(8,660)**	(1,678)
Defined benefit pension scheme settlement loss	25	**(4,306)**	-
Other operating costs		**(16,486)**	(14,271)
Total exceptional charge before tax		**(29,452)**	(15,949)

The total cash outflow during the year in respect of exceptional charges was €18.2 million (2014: €16.4 million) of which €7.1 million (2014: €10.8 million) was in respect of prior year exceptional charges.

a) The project to create one integrated Global Ingredients (GI) organisation is progressing to plan. Over the next 12 months the business structure will be fundamentally reorganised into a single commercial team focused on GI's nutritional ingredient portfolio. This will be supported by centres of excellence across areas such as product supply, innovation and strategy. These changes will enable GI to be a more agile integrated consumer insight driven organisation delivering to customers the full suite of Glanbia's capability. Costs of €6.9 million include consultancy of €4.9 million, employee benefit expense of €0.6 million and other costs of €1.4 million. The total cost of this project will be approximately €15 million to €20 million.

(b) Acquisition integration costs of €2.9 million comprise costs incurred by Glanbia Performance Nutrition relating to restructuring and the redesign of route to market capabilities in acquired businesses. Costs of €2.9 million include consultancy of €1.6 million, employee benefit expense of €0.8 million and other costs of €0.5 million.

(c) Rationalisation costs primarily relate to the completion of the restructuring programme in the Dairy Ireland segment. Costs of €7.8 million include employee benefit expense of €5.9 million and other costs of €1.9 million. There were no related impairments of tangible assets in 2015 (2014: €3.2 million).

(d) The Group undertook a review of its pension arrangements in 2015 and agreed with the pension trustees to wind up three of its smaller Irish defined benefit pension schemes. This transaction resulted in an exceptional charge in the year of €5.0 million. This charge relates to gains and losses on settlement of €4.3 million, in accordance with IAS 19 'Employee Benefits', and professional fees of €0.7 million in relation to the transaction. This settlement reduced the gross retirement benefit obligation by €60.2 million.

(e) On 01 April 2015, the Group disposed of its investment in Milk Ventures (UK) Limited which is the parent company of Nutricima Limited, a non-core Joint Venture business involved in the supply and distribution of evaporated and powered milk, based in Nigeria. PZ Cussons plc, Glanbia's partner in the Joint Venture Nutricima, acquired Glanbia's 50% stake for cash consideration of £21 million (€28.5 million). In line with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', the disposal of the Group's interest resulted in a non-cash loss of €3.6 million. This comprised a profit on disposal of €1.4 million (cash consideration of €28.5 million less carrying value €27.1 million including loan to Joint Venture) offset by the recycle of €5.0 million cumulative foreign currency translation losses previously recognised in equity. Milk Ventures (UK) Limited was previously included in the Joint Ventures & Associates segment.

(f) Transaction related costs in 2014 comprised of costs relating to acquisition activities that did not come to fruition and additional contingent consideration relating to the acquisition of Nutramino Holding ApS, in excess of its fair value at date of acquisition.

(g) In May 2015, the Society received member approval to reduce its shareholding in the issued share capital of Glanbia plc from 41.2 % to 36.5%. Following this the Society disposed of 1.4% of the issued share capital which took place in May 2015. In a separate but related transaction, in August 2015, the Society distributed an additional 3.3% of the issued share capital of Glanbia plc to its members in return for the cancellation of shares in the Society which reduced the Society's shareholding in Glanbia plc to 36.5%. Costs of €3.1 million include legal and consultancy costs of €1.9 million and employee benefit expenses of €1.2 million.

6. Employee benefit expense

The aggregate payroll costs of employees (including Executive Directors) in the Group were:

	Notes	2015 €'000	2014 €'000
Wages and salaries		**307,363**	241,709
Social security costs		**28,443**	25,946
Pension costs – defined contribution schemes	25	**8,271**	5,115
Pension costs – defined benefit schemes	25	**13,734**	12,906
Other compensation costs:			
Cost of share based payments	18	**8,724**	5,516
Company car allowance		**1,603**	1,205
Private health insurance		**13,161**	8,689
	5	**381,299**	301,086
Exceptional items	5	**12,966**	1,678
		394,265	302,764

Capitalised labour costs of €17.5 million (2014: €11.5 million) are included within the aggregate payroll costs above. See note 10 and 11.

The average number of employees, excluding the Group's Joint Ventures & Associates in 2015 was 5,269 (2014: 4,829) and is analysed into the following categories:

	2015	2014
Glanbia Performance Nutrition	**1,598**	1,442
Global Ingredients	**1,781**	1,632
Dairy Ireland	**1,260**	1,191
Glanbia Ingredients Ireland	**630**	564
	5,269	4,829

7. Finance income and costs

	Notes	2015 €'000	2014 €'000
Finance income			
Interest income		**2,005**	1,764
Total finance income		**2,005**	1,764
Finance costs			
Bank borrowings		**(5,088)**	(7,999)
Facility fees		**(4,791)**	(2,045)
Unwinding of discounts	26	**(142)**	(165)
Finance lease costs		**(243)**	(192)
Finance cost of private debt placement		**(15,677)**	(13,442)
Finance cost of preference shares		**–**	(1,561)
Revolving share plan appropriation		**(677)**	(1,128)
Total finance costs		**(26,618)**	(26,532)
Net finance costs		**(24,613)**	(24,768)

Net finance costs do not include borrowing costs of €7.6 million (2014: €4.3 million) attributable to the acquisition, construction or production of a qualifying asset, which have been capitalised, as disclosed in note 10. Interest is capitalised at the Group's average interest rate for the period of 4.3% (2014: 4.7%).

8. Income taxes

	Notes	2015 €'000	2014 €'000
Current Tax			
Irish current tax		**16,160**	17,282
Adjustments in respect of prior years		**194**	683
Irish current tax for the year		**16,354**	17,965
Foreign current tax		**14,282**	16,332
Adjustments in respect of prior years		**(5,488)**	1,925
Foreign current tax for the year		**8,794**	18,257
Total current tax		**25,148**	36,222
Deferred tax			
Deferred tax - current year		**10,356**	(3,236)
Adjustments in respect of prior years		**5,426**	(1,235)
Total deferred tax	24	**15,782**	(4,471)
Pre exceptional tax charge		**40,930**	31,751
Exceptional tax credit			
Current tax	(a)	**(2,302)**	(1,469)
Deferred tax	(a)	**(241)**	(401)
Total tax charge for the year		**38,387**	29,881

(a) Notes on exceptional tax credit:

(i) The Group incurred exceptional costs in the Global Ingredients and Glanbia Performance Nutrition segments during 2015 relating to restructuring projects aimed at redesigning the businesses to meet future market needs. These costs resulted in an exceptional current tax credit of €1.29 million (2014: nil).

(ii) The rationalisation costs in the Dairy Ireland segment resulted in an exceptional current tax credit of €0.95 million (2014: €0.40 million) and an exceptional deferred tax credit of €0.03 million (2014: €0.40 million).

(iii) In 2015, there was an exceptional current tax credit of €0.06 million (2014: nil) and exceptional deferred tax credit of €0.21 million (2014: nil) relating to revisions to the Group's Irish pension arrangements.

(iv) During 2015, the Group disposed of its investment in Milk Ventures (UK) Limited which is the parent company of Nutricima Limited, a non-core Joint Venture business involved in the supply and distribution of evaporated and powdered milk, based in Nigeria. While this transaction gave rise to an exceptional loss of €3.6 million in the Financial Statements, there is no current tax or deferred tax impact arising.

(v) During 2015, the Society received member approval to reduce its shareholding in the issue share capital of Glanbia plc from 41.2% to 36.5%. Although there was €3.1 million costs incurred in relation to these transactions, there is no current tax or deferred tax impact arising.

(vi) In 2014, the Group incurred transaction costs relating to acquisition activities that did not come to fruition, which resulted in an exceptional current tax credit of €1.1 million.

The exceptional net tax credit in 2015 and 2014 has been disclosed separately above as they relate to costs and income which have been presented as exceptional.

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

	2015 €'000	2014 €'000
Profit before tax	**234,385**	190,264
Tax calculated at Irish rate of 12.5% (2014: 12.5%)	**29,298**	23,783
Effects of:		
Earnings at higher Irish rates	**268**	68
Difference due to overseas tax rates	**10,632**	7,305
Adjustment to tax charge in respect of previous periods	**195**	1,372
Tax on profits of Joint Ventures & Associates included in profit before tax	**(1,823)**	(1,661)
Other reconciling differences	**(183)**	(986)
Total tax charge	**38,387**	29,881

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 24.

Factors that may affect future tax charges and other disclosure requirements
The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation, including amendments impacting on the excess of tax depreciation over accounting depreciation. The total tax charge for the Group may also be influenced by the effects of corporate development activities.

9. Ordinary share interest and appropriations

	2015 €'000	2014 €'000
Distribution to Society shareholders - rebates	**36,748**	1,369
Ordinary share interest payable to Society shareholders	**4,197**	3,416
	40,945	4,785

During 2015 pursuant to rule 98 of the rules of the Society the Board distributed the below rebates to members of the Society:

- A fertiliser rebate to members who purchased from the Society or its subsidiaries on the basis of up to 10 units of € loan stock for every 1 tonne of retail purchases of fertiliser during 2014.
- A feed rebate to members who purchased from the Society or its subsidiaries on the basis of up to 5 units of € loan stock for every 1 tonne of retail purchases of feed during 2014.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to 5 units of € loan stock for every 1 tonne of grain supplied during 2014 & 2015.
- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to 3 units of € loan stock for every 100 litres of milk supplied during 2014 & 2015.

During 2014 pursuant to rule 98 of the rules of the Society the Board distributed a fertiliser rebate to members of the Society who purchased fertiliser from Glanbia plc or its subsidiaries on the basis of up to 10 units of € loan stock for every 1 tonne of retail purchases of fertiliser by members of the Society from Glanbia plc or its subsidiaries during 2013.

10. Property, plant and equipment

	Notes	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 03 January 2015					
Opening carrying amount		209,385	351,905	392	561,682
Exchange differences		13,052	25,033	125	38,210
Acquisitions		292	9,532	372	10,196
Additions		78,435	156,425	501	235,361
Disposals		(515)	(355)	(46)	(916)
Reclassification	11	–	503	–	503
Impairments		(1,184)	(2,032)	–	(3,216)
Depreciation charge		(7,789)	(39,149)	(360)	(47,298)
Closing carrying amount		291,676	501,862	984	794,522
At 03 January 2015					
Cost		386,100	1,048,606	21,122	1,455,828
Accumulated depreciation		(94,424)	(546,744)	(20,138)	(661,306)
Carrying amount		291,676	501,862	984	794,522
Year ended 02 January 2016					
Opening carrying amount		**291,676**	**501,862**	**984**	**794,522**
Exchange differences		**14,542**	**23,720**	**139**	**38,401**
Acquisitions	34	**38**	**765**	**2**	**805**
Additions		**53,321**	**114,810**	**477**	**168,608**
Disposals		**(13)**	**(582)**	**(42)**	**(637)**
Reclassification	11	**887**	**(937)**	**(131)**	**(181)**
Depreciation charge		**(10,376)**	**(47,685)**	**(507)**	**(58,568)**
Closing carrying amount		**350,075**	**591,953**	**922**	**942,950**
At 02 January 2016					
Cost		**454,875**	**1,186,382**	**21,567**	**1,662,824**
Accumulated depreciation		**(104,800)**	**(594,429)**	**(20,645)**	**(719,874)**
Carrying amount		**350,075**	**591,953**	**922**	**942,950**

Depreciation expense of €58.6 million was charged to the income statement during the year (2014: €47.3 million). There were no impairments during the year (2014: €3.2 million).

Included in the closing cost as at 02 January 2016 is an amount of €75.4 million (2014: €212.1 million) incurred in relation to assets under construction.

Included in the cost of additions for 2015 is €7.6 million (2014: €4.0 million) incurred in relation to staff costs capitalised into assets.

During the year, the Group has capitalised borrowing costs amounting to €7.6 million (2014: €4.3 million) on qualifying assets. See note 7.

Operating lease rentals amounting to €24.8 million (2014: €24.0 million) are included in the income statement.

The net carrying amount and the depreciation charge during the year in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment as follows:

Leasehold equipment	2015 €'000	2014 €'000
Cost	**15,869**	15,806
Accumulated depreciation	**(10,412)**	(9,255)
Carrying Amount	**5,457**	6,551
Depreciation charge	**1,152**	1,024

11. Intangible assets

	Notes	Goodwill €'000 note (b)	Other intangibles €'000 note (a)	Software costs €'000	Development costs €'000	Total €'000
Year ended 03 January 2015						
Opening carrying amount		182,298	242,658	21,589	12,664	459,209
Exchange differences		23,771	33,517	1,516	2,156	60,960
Acquisitions		57,460	98,820	–	–	156,280
Additions		–	4,184	7,174	7,815	19,173
Reclassification	10	–	42	(545)	–	(503)
Write-off of intangibles		–	–	–	(73)	(73)
Amortisation	4	–	(15,450)	(5,142)	(2,895)	(23,487)
Closing carrying amount		263,529	363,771	24,592	19,667	671,559
At 03 January 2015						
Cost		263,529	442,107	79,194	36,809	821,639
Accumulated amortisation		–	(78,336)	(54,602)	(17,142)	(150,080)
Carrying amount		263,529	363,771	24,592	19,667	671,559
Year ended 02 January 2016						
Opening carrying amount		**263,529**	**363,771**	**24,592**	**19,667**	**671,559**
Exchange differences		**25,340**	**36,070**	**1,416**	**2,197**	**65,023**
Acquisitions	34	**85,790**	**149,867**	**6**	**–**	**235,663**
Additions		**–**	**1,253**	**9,589**	**11,371**	**22,213**
Disposals		**–**	**–**	**(31)**	**–**	**(31)**
Reclassification	10	**(23)**	**23**	**263**	**(82)**	**181**
Amortisation	4	**–**	**(21,397)**	**(6,034)**	**(4,887)**	**(32,318)**
Closing carrying amount		**374,636**	**529,587**	**29,801**	**28,266**	**962,290**
At 02 January 2016						
Cost		**374,636**	**650,337**	**88,768**	**53,846**	**1,167,587**
Accumulated amortisation		**–**	**(120,750)**	**(58,967)**	**(25,580)**	**(205,297)**
Carrying amount		**374,636**	**529,587**	**29,801**	**28,266**	**962,290**

Amortisation expense of €32.3 million (2014: €23.5 million) has been charged to operating expenses during the year. The average remaining amortisation period for software costs is 7 years (2014: 7 years) and development costs is 5 years (2014: 4 years).

Approximately €6.4 million of the software additions during the year (2014: €2.7 million) were internally generated which included €4.4 million (2014: €3.6 million) of staff costs capitalised. Approximately €10.2 million of development cost additions during the year (2014: €7.0 million) were internally generated which included €5.5 million (2014: €3.9 million) of staff costs capitalised.

No development costs were written off in 2015 due to uncertainty that these projects would not reach commercialisation (2014: €0.1 million).

11 (a): Other intangibles

	Notes	Brands €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
Year ended 03 January 2015					
Opening carrying amount		154,596	82,542	5,520	242,658
Exchange differences		21,066	12,304	147	33,517
Acquisitions		67,090	31,730	–	98,820
Additions		–	–	4,184	4,184
Reclassification		42	–	–	42
Amortisation		(3,968)	(11,027)	(455)	(15,450)
Closing carrying amount		238,826	115,549	9,396	363,771
Year ended 03 January 2015					
Cost		255,170	174,891	12,046	442,107
Accumulated amortisation		(16,344)	(59,342)	(2,650)	(78,336)
Carrying amount		238,826	115,549	9,396	363,771
Year ended 02 January 2016					
Opening carrying amount		**238,826**	**115,549**	**9,396**	**363,771**
Exchange differences		**24,017**	**11,924**	**129**	**36,070**
Acquisitions	34	**78,589**	**71,278**	**–**	**149,867**
Additions		**–**	**–**	**1,253**	**1,253**
Reclassification		**1,129**	**1,505**	**(2,611)**	**23**
Amortisation		**(5,651)**	**(15,025)**	**(721)**	**(21,397)**
Closing carrying amount		**336,910**	**185,231**	**7,446**	**529,587**
Year ended 02 January 2016					
Cost		**365,244**	**275,530**	**9,563**	**650,337**
Accumulated amortisation		**(28,334)**	**(90,299)**	**(2,117)**	**(120,750)**
Carrying amount		**336,910**	**185,231**	**7,446**	**529,587**

Individually material intangible assets with definite useful lives

	Carrying amount 2015 €'000	Average remaining amortisation position 2015 Yrs	Carrying amount 2014 €'000
Brands			
Glanbia Performance Nutrition - BSN	**51,289**	**35**	47,688
Glanbia Performance Nutrition - Isopure	**64,390**	**39**	59,710
Glanbia Performance Nutrition - thinkThin	**78,862**	**40**	–
Customer Relationships			
Glanbia Performance Nutrition - Optimum Nutrition	**45,365**	**7**	47,330
Glanbia Performance Nutrition - BSN	**29,319**	**10**	29,395
Glanbia Performance Nutrition - Isopure	**27,957**	**12**	27,433
Glanbia Performance Nutrition - thinkThin	**71,406**	**13**	–

Indefinite life intangible assets

	Carrying amount 2015 €'000	Useful life 2015 Yrs	Carrying amount 2014 €'000
Brands			
Glanbia Performance Nutrition - Optimum Nutrition	**112,703**	**Indefinite**	99,049

In arriving at the conclusion that certain brands 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 being capitalised is that there are no material legal, regulatory, contractual or other factors that limit their useful lives. 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.

There are no material internally generated brand-related intangibles.

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

Goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the asset is owned. CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 'Operating segments'.

A summary of goodwill by CGU is as follows:

	Goodwill 2015 €'000	Indefinite life intangibles 2015 €'000	Number of CGUs 2015	Goodwill 2014 €'000	Indefinite life intangibles 2014 €'000	Number of CGUs 2014
Glanbia Performance Nutrition	**171,030**	**112,703**	**1**	153,849	99,049	3
thinkThin	**85,126**	**–**	**1**	–	–	–
Glanbia Performance Nutrition segment	**256,156**	**112,703**	**2**	153,849	99,049	3
Global Ingredients - Customised Solutions	**85,184**	**–**	**2**	79,621	–	2
Global Ingredients - Other CGUs	**21,987**	**–**	**2**	19,849	–	2
Global Ingredients segment	**107,171**	**–**	**4**	99,470	–	4
Dairy Ireland	**10,769**	**–**	**1**	9,670	–	1
Glanbia Ingredients Ireland	**540**	**–**	**1**	540	–	1
	374,636	**112,703**	**8**	263,529	99,049	9

The Isopure and Nutramino businesses acquired in 2014 have been integrated into the Glanbia Performance Nutrition business and are included within the Glanbia Performance Nutrition CGU in 2015.

Impairment testing methodology and results:
Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis or more frequently if there are indications they might be impaired. The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation, which has been selected due to the impracticality of obtaining fair value less costs to sell measurements for each reporting period.

The cash flow projections are based on a three year strategic plan formally approved by the Group Operating Executive and the Board of Directors and specifically exclude the impact of future development activity. While the Group expects cash flow growth between years four and twenty, a terminal value was derived for this further seventeen year period assuming zero growth. No impairments arose in either 2015 or 2014. The present value of future cash flows is calculated using pre-tax discount rates which are the Group's weighted average cost of capital adjusted to reflect risks associated with the CGU and are set out in the table below:

	Discount Rates 2015	Discount Rates 2014
Glanbia Performance Nutrition	6.80%	8.10%
Global Ingredients - Customised Solutions	6.0%-6.5%	7.9%-8.1%
Global Ingredients - Other CGUs	8.00%	8.10%
Dairy Ireland	7.50%	7.90%

Key sources of estimation uncertainty
The key assumptions employed in arriving at the estimates of value in use factored into impairment testing are inherently subjective. Key assumptions include management's estimates of future profitability and discount rates. Other assumptions include the duration of the discounted cash flow model, replacement capital expenditure requirements and working capital investment. These assumptions take account of management's past experience, the Group's financial position, history of earnings, cash flow generation and the nature of the industry in which it operates. 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 assumptions used are consistent with the Group's adjusted EPS growth target.

Sensitivity analysis
Sensitivity analysis has been performed across the CGUs. If the estimated future profitability was 10% lower than management's estimates, there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cash flow forecasts used in the value in use estimates were 10% lower than management's estimates, again there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates there would be no requirement on the Group to recognise any impairment.

12. Investments in Associates

	Notes	2015 €'000	2014 €'000
At the beginning of the year		**11,401**	13,870
Share of profit after tax		**912**	645
Transfer to investments in subsidiaries/investments in Joint Ventures	13	**(4,731)**	(3,119)
Other comprehensive income		**(127)**	5
Dividend received		**(392)**	–
At the end of the year		**7,063**	11,401

The associates listed below have share capital consisting of Ordinary Shares and Preference Shares, which are held by the Group.

Name of Investment in Associates	Notes	Place of business/ country of incorporation	% of ownership interest	Measurement method
Co-operative Animal Health Limited		Tullow, Co Carlow, Ireland	18.24%	Equity
South Eastern Cattle Breeding Society Limited	Note 1	Thurles, Co Tipperary, Ireland	22.26%	Equity
South East Port Services Limited		Kilkenny, Ireland	17.88%	Equity
Greenfield Dairy Partners Limited		Kilkenny, Ireland	24.86%	Equity

Note 1: South Eastern Cattle Breeding Society Limited was accounted for as a subsidiary in 2016 due to a change in the ownership interest and voting rights.

There are no contingent liabilities relating to the Group's interest in associates.

Summarised financial information for Associates
Set out below is the summarised financial information for the Group's associates, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the associates (and not Glanbia Co-operative Society Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

2015	Total €'000
Associate balance sheet (100%):	
Non-current assets	21,438
Current assets	14,871
Non-current liabilities	(11,601)
Current liabilities	(10,271)
Net assets	14,437
Group's interest in Associate/carrying value	7,063
Associate income statement (100%):	
Revenue	40,765
Profit before tax	1,965
Profit after tax	1,785
Other comprehensive (expense)	(251)
Total comprehensive income	1,534

2014	Total €'000
Associate balance sheet (100%):	
Non-current assets	21,027
Current assets	22,907
Non-current liabilities	(12,468)
Current liabilities	(9,455)
Net assets	22,011
Group's interest in Associate/carrying value	11,401
Associate income statement (100%):	
Revenue	42,845
Profit before tax	1,522
Profit after tax	1,295
Other comprehensive income	9
Total comprehensive income	1,304

Further details in relation to principal Associates are outlined in note 37.

13. Investments in Joint Ventures

	2015 €'000	2014 €'000
At the beginning of the year	**73,679**	62,741
Share of profit after tax	**13,671**	12,644
Disposals	**(18,263)**	–
Transfer to (investments in Subsidiaries)/ from investments in Associates	**(391)**	3,119
Other comprehensive (expense)/ income	**(319)**	69
Income tax movement	**6,155**	5,032
Dividend received	**(14,532)**	(12,648)
Exchange differences	**4,513**	2,722
At the end of the year	**64,513**	73,679

The Joint Ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Southwest Cheese Company, LLC*	Clovis, New Mexico, USA	18.24%	Note 1	Equity
Glanbia Cheese Limited*	Magheralin and Llangefni, UK	18.61%	Note 2	Equity
Milk Ventures (UK) Limited*	Stockport, England	18.24%	Note 3	Equity
Malting Company of Ireland Limited*	Togher, Cork, Ireland	18.24%	Note 4	Equity
Corman Miloko Ireland Limited**	Carrick on Suir, Co Tipperary, Ireland	33.57%	Note 5	Equity

* Southwest Cheese Company, LLC, Glanbia Cheese Limited, Milk Ventures (UK) Limited and Malting Company of Ireland Limited are Joint Ventures of Glanbia plc.

** Corman Miloko Ireland Limited is a Joint Venture of Glanbia Ingredients Ireland Limited.

Note 1: Southwest Cheese Company, LLC is a large scale manufacturer of cheese and whey and has facilitated the expansion of Glanbia's cheese and whey production capacity.

Note 2: Glanbia Cheese Limited is a leading European mozzarella producer. Its customers include most of the leading pizza and pasta chains, food service operators, industrial food manufacturers, wholesalers and retailers across Europe and internationally. The two plants (Magheralin and Llangefni) are strategically located in productive agricultural heartlands which helps to ensure a secure and consistent supply of high quality milk. Glanbia plc holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a Joint Venture as Glanbia plc does not have control of the company, as it controls only 50% of the voting rights and is entitled to appoint only 50% of the total number of Directors.

Note 3: Milk Ventures (UK) Limited was the parent company of Nutricima Limited, a company based in Nigeria, involved in the supply and distribution of evaporated and powdered milk. Glanbia plc disposed of its share in Milk Ventures (UK) Limited to its Joint Venture partner, PZ Cussons plc on 01 April 2015, as the business no longer aligned with Glanbia plc's strategic priorities. As part of the sale agreement, Glanbia Ingredients Ireland Limited entered into a long-term agreement with PZ Cussons (International) Limited for the supply of dairy ingredients.

Note 4: Malting Company of Ireland Limited provides Irish malted barley products to the brewing and distilling industry.

Note 5: Corman Miloko Ireland Limited produces butter, oil and dairy spreads. Glanbia Ingredients Ireland Limited holds 45% of the share capital of Corman Miloko Ireland Limited, but this entity is considered to be a Joint Venture due to the composition of the voting rights and the Board of Directors.

Commitments and contingent liabilities in respect of Joint Ventures
The Group has the following commitments relating to its Joint Ventures:

	2015 €'000	2014 €'000
Proportionate share of capital and financial commitments	**1,763**	824

There are no contingent liabilities relating to the Group's interest in its Joint Ventures.

Summarised financial information for Joint Ventures
Set out below is the summarised financial information for the Group's Joint Ventures, which are accounted for using the equity method.

The information below reflects the amounts presented in the financial statements of the joint ventures (and not Glanbia Co-operative Society Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the Joint Ventures.

2015	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other €'000	Total €'000
Joint Venture balance sheet (100%):					
Non-current assets	220,890	40,764	–	14,536	276,190
Current assets					
Cash and cash equivalents	–	12,195	–	987	13,182
Other current assets	75,891	38,003	–	11,077	124,971
	75,891	50,198	–	12,064	138,153
Non-current liabilities					
Financial liabilities	(123,135)	–	–	(1,656)	(124,791)
Other non-current liabilities	–	(7,409)	–	(1,222)	(8,631)
	(123,135)	(7,409)	–	(2,878)	(133,422)
Current liabilities					
Bank overdrafts and loans	(11,127)	–	–	(1,079)	(12,206)
Other current liabilities	(99,836)	(31,859)	–	(8,153)	(139,848)
	(110,963)	(31,859)	–	(9,232)	(152,054)
Net assets	62,683	51,694	–	14,490	128,867
Group's interest in Joint Venture/carrying value	31,341	26,364	–	6,808	64,513
Joint Venture income statement (100%):					
Revenue	752,687	259,730	22,544	70,730	1,105,691
Depreciation	(11,417)	(4,339)	–	(1,213)	(16,969)
Interest (expense)	(5,871)	(238)	(193)	(123)	(6,425)
Profit/(loss) before tax	25,263	14,370	803	(644)	39,792
Tax	(10,105)	(2,476)	(197)	58	(12,720)
Profit/(loss) after tax	15,158	11,894	606	(586)	27,072
Other comprehensive income/(expense)	889	(2,170)	–	761	(520)
Total comprehensive income	16,047	9,724	606	175	26,552
Joint ventures other movements					
Dividend received by Group	(11,269)	(3,263)	–	–	(14,532)
Exchange differences arising on consolidation	2,678	1,442	393	–	4,513

2014	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other €'000	Total €'000
Joint Venture balance sheet (100%):					
Non-current assets	201,225	31,242	32,812	17,618	282,897
Current assets					
Cash and cash equivalents	–	13,914	2,094	2,317	18,325
Other current assets	93,106	36,464	35,736	11,977	177,283
	93,106	50,378	37,830	14,294	195,608
Non-current liabilities					
Financial liabilities	(134,358)	–	(16,923)	(2,036)	(153,317)
Other non-current liabilities	–	(7,238)	–	(3,798)	(11,036)
	(134,358)	(7,238)	(16,923)	(5,834)	(164,353)
Current liabilities					
Bank overdrafts and loans	(9,851)	–	(3,028)	(182)	(13,061)
Other current liabilities	(98,614)	(28,842)	(15,557)	(10,800)	(153,813)
	(108,465)	(28,842)	(18,585)	(10,982)	(166,874)
Net assets	51,508	45,540	35,134	15,096	147,278
Group's interest in Joint Venture/carrying value	25,754	23,225	17,567	7,133	73,679
Joint Venture income statement (100%):					
Revenue	802,145	300,954	89,835	73,826	1,266,760
Depreciation	(9,502)	(3,769)	(1,933)	(1,070)	(16,274)
Interest (expense)	(5,131)	(105)	(929)	(99)	(6,264)
Profit/(loss) before tax	20,373	13,626	1,458	(135)	35,322
Tax	(8,149)	(3,295)	1,005	227	(10,212)
Profit/(loss) after tax	12,224	10,331	2,463	92	25,110
Other comprehensive income	360	442	–	745	1,547
Total comprehensive income	12,584	10,773	2,463	837	26,657
Joint ventures other movements					
Dividend received by Group	(9,419)	(3,229)	–	–	(12,648)
Exchange differences arising on consolidation	2,360	1,307	(945)	–	2,722

14. Available for sale financial assets

	Available for sale investments 2015 €'000	Available for sale investments 2014 €'000
At the beginning of the year	**14,555**	11,822
Disposals/redemption	**(1,587)**	(1,269)
Fair value adjustment	**1,673**	1,857
Additions	**1,413**	1,726
Acquisition	**–**	419
At the end of the year	**16,054**	14,555

Available for sale financial assets at the reporting date including the following:

	Available for sale investments 2015 €'000	Available for sale investments 2014 €'000
Listed securities		
Equity securities - eurozone countries	**161**	272
Unlisted securities		
One51 plc	**6,052**	4,161
Ornua Co-operative Limited	**7,863**	8,369
The BDO Development Capital fund	**894**	935
Moorepark Technology	**198**	198
Other available for sale financial assets	**886**	620
	16,054	14,555

Available for sale financial assets are fair valued at each reporting date. For financial assets traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. These fair values are within level 1 of the fair value hierarchy (note 22.3).

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. The unlisted investment in the BDO Development Capital Fund is fair valued by reference to the latest quarterly report to the limited partners.

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. These fair values are within level 2 of the fair value hierarchy (note 22.3).

Available for sale financial assets with a carrying value of €8.9 million (2014: €10.1 million) are included at cost. 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.

15. Trade and other receivables

	Notes	2015 €'000	2014 €'000
Trade receivables		**407,882**	352,587
Less allowance for impairment of receivables		**(10,035)**	(10,676)
Trade receivables – net		**397,847**	341,911
Prepayments		**35,592**	29,182
Receivables from Joint Ventures & Associates	35	**3,794**	4,598
Receivables from other related parties		**135**	584
Loans to Joint Ventures	35	**1,850**	9,863
Value added tax		**5,741**	7,134
Other receivables		**13,664**	8,422
Current tax asset		**2,877**	690
Total		**461,500**	402,384
Non- current - Loans to Joint Ventures & Associates		**1,850**	9,863
Current		**459,650**	392,521
		461,500	402,384

See note 33 for analysis of the movement in trade and other receivables. The carrying value of receivables is a reasonable approximation of fair value. The net movement in the allowance for impairment of receivables has been included within the income statement.

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, by holding charges over assets and by active credit management. Management does not expect any significant loss from receivables that have not been provided for at the year end.

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

	2015 €'000	2014 €'000
Euro	**211,114**	173,779
US dollar	**226,333**	198,457
Pound sterling	**14,887**	22,381
Other	**9,166**	7,767
	461,500	402,384

Provision for impairment of trade receivables:

	2015 €'000	2014 €'000
At the beginning of the year	**10,676**	13,264
Translation adjustment	**91**	159
Provision for receivables impairment	**1,201**	1,657
Receivables written off during the year as uncollectible	**(548)**	(3,269)
Unused amounts reversed	**(1,385)**	(1,135)
At the end of the year	**10,035**	10,676

As of 02 January 2016, trade receivables of €10.0 million (2014: €10.7 million) were impaired and accordingly an allowance is provided. Trade receivable balances are generally considered for an impairment review when falling due outside trade terms and are normally partially or wholly provided for depending on the assessment of likely recoverability of the balance. Set out below is an analysis of trade receivables which remain outstanding outside of trade terms which the Group has provided for:

The breakdown of impaired trade receivables is as follows:

	2015 €'000	2014 €'000
Past due and impaired:		
Up to 3 months	**2,324**	3,504
3 to 6 months	**3,009**	2,061
Over 6 months	**4,702**	5,111
	10,035	10,676

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 02 January 2016, trade receivables of €62.1 million (2014: €58.4 million) were past due but not impaired, as they are considered recoverable as follows:

	2015 €'000	2014 €'000
Past due not impaired:		
Up to 3 months	**48,032**	47,184
3 to 6 months	**11,304**	9,753
Over 6 months	**2,746**	1,512
	62,082	58,449

16. Inventories

	2015 €'000	2014 €'000
Raw materials	**117,895**	116,568
Finished goods	**329,116**	319,035
Consumables	**37,904**	29,535
	484,915	465,138

See note 33 for analysis of the movement in inventories.

Included in the above are inventories carried at net realisable value amounting to €65.0 million (2014: €97.0 million). The amount provided for in respect of these inventories was €17.0 million (2014: €24.7 million).

17. Cash and cash equivalents

	2015 €'000	2014 €'000
Cash at bank and in hand	**221,140**	104,151
Short term bank deposits	**8,868**	38,210
	230,008	142,361

Cash and cash equivalents include the following for the purposes of the Group statement of cash flows:

	Notes	2015 €'000	2014 €'000
Cash at bank and in hand		**221,140**	104,151
Short term bank deposits		**8,868**	38,210
Bank overdrafts	23	**(43,196)**	-
		186,812	**142,361**

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

18. 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 asset reserve €'000 (note e)	Glanbia plc own shares €'000 (note f)	Share based payment reserve €'000 (note g)	Total €'000
Balance at 04 January 2014	12,425	61,902	10,419	(9,824)	6,911	(5,327)	5,067	81,573
Currency translation differences	–	–	97,805	–	–	–	–	97,805
Net investment hedge	–	–	(9,544)	–	–	–	–	(9,544)
Revaluation of interest rate swaps – gain in year	–	–	–	244	–	–	–	244
Foreign exchange contracts – gain in year	–	–	–	(792)	–	–	–	(792)
Transfer to income statement								
– Foreign exchange contracts – gain in year	–	–	–	(205)	–	–	–	(205)
– Forward commodity contracts – loss in year	–	–	–	(79)	–	–	–	(79)
Revaluation of forward commodity contracts – loss in year	–	–	–	(700)	–	–	–	(700)
Revaluation of available for sale financial assets – gain in year	–	–	–	–	1,857	–	–	1,857
Deferred tax on fair value movements	–	–	–	329	(315)	–	–	14
Cost of share based payments	–	–	–	–	–	–	5,516	5,516
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	–	–	–	–	8,207	(3,846)	4,361
Cancellation of Society shares arising on spin out	57	–	–	–	–	–	–	57
Purchase of Glanbia plc own shares	–	–	–	–		(7,981)	–	(7,981)
Transfer to non-controlling interests	–	–	(51,892)	259	(671)	(133)	(982)	(53,419)
Balance at 03 January 2015	12,482	61,902	46,788	(10,768)	7,782	(5,234)	5,755	118,707
Currency translation differences	–	–	91,102	–	–	–	–	91,102
Recycle of currency reserve to the Group income statement on disposal of investment in Joint Venture	–	–	5,037	–	–	–	–	5,037
Net investment hedge	–	–	(8,684)	–	–	–	–	(8,684)
Revaluation of interest rate swaps – gain in year	–	–	–	270	–	–	–	270
Foreign exchange contracts – gain in year	–	–	–	247	–	–	–	247
Transfer to income statement								
– Foreign exchange contracts – gain in year	–	–	–	(633)	–	–	–	(633)
– Forward commodity contracts – loss in year	–	–	–	701	–	–	–	701
Revaluation of forward commodity contracts – loss in year	–	–	–	(541)	–	–	–	(541)
Revaluation of available for sale financial assets – gain in year	–	–	–	–	1,673	–	–	1,673
Deferred tax on fair value movements	–	–	–	(94)	(420)	–	–	(514)
Cost of share based payments	–	–	–	–	–	–	8,724	8,724
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	–	–	–	–	8,078	(4,000)	4,078
Cancellation of Society shares arising on spin out	3,222	–	–	–	–	–	–	3,222
Purchase of Glanbia plc own shares	–	–	–	–		(13,351)	–	(13,351)
Transfer to non-controlling interests	–	–	(52,082)	68	(508)	3,149	(2,851)	(52,224)
Balance at 02 January 2016	15,704	61,902	82,161	(10,750)	8,527	(7,358)	7,628	157,814

Note 18 (a): Capital reserve
The capital reserve comprises a capital redemption reserve which arose due to the re-nominalisation of the Society's share capital on conversion to the euro, and a capital reserve which relates to the cancellation of Society shares.

Notes 18 (b): Merger reserve
The merger adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods plc (now named Waterford Foods Limited) and the fair value of the shares issued by Avonmore Foods plc in 1997 (now named Glanbia plc).

Note 18 (c): Currency reserve
The currency reserve reflects the foreign exchange gains and losses that form part of the net investment in foreign operations. In addition, 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 18 (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 18 (e): Available for sale financial asset 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 18 (f): Glanbia plc own shares
The amount included as own shares relates to 859,933 (2014: 715,558) ordinary shares in Glanbia plc which are held by two trusts.

	2015 Number of Shares	2014 Number of shares
At the beginning of the year	**715,558**	864,898
Purchased	**770,475**	696,185
Allocated	**(626,100)**	(845,525)
At the end of the year	**859,933**	715,558

An Employee Share Trust was established in May 2002 to operate initially in connection with the Glanbia plc Saving Related Share Option Scheme ('Sharesave Scheme') and subsequently for the vesting of shares under the 2008 LTIP. The trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company. The dividend rights in respect of these shares has been waived, save 0.001 pence per share.

An Employee Share Scheme Trust was established in 2013 to operate in connection with the Glanbia plc Annual Incentive Deferred into Shares Scheme. The trustee of the Employee Share Scheme Trust is Glanbia Management Services Limited. The dividend rights in respect of shares which have not vested have been waived.

The shares included in the Employee Share Trust and the Employee Share Scheme Trust at 02 January 2016 cost €13.2 million (2014: €8.0 million) and had a market value of €14.6 million (2014: €9.2 million). Shares purchased for the 2008 LTIP scheme and Glanbia plc Annual Incentive Deferred into Shares Scheme are deemed to be own shares in accordance with IAS 32 'Financial Instruments'.

Note 18 (g): Share based payment reserve
The share based payment reserve reflects charges relating to granting of both shares and options under the Glanbia plc 2002 LTIP and 2008 LTIP scheme and the Annual Incentive Deferred into Shares scheme, net of transfers on vesting or expiry of share based payments.

19. Share capital and share premium

	Ordinary shares €'000	**Share Premium €'000**	**Total €'000**
At 03 January 2015	**41,926**	**92**	**42,018**
Issue of shares	**1,484**	**5,937**	**7,421**
Cancellation of shares arising on spin out	**(3,222)**	**-**	**(3,222)**
At 02 January 2016	**40,188**	**6,029**	**46,217**

During 2015, 1,484,300 ordinary shares, with a nominal value of €1, were issued to new members of the Society at €5 per share, of which €3.4 million were fully paid for at 02 January 2016. The remaining balance will be received via deductions from milk payments.

20. Retained earnings

	Notes	Total €'000
Balance at 04 January 2014		246,114
Profit for the year		73,427
Other comprehensive income/(expense)		
Remeasurement – defined benefit schemes		(65,334)
Deferred tax on remeasurement		7,681
Share of remeasurement – Joint Ventures & Associates (net of tax)		(270)
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	18	(4,361)
Deferred tax credit on share based payment		272
Transfer to non controlling interest		27,916
Total comprehensive income for the year		39,331
Sale of shares held by subsidiary		2,092
Equity adjustment arising on the spin out of Glanbia plc shares		(89)
Ordinary share interest paid to Society shareholders		(3,416)
Distribution paid to Society shareholders		(1,369)
Balance at 03 January 2015		282,663
Profit for the year		**84,381**
Other comprehensive income/(expense)		
Remeasurement – defined benefit schemes		**33,681**
Deferred tax on remeasurement		**(3,909)**
Share of remeasurement – Joint Ventures & Associates (net of tax)		**(424)**
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	18	**(4,078)**
Deferred tax credit on share based payment		**1,728**
Transfer to non controlling interest		**(11,828)**
Equity adjustment arising on the sale of Glanbia plc shares		**55,083**
Total comprehensive income for the year		**154,634**
Equity adjustment arising on the spin out of Glanbia plc shares		**(34,294)**
Equity adjustment arising on the issue of Glanbia plc shares		**261**
Ordinary share interest paid to Society shareholders		**(4,197)**
Distribution paid to Society shareholders		**(36,748)**
Balance at 02 January 2016		**362,319**

In accordance with IFRS 10 'Consolidated Financial Statements' the gain realised on the disposal of Glanbia plc shares during the year resulted in a credit of €55.1 million recognised in equity. The spinout of Glanbia plc shares during the year resulted in a debit of €34.3 million recognised in equity. As a result of the sale and spinout, the shareholding held by the Society in Glanbia plc decreased from 41.2% to 36.5%, see note 21 for further details. The spin out of Glanbia plc shares was distributed to Society shareholders.

21. Non-controlling interests

	2015 €'000	2014 €'000
At the beginning of the year	**477,266**	382,975
Share of profit for the year	**111,617**	86,956
Net income recognised directly through equity	**64,052**	25,503
Dividends paid to non-controlling interests during the year	**(21,037)**	(18,700)
Increase in non-controlling interests - decrease in Glanbia plc shareholding*	**46,610**	89
Increase in non-controlling interests - issue of Glanbia plc shares	**380**	443
Additions during the year	**3,968**	-
At the end of the year	**682,856**	477,266

* The increase in non-controlling interests is as a result of the Society decreasing its shareholding in its direct subsidiary Glanbia plc through both the sale and spin out of plc shares to Society shareholders from 41.2% to 36.5% during 2015 (2014: 41.3% to 41.2%).

The Group has two subsidiaries with non-controlling interests which are material to the Group, Glanbia plc and Glanbia Ingredients Ireland Limited. The financial statements of Glanbia plc are available on Glanbia plc's website www.glanbia.com. The summarised financial information of Glanbia Ingredients Ireland Limited is incorporated into the financial statements of Glanbia plc.

22. Financial risk management

22.1 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 balance sheet and net debt which amounted to €1,981.9 million (2014: €1,575.7 million).

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.

22.2 Financial risk factors

The conduct of its ordinary business operations necessitates the Group holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity risk, cash flow risk and credit risk. The Group's 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. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and short-term uncommitted 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 business units. The Board of Directors 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.

There has been no significant change during the financial year or since the end of the year to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Market risk

(a) Currency risk

Although the Group is based in Ireland with the euro as the functional currency of Glanbia plc, it has significant geographic investment and operating exposures outside the eurozone, primarily, in the USA. As a result, currency movements particularly movements in the US dollar/euro exchange rate can significantly affect the Group's euro balance sheet and income statement. The Group has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Group companies are required to hedge foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis using approved hedging strategies (including net investment hedges) and appropriate currency derivative instruments.

Sensitivity analysis

At 02 January 2016 and 03 January 2015, 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. A weakening /strengthening of the euro against the US dollar by 5% as at 02 January 2016 would have resulted in a currency translation gain/loss of approximately €61.6 million (2014: €37.6 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 can use interest rate swaps to manage the Group's resulting 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 with further minimum guidelines over succeeding 24 and 36 month periods.

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

Occasionally, 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.

Sensitivity analysis
Based on noted Group policies, the impact of a 1% movement in market interest rates would have resulted in a €2.3 million gain/loss during 2015 (2014: €2.3 million gain/loss).

(c) Price risk
The Group's objective is to minimise the price risk the Group is exposed to because of investments held by the Group in listed and unlisted securities and classified on the Group balance sheet as available for sale financial assets. Certain securities are carried at cost and therefore 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 equity. Diversification of the portfolio must be done in accordance with the limits set by the Group.

Sensitivity analysis
The impact of a 5% increase or decrease in equity indices across the eurozone countries would not have any material impact on Group operating profit.

To manage its exposure to certain commodity markets the Group enters into commodity future contracts. For further details regarding the Group's price risk see note 29.

(d) Liquidity and cash flow risk
The Group's objective is to ensure that the Group does not encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In order to preserve the 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 €1,290.2 million (2014: €1,257.3 million) of which €373.6 million (2014: €469.1 million) was undrawn. The weighted average maturity of these facilities is 3.9 years (2014: 4.8 years).

When appropriate, surplus funds in the Group are transferred to Group Treasury through different methods including the repayment of borrowings, deposits and dividends. These are then lent to Group companies or contributed as equity to fund Group operations, used to repay external debt or invested externally. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for other financing purposes. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group. Compliance with the Group's debt covenants is monitored continually based on the management accounts. All covenants have been complied with and based on current forecasts it is expected that all covenants will continue to be complied with for the foreseeable future. There is no significant concentration of liquidity risk.

For further details regarding the Group's borrowing facilities see note 23.

The table below analyses the Group's financial liabilities, all non-derivative financial liabilities and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows, 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 flow.

Financial liabilities	**Less than 1 year €'000**	**Between 1 and 2 years €'000**	**Between 2 and 5 years €'000**	**More than 5 years €'000**	**Total €'000**
At 02 January 2016					
Non-derivative financial liabilities					
Borrowings (excluding finance lease liabilities)	**(51,171)**	**(109,647)**	**(476,919)**	**(321,462)**	**(959,199)**
Finance lease liabilities	**(1,344)**	**(1,236)**	**(1,004)**	**(293)**	**(3,877)**
Future finance costs	**(28,534)**	**(26,613)**	**(65,520)**	**(7,154)**	**(127,821)**
Trade and other payables	**(538,190)**	**–**	**–**	**–**	**(538,190)**
	(619,239)	**(137,496)**	**(543,443)**	**(328,909)**	**(1,629,087)**
Less future finance costs	**28,534**	**26,613**	**65,520**	**7,154**	**127,821**
	(590,705)	**(110,883)**	**(477,923)**	**(321,755)**	**(1,501,266)**
Derivative financial liabilities					
Other derivative financial liabilities	**(1,606)**	**(584)**	**–**	**–**	**(2,190)**
Foreign exchange contracts - gross cash (outflow)	**(849)**	**–**	**–**	**–**	**(849)**
Foreign exchange contracts - gross cash inflow	**183**	**–**	**–**	**–**	**183**
	(2,272)	**(584)**	**–**	**–**	**(2,856)**

Financial liabilities	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 03 January 2015					
Non-derivative financial liabilities					
Borrowings (excluding finance lease liabilities)	(10,602)	(9,787)	(138,444)	(633,794)	(792,627)
Finance lease liabilities	(1,330)	(1,310)	(1,942)	(566)	(5,148)
Future finance costs	(23,323)	(23,302)	(69,818)	(21,232)	(137,675)
Trade and other payables	(495,063)	–	–	–	(495,063)
Deferred acquisition payment	(6,504)	–	–	–	(6,504)
	(536,822)	(34,399)	(210,204)	(655,592)	(1,437,017)
Less future finance costs	23,323	23,302	69,818	21,232	137,675
	(513,499)	(11,097)	(140,386)	(634,360)	(1,299,342)
Derivative financial liabilities					
Other derivative financial liabilities	(829)	(295)	(288)	–	(1,412)
Foreign exchange contracts - gross cash (outflow)	(1,201)	–	–	–	(1,201)
Foreign exchange contracts - gross cash inflow	295	–	–	–	295
	(1,735)	(295)	(288)	–	(2,318)

(e) Credit risk

The Group's objective is to minimise credit risk. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, derivative financial instruments as well as credit exposures to customers, including outstanding receivables and committed transactions. In the international movement and placement of funds and execution of financial transactions, the risk of counterparty default is managed by the Group's policies requiring exposure to independently rated parties with long term credit ratings of at least A3 (Moody's) or A- (Standard & Poor's). In the movement and placement of funds and execution of financial transactions in Ireland, the Group's policies require exposure to independently rated parties with long term credit ratings of at least Ba2 (Moody's) or BB (Standard & Poor's).

The Group's credit risk management policy and process 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 Group has one significant external customer. The Group is satisfied that they have satisfactory credit control procedures in place in respect of that customer.

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 does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For further details regarding the Group's credit risk see note 15.

22.3 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 02 January 2016. 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 foreign exchange contracts is determined using quoted forward exchange rates at 02 January 2016.

The carrying value less impairment provision of trade receivables and payables is 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.

Fair value of financial assets and liabilities carried at fair value
In accordance with IFRS 13 'Fair Value Measurements', 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); and
- 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, which are measured at fair value at 02 January 2016 and 03 January 2015:

	Notes	Fair value hierarchy	**2015 €'000**	2014 €'000
Assets				
Derivatives used for hedging	29	Level 2	**562**	1,279
Available for sale financial assets - equity securities	14	Level 1	**161**	272
Available for sale financial assets - equity securities	14	Level 2	**6,946**	5,096
Total assets			**7,669**	6,647
Liabilities				
Derivatives used for hedging	29	Level 2	**(3,039)**	(2,613)
Deferred acquisition payments		Level 3	**–**	(6,504)
Total liabilities			**(3,039)**	(9,117)

Valuation techniques used to derive level 2 fair values
Level 2 derivatives comprise foreign exchange contracts and commodity futures. These foreign exchange contracts and commodity futures have been fair valued using forward rates that are quoted in active markets. The effects of discounting are generally insignificant for level 2 derivatives.

Group's valuation process
The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.

The Group did not hold any level 3 financial assets at 02 January 2016. The level 3 financial liability held at 03 January 2015 was settled during the year. The valuation team reports directly to the Group Finance Director who in turn reports to the Audit Committee. Discussions of valuation processes and results are held between the Group Finance Director and the Audit Committee.

Changes in level 2 and level 3 fair values are analysed at each reporting date. As part of this discussion, the valuation team presents a report that explains the reasons for fair value movements.

Fair value of financial assets and liabilities carried at amortised cost
With the exception of borrowings (see note 23) it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Financial Statements approximate their fair value.

22.4 Offsetting financial assets and financial liabilities
The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. The ISDA agreements do not meet the criteria for offsetting in the Group balance sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. No collateral is paid or received.

The Group is required to maintain cash on deposit in respect of certain borrowings. Upon maturity the Group and the lender intend to net settle. As a result, the Group's borrowings have been presented net of the cash on deposit as the requirements for offsetting have been met.

The following tables set out the carrying amounts of recognised financial instruments that are subject to the above agreements. The Group has no recognised financial instruments that are not included in the following tables.

22.4 (a) Financial assets

At 02 January 2016	**Gross amounts of recognised financial assets €'000**	**Gross amounts of recognised financial liabilities set off in the balance sheet €'000**	**Net amounts of financial assets presented in the balance sheet €'000**
Derivative financial assets	**562**	**-**	**562**
Cash and cash equivalents	**444,824**	**(214,816)**	**230,008**
Total financial assets	**445,386**	**(214,816)**	**230,570**

At 03 January 2015	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities set off in the balance sheet €'000	Net amounts of financial assets presented in the balance sheet €'000
Derivative financial assets	1,279	–	1,279
Cash and cash equivalents	397,559	(255,198)	142,361
Total financial assets	398,838	(255,198)	143,640

25.4 (b) Financial liabilities

At 02 January 2016	**Gross amounts of recognised financial liabilities €'000**	**Gross amounts of recognised financial assets set off in the balance sheet €'000**	**Net amounts of financial liabilities presented in the balance sheet €'000**
Derivative financial liabilities	**(3,039)**	**-**	**(3,039)**
Bank overdrafts and borrowings	**(1,177,537)**	**214,816**	**(962,721)**
Total financial liabilities	**(1,180,576)**	**214,816**	**(965,760)**

At 03 January 2015	Gross amounts of recognised financial liabilities €'000	Gross amounts of recognised financial assets set off in the balance sheet €'000	Net amounts of financial liabilities presented in the balance sheet €'000
Derivative financial liabilities	(2,613)	–	(2,613)
Bank overdrafts and borrowings	(1,049,802)	252,443	(797,359)
Total financial liabilities	(1,052,415)	252,443	(799,972)

The prior year financial assets and financial liabilities offset disclosure has been restated to exclude the notional gross value of the cross currency swap which had previously been disclosed for information purposes only and is not required under IFRS.

23. Borrowings

	2015 €'000	2014 €'000
Non-current		
Bank borrowings	**609,834**	512,159
Private debt placement	**298,521**	269,866
Finance lease liabilities*	**2,338**	3,558
	910,693	785,583
Current		
Bank overdrafts	**43,196**	–
Borrowings	**7,648**	10,602
Finance lease liabilities*	**1,184**	1,174
	52,028	11,776
Total borrowings	**962,721**	797,359

*Secured on specific plant and equipment

Borrowings of Glanbia plc and its subsidiaries are secured by cross-guarantees from certain principal subsidiaries within Glanbia plc. The Group has complied with the financial covenants of its borrowing facilities during 2015 and 2014.

Borrowings include the following for the purposes of the Group statement of cash flows at the reporting date:

	Notes	2015 €'000	2014 €'000
Borrowings		**962,721**	797,359
Bank overdraft included as part of cash and cash equivalents	17	**(43,196)**	–
		919,525	797,359

The maturity of non-current borrowings at the reporting date is as follows:

	2015 €'000	2014 €'000
Between 1 and 2 years	**111,113**	10,986
Between 2 and 5 years	**477,228**	140,261
More than 5 years	**322,352**	634,336
	910,693	785,583

The exposure of the Group's total borrowings to interest rate changes, taking account of contractual repricing dates, at the reporting date is as follows:

	2015 €'000	2014 €'000
12 months or less	**661,862**	523,936
Between 1 and 2 years	**619**	709
Between 2 and 5 years	**1,084**	1,554
More than 5 years	**299,156**	271,160
	962,721	797,359

Details of the Group's exposure to risk arising from current and non-current borrowings are set out in note 22.

The effective interest rates at the reporting date were as follows:

	EUR		GBP		USD	
	2015	2014	**2015**	2014	**2015**	2014
Overdrafts	**0.95%**	1.20%	**1.10%**	–	**1.10%**	–
Borrowings	**1.47%**	1.83%	**–**	–	**3.78%**	4.04%

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

	Fair value hierarchy	**Carrying amount 2015 €'000**	Carrying amount 2014 €'000	**Fair values 2015 €'000**	Fair values 2014 €'000
Non-current borrowings	Level 2	**910,693**	785,583	**934,661**	811,047

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 at the reporting date:

	2015 €'000	2014 €'000
Euro	**401,809**	383,841
US dollar	**540,525**	413,518
Pound sterling	**20,387**	–
	962,721	797,359

The Group has the following undrawn borrowing facilities at the reporting date:

	2015 €'000	2014 €'000
Uncommitted facilities expiring within 1 year	**89,445**	75,163
Committed facilities expiring beyond 1 year	**373,652**	469,127
	463,097	544,290

All of the undrawn borrowing facilities are floating rate facilities.

Finance lease liabilities – minimum lease payments at the reporting date:

	2015 €'000	2014 €'000
12 months or less	**1,344**	1,330
Between 1 and 2 years	**1,236**	1,310
Between 2 and 5 years	**1,004**	1,942
After more than 5 years	**293**	566
	3,877	5,148
Future finance charges on lease payments	**(355)**	(416)
	3,522	4,732

The present value of finance lease liabilities at the reporting date is as follows:

	2015 €'000	2014 €'000
12 months or less	**1,184**	1,174
Between 1 and 2 years	**1,139**	1,199
Between 2 and 5 years	**916**	1,817
After more than 5 years	**283**	542
	3,522	4,732

24. Deferred taxes

The following amounts are shown in the consolidated balance sheet:

	2015 €'000	2014 €'000
Deferred tax assets	**(43,556)**	(36,959)
Deferred tax liabilities	**213,783**	135,781
Net deferred tax liability	**170,227**	98,822

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

	Notes	2015 €'000	2014 €'000
At the beginning of the year		**98,822**	75,230
Income statement – pre-exceptional charge/(credit)	8	**15,782**	(4,471)
Income statement – exceptional credit	8	**(241)**	(401)
Deferred tax charge/(credit) to other comprehensive income	18	**514**	(14)
Deferred tax charge/(credit) relating to defined benefit remeasurement	20	**3,909**	(7,681)
Deferred tax on acquisition of subsidiaries and intellectual property	34	**42,807**	27,476
Deferred tax credited directly to equity	20	**(1,728)**	(272)
Exchange differences		**10,362**	8,955
At the end of the year		**170,227**	98,822

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Notes	**Retirement benefit obligations €'000**	**Other employees obligations €'000**	**Tax losses €'000**	**Other €'000**	**Total €'000**
At 04 January 2014		(10,970)	(8,210)	(625)	(7,435)	(27,240)
Charged/(credited) to income statement		734	(170)	(255)	856	1,165
Credited to other comprehensive income	20	(7,681)	–	–	–	(7,681)
Acquisitions of subsidiaries and intellectual property		–	(300)	(601)	(270)	(1,171)
Credited directly to equity	20	–	(272)	–	–	(272)
Exchange differences		(7)	(999)	(26)	(728)	(1,760)
At 03 January 2015		(17,924)	(9,951)	(1,507)	(7,577)	(36,959)
Charged/(credited) to income statement		**2,355**	**(6,452)**	**1,956**	**(1,174)**	**(3,315)**
Charged to other comprehensive income	20	**3,909**	**–**	**–**	**–**	**3,909**
Acquisitions of subsidiaries and intellectual property		**(648)**	**–**	**(2,527)**	**(655)**	**(3,830)**
Credited directly to equity	20	**–**	**(1,728)**	**–**	**–**	**(1,728)**
Exchange differences		**(976)**	**(12)**	**9**	**(654)**	**(1,633)**
At 02 January 2016		**(13,284)**	**(18,143)**	**(2,069)**	**(10,060)**	**(43,556)**

Deferred tax liabilities	Notes	Accelerated tax depreciation €'000	Fair value gain/loss €'000	IP and deferred development costs €'000	Other €'000	Total €'000
At 04 January 2014		56,747	616	24,122	20,985	102,470
Charged/(credited) to income statement		6,293	–	(91)	(12,239)	(6,037)
Credited to other comprehensive income	18	–	(14)	–	–	(14)
Acquisitions of subsidiaries and intellectual property		495	–	28,146	6	28,647
Exchange differences		6,349	–	4,380	(14)	10,715
At 03 January 2015		69,884	602	56,557	8,738	135,781
Charged/(credited) to income statement		**16,322**	**–**	**(2,317)**	**4,851**	**18,856**
Charged to other comprehensive income	18	**–**	**514**	**–**	**–**	**514**
Acquisitions of subsidiaries and intellectual property		**58**	**–**	**46,440**	**139**	**46,637**
Exchange differences		**6,133**	**–**	**5,809**	**53**	**11,995**
At 02 January 2016		**92,397**	**1,116**	**106,489**	**13,781**	**213,783**

A deferred tax asset of €43.6 million (2014: €37.0 million) has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which 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 unrecognised tax losses of €135.1 million (2014: €133.9 million) to carry forward against taxable profits, of which €54.3 million (2014: €51.1 million) are unrecognised capital losses. These unrecognised losses can be carried forward indefinitely. Deferred tax liability of €15.4 million (2014: €13.6 million) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings in certain subsidiaries. There is no current intention to remit such earnings.

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

	Notes	**2015 €'000**	2014 €'000
Available for sale financial investments	18	**420**	315
Hedging reserve	18	**94**	(329)
Exchange differences		**10,370**	8,955
Impact of decrease in retirement benefit obligations due to remeasurement	20	**3,909**	(7,681)
		14,793	1,260

25. Retirement benefit obligations

The Group operates a number of defined benefit schemes in Ireland and the UK under their respective regulatory frameworks and minimum funding requirements. These schemes provide retirement and death benefits for the Group's employees. The majority of the defined benefit pension schemes are career average pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment. The plans face broadly similar risks as described below. The schemes are funded through separate trustee controlled funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. The defined benefit schemes in Ireland and the UK are administered by Boards of Trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The contributions paid to the defined benefit schemes are in accordance with the schedule of contributions agreed between the Group and the trustees of the relevant schemes. The contributions are partly funded by the employees, where they are required to contribute a fixed percentage of pensionable salary, and partly by the Group. The contributions paid to the schemes in 2015 are also in accordance with the contribution rates recommended in the actuarial valuation reports or in subsequent actuarial advice. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 01 October 2012 and 01 January 2015.

The Group also has a number of defined contribution schemes in place.

	2015 €'000	2014 €'000
Present value of funded obligations	**(647,692)**	(719,813)
Fair value of plan assets	**518,907**	548,829
Liability in the Group balance sheet	**(128,785)**	(170,984)

The net liability disclosed above relates to funded plans.

The amounts recognised in the Group income statement are as follows:

	Notes	**2015 €'000**	2014 €'000
Defined benefit pension schemes			
Current service cost		**(10,016)**	(9,066)
Net interest cost		**(3,718)**	(3,840)
Total expense pre-settlement	6	**(13,734)**	(12,906)
Settlement loss	5(d)	**(4,306)**	-
Total expenses		**(18,040)**	(12,906)
Defined contribution pension schemes	6	**(8,271)**	(5,115)

The Group undertook a review of pension arrangements in 2015 and agreed with the pension trustees to wind up three of its smaller Irish defined benefit pension schemes. This transaction resulted in a settlement loss of €4.3 million. The Group has also committed to making estimated cash contributions to the schemes of €6.5 million as part of the transaction which are accrued within contributions paid/payable by employer as at 02 January 2016.

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

	Notes	**2015 €'000**	2014 €'000
At the beginning of the year		**(170,984)**	(113,638)
Exchange differences		**(1,557)**	(1,423)
Service cost and net interest cost	6	**(13,734)**	(12,906)
Loss on settlement	5(d)	**(4,306)**	-
Remeasurements - defined benefit schemes	20	**33,681**	(65,334)
Contributions paid /payable by employer		**28,115**	22,317
At the end of the year		**(128,785)**	(170,984)

The movement in obligations during the year is as follows:

	2015 €'000	2014 €'000
At the beginning of the year	**(719,813)**	(592,762)
Exchange differences	**(6,815)**	(5,933)
Current service costs	**(10,016)**	(9,066)
Settlement	**60,229**	–
Interest costs	**(16,334)**	(21,671)
Remeasurements:		
– Experience gain	**10,774**	5,094
– (Loss)/gain from changes in demographic assumptions	**(1,153)**	12,048
– Gain/(loss) from changes in financial assumptions	**15,704**	(132,862)
Contributions by plan participants	**(2,600)**	(2,930)
Past service costs	**–**	5,059
Payments from plans:		
– Benefit payments	**22,332**	23,210
At the end of the year	**(647,692)**	(719,813)

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

	2015 €'000	2014 €'000
At the beginning of the year	**548,829**	479,124
Exchange differences	**5,258**	4,510
Interest income	**12,616**	17,831
Settlement	**(64,535)**	–
Remeasurements:		
– Return on plan assets excluding amounts included in interest income	**8,356**	50,386
Contributions by plan participants	**2,600**	2,930
Contributions by employer	**28,115**	22,317
Payments from plans:		
– Benefit payments	**(22,332)**	(28,269)
At the end of the year	**518,907**	548,829

The principal actuarial assumptions used were as follows:

	2015 IRL	2015 UK	2014 IRL	2014 UK
Discount rate	**2.25%**	**3.70%**	2.10%	3.60%
Inflation rate	**1.30%–1.40%**	**2.00%–3.00%**	1.20%–1.50%	1.95%–2.95%
Future salary increases	**2.40%**	**3.75%**	2.50%	3.70%
Future pension increases	**0.00%**	**2.10%–2.80%**	0.00%	2.05%–2.80%

Plan assets are comprised as follows:

	2015 Quoted €'000	2015 Unquoted €'000	2015 Total €'000	2015 %	2014 Quoted €'000	2014 Unquoted €'000	2014 Total €'000	2014 %
Equities:								
– Consumer	30,250	–	30,250	6	37,416	–	37,416	7
– Energy	7,113	–	7,113	1	11,443	–	11,443	2
– Financials	28,516	–	28,516	5	36,406	–	36,406	7
– Healthcare	15,045	–	15,045	3	16,204	–	16,204	3
– Industrials	14,968	–	14,968	3	18,483	–	18,483	3
– Information technology	16,171	–	16,171	3	17,408	–	17,408	3
– Materials	5,428	–	5,428	1	11,372	–	11,372	2
– Telecommunication services	4,286	–	4,286	1	5,604	–	5,604	1
– Utilities	3,441	–	3,441	–	4,690	–	4,690	1
– Other	13	1,406	1,419	–	–	1,667	1,667	–
Corporate bonds								
– Investment Grade	38,785	10,638	49,423	10	35,559	6,425	41,984	8
– Non Investment Grade	5,085	121	5,206	1	11,702	3,337	15,039	3
– Cash	–	–	–	–	138	–	138	–
Government bonds and gilts	102,411	20,266	122,677	24	182,592	65	182,657	33
Property								
– UK	–	1,254	1,254	–	1,194	–	1,194	–
– Ireland	1,906	4,444	6,350	1	2,246	–	2,246	–
– Europe	–	10,340	10,340	2	8,858	5,883	14,741	3
Cash	2,040	16,631	18,671	4	3,028	–	3,028	1
Investment funds	4,137	148,998	153,135	30	61,802	63,991	125,793	23
Other	2,586	22,628	25,214	5	391	925	1,316	–
	282,181	236,726	518,907	100	466,536	82,293	548,829	100

Expected contributions to post-employment benefit plans for 2016 are €20.8 million. The weighted average duration of the defined benefit obligation is 18 years.

Mortality rates

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2015 Irish mortality rates	2015 UK mortality rates	2014 Irish mortality rates	2014 UK mortality rates
Male	22.9	22.3	22.8	22.7
Female	25.3	24.9	25.2	25.2

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

	2015 Irish mortality rates	2015 UK mortality rates	2014 Irish mortality rates	2014 UK mortality rates
Male	20.4	21.0	20.2	21.4
Female	23.1	23.3	23.0	23.7

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, all other assumptions remaining constant.

The impact on the plan liabilities has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised on the Group balance sheet. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

2015

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/ increase by €28.7 million.
Price inflation	Increase/decrease 0.25%	Increase/ decrease by €12.3 million.
Mortality	Increase/decrease by one year	Increase/ decrease by €19.8 million.
Future salary increases*		
Future pension increases**		

2014

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/ increase by €33.6 million.
Price inflation	Increase/decrease 0.25%	Increase/ decrease by €13.0 million.
Mortality	Increase/decrease by one year	Increase/ decrease by €21.4 million.
Future salary increases*		
Future pension increases**		

* The majority of the defined benefit schemes are career average plans. As a result, future salary increases will not have a material impact on the plan liabilities.

** There are no future pension increases agreed in the material defined benefit pension schemes.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plans holds investments in asset classes such as equities, which have volatile market values and while these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time.

Interest rate risk

The pension plans liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the pension plans hold other assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk

A significant proportion of the benefits under the plans are linked to inflation. Although the plans' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to further deficits emerging.

Mortality risk

In the event that members live longer than assumed a further deficit will emerge in the schemes.

26. Provisions

	Restructuring €'000 note (a)	UK pension €'000 note (b)	Legal claims €'000 note (c)	Lease commitments €'000 note (d)	Operational €'000 note (e)	Milk price stability fund €'000 note (f)	Revolving share plan €'000 note (g)	Total €'000
At 03 January 2015	**4,061**	**18,506**	**7,164**	**1,219**	**21,499**	**2,600**	**8,355**	**63,404**
Provided in the year	4,820	–	2,190	–	270	–	14,701	21,981
Utilised in the year	(2,869)	(913)	(2,676)	(240)	(8,973)	(2,600)	–	(18,271)
Exchange differences	–	1,168	430	8	72	–	–	1,678
Unwinding of discounts	–	137	–	5	–	–	–	142
Reclassification	–	–	(180)	–	–	–	–	(180)
At 02 January 2016	**6,012**	**18,898**	**6,928**	**992**	**12,868**	**–**	**23,056**	**68,754**
Non-current	–	18,120	–	864	7,234	–	23,056	49,274
Current	6,012	778	6,928	128	5,634	–	–	19,480
	6,012	**18,898**	**6,928**	**992**	**12,868**	**–**	**23,056**	**68,754**

(a) The restructuring provision relates to the rationalisation programme that the Group concluded this year. The provision, which relates mainly to termination payments, is expected to be fully utilised during 2016. The amount provided in the year is recognised in the income statement as an exceptional item.

(b) The UK pension provision relates to administration and certain costs associated with pension schemes attached to businesses disposed of in prior years. This provision is expected to be fully utilised over the next 28 years. See further detail in note 30.

(c) The legal claims provision represents legal claims brought against the Group. The balance at 02 January 2016 is expected to be utilised during 2016. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided for at 02 January 2016.

(d) The lease commitments provision relates to onerous leases in respect of two properties where the Group has present and future obligations to make lease payments. It is expected that €0.1 million will be utilised during the next year and the balance will be fully utilised in 2017.

(e) The operational provision represents provisions relating to deferred payments in respect of recent acquisitions, certain insurance claims, property remediation works and product returns. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

(f) During 2013, a provision was made for a milk price stability fund, the objective of which was to provide an element of protection to farmers when milk prices trend downwards in future periods. To support declining milk prices €2.6 million of the fund was paid out during 2015.

(g) This provision represents the Society's liability under the revolving share plan schemes.

27. Capital grants

	Notes	2015 €'000	2014 €'000
At the beginning of the year		**20,786**	15,000
Amortisation of grants received	4	**(1,683)**	(1,544)
Acquisitions		**–**	1,925
Additions		**6,100**	5,400
Exchange differences		**7**	5
At the end of the year		**25,210**	20,786
Non-current		**23,216**	20,786
Current		**1,994**	–
		25,210	20,786

The entities receiving the grants are principal subsidiaries as outlined in note 37 and have no going concern issues. Therefore, there are no material contingencies attaching to any grants received.

28. Trade and other payables

	Notes	2015 €'000	2014 €'000
Trade payables		**280,305**	254,115
Amounts due to Joint Ventures & Associates	35	**39,501**	61,078
Amounts due to other related parties	35	**144**	138
Social security costs		**4,754**	4,078
Accrued expenses		**200,955**	166,039
Other payables		**17,285**	13,693
		542,944	499,141

See note 33 for analysis of the movement in trade and other payables.

The carrying value of payables is a reasonable approximation of fair value due to their short term nature.

29. Derivative financial instruments

	Notes	2015 Assets €'000	2015 Liabilities €'000	2014 Assets €'000	2014 Liabilities €'000
Non-hedging instruments		**–**	**(666)**	440	–
Interest rate swaps - cash flow hedges		**–**	**(1,086)**	–	(878)
Foreign exchange contracts - cash flow hedges		**183**	**(849)**	295	(1,201)
Commodity futures - cash flow hedges		**–**	**(438)**	–	(534)
Commodity futures - fair value hedges		**379**	**–**	544	–
	22	**562**	**(3,039)**	1,279	(2,613)
Non-current					
- Commodity futures - cash flow hedges		**–**	**(47)**	–	–
- Interest rate swaps - cash flow hedges		**–**	**(537)**	–	(583)
		–	**(584)**	–	(583)
Current		**562**	**(2,455)**	1,279	(2,030)
		562	**(3,039)**	1,279	(2,613)

Non-hedging instruments
Non-hedging instruments refers to a translation difference on a GBP/EUR currency swap with a notional amount of GBP 31.0 million (2014: GBP 20 million). The translation loss included in the Group income statement is €1.1 million (2014: €0.5 million gain).

Interest rate swaps
Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swaps represent our share of the movement on swaps entered into by Joint Ventures. All movements are recognised against the carrying value of the investment in Joint Ventures until repayment of the related bank borrowings.

Foreign exchange contracts
The notional principal amounts of the outstanding foreign exchange contracts at 02 January 2016 were €68.2 million (2014: €51.0 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 02 January 2016 will be released to the income statement at various dates within one year from the reporting date. The gain released to the income statement in respect of these contracts during 2015 was €0.3 million.

Commodity futures
The notional principal amounts of the outstanding commodity (milk, cheese, gas and oil) futures, qualifying as cash flow hedges and fair value hedges at 02 January 2016 were €2.7 million and €43.5 million respectively (2014: €2.8 million and €44.9 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures as at 02 January 2016 will be released to the income statement at various dates within one year from the reporting date. The loss released to the Group income statement in respect of these futures during 2015 was €0.5 million.

Net investment hedge
A portion of the Group's US dollar denominated borrowing amounting to USD 98.5 million (2014: USD 98.5 million) is designated as a hedge of the net investment in the Group's US dollar net assets. The fair value of the borrowing was €90.5 million (2014: €81.7 million). The foreign exchange loss of €8.7 million (2014: €9.5 million loss) arising on translation of the borrowing into euro at 02 January 2016 is recognised in other comprehensive income.

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 Co-operative Society Limited and has determined that their value is not significant.

Call option
Glanbia Co-operative Society Limited has a call option to acquire Glanbia plc's 40% interest in Glanbia Ingredients Ireland Limited under an agreed valuation methodology for a six year period from November 2012. The Group is satisfied that there is no more than a nominal value attached to this call option.

30. Contingent liabilities

Group
Bank guarantees amounting to €14.3 million (2014: €14.7 million) are outstanding as at 02 January 2016. 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.

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 25 and note 26. In addition, a subsidiary of the Society, Glanbia plc has guaranteed the payment of a proportion of employer contributions in respect of these UK pension schemes. Glanbia plc and the Group considers these guarantees to be insurance contracts and accounts for them as such. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these schemes. Glanbia plc and the Group treat the guarantee contracts as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

31. Commitments

Capital commitments
Capital expenditure contracted for at the reporting date but not recognised in the Financial Statements is as follows:

	2015 €'000	2014 €'000
Property, plant and equipment	**22,463**	75,025

Operating lease commitments – where the Group is the lessee
The Group leases various assets. Generally operating leases are short-term with no purchase options. The future aggregate minimum lease payments under non-cancellable operating leases are as follows at the reporting date:

	2015 €'000	2014 €'000
Not later than 1 year	**19,637**	18,062
Later than 1 year and not later than 5 years	**61,948**	56,237
Later than 5 years	**64,241**	66,609
	145,826	140,908

32. Cash generated from operations

	Notes	**2015 €'000**	2014 €'000
Profit before taxation		**234,385**	190,264
Write off of intangibles	11	**–**	73
Non-cash exceptional loss/(gain)		**18,325**	10,290
Share of results of Joint Ventures & Associates		**(14,583)**	(13,289)
Depreciation	10	**58,568**	47,298
Amortisation	11	**32,318**	23,487
Cost of share based payments	18	**8,724**	5,516
Difference between pension charge and cash contributions		**(7,881)**	(9,411)
Loss/(profit) on disposal of property, plant and equipment		**209**	(140)
Finance income	7	**(2,005)**	(1,764)
Finance expense	7	**26,618**	26,532
Amortisation of government grants received	27	**(1,683)**	(1,544)
Cash generated from operations before changes in working capital		**352,995**	277,312
Change in net working capital:			
– Decrease in inventory		**9,153**	14,132
– (Increase) in short term receivables		**(27,716)**	(9,948)
– Increase/(decrease) in short term liabilities		**10,415**	(612)
– (Decrease) in provisions		**(12,221)**	(14,085)
Cash generated from operations		**332,626**	266,799

33. Movement in working capital

2014	Notes	Inventories €'000	Short term receivables €'000	Short term liabilities €'000	Provisions €'000	Total €'000
At 04 January 2014		422,383	337,949	(442,714)	(75,334)	242,284
Exchange differences		30,080	22,668	(26,082)	(1,148)	25,518
Arising on acquisition		26,807	22,673	(28,402)	–	21,078
Other consideration arising on acquisition		–	–	(1,836)	(9,424)	(11,260)
Exceptional items, interest accruals, revolving share plan, capital creditors and other non-operating items		–	(717)	(719)	8,417	6,981
(Decrease)/increase in working capital	32	(14,132)	9,948	612	14,085	10,513
At 03 January 2015		465,138	392,521	(499,141)	(63,404)	295,114

2015	Notes	Inventories €'000	Short term receivables €'000	Short term liabilities €'000	Provisions €'000	Total €'000
At 03 January 2015		465,138	392,521	(499,141)	(63,404)	295,114
Exchange differences		24,643	20,932	(24,671)	(1,678)	19,226
Arising on acquisition	34	3,196	10,741	(10,500)	–	3,437
Arising on disposal		–	(233)	–	–	(233)
Arising on transfer from associate to subsidiary		1,091	702	(1,015)	–	778
Liabilities assumed at completion	34	–	–	(8,647)	–	(8,647)
Refund of consideration due from vendor - thinkThin	34	–	1,433	–	–	1,433
Other consideration arising on acquisition		–	–	–	2,592	2,592
Exceptional items, interest accruals, revolving share plan, capital creditors and other non-operating items		–	5,838	11,445	(18,485)	(1,202)
(Decrease)/increase in working capital	32	(9,153)	27,716	(10,415)	12,221	20,369
At 02 January 2016		484,915	459,650	(542,944)	(68,754)	332,867

34. Business combinations

The acquisitions completed by the Group during the year were as follows:

On 28 June 2015, the Group acquired 100% of Cold Chain Food Distributors Limited (Cold Chain). Cold Chain's principal activity is the sale and distribution of dairy products in Ireland. The acquisition will allow the Group to broaden its product range for customers in the growing food service channel and its customer base. Goodwill is attributable to the profitability and development opportunities associated with the extension of the Group's portfolio by complementing and enhancing existing sales and distribution channels. Goodwill is not deductible for tax purposes.

On 10 December 2015, the Group acquired 100% of PHTT Acquisition, LLC (thinkThin). thinkThin is a US based provider of premium lifestyle nutrition products. The reason for the acquisition was to complement the portfolio of the Group's Glanbia Performance Nutrition business and to further consolidate the Group's market leading position. Goodwill is attributable to the profitability and development opportunities associated with the extension of the Group's portfolio by complementing and enhancing existing performance nutrition capabilities. The goodwill reflects the expectation that the business will continue to generate new customers and new products over time, the acquired workforce (which is not an identifiable asset for financial reporting purposes) and synergies. Goodwill of €12.5 million is deductible for tax purposes.

Acquisition related costs charged to the Group income statement, included within other expenses (note 4), during the year ended 02 January 2016 amounted to €0.8 million (2014: €1.2 million).

No contingent liabilities arose as part of the acquisitions.

Summary of acquisitions
Details of the net assets acquired and goodwill arising from the acquisitions during the year ended 02 January 2016 are as follows:

	Cold Chain €'000	thinkThin €'000	Total €'000
Purchase consideration	872	193,274	194,146
Add/(less): fair value of liabilities acquired/(assets acquired)	227	(108,583)	(108,356)
Goodwill	1,099	84,691	85,790

The fair value of assets and liabilities arising from the acquisitions during the year ended 02 January 2016 are as follows:

	Cold Chain €'000	thinkThin €'000	Total Fair Value €'000
Property, plant and equipment	10	795	805
Intangible assets - brands	–	78,589	78,589
Intangible assets - customer relationships	–	71,278	71,278
Intangible assets - software	–	6	6
Inventories	108	3,088	3,196
Trade and other receivables	1,374	9,367	10,741
Trade and other payables	(1,217)	(9,283)	(10,500)
Deferred tax asset/(liabilities)	22	(42,829)	(42,807)
Liabilities assumed at completion	–	(8,647)	(8,647)
Liabilities settled at completion	(802)	(494)	(1,296)
Cash and cash equivalents	278	6,713	6,991
Fair value of (liabilities)/assets acquired	(227)	108,583	108,356

The total purchase consideration is as follows:

	Cold Chain €'000	thinkThin €'000	Total €'000
Purchase consideration - cash paid	872	194,707	195,579
Refund of consideration due from vendor	–	(1,433)	(1,433)
Purchase consideration	872	193,274	194,146

The fair value of Cold Chain's trade and other receivables at the acquisition date amounted to €1.4 million. The gross contractual amount for trade receivables due is €1.5 million, an amount of €0.1 million is provided for as an allowance for doubtful debts.

The fair value of thinkThin's trade and other receivables at the acquisition date amounted to €9.4 million. The gross contractual amount for trade receivables due is €6.3 million, an amount €0.2 million is provided for as an allowance for doubtful debts. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the thinkThin business combination given the timing of closure of this transaction. Any amendments to these fair values within the 12 month timeframe from the date of acquisition will be disclosed in the 2016 Annual Report as stipulated by IFRS 3 'Business Combinations'.

For the acquisitions completed in 2014 there were no material revisions of the provisional fair value adjustments since the initial values were established.

Combined impact of acquisitions

The revenue and profit (net of transaction costs) of the Group including the impact of acquisitions completed during the financial year ended 02 January 2016 were as follows:

	2015 Acquisitions €'000	Group excluding acquisitions €'000	Consolidated Group including acquisitions €'000
Revenue	9,892	2,764,434	2,774,326
Profit before taxation and exceptional items	373	244,665	245,038

The revenue and profit (including transaction cost) of the Group for the financial year ended 02 January 2016 determined in accordance with IFRS 3 as though the acquisition date for all business combinations effected during the year had been at the beginning of the year would be as follows:

	2015 Acquisitions €'000	Group excluding acquisitions €'000	Pro Forma Consolidated Group €'000
Revenue	86,606	2,764,434	2,851,040
(Loss)/profit before taxation and exceptional items	(4,748)	244,665	239,917

35. Related party transactions

Glanbia Co-operative Society Limited controls Glanbia plc, holding 36.5% of its issued share capital and is the ultimate parent of the Group.

Subsidiaries, Joint Ventures & Associates

The Group Financial Statements include the Financial Statements of the Society, its subsidiaries and its percentage shareholding of results from Joint Ventures & Associates. A listing of the principal subsidiary and associated undertakings is provided in note 37.

Sales to and purchases from, together with outstanding payables and receivables to and from subsidiaries, are eliminated in the preparation of the Group Financial Statements in accordance with IFRS 10 'Consolidated Financial Statements'. Borrowings of Glanbia plc and its subsidiaries are secured by cross-guarantees from Glanbia plc and certain principal subsidiaries.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2015 €'000	2014 €'000
Sales of goods:		
– Associates	–	4,685
– Joint ventures	53,845	51,285
– Key management*	2,029	2,020
	55,874	57,990
Sales of services:		
– Joint ventures	15,770	18,000
- Associates	53	–
	15,823	18,000

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

(b) Purchases of goods and services

	2015 €'000	2014 €'000
Purchases of goods:		
– Associates	10,711	10,015
– Joint ventures	5,681	5,795
– Key management*	4,188	3,695
	20,580	19,505
Purchases of services:		
– Associates	1,820	1,639
– Joint ventures	24	–
	1,844	1,639

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

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

(c) Contributions to retirement benefit plans

Information in relation to the Group's contributions to retirement benefit plans is disclosed in note 25.

(d) Year-end balance

	2015 €'000	2014 €'000
Receivables from related parties:		
– Associates	**1,456**	1,821
– Joint ventures	**2,338**	2,777
– Key management*	**135**	584
	3,929	5,182
Payables to related parties:		
– Associates	**1,984**	11,883
– Joint ventures	**37,517**	49,195
– Key management*	**144**	138
	39,645	61,216

The outstanding balances included in receivables and payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash.

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

(e) Key management compensation

The Board of Directors and senior executives are deemed to be key management personnel as they are responsible for planning, directing and controlling the activities of the Group. Key management compensation includes Directors (Executive and Non-Executive) and senior executives, including the Group Secretary.

In addition to their salaries and short term benefits, the Group contributes to post retirement benefit plans on behalf of key management personnel and these personnel also participate in the Group's Long Term Incentive Plan (LTIP). See notes 18 and 25. No loans were made to key management during the year (2014:nil).

	2015 €'000	2014 €'000
Salaries and other short-term employee benefits	**6,659**	4,945
Post-employment benefits	**598**	588
Share based payments	**4,343**	2,086
Non-executive directors fees	**1,812**	1,463
	13,412	9,082

(f) Loans to joint ventures

	2015 €'000	2014 €'000
Loans receivable		
At the beginning of the year	**9,863**	9,376
Foreign exchange difference on opening balance	**462**	487
Loans payments received	**(8,475)**	–
At the end of the year	**1,850**	9,863
Interest on loans receivable		
At the beginning of the year	**261**	122
Foreign exchange difference on opening balance	**11**	8
Interest charged	**89**	216
Interest received	**(308)**	(85)
At the end of the year	**53**	261
Total loans and interest receivable at the end of the year	**1,903**	10,124

The GBP £6.25 million loan to Milk Ventures (UK) Limited was repaid on 01 April 2015, following the disposal of the Group's investment in Milk Ventures (UK) Limited, which was the parent company of Nutricima Limited. See notes 5 and 13. A loan of €1.5 million, to South East Port Services Limited, is due as €0.75 million repayable on 31 October 2017 and 31 October 2018, subject to cash flows. A loan of €0.35 million to the Malting Company of Ireland Limited is repayable in 2043.

36. Events after the reporting period

There were no significant events, outside the ordinary course of business, affecting the Group since 02 January 2016.

37. Principal subsidiary and associated undertakings

(a) Subsidiaries

Incorporated and operating in	Registered office	Principal activity	Group interest % 2015	Group interest % 2014
Ireland				
Alanfield Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	**36.5**	41.2
Avonmore Proteins Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.5**	41.2
Avonmore Skim Milk Products Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**36.5**	41.2
Cold Chain Food Distributors Limited	Glanbia House, Kilkenny, Co Kilkenny	Sale and distribution of dairy foods	**36.5**	–
D. Walsh & Sons Limited	Palmerstown, Co Kilkenny	Grain and fertilisers	**21.9**	24.72
Glanbia Cheesip Limited*	Glanbia House, Kilkenny, Co Kilkenny	Research and development	**36.5**	41.2
Glanbia Consumer Foods Limited	Glanbia House, Kilkenny, Co Kilkenny	Consumer foods	**36.5**	41.2
Glanbia Estates Limited	Glanbia House, Kilkenny, Co Kilkenny	Property and land dealing	**36.5**	41.2
Glanbia Feeds Limited	Glanbia House, Kilkenny, Co Kilkenny	Manufacture of animal feed	**36.5**	41.2
Glanbia Finance Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.5**	41.2
Glanbia Financial Services	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.5**	41.2
Glanbia Foods Ireland Limited	Glanbia House, Kilkenny, Co Kilkenny	Consumer foods, agri trading and business services	**36.5**	41.2
Glanbia Ingredients Ireland Limited	Ballyconra, Ballyragget, Co. Kilkenny	Milk products	**74.6**	76.48
Glanbia Investipr Limited	Glanbia House, Kilkenny, Co Kilkenny	Management of receivables	**36.5**	41.2
Glanbia Holdings (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**36.5**	41.2
Glanbia Management Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Management services	**36.5**	41.2
Glanbia Nutritionals (Blending) Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.5**	41.2

Incorporated and operating in	Registered office	Principal activity	**Group interest % 2015**	Group interest % 2014
Glanbia Nutritionals (Europe) Limited	Glanbia House, Kilkenny, Co Kilkenny	Nutritional ingredients	**36.50**	41.20
Glanbia Nutritionals (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Performance nutrition and ingredients	**36.50**	41.20
Glanbia Nutritionals (Research) Limited	Glanbia House, Kilkenny, Co Kilkenny	Research and development	**36.50**	41.20
Glanbia plc	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**36.50**	41.20
Glanbia Property Holding Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**36.50**	41.20
Glanbia Property Rentals Limited	Glanbia House, Kilkenny, Co Kilkenny	Property rental company	**36.50**	41.20
Glanbia Services Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	**100.00**	100.00
Glanbia Support Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Business services	**36.50**	41.20
Glassonby	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.50**	41.20
Grassland Fertilizers (Kilkenny) Limited	Palmerstown, Co Kilkenny	Fertilisers	**26.65**	30.08
MacCormac Products Limited	Glanbia House, Kilkenny, Co Kilkenny	Royalty earnings	**74.60**	76.48
ON Optimum Nutrition Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	**36.50**	41.20
Quinport Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**100.00**	100.00
Robinfield Co-operative Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	**100.00**	100.00
Slademore Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**100.00**	100.00
South Eastern Cattle Breeding Society Limited	Dovea,Thurles, Co Tipperary	Cattle breeding	**22.26**	–
Waterford Foods Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	**36.50**	41.20
Wexford Creamery Limited	Ballyconra, Ballyragget, Co. Kilkenny	Cheese production	**74.60**	76.48
United States				
Aseptic Solutions USA Ventures, LLC	1209 Orange Street, Wilmington, New Castle County, DE 19801	Beverage manufacturer & co packer	**36.50**	41.20
Glanbia (Delaware), Inc.	1209 Orange Street, Wilmington, New Castle County, DE 19801	Holding company	**36.50**	41.20
Glanbia, Inc.	2711 Centerville Road Suite 400, Wilmington, New Castle County, DE 19808	Holding company	**36.50**	41.20
Glanbia Business Services, Inc.	1209 Orange Street, Wilmington, New Castle County, DE 19801	Business services	**36.50**	41.20
Glanbia Foods, Inc.	121 4th Avenue S., Twin Falls ID 83301	Cheese and nutritional ingredients	**36.50**	41.20
Glanbia Nutritionals (NA), Inc.	1209 Orange Street, Wilmington, New Castle County, DE 19801	Nutritional ingredients	**36.50**	41.20
Glanbia Nutritionals, Inc.	1209 Orange Street, Wilmington, New Castle County, DE 19801	Nutritional ingredients	**36.50**	41.20
Glanbia Performance Nutrition, Inc.	11380 Prosperity Farms Rd #221E, Palm Beach, Gardens FL 33410	Performance nutrition	**36.50**	41.20
PHTT Acquisition, Inc.	3411 Silverside Road, Rodney Building 104, Wilmington, New Castle County, DE 19810	Holding company	**36.50**	–
thinkThin, LLC	2711 Centerville Road Suite 400, Wilmington, New Castle County, DE 19808	Performance nutrition	**36.50**	–
The Isopure Company, LLC	1209 Orange Street, Wilmington, New Castle County, DE 19801	Performance nutrition	**36.50**	41.20
Britain and Northern Ireland				
Glanbia Feedstuffs Limited	One Victoria Square, Birmingham,. B1 1BD	Animal feed distribution	**36.50**	41.20
Glanbia Foods (NI) Limited	202 City Business Park, Dunmurry, BT17 9HY	Consumer food distribution	**36.50**	41.20
Glanbia Holdings Limited	One Victoria Square, Birmingham, B1 1BD	Financing	**36.50**	41.20
Glanbia Investments (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**36.50**	41.20

Incorporated and operating in	Registered office	Principal activity	**Group Interest % 2015**	Group interest % 2014
Glanbia Milk Limited	One Victoria Square, Birmingham, B1 1BD	Management services	**36.5**	41.2
Glanbia Performance Nutrition (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Performance nutrition	**36.5**	41.2
Glanbia (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**36.5**	41.2
Waterford Foods International Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	**36.5**	41.2
Germany				
Glanbia Nutritionals Deutschland GmbH	Gewerbestrasse 3, 78359 Orsingen - Nenzingen	Nutritional delivery systems	**36.5**	41.2
Glanbia Performance Nutrition GmbH	Köpenicker Strasse 10, 10997, Berlin	Performance nutrition products	**36.5**	41.2
Asia				
Glanbia Nutritionals Singapore Pte Limited	70 Bendemeer Road, 06-01, 339940, Singapore	Customer service office	**36.5**	41.2
Glanbia Nutritionals (Suzhou) Co. Limited	No. 128 Fangzong Street SIP, Suzhou, Jiangsu Province, PRC 215025, China	Nutrient delivery systems	**36.5**	41.2
GN Life Science (Shanghai) Co. Limited	Room 432, No.473 Fute Xiyi Road, Waigaoqiao Free Trade Zone, Shanghai, China	Nutritional ingredients	**36.5**	41.2
Australia				
Glanbia Performance Nutrition Pty Limited	Level 10, 68 Pitt Street, Sydney NSW 2000	Performance nutrition	**36.5**	41.2
Brazil				
Glanbia Marketing de Produtos de Nutricao e Performance do Brasil Ltda	Alameda Gabriel Monteiro da Silva, No. 2892, Jardim America, na Cidade de Sao Paulo, São Paulo	Performance nutrition	**36.5**	41.2
Canada				
Glanbia Nutritionals (Canada) Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Nutritional products	**36.5**	41.2
Glanbia Performance Nutrition Canada Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Performance nutrition	**36.5**	41.2
Denmark				
Nutramino Holding ApS	Frederikssundsvej 62 B 1, 2400 København NV	Holding company	**36.5**	41.2
Nutramino Int. ApS	Frederikssundsvej 62 B 1, 2400 København NV	Performance nutrition	**36.5**	41.2
France				
Glanbia Performance Nutrition France SAS	8, Avenue Hoche, 75008, Paris	Performance nutrition	**36.5**	41.2
India				
Glanbia India Private Limited**	43/61, "Srinidhi", Surveyor's Street, Basavangudi, Bangalore 560004	Nutritional ingredients	**36.5**	41.2
Glanbia Performance Nutrition (India) Private Limited	234, 3rd Floor, Shivani CGHS Ltd., Plot No. 18, Sector 12, Dwarka, New Delhi, West Delhi, Delhi-DL, 110078	Performance nutrition	**36.5**	41.2

Incorporated and operating in	Registered office	Principal activity	**Group interest % 2015**	Group interest % 2014
Luxembourg				
Glanbia Luxembourg SA***	5, Rue Guillaume Kroll, L-1882	Financing	**36.5**	41.2
Glanbia Luxfin SA***	5, Rue Guillaume Kroll, L-1882	Financing	**36.5**	41.2
Glanbia Luxinvest SA***	5, Rue Guillaume Kroll, L-1882	Financing	**36.5**	41.2
Netherlands				
Glanbia Foods B.V.***	Schiphol Boulevard 231, 1118 BH Schiphol	Holding company	**36.5**	41.2
Mexico				
Glanbia, S.A. de CV	Av. Prolongación Paseo de la Reforma No. 115-1006, Col. Paseo de las Lomas, C.P. 01330	Nutritional ingredients	**36.5**	41.2
Norway				
Nutramino NO AS	Fillpstad brygge 1, 0252, Oslo	Performance nutrition	**36.5**	41.2
Portugal				
Glanbia Nutritionals (Portugal) - Sociedade Unipessoal, Lda.	Regus Quinta da Fonte, Edifico D. Pedro I, Rua dos Malhões, 2770-071, Paço de Arcos, Oeiras	Performance nutrition	**36.5**	41.2
Russian Federation				
LLC Glanbia	Office 1934, 10 Testovskaya Street, 123317, Moscow	Nutritional ingredients	**36.5**	41.2
South Africa				
Glanbia (Pty) Limited	Stand 893, 7 Forbes Street, Midstream Estate - Windsor Gate, Brakfontein Road, Ekurhuleni	Nutritional ingredients	**36.5**	41.2
Sweden				
Nutramino AB	Frederikssundsvej 62b, DK-2400 København NV, Denmark	Performance nutrition	**36.5**	41.2
Turkey				
Glanbia Besin Ürünleri Pazarlama ve Ticaret Limited Sirketi	Kocatepe Mah., Lamartin Cad. No:5, Ofis Lamartine Kat:6, Taksim, Beyoglu, Istanbul, 34437	Performance nutrition	**36.5**	–
Uruguay				
Glanbia (Uruguay Exports) SA	Copacabana Street, Block 26 - S 12, Médanos de Solymar City, Canelones	Customer service office	**36.5**	41.2

* Glanbia Cheesip has a branch at 7A, rue Robert Stümper, L-2557, Luxembourg, with a statutory year end fixed at 31 December each year in order to comply with statutory requirements.

** The statutory year end of this subsidiary is 31 March 2016, which coincides with the tax year in India.

*** The statutory year end of these subsidiaries is fixed at 31 December each year to comply with statutory requirements.

The Group has no significant restrictions in relation to the Group's ability to access or use the assets and settle the liabilities of its principal subsidiaries.

(b) Associates and joint ventures

Incorporated and operating in	Date to which results are included	Registered Office	Principal activities	**Group interest % 2015**	Group interest % 2014
Ireland					
Corman Miloko Ireland Limited**	31-Dec-2015	Deerpark, Carrick-on-suir, Co. Tipperary	Butter oil and dairy spreads production	**33.57**	34.41
Co-operative Animal Health Limited*	31–Dec–2014	Tullow, Co Carlow	Agri chemicals	**18.24**	20.6
Greenfield Dairy Partners Limited*	31-Dec-2015	Grove, Dunbe Grove, Dunbell, Co. Kilkenny	Milk products	**24.86**	25.49
Malting Company of Ireland Limited**	30–Oct–2015	The Maltings, South Link, Togher, Cork	Malting	**18.24**	20.6
South Eastern Cattle Breeding Society Limited*	31-Dec-2014	Dovea,Thurles, Co Tipperary	Cattle breeding	**–**	23.48
South East Port Services Limited*	02-Jan-2016	Palmerstown, Co Kilkenny	Port services	**17.88**	20.19
United States					
Southwest Cheese Company, LLC**	02-Jan-2016	1209 Orange Street, Wilmington New Castle County, DE 19801	Milk products	**18.24**	20.6
Britain and Northern Ireland					
Glanbia Cheese Limited**	02-Jan-2016	4 Royal Mews, Gadbrook Park, Rudheath, Northwich, Cheshire, CW9 7VD	Cheese products	**18.61**	21.01
Milk Ventures (UK) Limited**	31-Mar-2015 (note 5)	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG	Holding company	**–**	20.6
Nigeria					
Nutricima Limited**	31-Mar-2015 (note 5)	45/47 Town Planning Way, Ilupeju, Lagos	Evaporated and powdered milk	**–**	20.6

* Associate

** Joint venture

The Group's investments in Joint Ventures & Associates are subject to certain restrictions however these are not material.

38. Statement of Directors' responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view in accordance with applicable Irish law including the Industrial and Provident Societies Acts, 1893 to 2014 and IFRSs as adopted by the European Union. In preparing the financial statements, the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of Directors confirms that it has complied with the above requirements in preparing the financial statements.

The Board of Directors is responsible for keeping proper books of account, such as are necessary to give a true and fair view of the state of affairs of the Society and to explain its transactions.

The Board of Directors is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Schedule 1(b)
Audited Financial Statements for the period ending 3 January 2015

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Glanbia Co-operative Society Limited

Consolidated financial statements for the financial year ended 03 January 2015

glanbia

Glanbia Co-operative Society Limited

Consolidated financial statements for the financial year ended 03 January 2015

glanbia

Financial Statement Contents

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLANBIA CO-OPERATIVE SOCIETY LIMITED

We have audited the Group and Society financial statements of Glanbia Co-operative Society Limited for the year ended 03 January 2015, which comprise the Group income statement, the Group balance sheet, the Group statement of changes in equity, the Group statement of cash flows, the Group statement of comprehensive income, the Society profit and loss account, the Society balance sheet, the Society cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Society financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of committee of management and auditors

The committee of management are herein after referred to as Directors. As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors' are responsible for the preparation of the group financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 13 of the Industrial and Provident Societies Act, 1893 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group annual report to identify material inconsistencies with the audited Group financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

pwc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLANBIA CO-OPERATIVE SOCIETY LIMITED - continued

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 03 January 2015 and of its profit and cash flows for the year then ended; and
- have been prepared in accordance with IFRSs as adopted by the European Union.

In our opinion the Society financial statements:

- give a true and fair view of the Society's affairs as at 03 January 2015 and of its profit and cash flows for the year then ended; and
- have been prepared in accordance with Generally Accepted Accounting Practice in Ireland.

In accordance with section 13 (2) of the Industrial and Provident Societies Acts, 1893 to 1978, we now sign the same as found to be correct, duly vouched and in accordance with law.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Waterford, Ireland

2 April 2015

Group income statement

for the financial year ended 03 January 2015

	Notes	Pre-exceptional 2014 €'000	Exceptional 2014 €'000 (note 6)	Total 2014 €'000	Pre-exceptional 2013 €'000	Exceptional 2013 €'000 (note 6)	Total 2013 €'000
Revenue		3,415,881	–	3,415,881	3,221,105	–	3,221,105
Earnings before interest, tax and amortisation (EBITA)		**241,179**	**(15,949)**	**225,230**	**226,048**	**5,804**	**231,852**
Intangible asset amortisation		(23,487)	–	(23,487)	(21,646)	–	(21,646)
Operating profit		**217,692**	**(15,949)**	**201,743**	**204,402**	**5,804**	**210,206**
Finance income	8	1,764	–	1,764	2,318	–	2,318
Finance costs	8	(26,532)	–	(26,532)	(30,525)	–	(30,525)
Share of results of Joint Ventures & Associates		13,289	–	13,289	13,966	–	13,966
Profit before taxation		**206,213**	**(15,949)**	**190,264**	**190,161**	**5,804**	**195,965**
Income taxes	9	(31,751)	1,870	(29,881)	(29,250)	(316)	(29,566)
Profit for the year		**174,462**	**(14,079)**	**160,383**	**160,911**	**5,488**	**166,399**
Attributable to:							
Equity holders of the Parent				73,427			77,580
Non-controlling interests	22			86,956			88,819
				160,383			**166,399**

L Herlihy Stella Talbot Martin Keane.

On behalf of the Board
L Herlihy S Talbot Mn Keane
Directors

Group statement of comprehensive income

for the financial year ended 03 January 2015

	Notes	2014 €'000	2013 €'000
Profit for the year		**160,383**	**166,399**
Other comprehensive income/(expense)			
Items that are reclassified subsequently to the Group income statement			
Remeasurement defined benefit schemes	25	(65,334)	(1,366)
Deferred tax credit on remeasurement	24	7,681	(189)
Share of remeasurement – Joint Ventures & Associates	21	(312)	(1,547)
Deferred tax credit on remeasurement – Joint Ventures & Associates	21	42	261
Items that may be reclassified subsequently to the Group income statement			
Currency translation differences	19	97,805	(24,592)
Net investment hedge	19	(9,544)	2,472
Revaluation of available for sale financial assets - gain in year	19	1,857	1,785
Fair value movements on cash flow hedges	19	(1,532)	465
Deferred tax on cash flow hedges and revaluation of available for sale financial assets	24	14	(995)
Other comprehensive income/(expense) for the year, net of tax		**30,677**	**(23,706)**
Total comprehensive income for the year		**191,060**	**142,693**
Total comprehensive income attributable to:			
Equity holders of the parent		79,335	67,316
Non-controlling interests		111,725	75,377
		191,060	**142,693**

Group statement of changes in equity

for the financial year ended 03 January 2015

	Attributable to Equity holders of the Parent					
	Share capital and share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total €'000
	(note 20)	(note 19)	(note 21)		(note 22)	
Balance at 29 December 2012	**48,194**	**83,669**	**215,017**	**346,880**	**285,017**	**631,897**
Profit for the year	–	–	77,580	77,580	88,819	166,399
Other comprehensive income/(expense)						
Remeasurement - defined benefit schemes	–	–	(1,366)	(1,366)	–	(1,366)
Deferred tax on remeasurement	–	–	(189)	(189)	–	(189)
Other deferred tax movements	–	(603)	–	(603)	–	(603)
Share of remeasurement – Joint Ventures & Associates	–	–	(1,286)	(1,286)	–	(1,286)
Fair value movements	–	2,250	–	2,250	–	2,250
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	4,468	(4,468)	–	–	–
Deferred tax on fair value movements	–	(392)	–	(392)	–	(392)
Currency translation differences	–	(24,592)	–	(24,592)	–	(24,592)
Net investment hedge	–	2,472	–	2,472	–	2,472
	–	**(16,397)**	**70,271**	**53,874**	**88,819**	**142,693**
Dividend paid during the year	–	–	–	–	(16,908)	(16,908)
Ordinary share interest paid to Society shareholders	–	–	(2,650)	(2,650)	–	(2,650)
Distribution paid to Society shareholders	–	–	(737)	(737)	–	(737)
Cost of share based payments	–	4,568	–	4,568	–	4,568
Cancellation of Society shares arising on spin out	(6,119)	6,119	–	–	–	–
Purchase of Glanbia plc own shares	–	(7,387)	–	(7,387)	–	(7,387)
Equity adjustment arising on the spin out of Glanbia plc shares	–	–	(39,856)	(39,856)	–	(39,856)
Transfer to non-controlling interests	–	11,001	4,069	15,070	(15,070)	–
Increase in non-controlling interests	–	–	–	–	41,117	41,117
Balance at 04 January 2014	**42,075**	**81,573**	**246,114**	**369,762**	**382,975**	**752,737**
Profit for the year	–	–	73,427	73,427	86,956	160,383
Other comprehensive income/(expense)						
Remeasurement – defined benefit schemes	–	–	(65,334)	(65,334)	–	(65,334)
Deferred tax on remeasurement	–	–	7,681	7,681	–	7,681
Share of remeasurement – Joint Ventures & Associates	–	–	(270)	(270)	–	(270)
Fair value movements	–	325	–	325	–	325
Deferred tax on fair value movements	–	14	–	14	–	14
Currency translation differences	–	97,805	–	97,805	–	97,805
Net investment hedge	–	(9,544)	–	(9,544)	–	(9,544)
	–	**88,600**	**15,504**	**104,104**	**86,956**	**191,060**
Dividend paid during the year	–	–	–	–	(18,700)	(18,700)
Ordinary share interest paid to Society shareholders	–	–	(3,416)	(3,416)	–	(3,416)
Distribution paid to Society shareholders	–	–	(1,369)	(1,369)	–	(1,369)
Cost of share based payments	–	5,516	–	5,516	–	5,516
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	4,361	(4,361)	–	–	–
Deferred tax credit on share based payment	–	–	272	272	–	272
Cancellation of Society shares arising on spin out	(57)	57	–	–	–	–
Purchase of Glanbia plc own shares	–	(7,981)	–	(7,981)	–	(7,981)
Equity adjustment arising on the spin out of Glanbia plc shares	–	–	(89)	(89)	–	(89)
Sale of shares held by subsidiary	–	–	2,092	2,092	–	2,092
Transfer to non-controlling interests	–	(53,419)	27,916	(25,503)	25,503	–
Increase in non-controlling interests	–	–	–	–	532	532
Balance at 03 January 2015	**42,018**	**118,707**	**282,663**	**443,388**	**477,266**	**920,654**

Group balance sheet

as at 03 January 2015

	Notes	2014 €'000	2013 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	794,522	561,682
Intangible assets	12	671,559	459,209
Investments in associates	13	11,401	13,870
Investments in joint ventures	14	73,679	62,741
Trade and other receivables	16	9,863	9,376
Deferred income tax assets	24	36,959	27,240
Available for sale financial assets	15	14,555	11,822
		1,612,538	**1,145,940**
Current assets			
Inventories	17	465,138	422,383
Trade and other receivables	16	392,521	337,949
Derivative financial instruments	29	1,279	1,954
Cash and cash equivalents	18	142,361	156,556
		1,001,299	**918,842**
Total assets		**2,613,837**	**2,064,782**
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	20	42,018	42,075
Other reserves	19	118,707	81,573
Retained earnings	21	282,663	246,114
		443,388	**369,762**
Non-controlling interests	22	477,266	382,975
Total equity		**920,654**	**752,737**
LIABILITIES			
Non-current liabilities			
Borrowings	23	785,583	515,421
Deferred income tax liabilities	24	135,781	102,470
Retirement benefit obligations	25	170,984	113,638
Provisions for other liabilities and charges	26	34,296	18,492
Capital grants	27	20,786	15,000
Derivative financial instruments	29	583	–
		1,148,013	**765,021**
Current liabilities			
Trade and other payables	28	499,141	442,714
Current tax liabilities	28	3,115	5,574
Borrowings	23	11,776	39,274
Derivative financial instruments	29	2,030	2,620
Provisions for other liabilities and charges	26	29,108	56,842
		545,170	**547,024**
Total liabilities		**1,693,183**	**1,312,045**
Total equity and liabilities		**2,613,837**	**2,064,782**

On behalf of the Board
L Herlihy S Talbot Mn Keane
Directors

Group statement of cash flows

for the financial year ended 03 January 2015

	Notes	~~2014~~ €'000	2013 €'000
Cash generated from operations	32	266,799	216,582
Interest received		1,722	2,405
Interest paid		(28,974)	(31,824)
Tax paid		(42,095)	(31,970)
Net cash inflow from operating activities		**197,452**	**155,193**
Cash flows from investing activities			
Acquisition of subsidiary - purchase consideration		(133,916)	–
Acquisition of subsidiary - liabilities settled at completion		(16,138)	–
Acquisition of subsidiaries - cash and cash equivalents		6,166	–
Insurance proceeds		1,035	7,670
Purchase of property, plant and equipment		(234,582)	(136,822)
Purchase of intangible assets		(19,174)	(19,355)
Dividends received from Joint Ventures	14	12,648	10,937
Loans repaid by Joint Ventures and Associates		–	7,178
Decrease in available for sale financial assets		334	1,145
Proceeds from sale of property, plant and equipment		63	780
Net cash outflow from investing activities		**(383,564)**	**(128,467)**
Cash flows from financing activities			
Purchase of Glanbia plc shares	19	(7,981)	(7,387)
Sale of shares held by subsidiary		2,092	–
Increase/ (decrease) in borrowings		239,473	(138,498)
Redemption of preference shares		(39,062)	(24,424)
Distribution paid to Society's shareholders	10	(1,369)	(737)
Ordinary Share Interest paid to Society's shareholders		(2,346)	(2,650)
Finance lease principal payments		1,090	(204)
Revolving share plan - purchase of C shares		(23,747)	(11,178)
Revolving share plan - issue of C shares		8,355	–
Dividends paid to non-controlling interests	22	(18,700)	(16,908)
Capital grants received		5,400	–
Net cash inflow/(outflow) from financing activities		**163,205**	**(201,986)**
Net (decrease) in cash and cash equivalents		**(22,907)**	**(175,260)**
Cash and cash equivalents at the beginning of the year		156,556	334,101
Effects of exchange rate changes on cash and cash equivalents		8,712	(2,285)
Cash and cash equivalents at the end of the year	18	**142,361**	**156,556**

Reconciliation of net cash flow to movement in net debt		**2014 €'000**	**2013 €'000**
Net decrease in cash and cash equivalents		(22,907)	(175,260)
Cash movements from debt financing		(201,501)	163,126
Acquisition of subsidiaries - debt acquired		(1,401)	–
		(225,809)	**(12,134)**
Fair value movement of interest rate swaps qualifying as fair value hedges		(453)	673
Exchange translation adjustment on net debt		(30,597)	5,549
Movement in net debt in the year		**(256,859)**	**(5,912)**
Net debt at the beginning of the year		(398,139)	(392,227)
Net debt at the end of the year		**(654,998)**	**(398,139)**
Net debt comprises:			
Borrowings	23	(797,359)	(554,695)
Cash and cash equivalents	18	142,361	156,556
		(654,998)	**(398,139)**

Notes to the financial statements

for the financial year ended 03 January 2015

1. General information

Glanbia Co-operative Society Limited (the Society) and its subsidiaries (together the Group) is a leading global performance nutrition and ingredients Group with its main operations in Europe, USA, Middle East, Africa, Asia Pacific and Latin America.

The Society is domiciled in Ireland and the address of its registered office is Glanbia House, Kilkenny, Ireland.

These consolidated Financial Statements have been approved for issue by the Board of Directors on 02 April 2015.

2. Summary of significant accounting polices

New accounting standards and IFRIC interpretations adopted by the Group during the year ended 03 January 2015 are dealt with in section (x) 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 as applied in accordance with the provisions of the Industrial and Provident Act 1893 to 1978. 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 03 January 2015, comparatives are for the 53-week period ended 04 January 2014. The balance sheets for 2014 and 2013 have been drawn up as at 03 January 2015 and 04 January 2014 respectively.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated Financial Statements.

(b) Consolidation

The Group Financial Statements incorporate:

(i) The Financial Statements of Glanbia Co-operative Society Limited, (the Society) and entities controlled by it (its subsidiaries). Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Society, together with its subsidiaries, currently holds 41.2% of the issued share capital of Glanbia plc and can nominate up to 14 members of the board of Directors for 2015. The Society therefore has control of Glanbia plc and consolidates it as a subsidiary.

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 sum of 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. 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) Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

(iii) The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

(iv) The Group's share of the results and net assets of associated companies and joint ventures is included based on the equity method of accounting. An associate is an entity 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) 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 Society's functional and the 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.

(iii) Group companies

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

- assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the balance sheet; and
- 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.

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.

(d) 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 (04 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 its 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 the carrying amount and are included in the income statement.

Repairs and maintenance expenditure is charged to the income statement during the financial period in which it is 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.

(e) 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, associate or joint venture at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill associated with the acquisition of associates or joint ventures is included within the investment in associates or joint ventures.

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 six 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 set out in note 12. 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 five and ten years.

(f) 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 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 financial assets 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.

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

(g) 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 dependent 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.

(h) 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.

(i) 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 compared with 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. When a receivable is uncollectable, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited to the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements, such receivables are recognised in the balance sheet to the extent of the Group's continued involvement and retained risk.

(j) 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 three months or less and bank overdrafts. In the balance sheet, bank overdrafts (if applicable) are included in borrowings in current liabilities.

(k) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is calculated on the basis of tax laws enacted or substantially enacted at the Group balance sheet date in countries where the Group operates and generates taxable income, taking into account adjustments relating to prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provision, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred 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. Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date.

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 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 by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) 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.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. 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 obligation.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

A curtailment arises when the Group is demonstrably committed to make a significant reduction in the number of employees or employee entitlements covered by a plan. 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. Past-service costs, negative or positive, are recognised immediately in the income statement. 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.

(ii) Share based payments

The Group operates a number of equity settled share based compensation plans which include executive share option and share award schemes.

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 binomial model.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, Glanbia plc issues new shares or issues Glanbia plc own shares depending on the options exercised. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) Awards under the 2008 Long Term Incentive Plan

The fair value of shares awarded under the 2008 LTIP scheme 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.

(iv) Awards under the Annual Incentive Deferred Into Shares Scheme (AIDIS)

The fair value of shares awarded is determined in line with the Group's Annual Incentive Scheme rules. The expense is recognised immediately in the income statement with a corresponding entry to equity.

(m) Government grants
Grants from government authorities 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 the income statement where there is reasonable assurance that the credit will be received.

(n) 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, when 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. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. 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.

(o) 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. 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 (i) above.

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which have a finite useful life are subject to amortisation and reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. Goodwill is reviewed at least annually for impairment. An impairment loss is recognised to the extent that the carrying value of the assets exceeds 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).

(p) 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.

Glanbia plc own shares

The cost of own shares, held by an Employee Share Trust in connection with the Glanbia plc 2008 LTIP and the Annual Incentive, is deducted from equity. Ordinary shares purchased under the terms of the 2008 LTIP schemes and the Annual Incentive are accounted for as own shares and recorded as a deduction from equity.

(q) Ordinary Share Interest
Ordinary Share Interest is recognised as a liability of the Society when approved by the Society's shareholders.

(r) Derivative financial instruments
The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group uses foreign currency, interest rate and commodity derivative financial instruments to hedge these exposures.

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 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 every six months, 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 29. Movements on the hedging

reserve are shown in note 19. 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.

(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 is 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 foreign exchange contracts is recognised in the income statement within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Financial guarantee contracts

Financial guarantee contracts are issued to banking institutions by 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 balance sheet.

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

(s) 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.

(t) 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.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterpart.

(u) Provisions
Provisions are recognised when the Group has a constructive or legal obligation as a result of past events, when 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.

(v) 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 at the earlier of the following dates (a) when the Group can no longer withdraw the offer of those benefits and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

(w) Income Statement format
(i) Exceptional Items

The Group has adopted an income statement format that 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.

(ii) Earnings before interest, tax and amortisation (EBITA)

The Group believes that EBITA is a relevant performance measure and has therefore disclosed this amount in the Group income statement. EBITA is stated before considering the share of results of Joint Ventures & Associates.

(x) New accounting standards and IFRIC interpretations

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 03 January 2015 and have been adopted by the Group:

- IFRS 10, 'Consolidated financial statements'.
- IFRS 11, 'Joint arrangements'.
- IFRS 12, 'Disclosure of interests in other entities'.
- Amendments to IFRS 10,11,12 on transition guidance.
- IAS 27 (revised 2011) 'Separate financial statements'.
- IAS 28 (revised 2011) 'Associates and joint ventures'.
- Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities.
- Amendments to IAS 32 on Financial instruments asset and liability offsetting.
- Amendments to IAS 36 'Impairment of assets' on recoverable amount disclosures.
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting.
- IFRIC 21 'Levies'.

None of the above have had a significant impact on the results or the financial position of the Group during the year ended 03 January 2015.

The following standards, amendments and interpretations have been published. The Group will apply the relevant standards from their effective dates and is currently assessing their impact on the Group's Financial Statements. The standards are mandatory for future accounting periods but are not yet effective and have not been early adopted by the Group.

Amendment to IAS 19 'Employee benefits' regarding defined benefit plans (effective for periods beginning on or after 01 July 2014).

This amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Amendments to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation (effective on or after 01 January 2016).

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 27, 'Separate financial statements' on the equity method (effective on or after 01 January 2016).

These amendments allow entities to use the equity method for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (effective on or after 01 January 2016).

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associates or joint venture. The main consequence of the amendment is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 15 'Revenue from contracts with customers' (effective on or after 01 January 2017).

IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

IFRS 9 'Financial instruments' (effective on or after 01 January 2018) .

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting (effective on or after 01 January 2018).

These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

3. Financial risk management

3.1 Financial risk factors

The Group's conduct of its ordinary business operations necessitates the holding and issuing financial instruments and derivative financial instruments. The main risks arising from issuing, holding and managing these financial instruments typically include currency risk, interest rate risk, price risk, liquidity risk, cash flow risk and credit risk. The Group's 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. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and short-term uncommitted 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 business 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 with the euro as the functional currency of Glanbia Co-operative Society Limited, it has significant geographic investment and operating exposures outside the eurozone, primarily in the USA. As a result currency movements, particularly movements in the US dollar/euro exchange rate, can significantly affect the Group's euro balance sheet and income statement. The Group actively seeks to manage these currency exposures by financing currency assets with equivalent currency borrowings, leaving the residual net assets unhedged and accordingly exposed to foreign currency translation risk.

The Group also has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge foreign exchange risk exposure through Group Treasury.

Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies (including net investment hedges) and appropriate currency derivative instruments.

At 03 January 2015 and 04 January 2014, 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 03 January 2015 would have resulted in a currency translation gain/loss of approximately €36.7 million (2013: €34.7 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 resulting 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, with further minimum guidelines over succeeding 24 and 36 month periods.

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

Based on noted Group policy the impact of a 1% movement in market interest rates would have resulted in a €2.0 million gain/loss during 2014 (2013: €2.3 million gain/loss).

Occasionally 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 Group balance sheet 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 indices across the eurozone countries would not have any material impact on Group operating profit.

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

For further details regarding the Group's price risk see note 29.

(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 €1,257.3 million (2013: €864.0 million) of which €469.1 million (2013: €311.4 million) was undrawn. The weighted average maturity of these facilities is 4.8 years (2013: 4.5 years).

For further details regarding the Group's borrowing facilities see note 23.

(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. In the international movement and placement of funds and execution of financial transactions, the Group's policies require exposure to independently rated parties with long term credit ratings of at least A3 (Moody's) or A- (Standard & Poor's). In the movement and placement of funds, and execution of financial transactions in Ireland, the Group is exposed to independently rated parties with long term credit ratings of at least Ba2 (Moody's) or BB (Standard & Poor's).

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.

For further details regarding the Group's credit risk see note 16.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 03 January 2015					
Borrowings	11,776	10,986	140,261	634,336	797,359
Future finance costs	23,279	23,257	69,708	21,208	137,452
Derivative financial instruments	2,030	295	288	–	2,613
Trade and other payables	499,141	–	–	–	499,141
Deferred acquisition payment	6,504	–	–	–	6,504
	542,730	**34,538**	**210,257**	**655,544**	**1,443,069**
Less future finance costs	(23,279)	(23,257)	(69,708)	(21,208)	(137,452)
	519,451	**11,281**	**140,549**	**634,336**	**1,305,617**

Financial Liabilities	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 04 January 2014					
Borrowings	39,274	72,222	203,994	239,205	554,695
Future finance costs	26,965	25,357	59,835	31,665	143,822
Derivative financial instruments	2,620	–	–	–	2,620
Trade and other payables	442,714	–	–	–	442,714
	511,573	**97,579**	**263,829**	**270,870**	**1,143,851**
Less future finance costs	(26,965)	(25,357)	(59,835)	(31,665)	(143,822)
	484,608	**72,222**	**203,994**	**239,205**	**1,000,029**

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	More than 5 years €'000	Total €'000
At 03 January 2015					
Foreign exchange contracts – cash flow hedges					
Inflow	295	–	–	–	295
Outflow	(1,201)	–	–	–	(1,201)
	(906)	**–**	**–**	**–**	**(906)**

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 04 January 2014					
Foreign exchange contracts – cash flow hedges					
Inflow	223	–	–	–	223
Outflow	(919)	–	–	–	(919)
	(696)	**–**	**–**	**–**	**(696)**

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 balance sheet and net debt which amounted to €1,575.6 million (2013: €1,150.8 million).

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.

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 03 January 2015. 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 foreign exchange contracts is determined using quoted forward exchange rates at 03 January 2015.

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 13 – Fair Value Measurement, 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); and
- 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 03 January 2015 and 04 January 2014.

03 January 2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivatives used for hedging	–	1,279	–	1,279
Available for sale financial assets				
– equity securities	272	4,161	–	4,433
Total assets	**272**	**5,440**	**–**	**5,712**
Liabilities				
Derivatives used for hedging	–	(2,613)	–	(2,613)
Deferred acquisition payments	–	–	(6,504)	(6,504)
Total liabilities	**–**	**(2,613)**	**(6,504)**	**(9,117)**

04 January 2014	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivatives used for hedging	–	1,954	–	1,954
Available for sale financial assets				
– equity securities	307	2,269	–	2,576
Total assets	**307**	**4,223**	**–**	**4,530**
Liabilities				
Derivatives used for hedging	–	(2,620)	–	(2,620)
Total liabilities	**–**	**(2,620)**	**–**	**(2,620)**

Valuation techniques used to derive level 2 fair values
Level 2 derivatives comprise foreign exchange contracts and commodity futures. These foreign exchange contracts and commodity futures have been fair valued using forward exchange rates that are quoted in active markets. The effects of discounting are generally insignificant for level 2 derivatives.

Group's valuation process
The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The Group did not hold any level 3 financial assets at 03 January 2015 or 04 January 2014. Level 3 financial liabilities are outlined in note 33. The valuation team reports directly to the Glanbia plc Group Finance Director who in turn reports to the Glanbia plc Audit Committee. Discussions of valuation processes and results are held between the Glanbia plc Group Finance Director and the Glanbia plc Audit Committee.

Changes in level 2 and level 3 fair values are analysed at each reporting date. As part of this discussion, the valuation team presents a report that explains the reasons for fair value movements.

3.4 Offsetting financial assets and financial liabilities
(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

At 03 January 2015	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**
Derivative financial assets	26,081	(25,641)	440
Cash and cash equivalents	399,253	(256,892)	142,361
	425,334	**(282,533)**	**142,801**

At 04 January 2014	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**
Derivative financial assets	24,082	(24,082)	–
Cash and cash equivalents	432,110	(275,554)	156,556
	456,192	**(299,636)**	**156,556**

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

At 03 January 2015	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**
Derivative financial liabilities	(25,641)	25,641	–
Bank overdrafts and borrowings	(1,054,251)	256,892	(797,359)
	(1,079,892)	**282,533**	**(797,359)**

At 04 January 2014	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**
Derivative financial liabilities	(24,095)	24,082	(13)
Bank overdrafts and borrowings	(830,249)	275,554	(554,695)
	(854,344)	**299,636**	**(554,708)**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows that they will have the option to settle all such amounts on a net basis in the event of default of the other party.

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 (e). 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 Dairy Ireland, Global Ingredients and Global Performance Nutrition, including goodwill arising on acquisition were tested for impairment using projected cash flows over a five year period and a terminal value for a further sixteen year period assuming zero growth. 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. 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. Additional information in relation to impairment reviews is disclosed in note 12.

(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 during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise the risk. The Group recognises liabilities for anticipated tax authority review issues based on estimates of whether additional taxes will be due, having regard to all information available on the tax matter. The Group engages with local tax experts to support the judgements made where there is a significant uncertainty about the position taken. In determining any liability for amounts expected to be paid to tax authorities the Group has regard to the tax status of the entities involved, the external professional advice received, the status of negotiations and correspondence with the relevant tax authorities, past practices of the tax authorities and any precedents in the relevant jurisdiction.

Where the final outcome of these tax 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 may 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.

The decision to recognise deferred tax assets (or not) also requires judgement as it involves an assessment of future recoverability of those assets.

(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 €548.8 million (2013: €479.1 million) and plan liabilities of €719.8 million (2013: €592.8 million) giving a net pension deficit of €171.0 million (2013: €113.6 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 03 January 2015, an increase in the discount rates applied of 0.25% across the various defined benefit plans, would have the impact of decreasing the pension deficit for the Group by €33.6 million (2013: €27.4 million).

Additional information in relation to post employment benefits is disclosed in note 25.

(d) Business combinations
Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts, estimated customer attrition and royalty savings as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

5. Operating expenses

	Notes	2014 €'000	2013 €'000
Revenue		**3,415,881**	**3,221,105**
Less costs:			
Raw materials and consumables used		(2,609,504)	(2,475,395)
Depreciation of property, plant and equipment	11	(47,298)	(40,263)
Amortisation of government grants received	27	1,544	1,390
Employee benefit expense	7	(301,086)	(269,104)
Auditors' remuneration			
– Statutory audit of group companies		(939)	(848)
– Other assurance services		(672)	(950)
– Tax advisory services		(2,207)	(1,747)
– Other non-audit services		(644)	(485)
Research and development costs		(9,628)	(9,630)
Net foreign exchange gain/(loss)		880	(792)
Other expenses		(205,148)	(197,233)
Earnings before interest, tax and amortisation (EBITA)		**241,179**	**226,048**
Intangible asset amortisation		(23,487)	(21,646)
Operating profit before exceptional items		**217,692**	**204,402**

6. Exceptional items

	Notes	2014 €'000	2013 €'000
Rationalisation costs	(a)	(6,379)	(8,029)
Transaction related costs	(b)	(9,570)	–
Irish defined benefit pension schemes	(c)	–	13,833
Total exceptional (charge)/credit before tax		**(15,949)**	**5,804**
Exceptional tax credit/(charge)		1,870	(316)
Total exceptional (charge)/credit		**(14,079)**	**5,488**

(a) Rationalisation costs primarily relate to the ongoing redundancy programmes in the Dairy Ireland segment and a related write down of tangible assets of €3.2 million (see note 11).

(b) The Group acquired Nutramino Holding ApS on 17 January 2014 (see note 33). The fair value of the contingent consideration at that date was €4.8 million based on management's forecast EBITDA for the business. Following a better than anticipated performance since acquisition, an additional earn out of €6.5 million is payable. In accordance with IFRS 3 - Business Combinations, any subsequent increase in contingent consideration to that estimated at the acquisition date must be charged to the income statement.

The balance of transaction related costs, €3.1 million, relates to acquisition activities that did not come to fruition. The primary costs incurred were legal, taxation, due diligence, other consultancy and loan facility fees.

(c) The Group undertook a review of pension arrangements during 2009 and 2010 across its main Irish defined benefit pension schemes. In 2013, revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes were completed giving rise to an exceptional gain in the year, in accordance with IAS 19, of €13.8 million. This gain relates to negative past service cost, settlement and curtailment of €8.9 million, €4.0 million and €0.9 million respectively. The curtailment gains and negative past service costs arose following the removal of guaranteed increases to pensions in payment for all members and the provision of benefits for members in employment on a career average basis from a final salary basis.

7. Employee benefit expense

	Notes	2014 €'000	2013 €'000
Wages and salaries		251,603	221,861
Social security costs		25,946	24,811
Cost of share based payments	19	5,516	4,568
Pension costs – defined contribution schemes	25	5,115	4,458
Pension costs – defined benefit schemes	25	12,906	13,406
		301,086	**269,104**
Exceptional items		1,678	(7,807)
		302,764	**261,297**

The average number of employees, excluding the Group's Joint Ventures & Associates in 2014 was 4,829 (2013: 4,241) and is analysed into the following categories:

	2014	2013
Global Performance Nutrition	1,442	941
Global Ingredients	1,632	1,558
Dairy Ireland	1,191	1,259
Glanbia Ingredients Ireland	564	483
	4,829	**4,241**

8. Finance income and costs

	Notes	2014 €'000	2013 €'000
Finance income			
Interest income		1,764	2,318
Total finance income		**1,764**	**2,318**
Finance costs			
Bank borrowings repayable within five years		(10,044)	(12,777)
Unwinding of discounts	26	(165)	(118)
Finance lease costs		(192)	(98)
Finance cost of private debt placement		(13,442)	(12,989)
Finance cost of preference shares		(1,561)	(2,676)
Revolving share plan appropriation	26	(1,128)	(1,867)
Total finance costs		**(26,532)**	**(30,525)**
Net finance costs		**(24,768)**	**(28,207)**

Net finance costs do not include borrowing costs of €4.3 million attributable to the acquisition, construction or production of a qualifying asset, which have been capitalised, as disclosed in note 11.

9. Income taxes

	Notes	2014 €'000	2013 €'000
Current Tax			
Irish current tax		17,282	14,737
Adjustments in respect of prior years		683	858
Irish current tax for the year		**17,965**	**15,595**
Foreign current tax		16,332	13,403
Adjustments in respect of prior years		1,925	(2,238)
Foreign current tax for the year		**18,257**	**11,165**
Total current tax		~~**36,222**~~	**26,760**
Deferred tax			
Deferred tax - current year		(3,236)	977
Adjustments in respect of prior years		(1,235)	1,513
Total deferred tax	24	**(4,471)**	**2,490**
Pre exceptional tax charge		**31,751**	**29,250**
Exceptional tax (credit)/charge			
Current tax	(a)	(1,469)	(907)
Deferred tax	(a)	(401)	1,223
Total tax charge for the year		**29,881**	**29,566**

(a) Notes on exceptional tax (credit)/charge:

(i) The rationalisation costs in the Dairy Ireland segment resulted in an exceptional current tax credit of €0.4 million (2013: €0.9 million) and an exceptional deferred tax credit of €0.4 million (2013: nil).

(ii) The Group incurred transaction costs in 2014 relating to acquisition activities that did not come to fruition, which resulted in an exceptional current tax credit of €1.1 million

(iii) In 2013, the revisions to the Group's Irish pension arrangements resulted in an exceptional deferred tax charge of €1.2 million.

The exceptional net tax (credit)/charge in 2014 and 2013 has been disclosed separately above as they relate to costs and income which have been presented as exceptional.

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

	2014 €'000	2013 €'000
Profit before tax	**190,264**	**195,965**
Tax calculated at Irish rate of 12.5% (2013: 12.5%)	23,783	24,496
Earnings at reduced and higher Irish rates	68	110
Difference due to overseas tax rates	7,305	9,017
Adjustment to tax charge in respect of previous periods	1,372	133
Tax on profits of Joint Ventures & Associates included in profit before tax	(1,661)	(1,734)
Other reconciling differences	(986)	(2,456)
Total tax charge	**29,881**	**29,566**

Details of deferred income tax charged or credited directly to other comprehensive income during the year are outlined in note 24.

Factors that may affect future tax charges and other disclosure requirements
The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation, including amendments impacting on the excess of tax depreciation over accounting depreciation. The total tax charge for the Group may also be influenced by the effects of acquisitions and disposals.

10. Ordinary share interest and appropriations

	2014 €'000	2013 €'000
Distribution to Society shareholders - fertiliser/feed rebate	1,369	737
Ordinary share interest paid to Society shareholders	3,416	2,650
	4,785	**3,387**

During the year pursuant to rule 98 of the rules of the Society the Board distributed a fertiliser rebate to Members of the Society who purchased fertiliser from Glanbia plc or its subsidiaries on the basis of up to 10 units of €1 Loan Stock for every 1 tonne of retail purchases of fertiliser by members of the Society from Glanbia plc or its subsidiaries during 2013.

During 2013 pursuant to rule 98 of the rules of the Society the Board distributed a feed rebate to Members of the Society who purchased feed from Glanbia plc or its subsidiaries on the basis of up to 25 units of €1 Loan Stock for every 1 tonne of feed delivered to Members of the Society by Glanbia plc or its subsidiaries during the period 1 April 2013 to 27 April 2013 inclusive.

11. Property, plant and equipment

	Notes	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Year ended 04 January 2014					
Opening net book amount		168,712	271,564	298	440,574
Exchange differences		(2,684)	(4,126)	(31)	(6,841)
Additions		51,954	117,903	472	170,329
Disposals		(646)	(1,309)	(54)	(2,009)
Reclassification		(1,895)	1,895	–	0
Impairments		–	(108)	–	(108)
Depreciation charge		(6,056)	(33,914)	(293)	(40,263)
Closing net book amount		**209,385**	**351,905**	**392**	**561,682**
At 04 January 2014					
Cost		296,020	859,500	20,170	1,175,690
Accumulated depreciation		(86,635)	(507,595)	(19,778)	(614,008)
Net book amount		**209,385**	**351,905**	**392**	**561,682**
Year ended 03 January 2015					
Opening net book amount		209,385	351,905	392	561,682
Exchange differences		13,052	25,033	125	38,210
Acquisitions		292	9,532	372	10,196
Additions		78,435	156,425	501	235,361
Disposals		(515)	(355)	(46)	(916)
Reclassification	12	–	503	–	503
Impairments		(1,184)	(2,032)	–	(3,216)
Depreciation charge		(7,789)	(39,149)	(360)	(47,298)
Closing net book amount		**291,676**	**501,862**	**984**	**794,522**
At 03 January 2015					
Cost		386,100	1,048,606	21,122	1,455,828
Accumulated depreciation		(94,424)	(546,744)	(20,138)	(661,306)
Net book amount		**291,676**	**501,862**	**984**	**794,522**

Depreciation expense of €47.3 million (2013: €40.3 million) was charged to the income statement during the year.

Included in property, plant and equipment for 2014 is an amount of €212.1 million (2013: €101.2 million) incurred in respect of assets under construction.

During the year the Group has capitalised borrowing costs amounting to €4.3 million (2013: nil) on qualifying assets.

The net book amount of leased assets, comprising plant and equipment where the Group is a lessee under a finance lease is €5.0 million (2013: €3.6 million).

Operating lease rentals amounting to €24.0 million (2013: €18.8 million) are included in the income statement.

12. Intangible assets

	Notes	Goodwill €'000 note (b)	Other intangibles €'000 note (a)	Software costs €'000	Development costs €'000	Total €'000
Year ended 04 January 2014						
Opening net book amount		189,730	262,268	14,936	9,431	476,365
Exchange differences		(5,511)	(8,000)	(338)	(405)	(14,254)
Additions		–	1,755	11,801	5,799	19,355
Reclassification		(1,410)	1,330	74	6	0
Write-off of intangibles		(511)	(24)	–	(76)	(611)
Amortisation		–	(14,671)	(4,884)	(2,091)	(21,646)
Closing net book amount		**182,298**	**242,658**	**21,589**	**12,664**	**459,209**
At 04 January 2014						
Cost		182,298	305,544	71,049	26,911	585,802
Accumulated amortisation		–	(62,886)	(49,460)	(14,247)	(126,593)
Net book amount		**182,298**	**242,658**	**21,589**	**12,664**	**459,209**
Year ended 03 January 2015						
Opening net book amount		182,298	242,658	21,589	12,664	459,209
Exchange differences		23,771	33,517	1,516	2,156	60,960
Acquisitions		57,460	98,820	–	–	156,280
Additions		–	4,184	7,174	7,815	19,173
Reclassification	11	–	42	(545)	–	(503)
Write-off of intangibles		–	–	–	(73)	(73)
Amortisation		–	(15,450)	(5,142)	(2,895)	(23,487)
Closing net book amount		**263,529**	**363,771**	**24,592**	**19,667**	**671,559**
At 03 January 2015						
Cost		263,529	442,107	79,194	36,809	821,639
Accumulated amortisation		–	(78,336)	(54,602)	(17,142)	(150,080)
Net book amount		**263,529**	**363,771**	**24,592**	**19,667**	**671,559**

Amortisation expense of €23.5 million (2013: €21.6 million) has been charged to the income statement during the year. The average remaining amortisation period for software costs is 7 years (2013: 8 years) and development costs is 4 years (2013: 6 years).

Approximately, €2.7 million (2013: €4.2 million) of the software additions during the year were internally generated with the remaining balance acquired from external parties. Development costs of €0.1 million (2013: €0.1 million) were written off during the year due to uncertainty that these projects will reach commercialisation.

Note 12 (a): Other intangibles

	Brands/ know-how €'000	Customer relationships €'000	Other €'000	Total other intangibles €'000
Year ended 04 January 2014				
Opening net book amount	160,576	97,989	3,703	262,268
Exchange differences	(4,430)	(3,503)	(67)	(8,000)
Acquisitions	–	–	1,755	1,755
Additions	2,083	(1,554)	801	1,330
Write-off intangibles	–	–	(24)	(24)
Amortisation	(3,633)	(10,390)	(648)	(14,671)
Closing net book amount	**154,596**	**82,542**	**5,520**	**242,658**
Year ended 04 January 2014				
Cost	166,972	130,857	7,715	305,544
Accumulated amortisation	(12,376)	(48,315)	(2,195)	(62,886)
Net book amount	**154,596**	**82,542**	**5,520**	**242,658**
Year ended 03 January 2015				
Opening net book amount	154,596	82,542	5,520	242,658
Exchange differences	21,066	12,304	147	33,517
Acquisitions	67,090	31,730	–	98,820
Additions	–	–	4,184	4,184
Reclassification	42	–	–	42
Amortisation	(3,968)	(11,027)	(455)	(15,450)
Closing net book amount	**238,826**	**115,549**	**9,396**	**363,771**
Year ended 03 January 2015				
Cost	255,170	174,891	12,046	442,107
Accumulated amortisation	(16,344)	(59,342)	(2,650)	(78,336)
Net book amount	**238,826**	**115,549**	**9,396**	**363,771**

Included in the total cost of brands/know-how are intangible assets of €99.1 million (2013: €87.5 million) which have indefinite 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. There are no material internally generated brand - related intangibles. The remaining amortisation period for Global Performance Nutrition brands/know-how is 38 years (2013: 37 years) and the remaining brands/know-how is 12 years (2013: 13 years).

Included in customer relationships are individual significant intangible assets of €49.6 million (2013: €49.8 million) with a remaining amortisation period of 7 years (2013: 8 years). The remaining customer relationships are amortised over a period of 12 years (2013: 9 years). The remaining average amortisation period for all other intangibles is 8 years (2013: 9 years).

No intangible assets were acquired by way of government grant during the financial year (2013: nil).

Note 12 (b): Impairment tests for goodwill and indefinite life intangibles

Goodwill is allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the asset is owned. CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 - Operating segments. For the purposes of goodwill a total of 9 CGUs have been identified and these are allocated between the Groups main segments as follows: Global Performance Nutrition 3, Global Ingredients 4, Dairy Ireland 1, and Glanbia Ingredients Ireland 1.

A summary of goodwill by CGU is as follows:

	Goodwill 2014 €'000	Foreign exchange €'000	Acquisitions €'000	Goodwill 2013 €'000
Global Performance Nutrition	93,859	9,634	50,174	84,225
Isopure	52,687	2,513	7,286	–
Nutramino	7,303	17	–	–
Global Performance Nutrition	**153,849**	**12,164**	**57,460**	**84,225**
Global Ingredients - Customised Solutions	79,621	9,291	–	70,330
Global Ingredients - Other CGUs	19,849	2,316	–	17,533
Dairy Ireland	9,670	–	–	9,670
Glanbia Ingredients Ireland	540	–	–	540
	263,529	**23,771**	**57,460**	**182,298**

A summary of indefinite life intangibles by business operation is as follows:

	Indefinite life intangibles 2014 €'000	Foreign exchange €'000	Acquisitions €'000	Indefinite life intangibles 2013 €'000
Global Performance Nutrition				
Global Performance Nutrition	99,049	11,558	–	87,491

Impairment testing methodology and results:

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis or more frequently if there are indications they might be impaired. The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation, which has been selected due to the impracticality of obtaining fair value less costs to sell measurements for each reporting period.

The cash flow projections are based on a four year strategic plan formally approved by the Glanbia plc Group Operating Executive Committee and the Board of Directors and specifically exclude the impact of future development activity. While the Group expects cash flow growth between year five and twenty a terminal value was derived for this further sixteen year period assuming zero growth. No significant impairments arose in either 2014 or 2013. The present value of future cashflows is calculated using pre tax discount rates which is the Group's weighted average cost of capital adjusted to reflect risks associated with the CGU and are set out in the table below:

	Discount Rates 2014	**Discount Rates 2013**
Global Performance Nutrition	8.1%	7.5%
Global Ingredients	7.9%-8.1%	7.4%-7.5%
Dairy Ireland	7.9%	7.4%

Key sources of estimation uncertainty

The key assumptions employed in arriving at the estimates of value in use factored into impairment testing are inherently subjective. Key assumptions include management's estimates of future profitability and discount rates. Other assumptions include the duration of the discounted cash flow model, replacement capital expenditure requirements and working capital investment. These assumptions take account of managements past experience, the Group's financial position, history of earnings, cash flow generation and the nature of the industry in which it operates. 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 assumptions used are consistent with the Group's adjusted EPS growth target.

Sensitivity analysis

Sensitivity analysis has been performed across the CGUs. These CGUs had aggregate goodwill and indefinite life intangibles of €362.0 million at the date of testing. If the estimated future profitability was 10% lower than management's estimates, there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cash flow forecasts used in the value in use estimates were 10% lower than management's estimates, again there would be no requirement on the Group to recognise any impairment against goodwill or indefinite life intangibles. If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates there would be no requirement on the Group to recognise any impairment.

13. Investments in associates

	2014	2013
	€'000	€'000
At the beginning of the year	**13,870**	**13,215**
Share of profit after tax	645	1,108
Transfer to investments in joint ventures	(3,119)	–
Other comprehensive income	5	(453)
At the end of the year	**11,401**	**13,870**

The associates listed below have share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
Co-operative Animal Health Limited	Tullow, Co. Carlow, Ireland	20.60%	Equity
South Eastern Cattle Breeding Society Limited	Thurles, Co. Tipperary, Ireland	23.48%	Equity
South East Port Services Limited	Kilkenny, Ireland	20.19%	Equity
Greenfield Dairy Partners Limited	Kilkenny, Ireland	25.49%	Equity

Note 1: Glanbia plc's shareholding in Malting Company of Ireland Limited increased from 33.33% to 50.00%, it is now recognised as a joint venture (see note 14).

There are no contingent liabilities relating to the Group's interest in associates.

Summarised financial information for associates

Set out below is the summarised financial information for the Group's associates, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the associates (and not Glanbia Co-operative Society Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

	Total
2014	**€'000**
Associate balance sheet (100%):	
Non current assets	21,027
Current assets	22,907
Non current liabilities	(12,468)
Current liabilities	(9,455)
Net assets	**22,011**
Group's interest in associate/carrying value	**11,401**
Associate income statement (100%):	
Revenue	42,845
Profit before tax	1,522
Profit after tax	1,295
Other comprehensive (expense)/ income	9

	Total
2013	**€'000**
Associate balance sheet (100%):	
Non current assets	30,375
Current assets	27,797
Non current liabilities	(18,235)
Current liabilities	(12,954)
Net assets	**26,983**
Group's interest in associate/carrying value	**13,870**
Associate income statement (100%):	
Revenue	52,441
Profit before tax	2,655
Profit after tax	2,336
Other comprehensive (expense)	(740)

Further details in relation to principal associates are outlined in note 36.

14. Investments in joint ventures

	2014	2013
	€'000	€'000
At the beginning of the year	**62,741**	**58,482**
Share of profit after tax	12,644	12,858
Transfer from investments in associates	3,119	–
Other comprehensive income	69	150
Income tax movement	5,032	3,930
Dividend received	(12,648)	(10,937)
Exchange differences	2,722	(1,742)
At the end of the year	**73,679**	**62,741**

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Southwest Cheese Company, LLC*	Clovis, New Mexico, USA	20.60%	Note 1	Equity
Glanbia Cheese Limited*	Magheralin and Llangefni, UK	21.01%	Note 2	Equity
Milk Ventures (UK) Limited*	Stockport, England	20.60%	Note 3	Equity
Malting Company of Ireland Limited*	Togher, Cork, Ireland	20.60%	Note 4	Equity
Corman Miloko Ireland Limited**	Carrick on Suir,Tipperary, Ireland	34.41%	Note 5	Equity

* Southwest Cheese Company, LLC, Glanbia Cheese Limited, Milk Ventures (UK) Limited and Malting Company of Ireland Limited are joint ventures of Glanbia plc.

** Corman Miloko Ireland Limited is a joint venture of Glanbia Ingredients Ireland Limited.

Note 1: Southwest Cheese Company, LLC is a large scale manufacturer of cheese and whey and has facilitated the expansion of Glanbia's cheese and whey production capacity.

Note 2: Glanbia Cheese Limited is a leading European mozzarella producer. Its customers include most of the leading pizza and pasta chains, food service operators, industrial food manufacturers, wholesalers and retailers across Europe and internationally. Glanbia plc holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a joint venture as Glanbia plc does not have control of the company, as it controls only 50% of the voting rights and is entitled to appoint only 50% of the total number of directors. Therefore, Glanbia plc does not have the power to govern the financial or operating policies of the entity.

Note 3: Milk Ventures (UK) Limited is the parent company of Nutricima Limited, a company incorporated in Nigeria and the manufacturer and supplier of branded consumer dairy products for the Nigerian market.

Note 4: Malting Company of Ireland Limited provides Irish malted barley products to the brewing and distilling industry.

Note 5: Corman Miloko Ireland Limited produces butter, oil and dairy spreads. Glanbia Ingredients Ireland Limited holds 45% of the share capital of Corman Miloko Ireland Limited, but this entity is considered to be a joint venture due to the composition of the voting rights and the Board of Directors.

Commitments and contingent liabilities in respect of joint ventures
The Group has the following commitments relating to its joint ventures:

	2014	2013
	€'000	€'000
Proportionate share of capital and financial commitments	2,000	607

There are no contingent liabilities relating to the Group's interest in its joint ventures.

Summarised financial information for joint ventures

Set out below is the summarised financial information for the Group's joint ventures, which are accounted for using the equity method.

The information below reflects the amounts presented in the financial statements of the joint ventures (and not Glanbia Co-operative Society Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

2014	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other €'000	Total €'000
Joint venture balance sheet (100%):					
Non current assets	**201,225**	**31,242**	**32,812**	**17,618**	**282,897**
Current assets					
Cash and cash equivalents	–	13,914	2,094	2,317	18,325
Other current assets	93,106	36,464	35,736	11,977	177,283
	93,106	50,378	37,830	14,294	195,608
Non current liabilities					
Financial liabilities	(134,358)	–	(16,923)	(2,036)	(153,317)
Other non current liabilities	–	(7,238)	–	(3,798)	(11,036)
	(134,358)	(7,238)	(16,923)	(5,834)	(164,353)
Current liabilities					
Bank overdrafts and loans	(9,851)	–	(3,028)	(182)	(13,061)
Other current liabilities	(98,614)	(28,842)	(15,557)	(10,800)	(153,813)
	(108,465)	(28,842)	(18,585)	(10,982)	(166,874)
Net assets	**51,508**	**45,540**	**35,134**	**15,096**	**147,278**
Group's interest in joint venture/carrying value	**25,754**	**23,225**	**17,567**	**7,133**	**73,679**
Joint venture income statement (100%):					
Revenue	802,145	300,954	89,835	73,826	1,266,760
Depreciation	(9,502)	(3,769)	(1,933)	(1,070)	(16,274)
Interest (expense)	(5,131)	(105)	(929)	(99)	(6,264)
Profit/(loss) before tax	20,373	13,626	1,458	(135)	35,322
Tax	(8,149)	(3,295)	1,005	227	(10,212)
Profit/(loss) after tax	12,224	10,331	2,463	92	25,110
Other comprehensive income	360	442	–	745	1,547
Dividend received by Group	(9,419)	(3,229)	–	–	(12,648)
Exchange differences arising on consolidation	2,360	1,307	(945)	–	2,722

2013	Southwest Cheese Company, LLC €'000	Glanbia Cheese Limited €'000	Milk Ventures (UK) Limited €'000	Other €'000	Total €'000
Joint venture balance sheet (100%):					
Non current assets	**183,622**	**26,608**	**33,182**	**13,690**	**257,102**
Current assets					
Cash and cash equivalents	–	7,640	1,157	–	8,797
Other current assets	88,092	44,231	31,938	7,722	171,983
	88,092	51,871	33,095	7,722	180,780
Non current liabilities					
Financial liabilities	(119,718)	–	(15,762)	–	(135,480)
Other non current liabilities	–	(3,871)	–	(7,844)	(11,715)
	(119,718)	(3,871)	(15,762)	(7,844)	(147,195)
Current liabilities					
Bank overdrafts and loans	(5,940)	–	(2,220)	–	(8,160)
Other current liabilities	(103,076)	(36,076)	(13,735)	(4,929)	(157,816)
	(109,016)	(36,076)	(15,955)	(4,929)	(165,976)
Net assets	**42,980**	**38,532**	**34,560**	**8,639**	**124,711**
Group's interest in joint venture/carrying value	**21,490**	**19,651**	**17,280**	**4,320**	**62,741**
Joint venture income statement (100%):					
Revenue	679,421	280,800	82,464	70,094	1,112,779
Depreciation	(9,184)	(3,469)	(1,946)	(640)	(15,239)
Interest (expense)	(5,690)	(27)	(960)	(150)	(6,827)
Profit/(loss) before tax	24,798	12,137	386	271	37,592
Tax	(9,896)	(2,064)	(94)	(52)	(12,106)
Profit/(loss) after tax	14,902	10,073	292	222	25,489
Other comprehensive income	1,634	(973)	224	221	1,106
Dividend received by Group	(9,410)	(1,527)	–	–	(10,937)
Exchange differences arising on consolidation	(567)	(179)	(996)	–	(1,742)

15. Available for sale financial assets

	Available for sale investments 2014 €'000	Available for sale investments 2013 €'000
At the beginning of the year	**11,822**	**9,818**
Disposals/redemption	(1,269)	(1,071)
Fair value adjustment	1,857	1,785
Additions	1,726	1,290
Acquisition	419	–
At the end of the year	**14,555**	**11,822**

Investments include the following:

	Available for sale investments 2014 €'000	Available for sale investments 2013 €'000
Listed securities		
Equity securities - eurozone countries	272	307
Unlisted securities		
One51 plc	4,161	2,269
Irish Dairy Board Co-operative Limited	8,369	8,371
Moorepark Technology	198	198
Other available for sale financial assets	1,555	677
	14,555	**11,822**

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 financial assets 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 €10.1 million (2013: €9.2 million) are included at cost. 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.

16. Trade and other receivables

	Notes	2014 €'000	2013 €'000
Trade receivables		352,587	316,860
Less provision for impairment of receivables		(10,676)	(13,264)
Trade receivables – net		341,911	303,596
Prepayments		29,182	14,240
Receivables from Joint Ventures & Associates	34	4,598	3,823
Receivables from other related parties		584	–
Loans to Joint Ventures	34	9,863	9,376
Value added tax		7,134	9,600
Other receivables		8,422	6,690
Current tax asset		690	–
Total		**402,384**	**347,325**
Less non-current trade receivables:			
Loans to Joint Ventures		(9,863)	(9,376)
Current		**392,521**	**337,949**

The carrying value of receivables is a reasonable approximation of fair value. The net movement in the provision for impairment of receivables has been included within the income statement.

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, by holding charges over assets and by active credit management. Management does not expect any significant loss from receivables that have not been provided for at the year end.

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

	2014 €'000	2013 €'000
Euro	173,779	164,774
US dollar	198,457	163,611
Sterling	22,381	17,547
Other	7,767	1,393
	402,384	**347,325**

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

	2014 €'000	2013 €'000
At the beginning of the year	13,264	11,275
Provision for receivables impairment	1,816	3,359
Receivables written off during the year as uncollectible	(3,269)	(743)
Unused amounts reversed	(1,135)	(627)
At the end of the year	**10,676**	**13,264**

As of 03 January 2015, trade receivables of €10.7 million (2013: €13.3 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 depending on the assessment of likely recoverability of the balance. The amount of the provision was €10.7 million (2013: €13.3 million). Set out below is an analysis of trade receivables which remain outstanding outside of trade terms as at 03 January 2015:

The breakdown of impaired trade receivables is as follows:

	2014 €'000	2013 €'000
Past due and impaired:		
Up to 3 months	3,504	4,163
3 to 6 months	2,061	1,748
Over 6 months	5,111	7,353
	10,676	**13,264**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 03 January 2015, trade receivables of €58.4 million (2013: €55.3 million) were past due but not impaired, as they are considered recoverable as follows:

	2014 €'000	2013 €'000
Past due not impaired:		
Up to 3 months	47,184	42,065
3 to 6 months	9,753	11,661
Over 6 months	1,512	1,568
	58,449	**55,294**

17. Inventories

	2014 €'000	2013 €'000
Raw materials	116,568	111,447
Finished goods	319,035	287,716
Consumables	29,535	23,220
	465,138	**422,383**

Included in the above are inventories carried at net realisable value amounting to €97.0 million (2013: €9.5 million). The amount provided for in respect of these inventories was €24.7 million (2013: €4.0 million).

18. Cash and cash equivalents

	2014 €'000	2013 €'000
Cash at bank and in hand	104,151	99,200
Short term bank deposits	38,210	57,356
	142,361	**156,556**

The fair value of cash and cash equivalents is 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.

19. 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 asset reserve €'000 (note e)	Glanbia plc own shares €'000 (note f)	Share based payment reserve €'000 (note g)	Total €'000
Balance at 29 December 2012	**6,306**	**61,902**	**19,763**	**(9,494)**	**6,148**	**(5,339)**	**4,383**	**83,669**
Currency translation differences	–	–	(24,592)	–	–	–	–	(24,592)
Net investment hedge	–	–	2,472	–	–	–	–	2,472
Revaluation of interest rate swaps – gain in year	–	–	–	776	–	–	–	776
Foreign exchange contracts – loss in year	–	–	–	(843)	–	–	–	(843)
Transfer to income statement								
– Foreign exchange contracts – loss in year	–	–	–	292	–	–	–	292
– Forward commodity contracts – gain in year	–	–	–	162	–	–	–	162
Revaluation of forward commodity contracts – gain in year	–	–	–	78	–	–	–	78
Revaluation of available for sale financial assets – gain in year	–	–	–	–	1,785	–	–	1,785
Deferred tax on fair value movements	–	–	–	78	(470)	–	–	(392)
Other deferred tax movements	–	–	–	(603)	–	–	–	(603)
Cost of share based payments	–	–	–	–	–	–	4,568	4,568
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	–	–	–	–	7,417	(2,949)	4,468
Cancellation of Society shares arising on spin out	6,119	–	–	–	–	–	–	6,119
Purchase of own shares	–	–	–	–	–	(7,387)	–	(7,387)
Transfer to non-controlling interests	–	–	12,776	(270)	(552)	(18)	(935)	11,001
Balance at 04 January 2014	**12,425**	**61,902**	**10,419**	**(9,824)**	**6,911**	**(5,327)**	**5,067**	**81,573**
Currency translation differences	–	–	97,805	–	–	–	–	97,805
Net investment hedge	–	–	(9,544)	–	–	–	–	(9,544)
Revaluation of interest rate swaps – gain in year	–	–	–	244	–	–	–	244
Foreign exchange contracts – loss in year	–	–	–	(792)	–	–	–	(792)
Transfer to income statement								
– Foreign exchange contracts – gain in year	–	–	–	(205)	–	–	–	(205)
– Forward commodity contracts – loss in year	–	–	–	(79)	–	–	–	(79)
Revaluation of forward commodity contracts – loss in year	–	–	–	(700)	–	–	–	(700)
Revaluation of available for sale financial assets – gain in year	–	–	–	–	1,857	–	–	1,857
Deferred tax on fair value movements	–	–	–	329	(315)	–	–	14
Cost of share based payments	–	–	–	–	–	–	5,516	5,516
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	–	–	–	–	–	8,207	(3,846)	4,361
Cancellation of Society shares arising on spin out	57	–	–	–	–	–	–	57
Purchase of own shares	–	–	–	–		(7,981)	–	(7,981)
Transfer to non-controlling interests	–	–	(51,892)	259	(671)	(133)	(982)	(53,419)
Balance at 03 January 2015	**12,482**	**61,902**	**46,788**	**(10,768)**	**7,782**	**(5,234)**	**5,755**	**118,707**

Note 19 (a): Capital reserve
The capital reserve comprises a capital redemption reserve which arose due to the re-nominalisation of the Society's share capital on conversion to the euro, and a capital reserve which relates to the cancellation of Society shares.

Notes 19 (b): Merger reserve
The merger adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods plc (now named Waterford Foods Limited) and the fair value of the shares issued by Avonmore Foods plc in 1997 (now named Glanbia plc).

Note 19 (c): Currency reserve
The currency reserve reflects the foreign exchange gains and losses that form part of the net investment in foreign operations. In addition, 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 19 (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 19 (e): Available for sale financial asset 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 19 (f): Glanbia plc own shares
The amount included as own shares relates to 715,558 (2013: 864,898) ordinary shares in Glanbia plc which are held by two trusts.

An Employee Share Trust was established in May 2002 to operate initially in connection with the Glanbia plc Saving Related Share Option Scheme ('Sharesave Scheme') and subsequently for the vesting of shares under the 2008 LTIP. The trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company. The dividend rights in respect of these shares has been waived, save 0.001 pence per share.

An Employee Share Scheme Trust was established in 2013 to operate in connection with the Glanbia plc Annual Incentive Deferred into Shares Scheme. The trustee of the Employee Share Scheme Trust is Glanbia Management Services Limited. The dividend rights in respect of shares which have not vested have been waived, save 0.01 euro per dividend payment.

The shares included in the Employee Share Trust and the Employee Share Scheme Trust at 03 January 2015 cost €8.0million (2013: €8.2 million) and had a market value of €9.2 million (2013: €9.6 million). Shares purchased for the 2008 LTIP scheme and Glanbia plc Annual Incentive Deferred into Shares Scheme are deemed to be own shares in accordance with IAS 32 - Financial Instruments: Disclosure and Presentation.

Note 19 (g): Share based payment reserve
The share based payment reserve reflects charges relating to granting of both shares and options under the Glanbia plc 2002 LTIP and 2008 LTIP scheme and the Annual Incentive Deferred into Shares scheme, net of transfers on vesting or expiry of share based payments.

20. Share capital and share premium

	Ordinary shares €'000	Share Premium €'000	Total €'000
At 04 January 2014	**41,983**	**92**	**42,075**
Cancellation of shares arising on spin out	(57)	–	(57)
At 03 January 2015	**41,926**	**92**	**42,018**

21. Retained earnings

	Notes	Total €'000
Balance at 29 December 2012		**215,017**
Profit for the year		77,580
Other comprehensive income/(expense)		
Remeasurement – defined benefit schemes		(1,366)
Deferred tax on remeasurement		(189)
Share of remeasurement – Joint Ventures & Associates		(1,286)
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	19	(4,468)
Transfer to non-controlling interest		4,069
Total comprehensive income for the year		**74,340**
Equity adjustment arising on the spin out of Glanbia plc shares		(39,856)
Ordinary share interest paid to Society shareholders		(2,650)
Distribution paid to Society shareholders		(737)
Balance at 04 January 2014		**246,114**
Profit for the year		73,427
Other comprehensive income/(expense)		
Remeasurement – defined benefit schemes		(65,334)
Deferred tax on remeasurement		7,681
Share of remeasurement – Joint Ventures & Associates		(270)
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	19	(4,361)
Deferred tax credit on share based payment		272
Transfer to non controlling interest		27,916
Total comprehensive income for the year		**39,331**
Sale of shares held by subsidiary		2,092
Equity adjustment arising on the issue of Glanbia plc shares		(89)
Ordinary share interest paid to Society shareholders		(3,416)
Distribution paid to Society shareholders		(1,369)
Balance at 03 January 2015		**282,663**

In accordance with IAS 27 - Consolidated and Separate Financial Statements, the spinout of Glanbia plc shares during 2014 resulted in a debit of €0.1 million (2013: €39.8 million) recognised in equity, due to a 0.1% (2013: 7%) decrease in the shareholding held by the Society in its direct subsidiary Glanbia plc, from 41.3% to 41.2%, see note 22 for further details. The spin out of Glanbia plc shares was distributed to Society shareholders.

22. Non-controlling interests

	2014 €'000	2013 €'000
At the beginning of the year	382,975	285,017
Share of profit for the year	86,956	88,819
Net income/ (expense) recognised directly through equity	25,503	(15,070)
Dividends paid to non-controlling interests during the year	(18,700)	(16,908)
Increase in non-controlling interests- decrease in Glanbia plc shareholding*	89	39,856
Increase in non-controlling interests - issue of Glanbia plc shares	443	1,261
At the end of the year	**477,266**	**382,975**

* The increase in non-controlling interests is as a result of the Society decreasing its shareholding in its direct subsidiary Glanbia plc through the spin out of plc shares to Society shareholders from 41.3% to 41.2% during 2014 (2013: 48.3% to 41.3%).

The Group has two subsidiaries with non-controlling interests which are material to the Group, Glanbia plc and Glanbia Ingredients Ireland Limited. The financial statements of Glanbia plc are available on Glanbia plc's website www.glanbia.com. The summarised financial information of Glanbia Ingredients Ireland Limited is incorporated into the financial statements of Glanbia plc.

23. Borrowings

	2014 €'000	2013 €'000
Current		
Bank overdraft/borrowings	10,602	–
Cumulative redeemable preference shares	–	39,062
Finance lease liabilities	1,174	212
	11,776	**39,274**
Non-current		
Bank borrowings	512,159	275,266
Private debt placement	269,866	238,375
Finance lease liabilities	3,558	1,780
	785,583	**515,421**
Total borrowings	**797,359**	**554,695**

Borrowings of Glanbia plc and its subsidiaries are secured by cross-guarantees from certain principal subsidiaries within Glanbia plc.

On 31 July 2014, all 30.764 million of the remaining cumulative redeemable preference shares were redeemed at the issue price.

The maturity of non-current borrowings is as follows:

	2014 €'000	2013 €'000
Between 1 and 2 years	10,986	72,222
Between 2 and 5 years	140,261	203,994
More than 5 years	634,336	239,205
	785,583	**515,421**

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:

	2014 €'000	2013 €'000
12 months or less	523,936	242,540
Between 1 and 2 years	709	72,222
Between 2 and 5 years	1,554	728
More than 5 years	271,160	239,205
	797,359	**554,695**

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

	EUR		USD	
	2014	2013	2014	2013
Overdrafts	**1.20%**	**1.95%**	–	–
Borrowings	**1.83%**	**2.73%**	**4.04%**	**5.29%**

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

	Carrying amount 2014 €'000	Carrying amount 2013 €'000	Fair values 2014 €'000	Fair values 2013 €'000
Non-current borrowings	**785,583**	**515,421**	**811,047**	**529,844**

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:

	2014 €'000	2013 €'000
Euro	383,841	308,577
US dollar	413,518	246,118
	797,359	**554,695**

The Group has the following undrawn borrowing facilities:

	2014 €'000	2013 €'000
Uncommitted facilities expiring within 1 year	75,163	73,020
Committed facilities expiring beyond 1 year	469,127	311,394
	544,290	**384,414**

All of the undrawn borrowing facilities are floating rate facilities.

Finance lease liabilities – minimum lease payments:

	2014 €'000	2013 €'000
12 months or less	1,330	302
Between 1 and 2 years	1,310	302
Between 2 and 5 years	1,942	906
After more than 5 years.	566	906
	5,148	2,416
Future finance charges on finance leases	(416)	(424)
Present value of finance lease liabilities	**4,732**	**1,992**

The present value of finance lease liabilities is as follows:

	2014 €'000	2013 €'000
12 months or less	1,174	212
Between 1 and 2 years	1,199	222
Between 2 and 5 years	1,817	727
After more than 5 years.	542	831
	4,732	**1,992**

24. Deferred taxes

The following amounts, determined after appropriate offsetting (note 2(k)) are shown in the Group balance sheet.

	2014 €'000	2013 €'000
Deferred tax assets	(36,959)	(27,240)
Deferred tax liabilities	135,781	102,470
Net deferred tax liability	**98,822**	**75,230**

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

	Notes	2014 €'000	2013 €'000
At the beginning of the year		**75,230**	**72,709**
Income statement – pre exceptional (credit)/charge	9	(4,471)	2,490
Income statement – exceptional (credit)/charge	9	(401)	1,223
Deferred tax (credit)/charge to other comprehensive income	19	(14)	392
Deferred tax (credit)/charge relating to defined benefit remeasurement	21	(7,681)	189
Deferred tax on acquisition of subsidiaries and intellectual property	33	27,476	–
Deferred tax credited directly to equity	21	(272)	–
Exchange differences		8,955	(1,773)
At the end of the year		**98,822**	**75,230**

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax (assets)	Notes	Retirement benefit obligations €'000	Other employees obligations €'000	Tax losses €'000	Other €'000	Total €'000
At 29 December 2012		**(13,083)**	**(3,670)**	**(612)**	**(7,372)**	**(24,737)**
Charged/(credited) to income statement		1,922	(4,785)	(24)	(271)	(3,158)
Charged to other comprehensive income	21	189	–	–	–	189
Exchange differences		2	245	11	208	466
At 04 January 2014		**(10,970)**	**(8,210)**	**(625)**	**(7,435)**	**(27,240)**
Charged/(credited) to income statement		734	(170)	(255)	856	1,165
Credited to other comprehensive income	21	(7,681)	–	–	–	(7,681)
Acquisitions of subsidiaries and intellectual property		–	(300)	(601)	(270)	(1,171)
Credited directly to equity	21	–	(272)	–	–	(272)
Exchange differences		(7)	(999)	(26)	(728)	(1,760)
At 03 January 2015		**(17,924)**	**(9,951)**	**(1,507)**	**(7,577)**	**(36,959)**

Deferred tax liabilities	Notes	Accelerated tax depreciation €'000	Fair value gain/loss €'000	IP and deferred development costs €'000	Other €'000	Total €'000
At 29 December 2012		**42,080**	**224**	**25,996**	**29,146**	**97,446**
Charged/(credited) to income statement		16,075	–	(1,077)	(8,127)	6,871
Charged to other comprehensive income	19	–	392	–	–	392
Exchange differences		(1,408)	–	(797)	(34)	(2,239)
At 04 January 2014		**56,747**	**616**	**24,122**	**20,985**	**102,470**
Charged/(credited) to income statement		6,293	–	(91)	(12,239)	(6,037)
Credited to other comprehensive income	19	–	(14)	–	–	(14)
Acquisitions of subsidiaries and intellectual property		495	–	28,146	6	28,647
Exchange differences		6,349	–	4,380	(14)	10,715
At 03 January 2015		**69,884**	**602**	**56,557**	**8,738**	**135,781**

A deferred tax asset has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which 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 unrecognised tax losses of €133.9 million (2013: €126.8 million) to carry forward against future taxable profits, of which €51.1 million (2013: €48.0 million) are unrecognised capital losses. These unrecognised losses can be carried forward indefinitely. Deferred tax liabilities of €13.6 million (2013: €10.5 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. There is no current intention to remit such earnings.

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

	Notes	2014 €'000	2013 €'000
Available for sale financial asset reserve	19	315	470
Hedging reserve	19	(329)	(78)
Exchange differences		8,955	(1,773)
Retirement benefit obligations	21	(7,681)	189
		1,260	**(1,192)**

25. Retirement benefit obligations

The Group operates a number of defined benefit and defined contribution schemes in Ireland and the UK under broadly similar regulatory frameworks, which provide retirement and death benefits for its employees. The bulk of the defined benefit pension schemes are career average pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their average salary over their period of employment. The plans face broadly similar risks as described below. The schemes are funded through separate trustee controlled funds. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition.

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 01 January 2011 and 01 January 2014. The contributions paid to the schemes in 2014 are in accordance with the contribution rates recommended in the actuarial valuation reports or in subsequent actuarial advice.

	2014 €'000	2013 €'000
Present value of funded obligations	(719,813)	(592,762)
Fair value of plan assets	548,829	479,124
Liability in the Group balance sheet	**(170,984)**	**(113,638)**

The amounts recognised in the Group income statement are as follows:

	Notes	2014 €'000	2013 €'000
Defined benefit pension schemes			
Service costs – current		(9,066)	(8,435)
Service cost - past		–	(256)
Net interest cost		(3,840)	(4,715)
Total (expense) pre curtailment gains and negative past service costs	7	**(12,906)**	**(13,406)**
Negative past service costs, gains and losses on settlements		–	13,833
Total gain/(expense)		**(12,906)**	**427**
Defined contribution pension schemes	7	**(5,115)**	**(4,458)**

The Group undertook a review of pension arrangements during 2009 and 2010 across its main Irish defined benefit pension schemes. In 2013 revisions to the Group's pension arrangements for two smaller Irish defined benefit schemes was completed giving rise to the negative past service costs, curtailments and settlements recognised in the Group income statement.

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

	2014 €'000	2013 €'000
At the beginning of the year	**(113,638)**	**(136,363)**
Exchange differences	(1,423)	435
Total expenses	(12,906)	(13,406)
Negative past service costs, gains and losses on settlements	–	13,833
Remeasurements - defined benefit schemes	(65,334)	(1,366)
Contributions paid by employer	22,317	23,229
At the end of the year	**(170,984)**	**(113,638)**

The movement in obligations during the year is as follows:

	2014 €'000	2013 €'000
At the beginning of the year	**(592,762)**	**(588,330)**
Exchange differences	(5,933)	1,431
Current service costs	(9,066)	(8,435)
Past service cost and gains and losses on settlement	–	26,496
Interest costs	(21,671)	(22,096)
Remeasurements:		
– Experience gain	5,094	5,356
– Gain/(loss) from changes in demographic assumptions	12,048	(633)
– (Loss) from changes in financial assumptions	(132,862)	(22,239)
Contributions by plan participants	(2,930)	(3,057)
Past service costs	5,059	(256)
Payments from plans - benefit payments	23,210	19,001
At the end of the year	**(719,813)**	**(592,762)**

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

	2014 €'000	2013 €'000
At the beginning of the year	**479,124**	**451,967**
Exchange differences	4,510	(996)
Interest income	17,831	17,381
Remeasurements:		
– Return on plan assets excluding amounts included in interest income	50,386	16,150
Contributions by plan participants	2,930	3,057
Contributions by employer	22,317	23,229
Payments from plans	–	–
– Benefit payments	(28,269)	(19,001)
– Settlements	–	(12,663)
At the end of the year	**548,829**	**479,124**

The principal actuarial assumptions used were as follows:

	2014 IRL	2014 UK	2013 IRL	2013 UK
Discount rate	2.10%	3.60%	3.60%	4.40%
Inflation rate	1.20%–1.50%	1.95%–2.95%	2.00%	2.35% - 3.35%
Future salary increases	2.50%	3.70%	3.00%	4.10%
Future pension increases**	0.00%	2.05%–2.80%	0.00%	2.40% - 3.05%

** The future pension increases on Irish pension schemes have been calculated on a weighted average basis.

Cumulative remeasurement:	2014 €'000	2013 €'000
Remeasurement for the year	65,334	1,366
Cumulative remeasurement	328,304	262,970

Plan assets are comprised as follows:

	2014 Quoted €'000	2014 Unquoted €'000	2014 Total €'000	2014 %	2013 Quoted €'000	2013 Unquoted €'000	2013 Total €'000	2013 %
Equities								
– Consumer	37,416	–	37,416	7	34,647	–	34,647	7
– Energy	11,443	–	11,443	2	12,810	–	12,810	3
– Financials	36,406	–	36,406	7	31,475	–	31,475	7
– Healthcare	16,204	–	16,204	3	13,198	–	13,198	3
– Industrials	18,483	–	18,483	3	19,198	–	19,198	4
– Information technology	17,408	–	17,408	3	13,551	–	13,551	3
– Materials	11,372	–	11,372	2	10,897	–	10,897	2
– Telecommunication services	5,604	–	5,604	1	5,724	–	5,724	1
– Utilities	4,690	–	4,690	1	4,304	–	4,304	1
– Other	–	1,667	1,667	–	–	1,225	1,225	–
Corporate bonds								
– Investment Grade	35,559	6,425	41,984	8	38,537	–	38,537	8
– Non Investment Grade	11,702	3,337	15,039	3	3,987	–	3,987	1
– Cash	138	–	138	–	3,723	–	3,723	1
Government bonds and gilts	182,592	65	182,657	33	149,497	–	149,497	31
Property								
– UK	1,194	–	1,194	–	–	1,103	1,103	–
– Ireland	2,246	–	2,246	–	–	3,025	3,025	1
– Europe	8,858	5,883	14,741	3	–	14,824	14,824	3
Cash	3,028	–	3,028	1	6,298	–	6,298	1
Investment funds	61,802	63,991	125,793	23	2,087	107,470	109,557	23
Other	391	925	1,316	–	676	868	1,544	–
	466,536	**82,293**	**548,829**	**100**	**350,609**	**128,515**	**479,124**	**100**

Expected contributions to post-employment benefit plans for 2015 are €22.4 million. The weighted average duration of the defined benefit obligation is 19 years.

Mortality rates

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2014 Irish mortality rates	2014 UK mortality rates	2013 Irish mortality rates	2013 UK mortality rates
Male	22.8	22.7	24.5	22.6
Female	25.2	25.2	27.3	25.2

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

	2014 Irish mortality rates	2014 UK mortality rates	2013 Irish mortality rates	2013 UK mortality rates
Male	20.2	21.4	21.0	21.3
Female	23.0	23.7	23.8	23.7

Five year summary	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
At the end of the year					
Fair value of plan assets	548,829	479,124	451,967	403,151	391,067
Present value of funded obligations	(719,813)	(592,762)	(588,330)	(451,985)	(439,973)
Deficit	**(170,984)**	**(113,638)**	**(136,363)**	**(48,834)**	**(48,906)**
Experience adjustments on plan liabilities	**5,094**	**5,356**	**(591)**	**2,238**	**8,479**
Experience adjustments on plan assets	**50,386**	**16,150**	**22,183**	**(16,830)**	**8,074**

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, all other assumptions remaining constant.

2014

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/ increase by €33.6 million.
Price inflation	Increase/decrease 0.25%	Increase/ Decrease by €13.0 million.
Mortality	Increase/decrease by one year	Increase/ decrease by €21.4 million.

2013

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease 0.25%	Decrease/increase by €27.4 million.
Price inflation	Increase/decrease 0.25%	Increase/decrease by €15.5 million.
Mortality	Increase/decrease by one year	Increase/decrease by €13.5 million.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plans holds investments in asset classes such as equities, which have volatile market values and while these assets are expected to provide higher returns than other asset classes over the long-term, the short-term volatility could cause an increase in the deficit at any particular point in time.

Interest rate risk

The pension plans liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the pension plans hold other assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk

A significant proportion of the benefits under the plans are linked to inflation. Although the plans' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to further deficits emerging.

Mortality risk

In the event that members live longer than assumed a further deficit will emerge in the Schemes.

26. Provisions for other liabilities and charges

	Restructuring €'000 note (a)	UK pension €'000 note (b)	Legal claims €'000 note (c)	Property & lease commitments €'000 note (d)	Operational €'000 note (e)	Milk Price Stability Fund €'000 note (f)	Revolving Share plan €'000 note (g)	Total €'000
At 04 January 2014	**14,592**	**18,126**	**7,796**	**1,554**	**5,747**	**5,000**	**22,519**	**75,334**
Provided in the year	4,407	–	928	–	17,528	–	1,128	23,991
Utilised in the year	(14,577)	(898)	(2,250)	(380)	(1,173)	(2,400)	(15,292)	(36,970)
Exchange differences	–	1,148	470	10	103	–	–	1,731
Unwinding of discounts	–	130	–	35	–	–	–	165
Reclassification	(361)	–	220	–	(706)	–	–	(847)
At 03 January 2015	**4,061**	**18,506**	**7,164**	**1,219**	**21,499**	**2,600**	**8,355**	**63,404**
Non-current	–	17,583	–	986	7,372	–	8,355	34,296
Current	4,061	923	7,164	233	14,127	2,600	–	29,108
	4,061	**18,506**	**7,164**	**1,219**	**21,499**	**2,600**	**8,355**	**63,404**

(a) The restructuring provision relates to the rationalisation programme that the Group is currently undertaking. The provision which relates mainly to termination payments is expected to be fully utilised during 2015.

(b) The UK pension provision relates to administration and certain costs associated with pension schemes attached to businesses disposed of in prior years. This provision is expected to be fully utilised over the next 29 years.

(c) The legal claims provision relates to legal claims brought against the Group. The amounts provided in the year are recognised in the income statement. The balance at 03 January 2015 is expected to be utilised during 2015. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amount provided for at 03 January 2015.

(d) The property and lease commitments provision relates to onerous leases in respect of two properties where the Group has present and future obligations to make lease payments. It is expected that €0.2 million will be utilised during 2015 and the balance will be fully utilised over the next 3 years.

(e) The operational provision represents deferred payments in respect of recent acquisitions and other provisions related to operations. It is expected that €14.1 million of this provision will be utilised during 2015. Approximately €6.5 million of the amount provided in the year is recognised in the income statement as an exceptional item (see note 6). Due to the nature of these items, there is some uncertainty around the amount and timing of payments.

(f) During 2013 a provision was made during the period for a Milk Price Stability Fund, the objective of which is to provide an element of protection to farmers when milk prices trend downwards in future periods. To support declining milk prices €2.4 million of this fund was paid out during 2014. The balance of the fund will be paid out no later than January 2016 to farmers who supplied milk to the Group during the 2013 calendar year.

(g) This provision represents the Society's liability under the revolving share plan schemes.

27. Capital grants

	2014 €'000	2013 €'000
At the beginning of the year	15,000	16,336
Released to income statement	(1,544)	(1,390)
Acquisitions	1,925	–
Grants received	5,400	–
Additions	–	57
Exchange differences	5	(3)
At the end of the year	**20,786**	**15,000**

28. Trade and other payables

	Notes	2014 €'000	2013 €'000
Trade payables		254,115	256,199
Amounts due to Joint Ventures & Associates	34	61,078	45,434
Amounts due to other related parties	34	138	263
Social security costs		4,078	3,651
Accrued expenses		166,039	131,815
Other payables		13,693	5,352
		499,141	**442,714**
Current tax liabilities		3,115	5,574
		502,256	**448,288**

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

29. Derivative financial instruments

	2014 Assets €'000	2014 Liabilities €'000	2013 Assets €'000	2013 Liabilities €'000
Non-hedging instruments	440	–	–	(13)
Interest rate swaps - cash flow hedges	–	(878)	–	–
Foreign exchange contracts – cash flow hedges	295	(1,201)	223	(919)
Commodity futures – cash flow hedges	–	(534)	86	(43)
Commodity futures – fair value hedges	544	–	1,645	(1,645)
Total	**1,279**	**(2,613)**	**1,954**	**(2,620)**
Non-current	**–**	**(583)**	**–**	**–**
Current	**1,279**	**(2,030)**	**1,954**	**(2,620)**

Non-hedging instruments

Non-hedging instruments refers to a translation difference on a GBP/EUR currency swap with a notional amount of GBP 20 million (2013: GBP 20 million).

Interest rate swaps

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swaps represent our share of the movement on swaps entered into by joint ventures. All movements are recognised against the carrying value of the investment in the joint venture until repayment of the related bank borrowings.

Foreign exchange contracts

The notional principal amounts of the outstanding foreign exchange contracts at 03 January 2015 is €51.0 million (2013: €87.0 million).

Gains and losses recognised in the hedging reserve in other comprehensive income on foreign exchange contracts at 03 January 2015 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, cheese, gas and oil) futures, qualifying as cash flow hedges and fair value hedges at 03 January 2015 were €2.8 million and €44.9 million respectively (2013: €2.0 million and €22.2 million). Gains and losses recognised in the hedging reserve in other comprehensive income on these futures as at 03 January 2015 will be released to the income statement at various dates within one year from the reporting date.

Net investment hedge

A portion of the Group's US dollar denominated borrowing amounting to USD 98.5 million (2013: USD 98.5 million) is designated as a hedge of the net investment in the Group's US dollar net assets. The fair value of the borrowing was €81.7 million (2013: €72.2 million). The foreign exchange loss of €9.5 million (2013: gain of €2.5 million) arising on translation of the borrowing into euro at 03 January 2015 is recognised in other comprehensive income.

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 Co-operative Society Limited and has determined that their value is not significant.

Call option

Glanbia Co-operative Society Limited has a call option to acquire Glanbia plc's 40% interest in Glanbia Ingredients Ireland Limited under an agreed valuation methodology for a six year period from November 2012. The Group is satisfied that there is no more than a nominal value attached to this call option.

30. Contingent liabilities

Group

Bank guarantees amounting to €14.7 million (2013: €10.9 million) are outstanding as at 03 January 2015, comprising €7.4 million relating to the gas connection costs for the new milk processing plant being developed at Belview, Co. Kilkenny, €3.2 million in respect of gas connection costs at Rocklands, Wexford, €1.2 million in respect of inward processing duty exemption and €2.9 million 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.

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 25 and note 26. In addition, a subsidiary of the Society, Glanbia plc has guaranteed the payment of a proportion of employer contributions in respect of these UK pension schemes. Glanbia plc and the Group considers these guarantees to be insurance contracts and accounts for them as such. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these schemes. Glanbia plc and the Group treat the guarantee contracts as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

31. Commitments

Capital commitments
Capital expenditure contracted for at the reporting date but not recognised in the Financial Statements is as follows:

	2014 €'000	2013 €'000
Property, plant and equipment	75,025	115,747

Operating lease commitments – where the Group is the lessee
The Group leases various assets. Generally operating leases are short-term with no purchase options. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 €'000	2013 €'000
Not later than 1 year	~~18,062~~	12,689
Later than 1 year and not later than 5 years	56,237	40,795
Later than 5 years	66,609	46,638
	140,908	100,122

32. Cash generated from operations

	Notes	2014 €'000	2013 €'000
Profit before taxation		190,264	195,965
Write off of intangibles	12	73	76
Non-cash exceptional loss/(gain)		10,290	(5,804)
Share of results of Joint Ventures & Associates		(13,289)	(13,966)
Depreciation	11	47,298	40,263
Amortisation	12	23,487	21,646
Cost of share based payments	19	5,516	4,568
Difference between pension charge and cash contributions		(9,411)	(9,823)
(Profit)/loss on disposal of property, plant and equipment		(140)	895
Finance income	8	(1,764)	(2,318)
Finance expense	8	26,532	30,525
Amortisation of government grants received	27	(1,544)	(1,390)
Cash generated from operations before changes in working capital		277,312	260,637
Change in net working capital:			
– Decrease/(increase)in inventory		14,132	(59,389)
– (Increase) in short term receivables		(9,948)	(9,507)
– (Decrease)/increase in short term liabilities		(612)	25,912
– (Decrease) in provisions		(14,085)	(1,071)
Cash generated from operations		266,799	216,582

33. Business combinations

The acquisitions completed by the Group during the year were as follows:

- On 17 January 2014, the Group acquired 100% of Nutramino Holding ApS (Nutramino). Nutramino is a leading Scandinavian sports nutrition business with operations in Denmark, Sweden and Norway.
- On 16 May 2014, the Group acquired 100% of Wexford Creamery Limited (Wexford). Wexford is a supplier of milk, cream and cheese in County Wexford and surrounding areas.
- On 14 October 2014, the Group acquired 100% of The Isopure Company, LLC (Isopure). Isopure is a US based provider of premium branded sports nutrition products.

The reason for the acquisition of Nutramino and Isopure was to complement the portfolio of the Group's Global Performance Nutrition business and to further consolidate the Group's market leading position. Goodwill acquired in respect of both Nutramino and Isopure is attributable to the profitability and development opportunities associated with the extension of the Group's portfolio by complementing and enhancing existing performance nutrition capabilities. The reason for the acquisition of Wexford was to consolidate the Group's position in the Dairy industry in the South East of Ireland.

Acquisition related costs charged to the Group income statement during the year ended 03 January 2015 amounted to €1.2 million (2013: €1.4 million).

No contingent liabilities arose as part of the Nutramino or Isopure acquisitions. Contingent liabilities arising on the acquisition of Wexford are disclosed in note 30.

Summary of Nutramino acquisition

Details of net assets acquired and goodwill arising from the acquisition are as follows:

	€'000
Purchase consideration - cash paid	16,364
Contingent consideration - cash paid	4,771
Total consideration	**21,135**
Less: fair value of assets acquired	(13,849)
Goodwill	**7,286**

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

	€'000
Property, plant and equipment	2,200
Intangible assets - brands	9,918
Intangible assets - customer relationships	5,160
Inventories	994
Trade and other receivables	2,573
Trade and other payables	(2,287)
Deferred income tax liabilities	(3,308)
Net borrowings	(1,401)
Fair value of assets acquired	**13,849**

The contingent consideration arrangement requires the Group to pay the former owners of Nutramino an earn out if the 2014 actual adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) exceeds the actual 2013 adjusted EBITDA by a minimum agreed amount. The fair value of the Group's estimated contingent consideration at acquisition was €4.8 million. As a result of a better than anticipated performance this is now estimated to be €11.3 million and the additional earn out payable of €6.5 million has been charged to the income statement (see note 6). The fair value estimate is a level 3 fair value measurement and is calculated based on the adjusted EBITDA achieved during 2014 as outlined in the latest available financial information of Nutramino.

The contingent consideration is due to be paid before 17 March 2015 and as a result, the contingent consideration recognised was not discounted as the effect of discounting was not materially different than the gross amount.

The fair value of trade and other receivables at the acquisition date amounted to €2.6 million. The gross contractual amount for trade receivables due is €2.4 million, an amount of €0.1 million is provided for as an allowance for doubtful debts.

Summary of Isopure acquisition

Details of net assets acquired and goodwill arising from the acquisition are as follows:	**€'000**
Purchase consideration - cash paid	104,677
Other consideration	1,836
Total consideration	**106,513**
Less: fair value of assets acquired	(56,339)
Goodwill	**50,174**

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

	€'000
Property, plant and equipment	287
Intangible assets - brands	~~57,172~~
Intangible assets - customer relationships	26,570
Inventories	6,987
Trade and other receivables	6,306
Trade and other payables	(3,180)
Deferred income tax liabilities	(24,433)
Liabilities settled at completion	(16,138)
Cash and cash equivalents	2,768
Fair value of assets acquired	**56,339**

The fair value of trade and other receivables at the acquisition date amounted to €6.3 million. There was no allowance for doubtful debts. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the Isopure business combination given the timing of closure of this transaction. Any amendments to these fair values within the 12 month timeframe from the date of acquisition will be disclosed in the 2015 Annual Report as stipulated by IFRS 3.

Summary of Wexford acquisition

Details of net assets acquired and goodwill arising from the acquisition are as follows:	**€'000**
Purchase consideration - cash paid	8,104
Deferred consideration	9,588
Imputed interest on deferred consideration released to income statement	(164)
Total consideration	**17,528**
Less: fair value of assets acquired	(19,549)
Goodwill	**(2,021)**

This negative goodwill was credited to the income statement.

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

	€'000
Property, plant and equipment	7,709
Inventories	18,825
Trade and other receivables	13,794
Trade and other payables	(22,936)
Deferred income tax asset	265
Capital grants	(1,925)
Available for sale financial assets	419
Cash and cash equivalents	3,398
Fair value of assets acquired	**19,549**

The fair value of trade and other receivables at the acquisition date amounted to €13.8 million. There was no allowance for doubtful debts.

The deferred consideration is due to be paid in stages in 2015, 2020, 2025 and 2030 and as a result the deferred consideration was discounted, the effect of the discounting was €3.0 million.

Combined impact of acquisitions

The revenue and profit (net of transaction costs) of the Group including the impact of acquisitions completed during the financial year was as follows:

	2014 Acquisitions	Group excluding acquisitions	Consolidated Group including acquisitions
	€'000	€'000	€'000
Revenue	56,323	3,359,558	3,415,881
Profit before taxation and exceptional items	(4,015)	210,228	206,213

The revenue and profit (net of transaction costs) of the Group for the financial year determined in accordance with IFRS 3 as though the acquisition date for all business combinations had been at the beginning of the year would be as follows:

	2014 Acquisitions	Group excluding acquisitions	Pro Forma Consolidated Group
	€'000	€'000	€'000
Revenue	122,184	3,359,558	3,481,742
Profit before taxation and exceptional items	(5,281)	210,228	204,947

34. Related party transactions

The Glanbia plc Group is controlled by Glanbia Co-operative Society Limited, which at year end holds 41.2% of the issued share capital of Glanbia plc and is the ultimate parent of the Group.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2014 €'000	2013 €'000
Sales of goods:		
– Associates	4,685	4,863
– Joint ventures	51,285	56,451
– Key management[1]	2,020	2,799
	57,990	**64,113**
Sales of services:		
– Joint ventures	18,000	16,240
	18,000	**16,240**

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

(b) Purchases of goods and services

	2014 €'000	2013 €'000
Purchases of goods:		
– Associates	10,015	11,723
– Joint ventures	5,795	6,260
– Key management[1]	3,695	3,834
	19,505	**21,817**
Purchases of services:		
– Associates	1,639	2,115
– Joint ventures	–	61
	1,639	**2,176**

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

[1] Purchases, sales and related year-end balances involving key management refer to trading balances with Directors who are engaged in farming activities. No loans were made to key management or associates during the year (2013: nil).

(c) Year-end balance arising from sales/purchases of goods/services

	2014 €'000	2013 €'000
Receivables from related parties:		
– Associates	1,821	200
– Joint ventures	2,777	3,623
– Key management[1]	584	704
	5,182	**4,527**
Payables to related parties:		
– Associates	11,883	1,842
– Joint ventures	49,195	43,592
– Key management[1]	138	263
	61,216	**45,697**

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sale. The receivables are unsecured in nature and only bear interest when receivables are due more than three months after the date of sale. The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payables bear no interest.

(d) Key management compensation[2]

	2014 €'000	2013 €'000
Salaries and other short-term employee benefits	4,684	4,054
Post-employment benefits	588	558
Share based payments	2,086	1,936
Non-executive directors fees	1,347	1,340
	8,705	**7,888**

1 Purchases, sales and related year-end balances involving key management refer to trading balances with Directors who are engaged in farming activities. No loans were made to key management or associates during the year (2013: nil).

2 Key management compensation includes Directors (executive and non-executive) and members of the Group Operating Executive Committee, including the Group Secretary.

(e) Loans to joint ventures

	2014 €'000	2013 €'000
Loans receivable		
At the beginning of the year	9,376	16,735
Foreign exchange difference on opening balance	487	(181)
Loans advanced during the year	–	350
Loans payments received	–	(7,528)
At the end of the year	**9,863**	**9,376**
Interest on loans receivable		
At the beginning of the year	122	125
Foreign exchange difference on opening balance	8	(5)
Interest charged	216	572
Interest received	(85)	(570)
At the end of the year	**261**	**122**
Total loans and interest receivable at the end of the year	**10,124**	**9,498**

The GBP 6.25 million loan to Milk Ventures (UK) Limited is due as GBP 4.8 million on 30 April 2015 and GBP 1.45 million on 02 October 2015. It is expected that these loans will roll over on the repayment dates. There is also a loan of €1.5 million to South East Port Services Limited, which is due as €0.75 million repayable on 31 October 2015 and 30 October 2016, subject to cash flows. A loan of €0.36 million to the Malting Company of Ireland Limited is repayable in 2043.

35. Events after the reporting period

On 18 March 2015, the board of Directors of the Society proposed the following:

- A share spin out of ten million Glanbia plc shares to all current members of the Society based on their existing shareholding
- The sale of four million Glanbia plc shares to create a members' support fund in cash for future patronage and special dividends
- The operation of a share buy back plan to allow members to sell their Society shares back to the Society on a voluntary basis
- The issuance of new shares in the Society
- The amendment of the rules of the Society to reduce the Society's minimum shareholding in Glanbia plc from the current 38% to 33%.

These proposals are subject to member approval and will be voted on by eligible members at a Special General Meeting of the Society scheduled to take place on 14 May 2015.

On 01 April 2015, Glanbia plc announced the exiting of its 50% investment in Nutricima, for cash consideration of £21 million (approximately €29 million). As part of the transaction Glanbia Ingredients Ireland has entered into a long term agreement with Nutricima for the supply of dairy ingredients.

36. Principal subsidiary and associated undertakings

(a) Subsidiaries

Incorporated and operating in	Principal place of business	Principal activities	Group Interest %
Ireland			
Glanbia plc	Kilkenny	Holding company	41.2
Glanbia Ingredients Ireland Limited	Kilkenny	Milk products	76.48
Glanbia Consumer Foods Limited	Kilkenny	Chilled consumer foods	41.2
Glanbia Nutritionals (Ireland) Limited	Kilkenny	Nutritional products	41.2
Glanbia Nutritionals (Europe) Limited	Kilkenny	Nutritional products	41.2
Glanbia Nutritionals (Research) Limited	Kilkenny	Research and development	41.2
Glanbia Feeds Limited	Enniscorthy, Co. Wexford and Portlaoise, Co. Laois	Manufacture of animal feed products	41.2
Glanbia Estates Limited	Kilkenny	Property and land dealing	41.2
Glanbia Property Rentals Limited	Kilkenny	Property rental company	41.2
D. Walsh & Sons Limited	Palmerstown, Co. Kilkenny	Grain and fertilisers	24.72
Grassland Fertilisers (Kilkenny) Limited	Palmerstown, Co. Kilkenny	Fertilisers	30.08

Avonmore Proteins Limited	Kilkenny	Financing	41.2
Glanbia Financial Services	Kilkenny	Financing	41.2
Glassonby	Kilkenny	Financing	41.2
Glanbia Finance Limited	Kilkenny	Financing	41.2
Glanbia Foods Ireland Limited	Kilkenny and Citywest, Dublin 24	Consumer food products and general trading	41.2
Glanbia Nutritionals (Blending) Limited	Kilkenny	Financing	41.2
ON Optimum Nutrition Limited	Kilkenny	Financing	41.2
Avonmore Skim Milk Products Limited	Kilkenny	Financing	41.2
Waterford Foods Limited	Kilkenny	Holding company	41.2
Glanbia Holdings (Ireland) Limited	Kilkenny	Holding company	41.2
Alanfield Society Limited	Kilkenny	Holding company	41.2
Glanbia Property Holding Limited	Kilkenny	Holding company	41.2
Glanbia Management Services Limited	Kilkenny	Management services	41.2
Glanbia Investip Limited	Kilkenny	Management of receivables	41.2
Glanbia Support Services Limited	Kilkenny	Business services	41.2
MacCormac Products Limited	Virginia, Co. Cavan	Milk products	76.48
Wexford Creamery Limited	Rocklands, Wexford	Milk products	76.48
United States			
Glanbia, Inc.	Delaware	Holding company	41.2
Glanbia (Delaware), Inc.	Delaware	Holding company	41.2
Glanbia Business Services, Inc.	Aurora, Illinois	Business services	41.2
Glanbia Foods, Inc.	Twin Falls, Idaho	Milk products	41.2
Glanbia Performance Nutrition, Inc	Illinois, South Carolina, Florida	Performance nutrition products	41.2
The Isopure Company, LLC	New York	Performance nutrition products	41.2
The Isopure Company Trading LLC	New York	Performance nutrition products	41.2
Isopure Plus LLC	New York	Performance nutrition products	41.2
Glanbia Nutritionals (NA), Inc.	Carlsbad, California	Nutrient delivery systems	41.2
Glanbia Nutritionals, Inc.	Madison, Wisconsin	Nutritional products and distribution	41.2
Aseptic Solutions USA Ventures, LLC	Corona, California	Beverage manufacturer & co packer	41.2
Glanbia Ingredients, Inc.	Madison, Wisconsin	Dairy products distribution	41.2
Britain and Northern Ireland			
Glanbia (UK) Limited	Victoria Square, Birmingham	Holding company	41.2
Waterford Foods International Limited	Victoria Square, Birmingham	Holding company	41.2
Glanbia Holdings Limited	Victoria Square, Birmingham	Holding company	41.2
Glanbia Investments (UK) Limited	Victoria Square, Birmingham	Holding company	41.2
Glanbia Milk Limited	Victoria Square, Birmingham	Management services	41.2
Glanbia Performance Nutrition (UK) Limited	Middlesbrough, England	Performance nutrition products	41.2
Glanbia Foods (NI) Limited	Portadown, Co. Armagh	Consumer food products	41.2
Glanbia Feedstuffs Limited	Victoria Square, Birmingham	Supply of animal feeds	41.2
Germany			
Glanbia Nutritionals Deutschland GmbH	Orsingen-Nenzingen	Nutrient delivery systems	41.2
Glanbia Performance Nutrition GmbH	Berlin	Performance nutrition products	41.2

Netherlands			
Glanbia Foods B.V.	Schiphol Boulevard 231	Holding company	41.2
Asia			
Glanbia Nutritionals (Suzhou) Company Limited	Suzhou, China	Nutrient delivery systems	41.2
GN Life Science (Shanghai) Co. Limited	Shanghai, China	Nutrient ingredients	41.2
Glanbia Nutritionals Singapore Pte Limited	Singapore	Customer service office	41.2
Denmark			
Nutramino Holding ApS	Copenhagen	Holding company	41.2
Nutramino Int. ApS	Copenhagen	Performance nutrition products	41.2
Luxembourg			
Glanbia Luxinvest S.A	Luxembourg	Financing	41.2
Glanbia Luxfin S.A	Luxembourg	Financing	41.2
Glanbia Luxembourg S.A	Luxembourg	Financing	41.2
Australia			
Glanbia Performance Nutrition Pty Limited	Sydney	Performance nutrition products	41.2
Belgium			
The Isopure Company Belgium Sprl	Belgium	Performance nutrition products	41.2
Brazil			
Glanbia Marketing de Produtos de Nutricao e Performance do Brasil Ltda	Sao Paulo	Performance nutrition products	41.2
Canada			
Glanbia Nutritionals (Canada) Inc.	Canada	Nutritional products	41.2
Glanbia Performance Nutrition Canada Inc.	Canada	Performance nutrition products	41.2
France			
Glanbia Performance Nutrition France SAS	Paris	Performance nutrition products	41.2
India			
Glanbia Performance Nutrition (India) Private Limited	India	Performance nutrition products	41.2
Glanbia India Private Limited	India	Nutrient ingredients	41.2
Mexico			
Glanbia, S.A. de C.V	Mexico	Nutrient Ingredients	41.2
Norway			
Nutramino NO AS	Oslo	Performance nutrition products	41.2
Portugal			
Glanbia Nutritionals (Portugal) - Sociedade Unipessoal, Lda	Sintra	Performance nutrition products	41.2
Russian Federation			
LLC Glanbia	Moscow	Nutrient Ingredients	41.2
South Africa			
Glanbia (Pty) Limited	Ekurhuleni	Nutrient Ingredients	41.2
Sweden			
Nutramino AB	Kopenhann	Performance nutrition products	41.2
Uruguay			
Glanbia (Uruguay Exports) SA	Canelones	Customer service office	41.2

(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–13	Tullow, Co. Carlow	Agri chemicals	20.60
Corman Miloko Ireland Limited***	31–Dec–14	Carrick on Suir, Co. Tipperary	Dairy spreads	34.41
South Eastern Cattle Breeding Society Limited*	31–Dec–13	Thurles, Co. Tipperary	Cattle breeding	23.48
Malting Company of Ireland Limited**	30–Sept–14	Togher, Cork	Malting	20.60
South East Port Services Limited*	03-Jan-15	Belview, Waterford	Port services	20.19
South East Port Investments Limited****	03-Jan-15	Kilkenny	Port services	20.19
Greenfield Dairy Partners Limited*	31-Dec-14	Kilkenny	Milk products	25.49
United States				
Southwest Cheese Company, LLC**	03-Jan-15	Clovis, New Mexico	Milk products	20.60
Britain and Northern Ireland				
Glanbia Cheese Limited**	03-Jan-15	Magheralin and Llangefni	Cheese products	21.01
Milk Ventures (UK) Limited**	30–Nov–14	Stockport, England	Holding company	20.60
Nigeria				
Nutricima Limited**	30–Nov–14	Nigeria	Evaporated and powdered milk	20.60

* Associate

** Joint venture

*** Consolidated as part of Glanbia Ingredients Ireland Limited

**** Consolidated as part of South East Port Services Limited

37. Statement of Directors' responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view in accordance with applicable Irish law including the Industrial and Provident Societies Acts, 1893 to 1978 and IFRSs as adopted by the European Union. In preparing the financial statements, the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of Directors confirms that it has complied with the above requirements in preparing the financial statements.

The Board of Directors is responsible for keeping proper books of account, such as are necessary to give a true and fair view of the state of affairs of the Society and to explain its transactions.

The Board of Directors is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Glanbia Co-operative Society Limited

Financial statements for the financial year ended 03 January 2015

PROFIT AND LOSS ACCOUNT

Year Ended 03 January 2015

	Notes	2014 €'000	2013 €'000
Turnover	2	17	18
Gross Profit		**17**	**18**
Administration expenses	3	(2,596)	(2,075)
Operating loss		**(2,579)**	**(2,057)**
Income from shares in group companies	4	11,969	10,887
Net interest expense and similar income	5	(799)	(1,422)
Revaluation of financial assets	6	400	360
Pension finance (costs)	17	(23)	(25)
Profit before taxation		**8,968**	**7,743**
Taxation	7	237	218
Profit for the year		**9,205**	**7,961**

The profit and loss account has been prepared on the basis that all operations are continuing operations

Liam Herlihy Patsy Talbot Martin Keane.

On behalf of the Board on 02 April 2015

L Herlihy S Talbot Mn Keane

Directors

STATEMENT OF MOVEMENTS IN RETAINED PROFITS

Year Ended 03 January 2015

	Notes	2014 €'000	2013 €'000
Profit retained at the beginning of the year		**117,105**	**129,253**
Profit for the year		9,205	7,961
Spin out of Glanbia plc investment		(155)	(16,716)
Distribution to Society shareholders -fertiliser/feed rebate		(1,369)	(737)
Actuarial loss in respect of pension scheme	17	(459)	(6)
Ordinary share interest declared	8	(3,416)	(2,650)
Profit retained at the end of the year		**120,911**	**117,105**

The Society has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit before taxation and the profit retained for the year stated above, and their historical cost equivalents.

Liam Herlihy Arthur Talbot Martin Keane.

On behalf of the Board on 02 April 2015

L Herlihy S Talbot Mn Keane

Directors

Balance Sheet

As at 03 January 2015

	Notes	2014 €'000	2013 €'000
Fixed assets			
Tangible assets	9	1,539	1,666
Financial assets	10	179,448	179,203
		180,987	**180,869**
Debtors	11	68,401	43,452
Cash at bank		29,371	47,776
		97,772	91,228
Creditors - amounts falling due within one year	12	(3,798)	(25,008)
Net current assets		**93,974**	**66,220**
Creditors - amounts falling due after more than one year	13	(98,431)	(74,784)
Pension liability	17	(1,118)	(699)
Net assets		**175,412**	**171,606**
Capital and reserves			
Called up share capital	15	42,018	42,075
Reserves	16	133,394	129,531
Shareholders' funds	18	**175,412**	**171,606**

Liam Herlihy Sheila Talbot Martin Keane.

On behalf of the Board on 02 April 2015

L Herlihy S Talbot Mn Keane

Directors

Cash flow statement

Year Ended 03 January 2015

		2014 €'000	2013 €'000
Net cash inflow/(outflow) from operating activities	19	**703**	**(7,480)**
Cash flows from financing activities			
Purchase of assets		(1)	(2)
Proceeds from issue of new C shares		8,355	–
Purchase of revolving share plan C shares		(23,747)	(11,178)
Distribution to Society shareholders - fertiliser/feed rebate		(1,369)	(737)
Dividends paid to Society shareholders		(2,346)	(2,650)
Net cash (outflow) from financing activities		**(19,108)**	**(14,567)**
Net (decrease) in cash and cash equivalents		**(18,405)**	**(22,047)**
Cash and cash equivalents at the beginning of the year		47,776	69,823
Cash and cash equivalents at the end of the year		**29,371**	**47,776**

Notes To The Financial Statements

1. Accounting policies

The significant accounting policies adopted by the Society are as follows:

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

These financial statements are prepared for the 52 week period ended 03 January 2015; comparatives are for the 53 week period ended 04 January 2014. The balance sheets for 2014 and 2013 have been drawn up as at 03 January 2015 and 04 January 2014 respectively. The results to 03 January 2015 are referred to as 2014 results.

The financial statements are presented in euro.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises the invoiced value of services supplied to other group companies in the normal course of business, excluding VAT and trade discounts, and including EU subsidies.

Financial assets

Financial assets are shown at cost less any provisions for permanent diminutions in value. Income is recognised in the profit and loss account in the year in which it is receivable.

Pensions

The Society's pension scheme is funded over the employees' period of service. The Society's contributions are based on the most recent actuarial valuation of the funds.

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the 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 the 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 the plan assets are measured at their bid value.

Notes To The Financial Statements - continued

1 Accounting policies - continued

Pensions - continued

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of total recognised gains and losses. 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 Society 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 in settlement or curtailment not allowed for in actuarial assumptions are measured at the date on which the Society 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 profit and loss account. Payments to defined contribution schemes are charged as an expense when they fall due.

Tangible fixed assets - depreciation

Depreciation is provided on a straight line basis at the rates stated below which are estimated to reduce the assets to realisable values by the end of their expected useful lives:

	Rate %
Buildings	4
Plant and equipment	10
Hardware and software	20

Debtors

Provision is made for all debts, the collection of which is considered doubtful.

Corporation taxation

Corporation tax is provided on taxable profits at current rates having regard to the availability of group relief.

Deferred taxation

In accordance with Financial Reporting Standard No 19 "Deferred taxation", deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on the revaluation of assets such as property unless a binding sales agreement exists at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered.

2. Turnover

The amount of turnover by class of activity and market is as follows:

	2014 €'000	2013 €'000
Activity		
Milk advisory services	17	18
Market		
Ireland	17	18

Notes To The Financial Statements - continued

3. Administration expenses

	2014	2013
	€'000	€'000
Expenses of management	2,578	1,975
Non-management expenses	18	100
	2,596	**2,075**

4. Income from shares in group companies

	2014	2013
	€'000	€'000
Dividend income from holding of Ordinary shares in Glanbia plc	11,969	10,887
	11,969	**10,887**

5. Net interest expense and similar income

	2014	2013
	€'000	€'000
Rental income	290	290
Interest income	39	155
Revolving share plan interest	(1,128)	(1,867)
	(799)	**(1,422)**

6. Revaluation of financial assets

	2014	2013
	€'000	€'000
Revaluation of investment in One51 plc	**400**	**360**

7. Taxation

	2014 €'000	2013 €'000
Current tax credit	(251)	(218)
Prior year adjustment	(14)	–
	(265)	(218)
Deferred tax charge	28	–
Taxation credit	**(237)**	**(218)**

The current credit for the year is different to the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities before taxation. The differences are explained below:

	2014 €'000	2013 €'000
Profit on ordinary activities before taxation	8,968	7,743
Profit on ordinary activities before taxation multiplied by standard rate of Irish corporation tax of 12.5% (2013: 12.5%)	1,121	968
Effects of :		
Income taxable at passive Irish rates	63	56
Non taxable income	(1,496)	(1,361)
Expenses of management	(106)	(114)
Group relief surrendered	251	169
Receivable for group relief surrendered	(251)	(218)
Other differences including expenses not deductible for tax purposes	167	282
	(1,372)	(1,186)
Current tax (credit)	**(251)**	**(218)**

8. Ordinary share interest

	2014 €'000	2013 €'000
Ordinary share interest	**3,416**	**2,650**

9. Tangible assets

	Land & Equipment €'000	Plant & Equipment €'000	Hardware & Software €'000	Total €'000
Cost or valuation				
At the beginning of the year	3,282	1,109	257	4,648
Additions	–	–	1	1
At the end of the year	3,282	1,109	258	4,649
Accumulated depreciation				
At the beginning of the year	1,619	1,109	254	2,982
Charge for the year	127	–	1	128
At the end of the year	1,746	1,109	255	3,110
Net book value				
At 03 January 2015	**1,536**	**–**	**3**	**1,539**
At 04 January 2014	1,663	–	3	1,666

10. Financial assets

Shares in group companies:

	2014 Number	2013 Number	2014 €'000	2013 €'000
Glanbia plc – note 1	114,898,450	115,088,015	93,760	93,915
Glanbia Ingredients Ireland Limited	1,032,000	1,032,000	84,808	84,808
Quinnport Limited	2	2	–	–
Slademore Limited	1	1	–	–
Robinfield Co-operative Society Limited	2	2	–	–
			178,568	178,723

Shares in other companies:

	2014 Number	2013 Number	2014 €'000	2013 €'000
One51 plc – note 2	800,000	800,000	880	480
			880	480
Total for financial assets			**179,448**	**179,203**

Note 1: During 2014 the Society disposed of 189,565 shares in Glanbia plc through a spin-out which coincided with a cancellation of part of the Society's own share capital (see note 15). The disposed Glanbia plc shares had a historical cost of €0.816 giving rise to a loss of €154,685. This was a residual amount that formed part of the overall 2013 spin out described below.

During 2013 the Society disposed of 20,484,049 shares in Glanbia plc through a share spin-out which coincided with a cancellation of part of the Society's own Share Capital (see note 15). The disposed Glanbia plc shares had a historical cost of €0.816 giving rise to a write down of €16,715,564.

Note 2: During 2014 the Society revised the carrying value of its investment in One51 plc in line with the market value of these shares at 03 January 2015 incurring a profit of €400,000.

In the opinion of the directors, the market value of these investments is not less than their cost.

11. Debtors

	2014 €'000	2013 €'000
Amounts falling due within one year		
Amounts due from fellow subsidiaries and Glanbia plc companies	68,397	43,452
VAT	4	–
	68,401	**43,452**

12. Creditors: amounts falling due within one year

	2014 €'000	2013 €'000
Trade creditors	234	38
Revolving share plan schemes	–	22,519
Deferred tax (note 14)	28	–
Other accruals	3,536	2,451
	3,798	**25,008**

13. Creditors: amounts falling due after more than one year

	2014 €'000	2013 €'000
Revolving share plan schemes	8,355	–
Amounts due to other group companies	90,076	74,784
	98,431	**74,784**

14. Deferred tax

	2014 €'000	2013 €'000
At the beginning of the year	–	–
Profit and loss account charge	28	–
At the end of the year	**28**	**–**

Deferred tax liability arises as a result of various timing differences.

15. Called up share capital

	2014 €'000	2013 €'000
Authorised, allotted, called up and fully paid equity shares		
40,251,525 Ordinary "A" shares of €1.00 each - note a	40,194	40,251
1,731,657 Ordinary "D" shares of €1.00 each	1,732	1,732
Share premium	92	92
	42,018	**42,075**

Note a: During 2014 the Society disposed of 189,565 shares in Glanbia plc through a spin-out which resulted in a cancellation of part of the Society's own Share Capital (see note 10). This was a residual amount that formed part of the overall 2013 spin out described below.

During 2013 the Society disposed of 20,484,049 shares in Glanbia plc through a share spin-out which resulted in a cancellation of part of the Society's own Share Capital (see note 10).

16. Statement of movement on reserves

	Capital Reserve €'000	Profit and loss account €'000	Total reserves €'000
Balance at the beginning of the year	12,426	117,105	129,531
Profit on ordinary activities after taxation	–	9,205	9,205
Spin out of Glanbia plc investment	–	(155)	(155)
Distribution to Society shareholders - fertiliser rebate	–	(1,369)	(1,369)
Ordinary share interest	–	(3,416)	(3,416)
Acturial loss in respect of pension scheme	–	(459)	(459)
Cancellation of share capital	57	–	57
Balance at the end of the year	**12,483**	**120,911**	**133,394**

17. Pension liability

(a) The majority of employees of the Society are members of a defined benefit scheme operated by the Glanbia plc Group which provides retirement and death benefits.

The details of the scheme, which is funded through a separate trustee controlled fund, is set out below.

The contributions paid to the scheme are in accordance with the advice of a professionally qualified actuary. The latest actuarial report for the scheme, which is not available for public inspection, is dated 1 January 2012. The contributions paid to the schemes in 2014 are in accordance with the contribution rates recommended in the actuarial valuation report.

The most recent actuarial valuation shows that the scheme is less than 100% funded in respect of discontinuance liabilities. In relation to accrued liabilities based on pensionable salaries projected to normal retirement age, the aggregate value of the assets of the scheme represented 56% of these accrued liabilities at the relevant actuarial valuation date. The Group has made proposals to the regulatory body in relation to the funding of the scheme. On actuarial advice, the pension charge will be increased for the effects of this deficit and the variation from the regular cost will be amortised over the employees' expected remaining working lives.

The pension cost in respect of defined benefit pensions, charged for 2014 amounted to €74,000 (2013: €73,000) which includes current service costs of €51,000 and net finance cost of €23,000.

The principal assumptions adopted for the actuarial valuation are outlined on the following page. The method of funding used in calculating the contribution rates was the Projected Unit Method.

Pension liability - continued

(b) FRS 17 Retirement Benefits

Financial Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2014	2013	2012	2011	2010
	%	%	%	%	%
Inflation rate (% per annum)	1.20-1.50	2.00	2.00	2.00	2.00
Discount rate (% per annum)	2.10	3.60	3.60	5.60	5.40
Salary rate increase (% per annum)	2.50	3.00	3.00	3.00	3.00
Pension payment increase (% per annum)*	0.00	0.00	0.00	0.50	0-5.00

* Future pension are calculated on a weighted average basis.

Scheme Assets

The assets of the scheme at 03 January 2015, 04 January 2014, 29 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Equities	875	762	764	1,401	1,243
Bonds	1,230	998	904	1,806	965
Property	121	116	119	561	473
Cash & Other	418	414	305	640	315
Total assets	2,644	2,290	2,092	4,408	2,996
Actuarial liabilities	(3,762)	(2,989)	(2,825)	(4,817)	(3,342)
Deficit	(1,118)	(699)	(733)	(409)	(346)
Related deferred tax asset	–	–	–	–	–
Net pension liability	**(1,118)**	**(699)**	**(733)**	**(409)**	**(346)**

Movement in deficit during the year	**2014**	**2013**
	€'000	**€'000**
Deficit at beginning of year	**(699)**	**(733)**
Current service costs	(51)	(48)
Cash contributions	114	113
Other finance (costs)	(23)	(25)
Experience loss	(459)	(6)
Deficit at end of year	**(1,118)**	**(699)**

Pension liability - continued

The following amounts have been recognised in respect of the defined benefit scheme:

Charge to the operating profit:

	2014	2013
	€'000	€'000
Current service cost	(51)	(48)

Pension finance (costs)/income:	2014	2013
	€'000	€'000
Interest on pension scheme assets	83	80
Interest on past service scheme liabilities	(106)	(105)
Other finance costs	(23)	(25)

Analysis of amount recognised in reserves	2014	2013
	€'000	€'000
Actual return less expected return on scheme assets	235	80
Experience gain on pension scheme liabilities	24	31
Effect of changes in assumptions underlying the present value of scheme liabilities	(718)	(117)
Total loss recognised in reserves	**(459)**	**(6)**

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Difference between the actual and expected return on scheme assets – amount	235	80	(1,206)	(99)	(37)
Percentage of scheme assets	8.9%	3.5%	(57.5%)	(3.1%)	(1.2%)
Experience (losses) /gains on scheme liabilities - amount	24	31	–	(10)	37
Percentage of the present value of the scheme liabilities	0.6%	1.0%	–	(0.2%)	1.1%
Total amount recognised in statement of total recognised gains and losses	(459)	(6)	(380)	(156)	145
Percentage of the present value of the scheme liabilities	(15.35%)	(0.2%)	(13.4%)	(4.4%)	(4.3%)

Particulars of the actuarial valuations of all of the schemes operated by the Glanbia plc Group are contained in the consolidated financial statements of Glanbia plc.

18. Shareholders funds

	2014	2013
	€'000	€'000
Opening shareholders' funds	**171,606**	**183,754**
Profit for the year	9,205	7,961
Spin out of Glanbia plc investment	(155)	(16,716)
Distribution to Society shareholders - feed rebate	(1,369)	(737)
Dividend paid	(3,416)	(2,650)
Actuarial loss in respect of pension scheme	(459)	(6)
Closing shareholders' funds	**175,412**	**171,606**

19. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:

	2014	2013
	€'000	€'000
Profit before tax	8,968	7,743
Revolving share plan interest	1,128	1,867
Revaluation of financial asset	(400)	(360)
Depreciation	127	127
Amortisation	1	7
Difference between pension charge and cash contribution	(40)	(40)
Net cash inflow before changes in working capital	**9,784**	**9,344**
Change in net working capital		
- (Increase) in debtors	(1,202)	(14,790)
- (Decrease) in creditors	(7,879)	(2,033)
Total net cash inflow/(outflow) from operating activities	**703**	**(7,479)**

20. Related party transactions

The Society has availed of the exemption available in Financial Reporting Standard No 8 "Related Party Disclosures", from disclosing transactions with group undertakings.

21. Directors Responsibilities Statement

The Directors are responsible for preparing the financial statements which give a true and fair view in accordance with the basis of preparation and accounting policies as per note 1 to the financial statements.

In preparing 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors confirm that it has complied with the above requirements in preparing the financial statements.

The Society is responsible for keeping proper books of account such as are necessary to give a true and fair view of the state of affairs of the Society and to explain its transactions.

The Directors are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

22. Approval of the financial statements

The Directors approved the financial statements on 02 April 2015.