

Glanbia Co-operative Society Limited

Glanbia Co-operative Society Limited
Consolidated Financial Statements
For the Financial Year Ended 4 January 2020



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLANBIA CO-OPERATIVE SOCIETY LIMITED

Report on the audit of the financial statements

Opinion on the financial statements of Glanbia Co-Operative Society Limited (the 'society')

In our opinion the Group and Parent society financial statements:

- give a true and fair view of the assets, liabilities and financial position of the society and Group as at 4 January 2020 and of the profit of the Group for the year then ended; and
- have been properly prepared in accordance with the relevant financial reporting frameworks.

The financial statements we have audited comprise:

The Group financial statements:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group statement of changes in equity;
- the Group statement of cashflows;
- the related notes 1 to 38, including a summary of significant accounting policies as set out in note 2.

The Parent society financial statements:

- the income statement;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- and the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the applicable financial reporting framework"). The financial reporting framework that has been applied in the preparation of the Parent society financial statements is Irish law and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council ("the applicable financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the society and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <p>Event Driven:</p> <ul style="list-style-type: none">• Exceptional items. <p>Recurring:</p> <ul style="list-style-type: none">• Provisions for uncertain tax positions;• Impairment of goodwill and other intangible assets;• Retirement benefit obligations; and• Revenue recognition.
Materiality	The materiality that we used in the current year was €17.2m which was determined on the basis of profit before tax and exceptional items.
Scoping	<p>We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide internal financial controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 3 components subject to a full audit.</p> <p>This is unchanged from the prior year.</p>
Significant changes in our approach	<p><u>Key audit matters:</u></p> <p>We have included a new key audit matter in the current year arising from changes in the Group's business relating to "Exceptional items" due to the level of judgement involved in the classification of a number of expense items as exceptional.</p> <p>We have removed "Acquisition accounting and the valuation of intangibles on acquisition" as a key audit matter in the current financial period. The key audit matter was included in the prior year due to the acquisition of Slimfast by the Glanbia Performance Nutrition division within Glanbia plc. In the current year, the Group made one acquisition, Watson, which is not as significant.</p>

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions for uncertain tax provisions

Key audit matter description	<p>The Group operates across numerous multinational jurisdictions, the most significant of which are Ireland and the USA, and are subject to periodic challenge by local tax authorities on a range of tax matters during the normal course of business including transfer pricing, group financing arrangements and transaction related tax matters.</p> <p>The Directors apply significant judgement in assessing current and deferred tax risks and exposures in relation to the interpretation of local and international tax laws, rates, and treaties relating to worldwide provisions for uncertain tax positions.</p> <p>As a result, there is a risk that tax authorities could have different interpretations to those of the Directors resulting in potential misstatement of tax provisions.</p> <p>Refer also to Page 23 (Income taxes accounting policy), note 3 (Critical accounting estimates and judgements) and notes 11 and 25 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>To obtain evidence over the appropriateness of the Directors' assumptions in determining provisions for uncertain tax positions, we obtained an understanding of the Group's tax strategy, tax operating models and any changes to the Group's tax structures arising from global changes in tax legislation. We evaluated the design and determined the implementation of the relevant controls in respect of the tax computation process and tax risk management process.</p> <p>We also reviewed the Directors' assessment of related tax risks and exposures across the Group.</p> <p>We engaged our Irish and international tax specialists as part of our audit team, including US tax specialists to analyse and challenge the appropriateness of the assumptions made by the Directors in determining adjustments to current and deferred tax provisions.</p> <p>We challenged and evaluated Directors' assumptions and estimates, including external advice obtained, in respect of tax risks and related provisions.</p> <p>We focused particularly on the Directors' judgements made in relation to transfer pricing models, interpretations of relevant tax laws, group financing arrangements and the Directors' assessment of likely outcomes for uncertain tax positions in key jurisdictions where the Group has significant trading operations.</p> <p>We inspected relevant correspondence between the Group and relevant tax authorities.</p> <p>We evaluated the completeness and accuracy of current and deferred tax disclosures for compliance with the relevant financial reporting framework.</p>
Key observations	<p>We have no observations that impact on our audit in respect of the amounts and disclosures related to the uncertain taxation provisions.</p>

Impairment of goodwill and other intangible assets

Key audit matter description	<p>The Group's goodwill and intangible assets of €1,329.3m, which is held across fifteen individual Cash Generating Units (CGUs), represents approximately 37% of the Group's total assets at year end. The Performance Nutrition business within Glanbia plc accounts for 85% of total goodwill and intangible assets as it has been the most acquisitive segment of the Group over recent years.</p> <p>Judgement is required in identifying indicators of impairment and estimation is required in determining the recoverable amount of the Group's CGUs. There is a risk that incorrect inputs or inappropriate assumptions could be included in the Group's impairment assessment model leading to an impairment charge that has not been included in the Group's financial statements. This risk was pinpointed to 10 CGUs with a particular focus on the think! CGU, where the Directors noted in their sensitivity analysis that a reasonably possible change in a key assumption used in their impairment assessment could result in an impairment charge, and in the BSN CGU, where we noted a significant reduction in the headroom between the carrying amount and the recoverable amount for this CGU since the prior year.</p> <p>The recoverable amount used in the impairment assessment is determined based on value in use calculations which rely on Directors' assumptions and estimates of future trading performance.</p> <p>The key assumptions utilised by the Directors in the impairment reviews are discount rates and growth rates.</p> <p>Refer also to page 18 (Intangible assets accounting policy), note 3 (Critical accounting estimates and judgements) and note 14 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We, in conjunction with our valuation specialists, evaluated the methodology applied by the Directors in preparing the value in use calculations and the judgements applied in determining the CGUs. In addition, we evaluated the design and determined the implementation of relevant controls in respect of the impairment review process and the budgeting process upon which the Group's discounted cash flow model is based.</p> <p>We performed a retrospective review of assumptions used in prior year value in use calculations and compared these to actual outturn.</p> <p>We challenged the underlying key assumptions within the Group's impairment model by developing an independent view of the Group discount rate where we benchmarked the rates used by the Directors against market data and comparable organisations.</p> <p>We challenged cash flow projections by comparing them to historic growth rates and Group strategic plans. We challenged the Group's forecasts with reference to recent performance and trend analysis including comparing recent historic performance to budgets for CGUs where revenue growth has significantly fallen behind plans or where sensitivity analysis in respect of key assumptions in the Group's impairment model indicates a potential impairment. Where we noted any significant reduction in headroom for a CGU since the prior year, we gained an understanding of the reasons giving rise to the reduction and performed additional procedures to substantiate these reasons. We held discussions with the business unit controllers to understand the changes being implemented at the site level to ensure the targets set in the strategic plans are met.</p> <p>We assessed and challenged the reasonableness of related assumptions used in determining terminal values.</p>

Impairment of goodwill and other intangible assets

We evaluated the completeness and accuracy of the disclosures in relation to goodwill and intangible assets for compliance with the relevant financial reporting framework.

Key observations While we note that actions are required by the Group to achieve the forecasts outlined in the Group's strategic plans over the short and medium term, we concluded that the assumptions in the impairment models, specifically in the value in use calculations, are within an acceptable range.

Revenue Recognition

Key audit matter description The Group sells products to customers under a variety of contractual terms.

When assessing the potential risk of fraud in relation to revenue recognition, we considered the nature of the automated and manual transactions recorded across the Group. All revenue across the Group is recorded automatically at the point of dispatch. Management record manual adjustments to revenue to ensure revenue is accounted for in line with the underlying contractual terms with customers. We have therefore pinpointed the significant risk across the Group to manual adjustments to revenue.

Furthermore, within the Glanbia Performance Nutrition division of Glanbia plc, revenue is recognised net of discounts, rebates and other promotional arrangements where they apply to sales contracts. Significant judgement is required to determine the level of accruals required to settle these arrangements with customers post year end, which impacts the amount of revenue recognised in the period. There is a risk that year end accruals relating to selling arrangements, and therefore revenue could be misstated either intentionally to achieve performance targets, or as a result of error.

As described in Note 2 (Summary of significant accounting policies) the Group adopted IFRS 15 'Revenue from Contracts with Customers' effective from 30 December 2018. In transitioning to IFRS 15, the Group assessed how revenue from the sale of goods manufactured by Glanbia plc's joint venture Southwest Cheese Company, LLC is accounted for and whether it was more appropriate to account for revenue on an agency or net basis, versus principal or gross basis. As a result of this assessment the Directors concluded that the revenue should be recorded on a gross basis as the Group controls the promised goods before transferring them to the customers. The application of the standard is reliant upon a number of key estimates primarily on the interpretation of control of goods.

Refer also to page 23 (Revenue recognition accounting policy).

How the scope of our audit responded to the key audit matter We obtained an understanding of the various selling contracts and arrangements in place with customers across all divisions of the Group, and of the internal controls and IT systems in place over the revenue processes to determine if revenue was appropriately recognised to reflect the terms of contracts with customers and to ensure that the appropriate cut-off procedures are applied and revenue at year end is not misstated.

We evaluated the design and determined the implementation of relevant controls in respect of revenue recognition. Where possible, operating effectiveness testing was performed and controls were relied upon.

We recalculated year end accruals based on underlying contracts with customers and assessed whether there was any evidence of management bias in key judgements made by management. We also performed year end cut-off procedures and reviewed goods in transit at the year end date to ensure transactions were recorded in the correct period.

As revenue is recognised automatically on despatch within SAP, we selected a sample of manual journal entries posted to revenue to ensure amounts were recorded in line with underlying contracts for a selection of invoices and customers. We also tested higher risk transactions including agency arrangements by assessing if these transactions were appropriately accounted for in accordance with the relevant accounting standards.

In addition, we selected a sample of post year end credit notes and rebate payments to identify any invalid sales transactions recorded in the period. In relation to the transition to IFRS 15, we obtained and documented our understanding of the process the Directors undertook to identify the impacts of the new standard and to develop the accounting policy papers including the consideration of the key judgment outlined above.

We challenged the key judgements in assessing when control passed to customers to determine whether the company was the agent or principal to ensure revenue was recorded in line with the requirements of IFRS 15. Where appropriate, we reviewed the detailed assessment against the contracted arrangements and the underlying requirements of the accounting standard.

We evaluated the completeness and accuracy of the disclosures in relation to the transition to IFRS 15 and whether they were appropriate.

Key observations We have no observations that impact on our audit in respect of the amounts and disclosures related to revenue recognised.

Retirement Benefit Obligations

Key audit matter description The Group operates a number of defined benefit schemes in Ireland and the UK. The net pension deficit relating to these schemes was €156.2million at the balance sheet date.

There is a high degree of estimation and judgement by management in the calculation of the pension liabilities, particularly in the underlying assumptions, specifically the discount rate, which is subject to high volatility from small movements in assumptions.

There is a risk that pension plan liabilities are determined using inappropriate discount rates, leading to potential misstatement of the net pension deficit.

Refer also to page 20 (retirement benefit accounting policy), note 3 (Critical accounting estimates and judgements) and note 8 to the financial statements.

Retirement Benefit Obligations

How the scope of our audit responded to the key audit matter	<p>We utilised Deloitte actuaries as part of our team to assist us in evaluating the appropriateness of key actuarial assumptions with particular focus on discount rates.</p> <p>Our work included discussions with both Management and the Group's external pension advisors to understand their processes and the assumptions used in calculating retirement benefit liabilities.</p> <p>We benchmarked key assumptions used against market and peer data where available.</p> <p>We tested the valuation of a sample of plan assets, including obtaining independent valuations of investments held at year end.</p> <p>We assessed whether managements' disclosures in the financial statements in respect of retirement benefit obligations were in accordance with the relevant accounting standards.</p>
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to retirement benefit obligations.

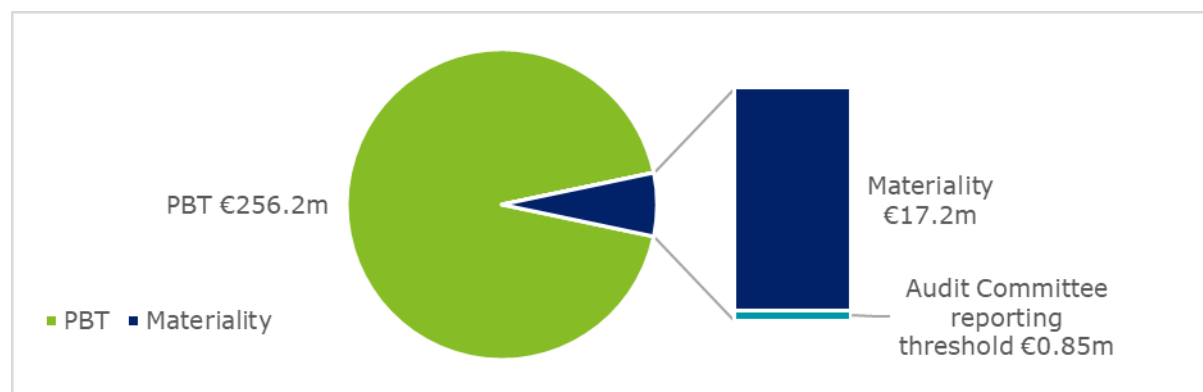
Exceptional items

Key audit matter description	<p>As described in Note 2 (Summary of significant accounting policies) and Note 6 (Exceptional items) the Group, in accordance with its stated accounting policy, classified a number of significant items of expense totalling €39.1m as exceptional items. These exceptional items relate to organisational redesign costs, asset impairments, acquisition integration costs and Brexit related costs.</p> <p>Earnings before interest, tax and amortisation (EBITA) is disclosed throughout the annual report on a pre-exceptional basis and is one of the Group's key performance indicators. The classification of items as exceptional is inherently judgemental. As a result there is a risk that items are not consistently classified as exceptional items in line with the Group's accounting policy, or are not adequately disclosed.</p> <p>Refer also to page 28 (Exceptional Items accounting policy).</p>
How the scope of our audit responded to the key audit matter	<p>We documented our understanding of the process the Directors undertook to identify and present exceptional items within the Annual Report.</p> <p>We challenged the nature and classification of transactions as exceptional items in accordance with the Group's accounting policy, whilst also challenging whether the accounting policy for exceptional items is appropriate and is consistent with previous periods.</p> <p>We reviewed the presentation of and disclosures in the Group's financial statements against requirements under the relevant financial reporting framework.</p>
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to exceptional items.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters. Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €17.2m, which is approximately 6.7% of profit before tax and exceptional items, and 1% of consolidated shareholders' equity. We have considered profit before tax and exceptionals to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.



We agreed with the Audit Committee that we would report to them all audit differences in excess of €0.85m as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in 3 components which were subject to a full audit.

These components were selected based on coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 3 components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from €8.6m to €12.9m.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit. Our audit scoping subjected 98% of net assets and 93% of external revenue to testing.

The Group audit team attended planning meetings at the significant component locations during the year and participated in audit meetings.

In addition to our planning meetings, we included component auditors in our team briefings, discussed their risk assessment, attended closing meetings, and reviewed their audit working papers.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Parent society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the society (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may be reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the society's members, as a body, in accordance with Section 13 of the Industrial and Provident Societies Act, 1893. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to Report by the Industrial and Provident Societies Act, 1893

As required by Section 13(2) of the Industrial and Provident Societies Act, 1893 we examined the 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.

Deloitte

Kevin Sheehan
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte and Touche House, Earlsfort Terrace, Dublin 2

22 April 2020

Group Income Statement for the financial year ended 4 January 2020

	Notes	2019			2018 (restated)		
		Pre- Exceptional €'m	Exceptional €'m (note 6)	Total €'m	Pre- Exceptional €'m	Exceptional €'m (note 6)	Total €'m
Revenue	0	5,770.0	-	5,770.0	4,949.8	-	4,949.8
Earnings before interest, tax and amortisation (EBITA)	0	353.3	(37.1)	316.2	358.5	-	358.5
Intangible asset amortisation and impairment	14	(65.2)	(2.0)	(67.2)	(49.0)	-	(49.0)
Operating profit	0	288.1	(39.1)	249.0	309.5	-	309.5
Other operating income		-	-	-	2.3	-	2.3
Finance income	10	5.1	-	5.1	4.5	-	4.5
Finance costs	10	(42.8)	-	(42.8)	(32.5)	-	(32.5)
Share of results of joint ventures & associates	16	28.0	-	28.0	25.5	-	25.5
Profit before taxation		278.4	(39.1)	239.3	309.3	-	309.3
Income taxes	11	(32.4)	4.5	(27.9)	(42.1)	-	(42.1)
Profit for the year		246.0	(34.6)	211.4	267.2	-	267.2
Attributable to:							
Equity holders of the Society				86.1			104.9
Non-controlling interests	24			125.3			162.3
				211.4			267.2

On behalf of the Board

Mn Keane

S Talbot

M Garvey

Martin Keane
S Talbot
M Garvey

Group Statement of Comprehensive Income for the financial year ended 4 January 2020

	Notes	2019 €'m	(restated) 2018 €'m
Profit for the year		211.4	267.2
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to the Group income statement:			
Remeasurements on defined benefit plans, net of deferred tax		(33.1)	(4.6)
Share of remeasurements on defined benefit plans for joint ventures & associates, net of deferred tax	16	(0.7)	(0.3)
Revaluation of FVOCI* financial assets, net of deferred tax		(0.1)	-
Items that may be reclassified subsequently to the Group income statement:			
Currency translation differences	22	46.8	58.7
Currency translation differences arising on net investment hedge	22	(2.4)	(3.9)
Revaluation of AFS** financial assets, net of deferred tax	22	-	1.5
Disposal of AFS financial assets, net of deferred tax	22	-	(5.3)
Net fair value movements on cashflow hedges, net of deferred tax		(6.3)	(5.6)
Net fair value movements on cashflow hedges – joint ventures & associates, net of deferred tax	16	(8.6)	(1.9)
Other comprehensive (expense)/income for the year, net of tax		(4.4)	38.6
Total comprehensive income for the year		207.0	305.8
Total comprehensive income attributable to:			
Equity holders of the Society		75.2	107.7
Non-controlling interests	24	131.8	198.1
Total comprehensive income for the year		207.0	305.8

* Fair value through other comprehensive income ('FVOCI')

** Available for sale ('AFS')

Group Balance Sheet as at 4 January 2020

	Notes	4 January 2020 €'m	(restated) 29 December 2018 €'m	(restated) 31 December 2017 €'m
ASSETS				
Non-current assets				
Property, plant and equipment	13	1,121.7	1,069.8	984.0
Intangible assets	14	1,366.1	1,329.3	984.3
Interests in associates	15	2.6	2.6	2.6
Interests in joint ventures	16	192.0	153.8	94.1
Other financial assets (2018: AFS financial assets)	17	9.1	10.1	17.4
Trade and other receivables	18	5.1	16.3	5.0
Deferred tax assets	26	1.8	2.1	1.6
Retirement benefit assets	8	2.1	1.1	1.7
Derivative financial instruments	30	-	-	0.4
		2,700.5	2,585.1	2,091.1
Current assets				
Inventories	19	668.9	665.7	533.1
Trade and other receivables	18	605.3	579.6	540.6
Current tax asset		23.7	12.0	11.3
Derivative financial instruments	30	0.9	1.7	6.0
Cash and cash equivalents	20	343.7	322.1	244.1
		1,642.5	1,581.1	1,335.1
Total assets		4,343.0	4,166.2	3,426.2
EQUITY				
Issued capital and reserves attributable to equity holders of the Parent				
Share capital and share premium	21	45.9	45.4	43.8
Other reserves	22	167.6	161.9	150.9
Retained earnings	23	555.6	533.7	479.4
		769.1	741.0	674.1
Non-controlling interests	24	1,152.0	1,074.5	931.5
Total equity		1,921.1	1,815.5	1,605.6
LIABILITIES				
Non-current liabilities				
Financial liabilities	25	809.7	1,081.5	771.7
Derivative financial instruments	30	12.3	6.3	5.7
Deferred tax liabilities	26	182.6	173.3	134.1
Retirement benefit obligations	8	156.2	132.1	136.4
Provisions	27	6.3	33.5	32.7
Capital grants	28	29.5	24.6	22.9
Other payables	29	12.5	13.0	10.1
		1,209.1	1,464.3	1,113.6
Current liabilities				
Trade and other payables	29	767.4	759.2	575.9
Current tax liabilities		67.7	59.7	51.8
Financial liabilities	25	370.1	59.5	51.9
Derivative financial instruments	30	2.2	1.7	0.6
Provisions	27	3.7	4.5	25.1
Capital grants	28	1.7	1.8	1.7
		1,212.8	886.4	707.0
Total liabilities		2,421.9	2,350.7	1,820.6
Total equity and liabilities		4,343.0	4,166.2	3,426.2
On behalf of the Board				

Mn Keane

S Talbot

M Garvey

Michael Keane *S Talbot* *Garvey*

Group Statement of Changes in Equity for the financial year ended 4 January 2020

	Attributable to equity holders of the Parent				Non-controlling interests €'m (note 24)	Total €'m
	Share capital and share premium €'m (note 21)	Other reserves €'m (note 22)	Retained earnings €'m (note 23)	Total €'m		
Balance at 30 December 2018	45.4	161.9	534.9	742.2	1,074.5	1,816.7
Restatement arising on implementation of IFRS 15	-	-	(1.2)	(1.2)	-	(1.2)
Restated balance at 30 December 2018	45.4	161.9	533.7	741.0	1,074.5	1,815.5
Profit for the year	-	-	86.1	86.1	125.3	211.4
Other comprehensive (expense)/income	-	29.4	(33.8)	(4.4)	-	(4.4)
Allocation of the share of other comprehensive income to non-controlling interest		(21.8)	15.3	(6.5)	6.5	-
Total comprehensive income for the year	-	7.6	67.6	75.2	131.8	207.0
Transactions with equity holders of the Parent						
Contributions and distributions						
Ordinary share interest paid to Society shareholders	-	-	(5.6)	(5.6)		(5.6)
Distribution paid to Society shareholders	-	-	(41.3)	(41.3)		(41.3)
Shares and share premiums issued	0.5	-	-	0.5		0.5
Dividends	-	-	-	-	(51.6)	(51.6)
Purchase of Glanbia plc own shares*	-	(8.1)	-	(8.1)		(8.1)
Cost of share based payments*	-	4.6	-	4.6		4.6
Transfer on exercise, vesting or expiry of share based payments*	-	(1.0)	1.0	-		-
Deferred tax on share based payments*	-	-	0.1	0.1		0.1
Allocation of the share of contributions and distributions to non-controlling interests*	-	2.6	0.1	2.7	(2.7)	-
Balance at 4 January 2020	45.9	167.6	555.6	769.1	1,152.0	1,921.1

* Contributions and distributions included in the allocation of the share to non-controlling interests.

Group Statement of Changes in Equity *continued* for the financial year ended 29 December 2018

	Attributable to equity holders of the Parent					Total €'m
	Share capital and share premium €'m (note 21)	Other reserves €'m (note 22)	Retained Earnings €'m (note 23)	Total €'m	Non-controlling interests €'m (note 24)	
Balance at 31 December 2017 as originally presented	43.8	150.9	480.2	674.9	931.5	1,606.4
Restatement arising on implementation of IFRS 15	-	-	(0.8)	(0.8)	-	(0.8)
Restated balance at 31 December 2017	43.8	150.9	479.4	674.1	931.5	1,605.6
Profit for the year (restated)	-	-	104.9	104.9	162.3	267.2
Other comprehensive (expense)/income	-	43.8	(5.2)	38.6	-	38.6
Allocation of the share of other comprehensive income to non-controlling interest	-	(33.1)	2.6	(30.5)	30.5	-
Total comprehensive income for the year	-	10.7	102.3	113.0	192.8	305.8
Transactions with equity holders of the Parent						
Contributions and distributions						
Ordinary share interest paid to Society shareholders	-	-	(4.8)	(4.8)	-	(4.8)
Distribution paid to Society shareholders	-	-	(44.0)	(44.0)	-	(44.0)
Shares and share premiums issued	1.6	-	-	1.6	-	1.6
Dividends	-	-	-	-	(52.5)	(52.5)
Purchase of Glanbia plc own shares*	-	(5.2)	-	(5.2)	-	(5.2)
Cost of share based payments*	-	8.8	-	8.8	-	8.8
Transfer on exercise, vesting or expiry of share based payments*	-	(0.6)	0.6	-	-	-
Deferred tax on share based payments*	-	-	0.2	0.2	-	0.2
Allocation of the share of contributions and distributions to non-controlling interests*	-	(2.7)	-	(2.7)	2.7	-
Restated balance at 29 December 2018	45.4	161.9	533.7	741.0	1,074.5	1,815.5

* Contributions and distributions included in the allocation of the share to non-controlling interests.

Group Statement of Cashflows for the financial year ended 4 January 2020

	Notes	2019 €'m	2018 (restated) €'m
Cash flows from operating activities			
Cash generated from operating activities	33	417.3	429.8
Interest received		1.2	5.4
Interest paid		(43.0)	(33.3)
Tax paid		(48.3)	(30.3)
Net cash inflow from operating activities		327.2	371.6
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	35	(58.3)	(313.5)
Capital grants received	28	8.1	4.1
Purchase of property, plant and equipment		(112.1)	(136.7)
Purchase of intangible assets		(34.1)	(34.5)
Interest paid in relation to property, plant and equipment		(3.1)	(2.1)
Loans to joint ventures		1.0	(1.0)
Dividends received from joint ventures & associates	16	24.1	23.7
Investment in joint ventures		(48.6)	(41.9)
Investment in Glanbia MilkFlex Fund	32	0.6	(0.8)
Deferred consideration payments related to Wexford Creamery Ltd		(2.7)	-
Deferred consideration payments related to Eilish Oils		(0.3)	-
Proceeds from disposal/redemption in FVOCI financial assets (2018: AFS financial assets)		2.6	8.1
Payments for FVOCI financial assets (2018: AFS financial assets)		(3.1)	(0.8)
Proceeds from property, plant and equipment		0.6	1.2
Net cash outflow from investing activities		(225.3)	(494.2)
Cashflows from financing activities			
Proceeds from issue of ordinary shares		0.3	0.2
Purchase of Glanbia plc shares – equity settled share based payments	22	(8.1)	(5.2)
Purchase of Glanbia plc shares – cash settled share based payments		-	(1.7)
Drawdown of borrowings		1,324.1	1,465.7
Repayment of borrowings		(1,354.8)	(1,166.1)
Finance lease payments		(0.7)	(0.8)
Distribution paid to Society's shareholders - rebates		(35.4)	(30.0)
Ordinary share interest paid to Society's shareholders	12	(5.6)	(4.8)
Dividends paid to non-controlling interests	24	(51.6)	(52.5)
Proceeds from Glanbia Ireland Extended Credit Scheme receivable		9.8	(9.8)
Proceeds from Glanbia Advance Payments Scheme receivable	18	0.2	0.3
Revolving share plan – refunds paid		-	(15.6)
Net cash (outflow)/inflow from financing activities		(121.8)	179.7
Net (decrease)/increase in cash and cash equivalents		(19.9)	57.1
Cash and cash equivalents at the beginning of the year		259.4	198.6
Cash acquired on acquisitions		(4.2)	-
Effects of exchange rate changes on cash and cash equivalents		3.4	3.7
Cash and cash equivalents at the end of the year	20	238.7	259.4

Notes to the Financial Statements

for the financial year ended 4 January 2020

1. General information

Glanbia Co-operative Society Limited (the 'Society') and its subsidiaries (together the 'Group') is a leading global nutrition group with two divisions, Glanbia plc and Glanbia Ireland DAC as described below.

Glanbia plc

Glanbia plc is a leading global nutrition group. It has two main divisions, Glanbia Performance Nutrition and Glanbia Nutritionals and holds investments in joint ventures. Glanbia Performance Nutrition earns its revenue from the manufacture and sale of sports nutrition and lifestyle nutrition products. Glanbia Nutritionals earns its revenue from the manufacture and sale of cheese, dairy and non-dairy nutritional and functional ingredients, and vitamin and mineral premixes.

Glanbia Ireland DAC

Glanbia Ireland DAC is the largest dairy processor in Ireland. Its products, the large majority of which are exported, include milk powders, butter, cheese, whey protein and casein. Its customers include many of the large global food and infant formula manufacturers, as well as more regionally focused food companies across Europe, Middle East, Africa and Asia. Glanbia Ireland DAC is a joint venture partner of Glanbia plc.

The Society is domiciled in Ireland, the number which it is registered is 4928R. The address of its registered office is Glanbia House, Kilkenny, Ireland. These consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 April 2020.

2. Summary of significant accounting policies

The Group adopted new accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year ended 4 January 2020. As a result of adopting IFRS 15 'Revenue from Contracts with Customers', the prior year Group income statement, balance sheet and certain notes were restated. Refer to the section 'Adoption of new and amended standards and interpretations' herein for details of the restatement and adoption of other new and amended accounting standards and interpretations.

The 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.

Basis of preparation

The consolidated financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and the provisions of the Industrial and Provident Societies Act 1893 to 2014. IFRS as adopted by the European Union (EU) comprise of 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 certain other financial assets and derivative financial instruments.

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. See [note 3](#).

Amounts are stated in euro millions (€m) unless otherwise stated. These financial statements are prepared for the 53-week period ended 4 January 2020. Comparatives are for the 52-week period ended 29 December 2018. The balance sheets for 2019 and 2018 have been drawn up as at 4 January 2020 and 29 December 2018 respectively.

Going concern

The Directors have considered the effect of COVID-19 on the Group as described below and consider it appropriate to continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Current trading

Trading in the first quarter of this year was ahead of expectations overall with a strong performance ahead of both this year's budget and prior year's actual. We have however started to experience impacts in a number of geographies where strong social distancing measures have been introduced. It is also difficult to determine the overall impact on consumer behaviour and demand at this point with pantry building being an element of strong orders in March. There is considerable channel shift to online markets where possible with further decline of specialty bricks and mortar stores. Dairy prices have decreased sharply which will likely result in a challenging year for our business and suppliers.

Given this situation, we are already looking at cost-saving measures and reassessing marketing and capex investments. These actions will help to support our profitability. We are also looking at measures to reduce our peak working capital needs to give further headroom within our facilities to absorb shocks.

Balance sheet and liquidity

We benefit from a very strong balance sheet and have adequate liquidity for working capital and investment needs. Our scenario planning to date has shown no scenario in which the Group would not have sufficient facilities available to ensure liabilities can be repaid as they fall due and also show no circumstances where banking covenants would be breached. Therefore, as things stand, it remains the Board's intention to propose an ordinary dividend to our shareholders in line with previous years. The Boards of both Glanbia Ireland DAC and Glanbia plc have approved, subject to approval by shareholders at the forthcoming AGMs, their respective dividends of which the Society will receive its share.

Notes to the Financial Statements for the financial year ended 4 January 2020

Our strong balance sheet and liquidity position, our leading market shares and largely variable cost base, together with our unique portfolio of brands and resilient and talented people will allow us to weather this unprecedented crisis. When we emerge, we will be able to focus on capturing the many opportunities that we have in front of us. In the meantime, we continue to monitor the COVID-19 pandemic and its impact on our business.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Society and 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 31.5% of the issued share capital of Glanbia plc. The Board of Directors of Glanbia plc for the year ended 4 January 2020 is comprised of 16 members, of which up to 8, including the Chairman who has the casting vote, are nominated by the Society. In accordance with IFRS 10 'Consolidated Financial Statements', the Society controls Glanbia plc and consequently it is accounted for as a subsidiary of the Society. In 2020 in accordance with the Relationship Agreement, the number of directors nominated by the Society will reduce to seven in a board comprising of 15 members. Thereafter the Society will no longer control Glanbia plc and will cease to account for it as a subsidiary of the Society.

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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Equity accounted investees

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.

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 not the ability to control or jointly control those policies. Investments in associates are accounted for using the equity method of accounting.

Equity method of accounting – joint ventures & associates

Under the equity method of accounting, interests 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 the Group statement of 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 of a transferred asset.

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.

Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The acquisition date is defined as 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.

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date except for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively. 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.

Goodwill represents the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the net identifiable assets acquired. 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.

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.

Notes to the Financial Statements

for the financial year ended 4 January 2020

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.

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.

Foreign currency translation

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.

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 cashflow 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 cashflow hedges or (ii) exchange gains or losses on long-term intra-group loans and on net investment hedges.

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;
- 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; and
- 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:

Euro 1=	Average		Year end	
	2019	2018	2019	2018
US dollar	1.1196	1.1812	1.1147	1.1454
Pound sterling	0.8772	0.8847	0.8512	0.9027

Business combinations

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are denominated in the functional currency of the foreign entity, recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

Property, plant and equipment

Cost

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. 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 which take a substantial period of time to get ready for its intended use are capitalised as part of the cost of the assets.

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	3.33-33
Motor vehicles	20-25

Notes to the Financial Statements

for the financial year ended 4 January 2020

Land is not depreciated. 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.

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Impairment

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.

Intangible assets

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 acquisition of subsidiaries is included within intangible assets. Goodwill associated with the acquisition of joint ventures & associates is not recognised separately and included within the interest 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.

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.

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. The useful life is typically three to six years.

Brands, customer relationships, recipes, know-how and other intangibles

Brands, customer relationships, recipes, know-how 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, recipes, know-how and other intangibles are amortised using the straight-line method over their useful life as follows:

	Yrs
Brands	3-40
Customer relationships	5-15
Other intangibles	2-15

The useful life used to amortise definite life brands, customer relationships, recipes, know-how 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, recipes, know-how 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.

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 four and 10 years.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units (CGUs)). An impairment is recognised in the income statement for the amount by which the carrying value of the 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.

Notes to the Financial Statements for the financial year ended 4 January 2020

Equity instruments

The Group classifies and measures its equity instruments at fair value. Changes in their fair value are recognised in the income statement unless management has elected to present fair value gains and losses in OCI on an investment by investment basis. When an election is made for an investment, there is no subsequent reclassification of fair value gains and losses related to the investment to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

Trade and other receivables, and financial assets at amortised cost

Trade and other receivables, and financial assets at amortised cost are classified and measured at amortised cost as they are held to collect contractual cash flows which comprise solely payments of principal and interest, where applicable. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

They are classified as non-current assets except for those maturing within 12 months of the reporting date.

The Group recognises an allowance for expected credit losses (ECLs) for financial assets not held at fair value through profit or loss. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a lifetime expected loss allowance is recognised, irrespective of the timing of the default.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance for receivables is estimated based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment of countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

Receivables are written off when there is no reasonable expectation of recovery such as a debtor failing to engage in a repayment plan with the Group.

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-term nature of these liabilities. These amounts represent liabilities for goods and services provided to the Group prior to, or at the end of the financial year which are unpaid.

The amounts are unsecured and are usually paid within 30–90 days of recognition depending on the terms negotiated with suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. For the purposes of the Group statement of cash flows, cash and cash equivalents consists of cash and cash equivalents net of bank overdrafts as bank overdrafts are repayable on demand and they form an integral part of cash management.

Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently stated at amortised cost. They 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 entity or the counterpart.

Derivative financial instruments

Derivatives are initially recorded at fair value and subsequently remeasured at their fair value at the reporting date. Derivative contracts are recognised on the date the contract is entered into, other than for 'regular way' contracts for which settlement date accounting is applied.

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 convertible bond includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder, or an amount of cash equal to the market value of the fixed number of shares at the date of conversion. This convertible bond option is accounted for as a derivative liability ([note 30](#)). The convertible bond is a hybrid instrument containing a host debt contract and a conversion option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. The host bond is initially recognised at fair value and subsequently at amortised cost ([note 25](#)).

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. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement. The Group adopts the hedge accounting model in IFRS 9.

The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Notes to the Financial Statements

for the financial year ended 4 January 2020

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 half yearly, of whether the derivatives that are used in hedging transactions are 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 30](#). 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.

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.

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.

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 until the forecast transaction occurs. 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.

Net investment hedge

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.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Inventories

Inventories are stated at the lower of cost and 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. Allowance is made, where necessary, for aged, slow moving, obsolete and defective inventories.

Provisions, contingent liabilities, contingent assets

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.

Notes to the Financial Statements

for the financial year ended 4 January 2020

Employee benefits

Pension obligations

The Group companies operate various pension plans. The plans are funded through payments to trustee-administered funds. 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 quoted securities in active markets 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 plan obligations is disclosed separately within deferred tax assets.

Share based payments - 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 and is spread over the performance period.

Options under the 2002 Long Term Incentive Plan

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

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

The market vesting condition is Total Shareholder Return (TSR) and the awards contain both market and non-market vesting conditions.

Awards under the 2008 and 2018 Long Term Incentive Plan

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain both market and non-market vesting conditions. The market vesting condition is TSR and, accordingly, the fair value assigned to the related equity instruments is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition. There are no revisions to the fair value at subsequent reporting dates for changes in TSR estimates.

Awards under the 2019 Restricted share plan (2019 RSP)

The fair value of the awards is calculated using the discounted cash flow method. The awards typically contain only non-market vesting and service conditions.

In respect of 2008 LTIP, 2018 LTIP and 2019 RSP, 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 and service 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 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 leaves service before the end of the vesting period.

When the awards are exercised, the Company reissues shares from own shares and the fair value of the awards exercised is reclassified from the share-based payment reserve to retained earnings.

Notes to the Financial Statements

for the financial year ended 4 January 2020

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 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.

Share based payments – Glanbia Ireland DAC

Glanbia Ireland DAC operates a share-based payment plan which may be offered to Key Management personnel of that entity. The scheme is treated as a cash settled scheme. Until the liability is settled the entity remeasures the fair value of the liability at the end of each reporting period, and at the date of settlement, with any changes in fair value recognised in the income statement for the period.

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.

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. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the tax uncertainties have been measured using a probability weighted expected value approach. Further details on estimates and judgements are set out in [note 3](#).

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

The carrying amount of a deferred tax asset or liability may change for reasons other than a change in the temporary difference itself. Such changes might arise as a result of a change in tax rates or laws, a reassessment of the recoverability of a deferred tax asset or a change in the expected manner of recovery of an asset or the expected manner of a settlement of a liability. The impact of these changes is recognised in the income statement or in other comprehensive income depending on where the original deferred tax balance was recognised.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Share capital

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.

Own shares

Where the Employee Share Trust and/or the Employee Share Scheme Trust (on behalf of Glanbia plc and Glanbia Ireland DAC) purchases Glanbia plc's equity share capital, under the respective share based payment plans, the consideration paid 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.

Revenue recognition

Glanbia plc manufactures and sells performance nutrition and lifestyle nutrition products, cheese and dairy, and non-dairy nutritional and functional ingredients. Glanbia Ireland DAC Group manufactures and sells dairy ingredients and consumer products.

Notes to the Financial Statements

for the financial year ended 4 January 2020

In general, there is one performance obligation relating to the sale of products in a contract with a customer. Performance obligations are met at the point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are dispatched or delivered to the customer. Delivery occurs when the products have been delivered to the specific location. The Group is deemed to be a principal in an arrangement when it controls the promised goods before transferring them to a customer, and accordingly recognises revenue on a gross basis.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the most likely method. Judgement is or may be exercised by management in the determination of quantum and likelihood of rebates and discounts based on experience and historical trading patterns. Rebates and discounts are recorded in the same period as the original revenue.

Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing. Thus, the Group does not adjust any of the transaction prices for the time value of money as a practical expedient as the Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year.

Dividends are recognised when the right to receive payment is established.

Ordinary share interest

Ordinary share interest reflects distributions on the ordinary shares, and are recognised as a liability of the Society when approved by the Society's members.

Distributions to Society members

Pursuant to rule 98 of the Society, the Board may distribute part of the reserves of the Society to members based on their shareholding or trading with the Group. Such distributions can include rebates, bonus issues of shares or loan stock, share buy backs and interest free support. These distributions are recorded in retained earnings as distributions to members when approved by the Society's members.

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.

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.

Leases

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 financial liabilities and split between current and non-current, as appropriate.

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.

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.

Income statement format

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, including material adjustments arising from the re-assessment of asset lives, 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 plan 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.

Notes to the Financial Statements

for the financial year ended 4 January 2020

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.

Segment reporting

In identifying the Group's operating segments, management considered the following factors:

- how financial information is reported to the Chief Operating Decision Maker (CODM)
- existence of managers responsible for the components
- the nature of the component business activities
- the nature of products and services
- the nature of the production processes
- the type or class of customer
- the methods used to distribute the products.

The Group has identified two segments as follows:

Glanbia plc

Glanbia plc earns its revenue from the manufacture and sale of sports nutrition, lifestyle nutrition products, cheese, dairy and non-dairy nutritional and functional ingredients, and vitamin and mineral premixes.

Glanbia Ireland DAC

Glanbia Ireland DAC earns its revenue from the manufacture and sale of cheese and dairy ingredients, and the manufacture and sale of a range of consumer products and farm inputs.

These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker assesses performance and allocates the Group's resources. Each segment is reviewed in its totality by the Chief Operating Decision Maker. The Board of Glanbia Co-operative Ireland assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items.

Other segments

Other non-reportable segments include both the results of the Co-operative Society entity and other smaller subsidiaries and consolidation adjustments. These entities do not meet the segment criteria, individually or on an aggregate basis, as outlined in IFRS 8 'Operating segments'.

These segments align with the Group's internal reporting system and the way in which the Chief Operating Decision Maker (Glanbia Operating Executive) assesses performance and allocates the Group's resources.

Finance income, finance costs and income taxes are not allocated to segments, as this type of activity is driven by central treasury and taxation functions which manage the cash and tax position of the Group. Unallocated assets and liabilities primarily include tax, cash and cash equivalents, other financial assets (2018: available for sale financial assets), financial liabilities and derivatives. Inter-segment revenue is determined on an arms-length basis. Where a material dependency or concentration on an individual customer would warrant disclosure, this is disclosed in [note 0](#).

Adoption of new and amended standards and interpretations

The Group has adopted the following standards, interpretations and amendments to existing standards during the financial year:

IFRS 9 'Financial Instruments'

IFRS 9 is the standard which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 from 30 December 2018. Comparatives for 2018 have not been restated. The impact of adopting IFRS 9 was not material for the Group financial statements and there was no adjustment to retained earnings at 30 December 2018 on application of the standard.

Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it removes the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income, or fair value through profit or loss. The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows. Results of the assessment of the classification of financial assets are described as follows.

Notes to the Financial Statements

for the financial year ended 4 January 2020

Financial asset category	Classification and measurement under IAS 39	Results of IFRS 9 classification assessment	Classification and measurement under IFRS 9
Cash and cash equivalents Trade and other receivables	Loans and receivables at fair value (initial recognition) followed by amortised cost (subsequent measurement)	Business model test: hold to collect contractual cash flows Cash flow characteristics: solely payments of principal and interest	Financial assets at fair value (initial recognition) followed by amortised cost (subsequent measurement)
Other financial assets	Available for sale assets at fair value (initial recognition and subsequent measurement) with subsequent changes in fair value recognised in other comprehensive income ('OCI'). When an asset is derecognised or impaired, cumulative gain or loss in OCI is reclassified from equity to the income statement	Business model test: hold to collect contractual cash flows Cash flow characteristics: solely payments of principal and interest Election is made to present fair value changes in OCI and not recycle any gains or losses arising on its de-recognition to the income statement	Financial assets at fair value (initial recognition) followed by amortised cost (subsequent measurement) Pertains to the financial asset - Ornua Co-operative Limited (note 17) Financial assets at fair value (initial recognition and subsequent measurement) followed by subsequent changes in fair value recognised in equity permanently Pertains to equity instruments

Other than what is disclosed in the preceding table there are no changes to the measurement and classification of remaining financial assets and liabilities determined in accordance with IAS 39 and IFRS 9. There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment

IFRS 9 has introduced a new impairment model which requires the recognition of impairment allowance based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It is applied to the Group's financial assets within the scope of IFRS 9, contract assets under IFRS 15, lease receivables and certain financial guarantees held for its subsidiaries. For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. Trade receivables are written off when there is no reasonable expectation of recovery. The change in impairment methodology from implementing IFRS 9 did not have a material impact on the Group's financial statements.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, there is no impact to the Group's results.

IFRS 15 'Revenue from Contracts with Customers'

The Group adopted the full retrospective approach, and has restated the prior year Group income statement and balance sheet and disclosed the opening balance sheet at 31 December 2017. The Group has assessed the impact of implementing IFRS 15 and, with the exception of the matters set out below, has not identified any material impact resulting from transition to the new standard.

- Following a review of all material contracts with customers, the Group has concluded that the change from the risk and reward model under IAS 18 to the control model under IFRS 15 led to the Group's relationship within the Glanbia Nutritionals segment of Glanbia plc with its joint venture, Southwest Cheese Company, LLC to transition from an agent relationship to that of a principal as the Group controls the promised goods before transferring them to the customers. The legal position of the relationship with the joint venture remains the same. The transition to IFRS 15 results in a gross up of revenue and costs. For the 2019 financial year, revenue and costs relating to this arrangement are shown gross in the Group income statement. The transition to IFRS 15 described above also results in a gross up of outstanding trade receivables and amounts due to joint ventures & associates which are recorded in the line items on the balance sheet "Trade and other receivables – current" and "Trade and other payables – current" respectively.
- The Group has identified certain contracts on which goods are transferred to a customer on an "on-account basis" where the ultimate selling price is not known at the time of product transfer. Invoices are raised for these products at the time of despatch based on an "on-account" price which is less than the price which is ultimately expected to manifest. When the ultimate selling price subsequently becomes known, an additional invoice is raised to bill for the difference in pricing. For the purposes of the financial statements up to 29 December 2018 prepared under IAS 18 'Revenue', all such "on-account" sales were reversed with the turnover being treated as "Payments in advance" under Trade and Other Payables in the Balance Sheet. Under IFRS 15, the Group now recognises an appropriate amount of revenue when all performance obligations have been fulfilled and control has passed to the customer, even if the ultimate selling price has not yet been determined. The 2018 comparative amounts have been restated to adopt a similar accounting treatment in the prior year.
- At the end of 2018, the group operated a "Bill and Hold" arrangement with certain customers, whereby the Group billed customers for products yet to be despatched, and received payment for those invoices. Under IFRS 15, as the Group was responsible for delivery of these products to customers, a separate performance obligation remained, and the sales previously recorded have been de-recognised to the extent that delivery had not taken place at the end of the reporting period. At the end of 2019, the Group did not have any material "Bill and Hold" arrangements in place which included a delivery performance obligation.

Notes to the Financial Statements for the financial year ended 4 January 2020

Other findings resulting from the IFRS 15 assessment include:

- The Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year. Thus, the Group does not adjust any of the transaction prices for the time value of money as a practical expedient.
- Sales are recognised at a point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are despatched or delivered to the customer.

Details of the restatement required as a result of the transactions described above are as follows:

	Previously reported €'m	Adjustment €'m	Restated under IFRS 15 €'m
For the financial year ended 29 December 2018			
Revenue	4,167.6	782.2	4,949.8
Cost of goods sold	(3,251.1)	(765.6)	(4,016.7)
Gross profit	916.5	16.6	933.1
Selling and distribution expenses	(334.8)	(17.1)	(351.9)
Administration expenses	(222.7)	-	(222.7)
Earnings before interest, tax and amortisation (EBITA)	359.0	(0.5)	358.5
Intangible asset amortisation and impairment	(49.0)	-	(49.0)
Operating profit	310.0	(0.5)	309.5
Other operating income	2.3	-	2.3
Finance income	4.5	-	4.5
Finance cost	(32.5)	-	(32.5)
Share of results of joint ventures & associates	25.5	-	25.5
Profit before taxation	309.8	(0.5)	309.3
Income taxes	(42.2)	0.1	(42.1)
Profit for the financial year	267.6	(0.4)	267.2

The transition to IFRS 15 has resulted in the following restatement in the balance sheet:

	Notes	Previously reported €'m	Adjustment €'m	Restated under IFRS 15 €'m
Balance sheet as at 29 December 2018				
Inventories	19	691.9	(26.2)	665.7
Trade and other receivables – current	18	518.8	60.8	579.6
Trade and other payables - current	29	723.4	35.8	759.2
Retained earnings	23	534.9	(1.2)	533.7
Balance sheet as at 31 December 2017				
Inventories		560.9	(27.8)	533.1
Trade and other receivables – current		513.7	26.9	540.6
Retained earnings		480.2	(0.8)	479.4

Early adoption of Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform'

The Group has chosen to early apply the amendments to IFRS 9/IAS 39 for the financial year ended 4 January 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2020. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. The amendments are relevant to the Group given that it has EURIBOR floating rate debt which it cash flow hedges using EURIBOR interest rate swaps. Early adoption of the amendments allows the Group to continue hedge accounting and retain the cumulative gain or loss in the cash flow hedge reserve relating to the interest rate swaps designated as cash flow hedges even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

Other IFRS changes

The following changes to IFRS became effective for the Group during the financial year but did not result in material changes to the Group's consolidated financial statements:

- Amendments to IFRS 2 'Classification and Measurement of Share-based payment Transactions'
- Annual Improvements to IFRSs 2014–2016 Cycle
- Amendments to IAS 40 'Transfers of Investment Property'
- IFRIC Interpretation 22 'Foreign Currency Translation and Advance Consideration'
- Amendments to IFRS 4 'Insurance Contracts'

Notes to the Financial Statements for the financial year ended 4 January 2020

New and amended standards and interpretations that are not yet effective

The Group has not applied certain new standards, amendments to existing standards and interpretations that have been issued but are not yet effective. The most significant of which are as follows:

IFRS 16 'Leases'

This standard will be effective for and will be adopted by the Group for the 2020 financial year beginning 5 January 2020 as the 2019 financial year is for the 53-week period ended 4 January 2020. The Group's evaluation of the effect of adoption of IFRS 16 is in its final stages and the findings are detailed as follows.

The Group expects that the adoption of IFRS 16 will have a material impact on the financial statements, significantly increasing the Group's recognised assets and liabilities. The Group commenced a comprehensive project to assess the impact of IFRS 16 during 2018 which is still ongoing. This project includes an accounting assessment of the impact of the implementation of new processes and procedures, including new lease accounting software, to ensure leases are accounted for in line with the new standard from the commencement of our 2020 financial year.

The Group expects to adopt the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognised in opening retained earnings at 5 January 2020. In applying IFRS 16 for the first time, the Group intends to avail of practical expedients/exemptions including:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- accounting for operating leases with a remaining lease term of within 12 months of 5 January 2020 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- not reassessing whether a contract is, or contains a lease at the date of initial application
- not making any adjustments on transition for leases for which the underlying asset is of low value

The Group's assessment of the impact of adopting IFRS 16 is in the process of being finalised. The actual adjustment can differ to the estimated impact provided below due to changes in underlying assumptions. Based on the work performed to date, the Group expects to recognise lease liabilities and right-of-use assets of approximately €147.9 million and €127.7 million respectively, and finance costs and operating profit to increase. IFRS 16 will have no impact on the Group's net cash flows but the lease repayment outflows will be disclosed as financing cash outflow, instead of operating cash outflow. Net debt is a non-IFRS measure and does not comprise of lease liabilities determined in accordance with IFRS 16 which is consistent with net debt as defined within financing covenants. Covenants are accordingly not affected on transition to IFRS 16.

There were no significant judgements or estimates made in applying IFRS 16 that would have a material impact on the Group. However, it is noted that estimation is involved in determining incremental borrowing rate (IBR) which is used to measure lease liabilities. The Group estimates the IBR based on the currency and country/region in which a lease is based, the lease duration, and the credit quality of the lessee.

IFRIC 23 'Uncertainty over Income Tax Treatments' (EU effective date: on or after 1 January 2019)

The interpretation will be effective for and will be adopted by the Group for the 2020 financial year beginning 5 January 2020. The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 'Income taxes'. The Group is finalising its evaluation of the impact of this interpretation on the financial statements. The Group does not expect the adoption of this interpretation to have a material impact on the financial statements, as the Group already applies the principles of IFRIC 23 in determining its uncertain tax provisions.

Amendments to IFRS 3 'Business Combinations' (IASB effective date: on or after 1 January 2020 – not yet endorsed)

The amendments clarify the definition of a business to help entities determine whether an acquired set of activities and assets is a business or not. The Group is currently evaluating the impact of the amendments on future periods.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material impact on the Group or they are not currently relevant for the Group.

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. Significant judgements and estimates made in the preparation of these financial statements are set out below.

Judgements

Exceptional items

The Group considers that items of income or expense which are significant by virtue of their scale and nature should be disclosed separately if the Group financial statements are to fairly present the financial performance and financial position of the Group. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believes would give rise to exceptional items for separate disclosure are outlined in the accounting policy on exceptional items in [note 2](#). Exceptional items are included on the income statement line item to which they relate. In addition, for clarity, separate disclosure is made of all items in one column on the face of the Group income statement.

Interests in joint ventures

The Group holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a joint venture as the Group does not have control of the company as it has equal representation on the Board of Directors, along with its joint venture partner Leprino Foods Company who directs the relevant activities of the business. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board.

Notes to the Financial Statements

for the financial year ended 4 January 2020

Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to estimates are recognised prospectively.

Retirement benefit obligations

The Group operates a number of defined benefit pension plans both in Ireland and the UK. 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. Refer to [note 8](#) for the amounts associated with the Irish and UK plans.

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 including price inflation, benefit and salary increases together with the discount rate used. As a result of the UK referendum on EU membership, and the on-going Brexit negotiations, The Group's UK defined benefit pension plan assumptions are subject to increased volatility and risk. The Group discloses the UK defined benefit pension plan details separate from the Irish plans to identify the impact of a change in UK assumptions on the Group's defined benefit pension plans.

The discount rate is a highly sensitive input to the calculation of scheme liabilities. Sensitivity analysis has been completed to assess the impact of a change in the discount rate used. Refer to [note 8](#) for the sensitivity analysis.

Impairment review of goodwill and indefinite life intangibles

The Group tests annually whether goodwill and indefinite life intangibles has suffered any impairment, in accordance with the accounting policy stated in [note 2](#). The recoverable amounts of cash generating units (CGUs) have been determined based on value in use calculations. These calculations require the use of estimates.

The intangible assets of Glanbia Ireland and Glanbia plc, including goodwill arising on acquisition are tested for impairment using projected cash flows over a three year period. In cases where management have strategic plans beyond three years these numbers are also used in the projections. Discount rates are based on the Group weighted average cost of capital adjusted for company risk factors and specific country risk. A terminal value assuming 2% growth into perpetuity is also applied. Sensitivity on the cash flows is also prepared based on a reduction in projected EBITDA growth of 10%, a terminal value assuming zero growth or an increase in the discount factor used by 1%. 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 14](#).

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 reviews 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, assessments of 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.

Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in [note 27](#).

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The carrying amounts of financial assets would not be materially different if the discount rate used in the discounted cash flow analysis was to differ by 10% from the Group's estimates.

Estimating lives for depreciation of property, plant, equipment and intangible assets excluding goodwill

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

Notes to the Financial Statements

for the financial year ended 4 January 2020

4. Segment information

The Group has two reportable segments, Glanbia plc and Glanbia Ireland DAC. Each segment derives its revenue as follows: Glanbia plc earns its revenue from the manufacture and sale of sports nutrition and lifestyle nutrition products, manufacture and sale of cheese, dairy and non-dairy nutritional and functional ingredients. Glanbia Ireland is the largest milk processor in Ireland producing a range of value added dairy ingredients and consumer products. Glanbia Ireland is also a large scale seller of animal nutrition and fertilizer as well as having a chain of agricultural retail outlets in Ireland.

These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker ('CODM') assesses performance and allocates the Group's resources. Each segment is reviewed in its totality by the CODM. The board of Glanbia Co-operative Society assesses the trading performance of operating segments based on a measure of earnings before interest, tax, amortisation and exceptional items.

All other segments and unallocated include both the results of the Co-operative Society entity and other smaller subsidiaries and consolidation adjustments. These entities did not meet the quantitative thresholds for reportable segments in 2019 or 2018.

Pre-exceptional segment results are as follows:

2019	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Total gross segment revenue	3,875.7	1,961.8	5,837.5	(14.6)	5,822.9.0
Inter-segment revenue	(0.4)	(52.5)	(52.9)	-	(52.9)
Revenue	3,875.3	1,909.3	5,784.6	(14.6)	5,770.0
Total Group earnings before interest, tax, amortisation and exceptional items	276.8	86.8	363.6	(10.3)	353.3
Shares of results of joint ventures & associates	-	-	-	28.0	28.0
2018 (restated)					
Total gross segment revenue	3,170.5	1,807.8	4,978.3	8.3	4,986.6
Inter-segment revenue	(1.2)	(35.6)	(36.8)	-	(36.8)
Revenue	3,169.3	1,772.2	4,941.5	8.3	4,949.8
Total Group earnings before interest, tax, amortisation and exceptional items	284.9	72.9	357.8	0.7	358.5
Share of results of joint ventures & associates	-	-	-	25.5	25.5

Included in external revenue are related party sales between Glanbia plc and Glanbia Ireland of €52.7 million (2018: €36.6 million). Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Revenue of approximately €405.6 million (2018 restated: €273.3 million) and €705.4 million (2018 restated: €567.3 million) is derived from two external customers respectively within the Glanbia Nutritionals segment of the Glanbia plc segment.

Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax in the Group income statement.

Other pre-exceptional segment information is as follows:

2019	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Depreciation and impairment of PPE	48.1	32.5	80.6	0.1	80.7
Amortisation and impairment of intangibles	60.9	4.1	65.0	0.2	65.2
Capital grants released to Income Statement	-	1.8	1.8	-	1.8
Capital expenditure – additions	75.3	64.1	139.4	0.1	139.5
Capital expenditure – business combinations	52.7	-	52.7	-	52.7
2018					
Depreciation and impairment of PPE	43.0	29.7	72.7	0.1	72.8
Amortisation and impairment of intangibles	45.9	3.1	49.0	-	49.0
Capital grants released to Income Statement	-	2.2	2.2	-	2.2
Capital expenditure – additions	67.8	108.3	176.1	0.4	176.5
Capital expenditure – business combinations	321.0	-	321.0	-	321.0

Notes to the Financial Statements for the financial year ended 4 January 2020

The segment assets and liabilities are as follows:

	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
2019					
Segment assets	3,400.9	1,176.0	4,576.9	(233.9)	4,343.0
Segment liabilities	(1,699.0)	(757.6)	(2,456.6)	34.7	(2,421.9)
2018 (restated)					
Segment assets	3,160.1	1,215.0	4,375.1	(208.9)	4,166.2
Segment liabilities	(1,571.0)	(806.7)	(2,377.7)	27.0	(2,350.7)

Geographical information

Revenue

Revenue from external customers is allocated to geographical areas based on the place of delivery or collection of the products sold as agreed with customers as opposed to the end use market where the product may be consumed.

	2019				2018 (restated)			
	Glanbia plc €'m	Glanbia Ireland €'m	All other segments and unallocated €'m	Total €'m	Glanbia plc €'m	Glanbia Ireland €'m	All other segments and unallocated €'m	Total €'m
US	3,126.4	47.0	-	3,173.4	2,433.3	28.1	-	2,461.4
Ireland (country of domicile)	4.9	1,140.5	(14.6)	1,130.8	2.3	1,238.5	8.3	1,249.1
Others	744.0	721.8	-	1,465.8	733.7	505.6	-	1,239.3
Total	3,875.3	1,909.3	(14.6)	5,770.0	3,169.3	1,772.2	8.3	4,949.8

Non-current assets

The total of non-current assets, other than financial instruments, deferred tax assets, and retirement benefit assets attributable to the country of domicile and all foreign countries of operation for which non-current assets exceed 10% of total Group non-current assets are set out below.

	2019 €'m	(restated) 2018 €'m
Ireland (country of domicile)	1,382.8	1,250.3
US	1,127.4	1,080.4
Others	172.2	224.8
Total	2,682.4	2,555.5

Disaggregation of revenue

Revenue is disaggregated based on the Group's internal reporting structures i.e. operating segments, the key geographical markets in which the Group operates (see table above within Geographical Information) and the timing of revenue recognition.

	2019				2018 (restated)			
	Glanbia plc €'m	Glanbia Ireland €'m	All other segments and unallocated €'m	Total €'m	Glanbia plc €'m	Glanbia Ireland €'m	All other segments and unallocated €'m	Total €'m
Products transferred at point in time	3,875.3	1,909.3	(14.6)	5,770.0	3,169.3	1,772.2	8.3	4,949.8
Products transferred over time	-	-	-	-	-	-	-	-
Total	3,875.3	1,909.3	(14.6)	5,770.0	3,169.3	1,772.2	8.3	4,949.8

Notes to the Financial Statements

for the financial year ended 4 January 2020

5. Operating profit

	2019			2018 (restated)		
	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m
Revenue	5,770.0	-	5,770.0	4,949.8	-	4,949.8
Cost of goods sold	(4,752.6)	(19.1)	(4,771.7)	(4,016.7)	-	(4,016.7)
Gross profit	1,017.4	(19.1)	998.3	933.1	-	933.1
Selling and distribution expenses	(445.7)	-	(445.7)	(351.9)	-	(351.9)
Administration expenses	(218.4)	(18.0)	(236.4)	(222.7)	-	(222.7)
Earnings before interest tax and amortisation (EBITA)	353.3	(37.1)	316.2	358.5	-	358.5
Intangible asset amortisation and impairment	(65.2)	(2.0)	(67.2)	(49.0)	-	(49.0)
Operating profit	288.1	(39.1)	249.0	309.5	-	309.5

Notes	2019			2018 (restated)		
	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m
Operating profit is stated after (charging)/crediting:						
Cost of inventories recognised as an expense in Cost of Goods Sold	(4,523.0)	(19.1)	(4,542.1)	(3,942.5)	-	(3,942.5)
Depreciation of property, plant and equipment 13	(80.7)	-	(80.7)	(72.7)	-	(72.7)
Impairment of property, plant and equipment 13	-	(0.4)	(0.4)	-	-	-
Operating lease expense	(22.4)	-	(22.4)	(19.4)	-	(19.4)
Amortisation of intangible assets 14	(63.3)	-	(63.3)	(49.0)	-	(49.0)
Impairment of intangible assets 14	(1.9)	(2.0)	(3.9)	-	-	-
Amortisation of capital grants received 28	1.8	-	1.8	2.3	-	2.3
Employee benefit expense 7	(478.5)	(4.3)	(482.8)	(429.6)	-	(429.6)
Auditor's remuneration	(1.9)	-	(1.9)	(1.7)	-	(1.7)
Research and development costs	(23.6)	-	(23.6)	(17.1)	-	(17.1)
Net foreign exchange loss	(1.5)	-	(1.5)	(2.5)	-	(2.5)
(Loss)/gain on disposal of property, plant and equipment	(0.3)	-	(0.3)	0.2	-	0.2
Net impairment losses on financial assets	(2.9)	-	(2.9)	(1.0)	-	(1.0)

The following table discloses the fees paid or payable to Deloitte Ireland LLP and to other statutory audit firms in the Deloitte network:

Current auditor	Statutory auditor		Other statutory auditor network firms	
	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Statutory audit of Group companies	1.2	1.0	0.8	0.7
Other assurance services	-	-	-	-
Tax advisory services	-	-	-	-
Other non-audit services	-	-	-	-
	1.2	1.0	0.8	0.7

Notes to the Financial Statements for the financial year ended 4 January 2020

6. Exceptional items

The nature of the total exceptional operating loss recognised by Glanbia plc is as follows:

	Notes	2019 €'m
Organisational redesign costs	(a)	12.7
Asset impairments	(b)	17.3
Acquisition integration costs	(c)	6.8
Brexit related costs	(d)	2.3
Total exceptional operating loss before tax		39.1
Exceptional tax credit	11	(4.5)
Total exceptional charge after taxation		34.6

During 2019 there were cash outflows of €12.0 million in respect of exceptional charges recognised in FY2019. During 2018 there were cash outflows of €2.6 million in respect of exceptional charges incurred prior to FY2018. There were no exceptional items in 2018.

- (a) Organisational redesign costs relate primarily to a fundamental reorganisation of the Glanbia Performance Nutrition segment of Glanbia plc, including the creation of distinct North America Performance Nutrition, North America Lifestyle, International and Direct-to-Consumer businesses. Costs incurred to-date are professional consultancy of €7.9 million and redundancy and employment related costs including recruitment costs and costs of relocating people to new markets and geographies to support the organisation change of €4.8 million. This restructuring programme will continue into 2020.
- (b) Asset impairments comprise the write down of inventory to net realisable value of €14.9 million, related development assets of €2.0 million and some fixed assets of €0.4 million in the GPN business of Glanbia plc. The impairment of inventory arises from i) sales volume declines in certain non-US markets resulting in surplus inventories of €5.6 million, ii) unsuccessful innovation SKUs in the US Food/Drug/Mass/Club (FDMC) channels of €5.7 million, iii) the cost of discontinuing a significant number of other North American SKUs of €2.6 million in order to reduce SKU complexity and simplify the supply chain; and iv) other inventory impairments of €1.0 million. Overall these inventory impairments will result in a significant simplification within the GPN business of Glanbia plc resulting in approximately 1,200 SKUs (35% of total) being discontinued. This level of inventory impairment is substantially in excess of past experience in the GPN business and none of the SKUs rationalized will be manufactured or contracted for going forward. Based on the past 12 months sales, the revenue related to the discontinued SKUs is approximately 5% of total GPN revenues, the vast majority of which is expected to be retained through sales of alternative GPN SKUs.
- (c) Acquisition integration costs comprise costs relating to the integration and restructuring of acquired businesses and the transaction costs incurred in completing the current year acquisition. The charge comprised professional fees of €2.5 million, employee benefit costs of €1.2 million and inventory impairments of €3.1 million following a post acquisition assessment of the product portfolio of the acquired businesses.
- (d) Brexit related costs have been incurred in preparing the organisation for the departure of the United Kingdom from the European Union. Costs incurred include professional fees and increased storage and production costs as the Group sought to mitigate the potential risks related to Brexit during 2019.

Notes to the Financial Statements

for the financial year ended 4 January 2020

7. Employment

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

	Notes	2019 €'m	2018 €'m
Wages and salaries		411.0	361.7
Social security costs		37.2	34.5
Pension costs – defined contribution plans	8	13.2	11.8
Pension costs – defined benefit plans	8	9.5	13.8
Other compensation costs			
– Cost of share based payments – equity settled	9	4.6	8.8
– Cost of share based payments – cash settled	9	(0.3)	1.9
– Company car allowance		2.2	1.8
– Private health insurance		21.1	16.5
At the end of the year		498.5	450.8
Amounts charged to the income statement	0	482.8	429.6
Capitalised labour costs		15.7	21.2
		498.5	450.8

Included within the aggregate payroll costs is exceptional items of €4.3 million (2018: nil) which include redundancy costs of €2.4 million (2018: nil).

The average number of employees, excluding the Group's joint ventures & associates, in 2019 and 2018 is analysed into the following categories:

	2019	2018
Glanbia plc	4,542	4,157
Glanbia Ireland DAC	2,086	1,954
Other	9	9
	6,637	6,120

Notes to the Financial Statements for the financial year ended 4 January 2020

8. Retirement benefit obligations

Defined contribution plans

The Group has a number of defined contribution pension plans in operation.

The following amounts have been recognised in the Group income statement in relation to the defined contribution pension plans:

	Notes	2019 €'m	2018 €'m
Defined contribution pension plan expense	7	13.2	11.8

Defined benefit pension plans

The Group operates five defined benefit pension plans in the Republic of Ireland and two defined benefit pension plans in the United Kingdom (UK).

The defined benefit pension plans in Ireland and the UK are administered by Boards of Trustees through separate trustee controlled funds. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations. Each of the Group's plans operate under their respective regulatory frameworks and minimum funding requirements. All of the plans are closed to new entrants and the UK plans comprise solely pensioners and deferred pensioners.

The defined benefit pension plans provide retirement and death benefits for the Group's employees. The majority of the defined benefit pension plans 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 contributions paid to the defined benefit pension plans are in accordance with the schedule of contributions agreed between the Group and the Trustees of the relevant plans as recommended in the actuarial valuation reports or in subsequent actuarial advice. 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 latest actuarial valuation reports for these plans, which are not available for public inspection, are dated between 5 April 2017 and 1 January 2019.

During the year changes to certain assumptions underlying the past service cost were agreed with the Trustees resulting in a credit to past service cost of €1.2 million. In relation to the year ended 29 December 2018, the High Court of Justice of England and Wales issued a judgement in the case of Lloyds Banking Group Pension Group Pension Trustees Limited v Lloyds Bank plc (and others) regarding the rights of members to equality in defined benefit pension schemes on 26 October 2018. The judgement concluded that schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to guaranteed minimum pension benefits. The Group engaged its actuaries to determine an appropriate estimate for the year ended 29 December 2018 and 4 January 2020 which resulted in an increase to the defined benefit obligations on the balance sheet and a past service cost was recognised amounting to €2.1 million in the Group income statement for the year ended 29 December 2018. The computations are complex and it is expected it will take a number of years to finalise the full impact. The directors do not believe the result will be materially different to the 2018 estimate. Any subsequent changes will result in an increase or decrease to the obligation and will be recorded through other comprehensive income.

Recognition in the Group balance sheet:

	2019 €'m	2018 €'m
Non-current assets		
Surplus on defined benefit pension plan	2.1	1.1
Non-current liabilities		
Deficit on defined benefit pension plan	(156.2)	(132.1)
Net defined benefit pension plan liability	(154.1)	(131.0)

Notes to the Financial Statements for the financial year ended 4 January 2020

The amounts recognised in the balance sheet and the movements in the net defined benefit obligations over the year are as follows:

	Present value of obligation			Fair value of plan assets			Total net defined liability €'m
	ROI €'m	UK €'m	Total €'m	ROI €'m	UK €'m	Total €'m	
2019							
At the beginning of the year	(592.0)	(97.3)	(689.3)	477.9	80.4	558.3	(131.0)
Current service costs	(8.4)	-	(8.4)	-	-	-	(8.4)
Past service costs	-	1.2	1.2	-	-	-	1.2
Interest (costs)/income	(10.5)	(2.6)	(13.1)	8.6	2.2	10.8	(2.3)
Total amount recognised in profit or loss	(18.9)	(1.4)	(20.3)	8.6	2.2	10.8	(9.5)
Remeasurements							
– Return on plan assets, excluding amounts included in interest income	-	-	-	10.3	1.1	11.4	11.4
– Actuarial gain arising from experience adjustments	2.2	-	2.2	36.5	-	36.5	38.7
– Actuarial loss arising from changes in demographic assumptions	-	(0.6)	(0.6)	-	-	-	(0.6)
– Actuarial loss arising from changes in financial assumptions	(75.4)	(10.4)	(85.8)	-	-	-	(85.8)
Total amount recognised in other comprehensive income	(73.2)	(11.0)	(84.2)	46.8	1.1	47.9	(36.3)
Exchange differences	-	(5.8)	(5.8)	-	5.0	5.0	(0.8)
Contributions paid by the employer	-	-	-	16.7	6.8	23.5	23.5
Contributions paid by the employee	(2.5)	-	(2.5)	2.5	-	2.5	-
Benefit paid	20.3	4.6	24.9	(20.3)	(4.6)	(24.9)	-
At the end of the year	(666.3)	(110.9)	(777.2)	532.2	90.9	623.1	(154.1)

	Present value of obligation			Fair value of plan assets			Total net defined liability €'m
	ROI €'m	UK €'m	Total €'m	ROI €'m	UK €'m	Total €'m	
2018							
At the beginning of the year	(595.9)	(104.7)	(700.6)	483.5	82.4	565.9	(134.7)
Current service costs	(9.4)	-	(9.4)				(9.4)
Past service costs	-	(2.1)	(2.1)				(2.1)
Interest (costs)/income	(10.5)	(2.4)	(12.9)	8.7	1.9	10.6	(2.3)
Total amount recognised in profit or loss	(19.9)	(4.5)	(24.4)	8.7	1.9	10.6	(13.8)
Remeasurements							
– Return on plan assets, excluding amounts included in interest income	-	-	-	(1.9)	(4.6)	(6.5)	(6.5)
– Actuarial gain/(loss) arising from experience adjustments	0.7	2.0	2.7	(11.8)	-	(11.8)	(9.1)
– Actuarial gain arising from changes in demographic assumptions	-	1.9	1.9	-	-	-	1.9
– Actuarial gain arising from changes in financial assumptions	6.1	2.2	8.3	-	-	-	8.3
Total amount recognised in other comprehensive income	6.8	6.1	12.9	(13.7)	(4.6)	(18.3)	(5.4)
Exchange differences				-	(1.5)	(1.5)	(1.5)
Contributions paid by the employer		1.8	1.8	16.5	6.1	22.6	24.4
Contributions paid by the employee	(2.5)	-	(2.5)	2.5	-	2.5	-
Benefit paid	19.5	4.0	23.5	(19.6)	(3.9)	(23.5)	-
At the end of the year	(592.0)	(97.3)	(689.3)	477.9	80.4	558.3	(131.0)

The net liability disclosed above relates to funded plans.

Notes to the Financial Statements for the financial year ended 4 January 2020

The fair value of plan assets at the end of the reporting period are as follows:

	2019				2018			
	Quoted €'m	Unquoted €'m	Total €'m	%	Quoted €'m	Unquoted €'m	Total €'m	%
Equities								
– Consumer	14.6	-	14.6	2%	14.5	-	14.5	3%
– Financials	25.4	-	25.4	4%	21.5	-	21.5	4%
– Information technology	22.9	-	22.9	4%	16.1	-	16.1	3%
– Other	70.8	-	70.8	11%	57.4	-	57.4	11%
Corporate bonds								
– Investment grade	44.5	-	44.5	7%	61.9	-	61.9	11%
– Non-investment grade	4.7	-	4.7	1%	6.4	-	6.4	1%
Government bonds and gilts	220.8	-	220.8	35%	129.9	-	129.9	23%
Property	0.1	12.0	12.1	2%	0.6	6.0	6.6	1%
Cash	7.1	53.2	60.3	10%	0.6	73.3	73.9	13%
Investment funds	-	136.2	136.2	22%	-	145.3	145.3	26%
Other	0.2	10.6	10.8	2%	1.7	23.1	24.8	4%
	411.1	212.0	623.1	100%	310.6	247.7	558.3	100%

The plan assets at the end of the reporting period do not include any equities held in the Group, nor does the Group use or occupy any of the plan assets.

Principal risks in the defined benefit pension plans

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

(a) Investment risk

The pension plans hold investments in asset classes such as equities, which have volatile market values. 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. When assets return less than the discount rate, this will lead to an increase in the net defined benefit obligation. The Trustees conduct investment reviews to take advice on asset allocation, taking into account asset valuations, liability durations, funding measurements and an achievement of an appropriate return on assets.

(b) Interest rate risk

The pension 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. A change in the defined benefit obligation as a result of changes in the discount rate leads to volatility in the Group balance sheet, Group income statement and Group statement of comprehensive income. It also impacts the funding requirements for the plans.

(c) Inflation risk

A significant proportion of the benefits under the plans are linked to inflation, be it consumer price inflation or retail price inflation, which in most cases are subject to a cap on annual increases. Although there are caps in force on inflation increases and the plans' assets are expected to provide a good hedge against inflation over the long-term, higher inflation will lead to higher liabilities.

(d) Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

Principal assumptions used in the defined benefit pension plans

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019 ROI	2019 UK	2018 ROI	2018 UK
Discount rate	1.00%	1.85%	1.80%	2.65%
Inflation rate	1.10%-1.20%	2.05%-2.95%	1.30%-1.40%	2.20%-3.20%
Future salary increases*	2.20%	0.00%	2.40%	0.00%
Future pension increases	0.00%	2.15%-2.80%	0.00%	2.25%-2.95%
Mortality rates (years)				
– Male – reaching 65 years of age in 20 years time	23.8	22.0	23.8	21.8
– Female – reaching 65 years of age in 20 years time	25.9	24.2	25.9	24.1
– Male – currently aged 65 years old	21.4	20.9	21.4	20.7
– Female – currently aged 65 years old	23.9	22.9	23.9	22.9

*The ROI defined benefit pension plans are on a career average structure therefore this assumption does not have a material impact. The UK defined benefit pension plans comprise solely pensioners and deferred pensioners.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Notes to the Financial Statements for the financial year ended 4 January 2020

Sensitivity analysis for principal assumptions used to measure plan liabilities

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

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated. 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.

Assumption	Change in assumption	ROI plans		UK plans	
		Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
2019					
Discount rate	0.25% movement	(29.2)	28.2	(4.2)	4.5
Price inflation	0.25% movement	8.6	(8.3)	3.7	(3.6)
Longevity	1 year movement	21.8	(20.7)	5.1	(5.1)
Future salary increases *					
Future pension increases **					
2018					
Discount rate	0.25% movement	(25.1)	24.2	(3.6)	3.8
Price inflation	0.25% movement	7.1	(6.9)	2.8	(2.9)
Longevity	1 year movement	17.4	(17.4)	4.0	(4.0)
Future salary increases *					
Future pension increases **					

*The majority of the defined benefit plans 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 plans.

	2019 ROI plans	2019 UK plans	2018 ROI plans	2018 UK plans
Expected contributions to the defined benefit plans for the coming year (€'m)	16.8	7.0	16.3	6.0
Weighted average duration of the defined benefit plans (years)	17	15	17	15

9. Share based payment expense

Refer to note 22 for the movement in the share-based payment reserve recognised in the Group balance sheet.

Glanbia Ireland DAC

Glanbia Ireland DAC operates a share based payment arrangement ('The GID Scheme') whereby the share awards granted are in the equity instruments of Glanbia plc. This arrangement is therefore measured as a cash settled share based payment transaction in line with IFRS 2 'Share based payment'. See note 7 for total credit of €0.3 million (2018: charge of €1.9 million) recognised during the year ended 4 January 2020. The weighted average fair value at 4 January 2020 was €10.16 per share (2018: €16.40).

Awards outstanding under the GID Scheme as at 4 January 2020 amounted to 202,670 (2018: 324,427). These are scheduled to vest in periods up to August 2022, to the extent that there is sustained improvement in the underlying financial performance over a three year period and that the service condition is fulfilled. The maximum annual award level is 100% of Base Salary. Vesting is determined on a straight line basis between threshold and maximum.

For GID Executive Directors, the award is determined by reference to the following performance metrics:

- Between 15% and 20% based on Glanbia plc adjusted EPS on a reported basis;
- Between 5% and 12% based on Glanbia plc ROCE;
- Between 5% and 8% based on relative TSR of Glanbia plc against the STOXX Europe 600 Food and Beverage index;
- Between 15% and 25% based on Glanbia Ireland Operating Cashflow or measurable strategic objectives;
- 25% based on KPMG Milk Price Audit Rank; and
- Between 25% and 30% based on Glanbia Ireland ROCE.
- A service condition also applies.

Notes to the Financial Statements

for the financial year ended 4 January 2020

Glanbia plc

Glanbia plc operates various equity settled share-based payment arrangements which are described in this note.

The total cost recognised in the Group income statement is analysed as follows:

	Notes	2019 €'m	2018 €'m
The 2008 Long-term incentive plan (2008 LTIP)		0.3	4.9
The 2018 Long-term incentive plan (2018 LTIP)		2.4	1.9
The 2019 Restricted Share Plan (2019 RSP)		1.6	-
The annual incentive deferred into shares scheme (AIDIS)		0.3	2.0
	7	4.6	8.8

2008 LTIP and 2018 LTIP

The 2008 LTIP was introduced in 2008 following approval by the shareholders, under which share awards are granted to Executive Directors and certain senior managers in the form of a provisional allocation of shares for which no exercise price is payable. The 2008 LTIP expired on 4 March 2018 and was replaced by the 2018 LTIP. No further awards were made under the 2008 LTIP after 4 March 2018.

Awards granted under the 2008 LTIP and 2018 LTIP are scheduled to vest to the extent that there is sustained improvement in the underlying financial performance over a three-year period and that the service condition is fulfilled as determined by the Remuneration Committee. Awards lapse/expire by the fourth anniversary of the date of a grant. The maximum annual award level is 250% of base salary. Vesting is determined on a straight line basis between threshold and maximum. There is a requirement to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post-vesting (two years for members of the Group Operating Executive).

The extent of vesting for awards outstanding is determined based on a combination of performance metrics comprised of Group adjusted Earnings Per Share (EPS), relative Total Shareholder Return performance (TSR) against the STOXX Europe 600 Food & Beverage index, Group Return on Capital Employed (ROCE), business segment EBITA and ROCE where applicable, a service condition and in certain circumstances a personal objective.

2019 RSP

This scheme was introduced in 2019 to provide share awards to certain employees. The maximum award level is 250% of base salary. The extent of vesting for awards outstanding is generally determined based on a service condition and personal objectives.

AIDIS

This scheme is an annual performance related incentive scheme for Executive Directors and other senior management. The fair value of the annual incentive deferred into shares scheme was calculated as €0.3 million in 2019 (2018: €2.0 million) and equates to the cash value of the portion of the annual incentive that will be settled by way of shares. The number of shares received is determined by the share price on the date of allocation. The incentive will be invested in shares in Glanbia plc and delivered to the Executive Directors and senior management two years following this investment.

2002 LTIP

This plan closed to further grants in 2012, the last share options were granted in 2011. Under the 2002 LTIP, options could not be exercised before the expiration of three years from the date of grant and could only be exercised if a pre-determined performance criterion for the Group had been achieved. The performance criterion required an increase in the adjusted Earnings per Share (EPS) of Glanbia plc of at least the Consumer Price Index plus 5% over a three-year period. When the options are exercised, Glanbia plc issues new shares and the fair value of the awards exercised is reclassified from the share-based payment reserve to retained earnings. The fair value of the share options was calculated using the Binomial Model.

In accordance with the terms of the 2002 LTIP, certain executives to whom options were granted in 2004 were eligible to receive share awards related to the number of ordinary shares which they held on the second anniversary of the exercise of the option up to a maximum of 1,450 ordinary shares. There are no share awards outstanding as at the end of the year (2018: nil).

There is no movement in the number of options outstanding under 2002 LTIP for the year ended 4 January 2020 and 29 December 2018. The number of share options outstanding and exercisable as at 4 January 2020 and 29 December 2018 is 40,000. They have a weighted average exercise price of €4.38 per share and expire in 2021.

Notes to the Financial Statements for the financial year ended 4 January 2020

Movement in the number of awards of the 2018 LTIP, 2008 LTIP and 2019 RSP, and the weighted average fair value of grants during the years ended 4 January 2020 and 29 December 2018 are as follows:

	2018 LTIP		2008 LTIP		2019 RSP	
	2019 Number	2018 Number	2019 Number	2018 Number	2019 Number	2018 Number
At the beginning of the year	1,002,386	-	1,349,801	2,203,668	-	-
Granted	925,522	1,063,248	-	-	222,116	-
Vested	-	-	(304,444)	(480,995)	(56,457)	-
Lapsed	(95,280)	(60,862)	(352,754)	(372,872)	(6,000)	-
At the end of the year	1,832,628	1,002,386	692,603	1,349,801	159,659	-
Weighted average fair value of awards granted	€15.94	€12.45	-	-	€14.41	-

The assumptions used in the valuation of the awards granted under 2018 LTIP and 2019 RSP during the years ended 4 January 2020 and 29 December 2018 included:

	2018 LTIP – 2019 awards	2018 LTIP – 2018 awards	2019 RSP – 2019 awards
Model used	Monte Carlo	Monte Carlo	Discounted cash flow
Year of earliest vesting date	2022	2021	2019-2022
Share price at date of award	€17.73	€13.86	€9.91-€17.01
Risk-free interest rate	(0.63%)	(0.35%)	-
Expected volatility*	25.7%	24.40%	-
Expected dividend yield	1.56%	1.38%	1.55%-1.69%
Fair value – TSR component	€8.68	€6.49	-
Fair value – non-market performance component	€16.92	€13.29	-

* Expected volatility was determined by calculating the historical volatility of the Glanbia plc's share price over a period equivalent to the expected life of the award.

10. Finance income and costs

	2019 €'m	2018 €'m
Finance income		
Interest income	5.1	4.5
Finance costs		
Bank borrowing costs	(28.4)	(18.6)
Facility fees including cost amortisation	(3.2)	(4.8)
Finance lease costs	-	(0.1)
Finance cost of private debt placement	(7.5)	(7.2)
Finance cost of bonds	(1.5)	(1.4)
Revolving share plan appropriation	-	(0.4)
Other loans	(2.2)	-
Total finance costs	(42.8)	(32.5)
Net finance costs	(37.7)	(28.0)

Net finance costs exclude borrowing costs of €3.1 million (2018: €2.1 million) attributable to the acquisition, construction or production of qualifying assets, which have been capitalised, as disclosed in [note 13](#). Interest is capitalised at the Group's average interest rate for the period of 3.6% (2018: 3.5%). See [note 36f](#) for details on interest on loans to related parties included within interest income above.

Notes to the Financial Statements for the financial year ended 4 January 2020

11. Income taxes

	Notes	2019 €'m	(restated) 2018 €'m
Current tax			
Irish current tax		8.2	19.1
Adjustments in respect of prior years		1.1	(1.0)
Irish current tax for the year		9.3	18.1
Foreign current tax		16.0	17.9
Adjustments in respect of prior years		(0.9)	1.0
Foreign current tax for the year		15.1	18.9
Total current tax		24.4	37.0
Deferred tax			
Deferred tax – current year		2.9	5.1
Adjustments in respect of prior years		0.6	-
Total deferred tax	26	3.5	5.1
Total tax charge		27.9	42.1

The tax credit on exceptional items included in the above amounts are as follows:

Current tax credit on exceptional items		(4.4)	-
Deferred tax credits on exceptional items		(0.1)	-
Total tax credit on exceptional items for the year	6	(4.5)	-

The net tax credit on exceptional items in 2019 has been disclosed separately above as it relates 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:

	2019 €'m	(restated) 2018 €'m
Profit before tax	239.3	309.8
Income tax calculated at Irish rate of 12.5% (2018: 12.5%)	29.9	38.7
Earnings at higher Irish rates	0.2	0.5
Difference due to overseas tax rates (capital and trading)	4.1	3.4
Adjustment to tax charge in respect of previous periods	0.9	0.1
Tax on post-tax profits of joint ventures & associates included in profit before tax	(3.6)	(3.2)
Other reconciling differences	(3.6)	2.6
Total tax charge	27.9	42.1

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in [note 26](#).

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 and further clarification on certain application matters in relation to the Tax Cuts and Jobs Act enacted in December 2017 in the US. The total tax charge of the Group may also be influenced by the effects of corporate development activity and the resolution of uncertain tax positions where the final outcome of those matters is different than the amounts recorded using the probability weighted expected value approach which is considered to be the best predictor of the final outcome.

Notes to the Financial Statements

for the financial year ended 4 January 2020

12. Ordinary share interest and appropriations

	Notes	2019 €'m	2018 €'m
Ordinary share interest paid to Society shareholders	(a)	5.6	4.8
Distribution to Society shareholders – Dividend payable	(b)	5.0	-
Distribution to Society shareholders – rebates	(c)	36.3	43.6
Distribution to Society shareholders – bonus issue	(d)	-	-
		46.9	48.4

- (a) Ordinary share interest paid in 2019 was 15 cent per share on 37.2 million shares (2018: 13 cent per share on 36.9 million shares).
- (b) During 2019, the Board approved a further ordinary share interest (Special Dividend) distribution of €5 million (13.5 cent per share) to be paid in no more than two instalments, with the final instalment being paid no later than 31st December 2020.
- (c) Details of the patronage rebates are as follows:
- During 2019, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature and the timing of payments at the discretion of the Board. As at 4 January 2020 €30.0 million remains unpaid (2018: nil).
- During 2018, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €20.0 million with the nature and the timing of payments at the discretion of the Board. As at 4 January 2020 nil remains unpaid (2018: €20.0 million).
- During 2017, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature on the timing of payments at the discretion of the Board. As at 4 January 2020 nil remains unpaid (2018: €2.5 million).
- During 2017, at a Special General Meeting of the Society, members of the Society approved the payment of patronage rebate funds from the future receipts of annual dividends from Glanbia Ireland with the nature on the timing of payments at the discretion of the Board. During 2018 the Board announced the Trading Bonus Scheme as payments from these funds. As at 4 January 2020 the estimated payments were €13.8 million (2018: €14.0 million) with €13.3 million (2018: €14.0 million) remaining unpaid at year end.
- During 2019, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:
- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to one unit of € loan stock for every 100 litres of milk supplied during 2019.
 - A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to two units of € loan stock for every 100 litres of milk supplied during 2018.
 - A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to three units of € loan stock for every one tonne of grain supplied during 2018 and 2019.
- During 2018, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:
- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to three units of € loan stock for every 100 litres of milk supplied during 2018.
 - A feed rebate to members who purchased from the Society or its subsidiaries on the basis of up to fifty units of € loan stock for every one tonne of retail purchases of feed during April 2018.
 - A fertiliser rebate to members who purchased from the Society or its subsidiaries on the basis of up to seven units of € loan stock for every one tonne of retail purchases of fertiliser during 2017.
 - A feed rebate to members who purchased from the Society or its subsidiaries on the basis of up to ten units of € loan stock for every one tonne of retail purchases of feed during 2017.
 - A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to 14 units of € loan stock for every one tonne of grain supplied during 2017.
- (d) The Glanbia Advance Payment Scheme offers interest free support payments to farmers in periods of weak prices. An amount of €0.2 million remained outstanding at 29 December 2018 (see [note 18](#)). This interest free support was a distribution to members of €9,654 during the year ended 29 December 2018.

Notes to the Financial Statements for the financial year ended 4 January 2020

13. Property, plant and equipment

	Notes	Land and buildings €'m	Plant and equipment €'m	Motor vehicles €'m	Total €'m
Year ended 4 January 2020					
Opening carrying amount		402.6	666.0	1.2	1,069.8
Exchange differences		4.3	7.5	-	11.8
Acquisitions	35	11.5	5.1	-	16.6
Additions		26.3	78.3	0.9	105.5
Impairment	0	-	(0.4)	-	(0.4)
Disposal of assets		-	(0.8)	(0.1)	(0.9)
Depreciation charge	5	(16.2)	(64.1)	(0.4)	(80.7)
Closing carrying amount		428.5	691.6	1.6	1,121.7
At 4 January 2020					
Cost		596.1	1,386.5	6.1	1,988.7
Accumulated depreciation and impairment		(167.6)	(694.9)	(4.5)	(867.0)
Carrying amount		428.5	691.6	1.6	1,121.7
Year ended 29 December 2018					
Opening carrying amount		340.9	642.1	1.0	984.0
Exchange differences		6.8	10.5	-	17.3
Acquisitions		0.3	0.1	-	0.4
Additions		69.6	71.9	0.5	142.0
Disposals		(0.6)	(0.7)	0.1	(1.2)
Depreciation charge	0	(14.4)	(57.9)	(0.4)	(72.7)
Closing carrying amount		402.6	666.0	1.2	1,069.8
At 29 December 2018					
Cost		546.2	1,289.0	6.8	1,842.0
Accumulated depreciation and impairment		(143.6)	(623.0)	(5.6)	(772.2)
Carrying amount		402.6	666.0	1.2	1,069.8

Included in the closing cost at 4 January 2020 is an amount of €154.7 million (2018: €119.7 million) incurred in respect of assets under construction. Included in the cost of additions for 2019 is €1.1 million (2018: €2.2 million) incurred in respect of staff costs capitalised into assets. During the year, the Group has capitalised borrowing costs amounting to €3.1 million (2018: €2.1 million) on qualifying assets (see [note 10](#)).

Assets held under finance leases:

At 4 January 2020, tangible fixed assets held under finance leases amounted to €2.2 million (2018: €5.0 million). Depreciation on assets held under finance leases was €0.8 million (2018: €1.1 million).

Notes to the Financial Statements for the financial year ended 4 January 2020

14. Intangible assets

	Notes	Goodwill €'m	Brands and other intangibles €'m	Software costs €'m	Development costs €'m	Total €'m
Year ended 4 January 2020						
Opening carrying amount		561.1	687.1	60.9	20.2	1,329.3
Exchange differences		14.2	18.1	1.0	0.6	33.9
Acquisitions		10.3*	25.5*	0.3	-	36.1
Additions		-	0.5	19.2	14.3	34.0
Impairment	5/6	-	-	(1.9)	(2.0)	(3.9)
Amortisation	5	-	(41.3)	(10.7)	(11.3)	(63.3)
Closing carrying amount		585.6	689.9	68.8	21.8	1,366.1
At 4 January 2020						
Cost		585.6	935.5	157.7	101.9	1,780.7
Accumulated amortisation and impairment		-	(245.6)	(88.9)	(80.1)	(414.6)
Carrying amount		585.6	689.9	68.8	21.8	1,366.1
Year ended 29 December 2018						
Opening carrying amount		407.5	512.6	47.9	16.3	984.3
Exchange differences		16.1	21.2	0.9	0.7	38.9
Acquisitions		137.5**	183.0	0.1	-	320.6
Additions		-	1.0	20.2	13.3	34.5
Amortisation	5	-	(30.7)	(8.2)	(10.1)	(49.0)
Closing carrying amount		561.1	687.1	60.9	20.2	1,329.3
At 29 December 2018						
Cost		561.1	891.6	140.5	87.8	1,681.0
Accumulated amortisation and impairment		-	(204.5)	(79.6)	(67.6)	(351.7)
Carrying amount		561.1	687.1	60.9	20.2	1,329.3

* Goodwill acquired in 2019 comprised €11.8 million of goodwill arising on the Watson acquisition less a €1.5 million revision to goodwill on the acquisition of SlimFast. Brands and other intangibles acquired comprised of €22.8 million of brands and other intangibles arising on the Watson acquisition plus a €2.7 million revision to customer relationships on the acquisition of SlimFast.

** Goodwill acquired in 2018 comprised €137.0 million of goodwill arising on the SlimFast acquisition plus a €0.5 million revision to goodwill on the acquisition of Body & Fit.

The average remaining amortisation period for software costs is 6.3 years (2018: 5.8 years) and development costs is 2.1 years (2018: 2.2 years).

Approximately €8.9 million of software additions during the year (2018: €13.1 million) were internally generated which included €7.5 million (2018: €12.1 million) of staff costs capitalised. Approximately €14.2 million of development cost additions during the year (2018: €12.6 million) were internally generated which included €7.1 million (2018: €6.9 million) of staff costs capitalised.

Notes to the Financial Statements for the financial year ended 4 January 2020

Brands and other intangibles

	Notes	Brands €'m	Customer relationships €'m	Recipes, know-how and other €'m	Total €'m
Year ended 4 January 2020					
Opening carrying amount		465.8	214.9	6.4	687.1
Exchange differences		12.3	5.9	(0.1)	18.1
Acquisitions	35	1.1	15.6*	8.8	25.5
Additions		0.5	-	-	0.5
Amortisation		(13.5)	(26.4)	(1.4)	(41.3)
Closing carrying amount		466.2	210.0	13.7	689.9

At 4 January 2020

Cost		533.9	382.1	19.7	935.7
Accumulated amortisation and impairment		(67.7)	(172.1)	(6.0)	(245.8)
Carrying amount		466.2	210.0	13.7	689.9

Year ended 29 December 2018

Opening carrying amount		339.0	166.6	7.0	512.6
Exchange differences		14.3	6.8	-	21.2
Acquisitions		120.7	62.3	-	183.0
Additions		1.0	-	-	1.0
Reclassification		(0.5)	-	0.5	-
Amortisation		(8.7)	(20.8)	(1.1)	(30.6)
Closing carrying amount		465.8	214.9	6.4	687.1

At 29 December 2018

Cost		520.0	360.6	11.0	891.6
Accumulated amortisation and impairment		(54.2)	(145.7)	(4.6)	(204.5)
Carrying amount		465.8	214.9	6.4	687.1

* Customer relationships acquired comprised of €12.9 million (note 35) of customer relationships arising on the Watson acquisition plus a €2.7 million revision relating to the SlimFast acquisition.

Individually material intangible assets with definite useful lives

	Carrying amount 2019 €'m	Average remaining amortisation period 2019 Years	Carrying amount 2018 €'m	Average remaining amortisation period 2018 Years
Brands				
Glanbia Performance Nutrition – BSN	44.4	31	44.6	32
Glanbia Performance Nutrition – Isopure	56.4	35	56.5	36
Glanbia Performance Nutrition – think!	69.3	36	69.3	37
Glanbia Performance Nutrition – Amazing Grass	34.0	37	34.0	38
Glanbia Performance Nutrition – Body & Fit	11.3	37	11.6	38
Glanbia Performance Nutrition – SlimFast North America	99.6	39	99.7	40
Glanbia Performance Nutrition – SlimFast UK	20.4	39	20.4	40
Customer Relationships				
Glanbia Performance Nutrition – Optimum Nutrition	19.3	3	23.7	4
Glanbia Performance Nutrition – BSN	16.1	6	18.8	7
Glanbia Performance Nutrition – Isopure	18.0	8	19.8	9
Glanbia Performance Nutrition – think!	47.5	9	51.6	10
Glanbia Performance Nutrition – Amazing Grass	29.5	12	31.1	13
Glanbia Performance Nutrition – SlimFast North America	44.5	14	44.5	15
Glanbia Performance Nutrition – SlimFast UK	16.9	14	17.2	15

Notes to the Financial Statements for the financial year ended 4 January 2020

Management reviewed the amortisation period and amortisation method for the intangible assets with definite useful lives at the reporting date. Management noted no difference in the expected useful life of the assets from the original estimates and noted no change in the expected pattern of consumption of the future economic benefits of the assets.

Individually material indefinite life intangible assets

	Carrying amount 2019 €'m	Useful life 2019 Years	Carrying amount 2018 €'m	Useful life 2018 Years
Brands				
Glanbia Performance Nutrition – Optimum Nutrition	110.1	Indefinite	107.1	Indefinite

During 2018 Glanbia plc acquired a patent in respect of the Optimum Nutrition brand for a cost of €1.0 million. As this is directly related to the Optimum Nutrition Brand which has an indefinite useful life, it was capitalised as part of the Optimum Nutrition indefinite life intangible asset. The remaining movement in the carrying amount of the asset is in relation to exchange differences arising in translation at year end.

As at the reporting date management reviewed the events and circumstances supporting the indefinite useful life assessment. The brand is long established, continues to have a strong market presence with high customer recognition and there are no material legal, contractual or other factors that limit its useful life. In addition, the likelihood that market based factors could truncate the brand's life is relatively remote because of the size, diversification and market share of the brand. It was determined that this asset will continue to contribute indefinitely to the cashflows of the Group.

Impairment tests for goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles acquired in business combinations are allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the assets are owned. The CGUs represent the lowest level within the Group at which the associated goodwill and indefinite life intangibles are monitored for internal management purposes and are not longer than the operating segments in accordance with IFRS 8 'opening segments'. CGUs are kept under review to ensure that they reflect changing interdependencies of cash inflows within the Group and how management monitors operations.

A summary of the carrying value of goodwill and indefinite life intangibles together with the number of CGUs is analysed as follows:

	Goodwill 2019 €'m	Indefinite life intangibles 2019 €'m	Number of CGUs 2019	Goodwill 2018 €'m	Indefinite life intangibles 2018 €'m	Number of CGUs 2018
Glanbia plc						
Glanbia Performance Nutrition	457.2	110.1	10	447.4	107.1	9
Glanbia Nutritionals	117.1	-	5	102.4	-	4
Glanbia Ireland	11.3	-	2	11.3	-	2
	585.6	110.1	17	561.1	107.1	15

In accordance with IAS 36 'Impairment of Assets', the CGUs to which significant amounts of goodwill and indefinite life intangibles have been allocated and the discount rates used are as follows:

	Goodwill 2019 €'m	Indefinite life intangibles 2019 €'m	Discount rate 2019	Goodwill 2018 €'m	Indefinite life intangibles 2018 €'m	Discount rate 2018
Glanbia Performance Nutrition – Optimum Nutrition	77.4	110.1	7.55%	76.3	107.1	8.80%
Glanbia Performance Nutrition – Isopure	56.9	-	7.58%	55.4	-	9.35%
Glanbia Performance Nutrition – think!	83.5	-	7.12%	81.3	-	8.22%
Glanbia Performance Nutrition – Amazing Grass	38.1	-	7.12%	37.1	-	8.22%
Glanbia Performance Nutrition – Body & Fit	28.5	-	6.95%	28.5	-	8.63%
Glanbia Performance Nutrition – SlimFast North America	112.6	-	7.12%	110.9	-	8.43%
Glanbia Performance Nutrition – SlimFast UK	26.3	-	7.49%	25.7	-	8.43%
Glanbia Nutritionals – Premix and non-dairy bioactives – Americas	72.2	-	7.12%	70.2	-	8.22%
Other CGU's without individually significant goodwill	90.1	-	7.12%-7.89%	75.7	-	6.17%-9.50%
	585.6	110.1		561.1	107.1	

Key assumptions

The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation. The key assumptions for calculating value in use of the CGUs are discount rates, growth rates and cash flows. They are described as follows:

Discount rates

Refer to the preceding table for the pre-tax discount rates that are applied to the cash flow projections that are used in the value in use computations. The pre-tax discount rates are based on the Group's weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium weighted in turn to take account of the countries from where the CGU derives its cash flows.

Notes to the Financial Statements for the financial year ended 4 January 2020

Growth rates

A terminal value assuming 2% growth into perpetuity was used to extrapolate cash flows beyond the budget and strategic plan period. This growth rate does not exceed the long-term average growth rate for the industries in which each CGU operates. The application of the terminal value has taken account of the Group's position, playing in large and growing markets which centre around nutrition and healthy lifestyles.

Cash flows

The cash flow projections are based on three years of cash flows being, the 2020 budget formally approved by, and the strategic plan for 2021 and 2022 as presented to, the Board of Directors. In cases where management have strategic plans beyond 2022 these numbers are also used in the projections. Due to management's plan as part of the Direct-to-Consumer business model to reinvest the profits of the business for a number of years to drive revenue growth and build the brand for potential expansion into other markets, the cash flows of the CGU relating to Body & Fit are forecast over a period of seven years. In respect of think! lifestyle business the strategy presented to the Board covered a five year period from 2020 to 2024 and these cash flows have been used in the impairment calculations.

In preparing the 2020 budget and strategic plan, management considered the Group's history of earnings, past experience and cash flow generation. Management also considered external sources of information pertaining to estimated growth of the relevant market, customer and consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates in. Business sustaining capital expenditure and working capital requirements are estimated by assigning values to the investment required to support the estimated future profitability taking into account historic investment patterns and past experience. The cash flow projections exclude the impact of future development and acquisition activity.

Other than impairment being recognised on software costs and development costs during 2019 (2018: nil), no impairments relating to goodwill, brands and other intangibles arose in either 2019 or 2018.

Sensitivity analysis

The key assumptions underlying the impairment reviews are set out above. Sensitivity analysis has been conducted in respect of each of the CGUs using the following sensitivity assumptions: 1% increase in discount rate; 10% decrease in EBITDA growth; and nil terminal value growth. From our sensitivity analysis, we have identified one CGU, the think! lifestyle business, where a reasonably possible change in the pre-tax discount rate or the terminal value growth rate could result in an impairment charge. The recoverable amount of this CGU exceeds its carrying amount by €55.5 million. The change required to the relevant assumptions that would result in the carrying amount to equal its recoverable amount is as follows: 2019 pre-tax discount rate of 7.12% increase by 123bps or terminal value growth of 2% decrease by 173bps.

15. Interests in associates

Movement in aggregated carrying amounts of individually immaterial associates that are accounted for using the equity method is as follows:

	2019 €'m	2018 €'m
At the beginning of the year	2.6	2.6
Share of profit after tax	-	-
Remeasurements defined benefit plan (net of deferred tax)	-	-
Dividend received	-	-
At the end of the year	2.6	2.6

The Group holds ordinary shares in its associates. Details in relation to principal associates are outlined in [note 38](#).

There are no contingent liabilities relating to the Group's interests in its associates.

Notes to the Financial Statements

for the financial year ended 4 January 2020

16. Interests in joint ventures

The movement in the balance sheet is represented as:

	Notes	2019 €'m	2018 €'m
At the beginning of the year		153.8	94.1
Investment in joint ventures		36.6	53.9
Share of profit after tax		28.0	25.5
Share of other comprehensive income/(expense)			
– Remeasurements on defined benefit plans net of deferred tax	23	(0.7)	(0.3)
– Fair value movement on cash flow hedges, net of deferred tax	22d	(8.6)	(1.9)
Income tax movement		2.7	3.6
Dividend received		(24.1)	(23.7)
Exchange differences		4.3	2.6
At the end of the year		192.0	153.8

The interests in joint ventures that are material to the Group are:

- (a) **MWC-Southwest Holdings LLC:** in 2018, MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings LLC) was established to hold 100% of the ownership interest in Southwest Cheese Company, LLC (Southwest Cheese) and MWC (Michigan) LLC (formerly known as Spartan-Michigan LLC) (MWC). Consequently, the Group now owns 50% of MWC-Southwest Holdings LLC and its two subsidiaries (Southwest/Midwest Group). Southwest Cheese is a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods markets internationally. MWC will also be a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods markets internationally. The plant is currently under construction in Michigan, US and is expected to be commissioned in 2021.
- (b) **Glanbia Cheese Limited:** this joint venture 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 heartland which helps to ensure a secure and consistent supply of high-quality milk. The Group holds 51% of the share capital of Glanbia Cheese Limited but this entity is considered to be a joint venture as the Group does not have control of the company as it has equal representation on the Board of Directors, along with its joint venture partner Leprino Foods Company who directs the relevant activities of the business. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board.
- (c) **Glanbia Cheese EU Limited:** this joint venture was established in 2018 and is a joint venture with Leprino Foods Company with each party owning 50% of the share capital of the company. The Group controls 50% of the voting rights and is entitled to appoint 50% of the total number of Directors to the Board. When operating, the company will be a producer of mozzarella cheese with a plant situated in Portlaoise, Ireland. It is expected to be commissioned in 2020.

The joint ventures listed above have share capital, consisting solely of ordinary shares, membership interests or membership units and preference shares. Refer to [note 38](#) for further details of the joint ventures.

Individually immaterial joint ventures that are accounted for using the equity method:

	2019 €'m	2018 €'m
Aggregate carrying amount of individually Immaterial joint ventures	16.8	15.9
Aggregate carrying amount of the Group's share of:		
– Profit after tax	1.4	2.1
– Other comprehensive income	-	0.1
Total comprehensive income	1.4	2.2

Notes to the Financial Statements

for the financial year ended 4 January 2020

Summarised financial information for joint ventures

Set out below is the summarised financial information for the Group's joint ventures that are material to the Group, which are accounted for using the equity method. The following information reflects the amounts presented in the financial statements of the joint ventures reconciled to carrying value of the Group's interest in joint ventures.

	Glanbia Cheese Limited €'m	Glanbia Cheese EU Limited €'m	Southwest/ Midwest Group* €'m
2019			
Summarised balance sheet (100%):			
Non-current assets	41.3	72.6	563.8
Current assets			
Cash and cash equivalents	46.5	8.3	11.4
Other current assets	44.5	2.0	140.3
	91.0	10.3	151.7
Non-current liabilities			
Financial liabilities	-	-	(312.2)
Other non-current liabilities	(6.0)	(24.3)	(17.2)
	(6.0)	(24.3)	(329.4)
Current liabilities			
Other current liabilities	(52.4)	(10.3)	(164.7)
Net assets (100%)	73.9	48.3	221.4
Reconciliation to carrying amount:			
Group's equity interest	51%	50%	50%
Group's share of net assets	37.7	24.2	110.7
Dividend income receivable	2.4	-	-
Carrying amount	40.1	24.2	110.7
Summarised income statement (100%):			
Revenue	341.7	-	1,034.2
Depreciation	(5.0)	-	(19.0)
Amortisation	(0.2)	-	(0.1)
Interest income/(expense)	0.2	-	(11.2)
Tax	(7.1)	0.1	(8.2)
Profit after tax attributable to equity holders of the Society	26.6	(1.1)	21.7
Other comprehensive income	(1.0)	-	(17.6)
Total comprehensive income attributable to equity holders of the Society	25.6	(1.1)	4.1
Reconciliation to the Group's share of total comprehensive income:			
Group's share of total comprehensive income	13.1	(0.6)	2.1
Dividends receivable by the Group	2.4	-	-
Group's share of total comprehensive income	15.5	(0.6)	2.1
Joint venture other movements:			
Dividend received by Group	12.5	-	11.2

Notes to the Financial Statements for the financial year ended 4 January 2020

2018	Glanbia Cheese Limited €'m	Glanbia Cheese EU Limited €'m	Southwest/ Midwest Group* €'m
Summarised balance sheet (100%):			
Non-current assets	40.7	29.5	376.6
Current assets			
Cash and cash equivalents	24.2	2.1	18.5
Other current assets	47.7	12.1	108.3
	71.9	14.2	126.8
Non-current liabilities			
Financial liabilities	-	-	(256.7)
Other non-current liabilities	(9.9)	(1.9)	-
	(9.9)	(1.9)	(256.7)
Current liabilities			
Bank overdrafts and loans	-	-	(1.6)
Other current liabilities	(38.7)	(2.4)	(78.4)
	(38.7)	(2.4)	(80.0)
Net assets (100%)	64.0	39.4	166.7
Reconciliation to carrying amount:			
Group's equity interest	51%	50%	50%
Group's share of net assets	32.6	19.7	83.4
Dividend income receivable	2.2	-	-
Carrying amount	34.8	19.7	83.4
Summarised income statement (100%):			
Revenue	311.0	-	802.4
Depreciation	(4.7)	-	(14.7)
Interest (expense)/income	0.1	-	(9.5)
Profit before tax	27.9	(0.7)	27.3
Tax	(5.9)	0.1	(7.1)
Profit after tax attributable to equity holders of the Society	22.0	(0.6)	20.2
Other comprehensive income	(0.9)	-	(3.5)
Total comprehensive income attributable to equity holders of the Society	21.1	(0.6)	16.7
Reconciliation to the Group's share of total comprehensive income:			
Group's share of total comprehensive income	10.8	(0.3)	8.4
Dividends receivable by the Group	2.2	-	-
Group's share of total comprehensive income	13.0	(0.3)	8.4
Joint venture other movements:			
Dividend received by Group	(12.4)	-	(10.6)
Exchange differences arising on consolidation	(0.6)	-	3.2
Income tax movement	-	-	3.6

*The information relating to the income statement and statement of comprehensive income relates primarily to Southwest Cheese Company, LLC for the period before it became a subsidiary of MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings LLC) on 19 December 2018. The information relating to the balance sheet is that of Southwest/Midwest Group as at 29 December 2018.

Commitments and contingent liabilities in respect of joint ventures

The Group has committed to invest a further €10.0 million in Glanbia Cheese EU Limited (2018: €15.0 million comprising of €5.0 million in share capital and €10.0 million in cash contributions). The Group has also committed to invest \$7.5 million MWC-Southwest Holdings LLC in 2020 (2018: \$42.5 million).

Notes to the Financial Statements

for the financial year ended 4 January 2020

17. Other financial assets (2018: available for sale financial assets)

Other financial assets comprise the following:

	2019 €'m	2018* €'m
Financial assets at amortised cost		
– Ornua Co-Operative Limited (loan note receivable)	4.3	4.9
Equity instruments designated at FVOCI		
– The BDO Capital Development Fund	2.1	2.0
– IPL Plastics plc (previously known as One51 plc)	0.9	1.1
– Ornua Co-Operative Limited	0.4	0.4
– Moorepark Technology	-	0.6
– Others	1.4	1.1
	4.8	5.2
Total other financial assets	9.1	10.1

* These investments were classified as available for sale (AFS) in 2018. Refer to note 2 for details of the transition to IFRS 9.

See [note 30b](#) for information on the Group's fair value estimation process. Other 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.

The movement in other financial assets is as follows:

	2019 €'m	2018 €'m
At the beginning of the year	10.1	17.4
Disposals/redemption	(2.5)	(8.2)
Fair value adjustment	(1.8)	(0.4)
Additions	3.3	1.3
At the end of the year	9.1	10.1

During 2018, there were disposals of AFS financial assets at fair value amounting to €8.2 million. The disposals included shares in IPL Plastics Plc (formerly known as One 51 Plc) as part of a share buy back programme in advance of their IPO.

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18. Trade and other receivables

	Notes	2019 €'m	(restated) 2018 €'m
Trade receivables		534.1	523.5
Less expected credit loss allowance		(15.4)	(12.5)
Trade receivables – net		518.7	511.0
Prepayments		36.0	30.5
Receivables from joint ventures	36c	6.1	5.7
Receivables from other related parties	36c	1.0	-
Value added tax		10.0	11.4
Other receivables		32.1	20.6
Current tax asset		1.3	-
Glanbia Advance Payment Scheme	(b)	-	0.2
Glanbia MilkFlex Fund	(a)	3.2	3.8
Loans to joint ventures & associates	36f	2.0	2.9
Glanbia Extended Credit Scheme	(c)	-	9.8
Total		610.4	595.9
Non-current			
Glanbia MilkFlex Fund	(a)	3.2	3.8
Loans to joint ventures & associates		1.9	2.7
Glanbia Extended Credit Scheme	(c)	-	9.8
Non-current		5.1	16.3
Current		605.3	579.6
		610.4	595.9

See [note 0](#) for analysis of the movement in trade and other receivables. Information in relation to the Group's credit risk and fair value estimation process is included in [note 30](#). The fair value of trade and other receivables is not materially different to their book value.

At 4 January 2020, Glanbia Ireland DAC has derecognised €121.1 million (2018: €109.6 million) through the use of a receivables securitisation arrangement and €48.5 million (2018: €62.6 million) through the use of a receivables sale arrangement. Under the terms of these arrangements the Group has transferred the credit risk and control of the receivables sold.

- In 2016 the Group, along with the Ireland Strategic Investment Fund, Rabobank and Finance Ireland, created the Glanbia MilkFlex Fund ('the Fund'). The Fund offers loans to Glanbia milk suppliers with loan repayments which can vary according to movements in milk price. The loans will have a standard term of eight years, but may be extended by up to a maximum of a further two years when volatility triggers are enacted. Loan repayments will be temporarily reduced when the GI manufacturing milk price falls below 28 cent per litre (including VAT) for three consecutive months. Loan repayments will be suspended for a period, when the GI manufacturing milk price falls below 26 cent per litre (including VAT) for three consecutive months or when the outbreak of a modifiable disease reduced milk output materially on the previous year. Loan repayments will increase when the GI manufacturing price goes above 34 cent per litre (including VAT) for three consecutive months. During 2018, the Group invested €0.8 million in the Fund through a profit participation loan.
- The Glanbia Advance Payment (GAP) scheme which offers advance payments to Society member suppliers in periods where grain and milk prices are weak, commenced in 2016. The GAP scheme offered advance payments of up to a maximum of 2 cent per litre on liquid and manufacturing milk supply in any month from May to December where the base Glanbia Ireland DAC (GI) manufacturing milk price (including VAT) fell below 24 cent per litre. Reimbursements are triggered when the GI base manufacturing price increases above 30 cent per litre including VAT. Return payments will be set out at a maximum of 2 cent per litre. At 4 January 2020 €nil million has been advanced to member suppliers (2018: €0.2 million).
- In 2018 fodder usage and grass planning meetings were held throughout the Glanbia Ireland DAC catchment area during the extremely dry summer months to assist farmers in planning their feed requirements. In response to these very dry conditions, a cash flow support scheme was launched for its customers giving an opportunity for farmers to apply to defer payment for qualifying purchases. This scheme is known as the Glanbia Extended Credit Scheme. At 4 January 2020, nil (2018: €9.8 million) had been advanced to customers. GI expected the 2018 balance to be received within 2 years.

The currency profile of trade and other receivables is as follows:

	2019 €'m	(restated) 2018 €'m
Euro	197.8	214.2
US dollar	353.5	328.3
Pound sterling	35.3	35.5
Australian dollar	3.1	4.2
Other	20.7	13.7
	610.4	595.9

Notes to the Financial Statements for the financial year ended 4 January 2020

19. Inventories

	2019 €'m	(restated) 2018 €'m
Raw materials	149.3	141.1
Work in progress	8.0	6.8
Finished goods	463.6	465.4
Consumables	48.0	52.4
	668.9	665.7

Recognition in the Group income statement:

	2019 €'m	(restated) 2018 €'m
Cost of inventories recognised as an expense in Cost of Goods Sold	4,542.1	3,942.5
Write down of inventory to net realisable value during the year	30.5	7.4
Previous write downs of inventories reversed during the year*	(2.9)	(5.0)
	27.6	2.4

* Previous write downs have been reversed as a result of increased sales prices in certain markets.

Included in write downs of inventory is an exceptional charge of €18.0 million for the year ended 4 January 2020 (see note 6 for further details) (2018: nil).

20. Cash and cash equivalents

	Notes	2019 €'m	2018 €'m
Cash at bank and in hand		334.8	302.2
Restricted cash		-	11.7
Short term bank deposits		8.9	8.2
Cash and cash equivalents in the Group balance sheet		343.7	322.1
Restricted cash		-	(11.7)
Bank overdrafts used for cash management purposes	25	(105.0)	(51.0)
Cash and cash equivalents in the Group statement of cash flows		238.7	259.4

The restricted cash in 2018 is in relation to a share trading scheme which is administered by the Society on behalf of its members.

21. Share capital and share premium

	Number of shares (millions)	Ordinary shares €'m	Share premium €'m	Total €'m
At 29 December 2018	37.2	37.2	8.2	45.4
Shares issued – note (a)	0.1	0.1	0.4	0.5
At 4 January 2020	37.3	37.3	8.6	45.9

The total issued number of ordinary 'A' shares is 37.3 million (2018: 37.2 million) with a par value of €1 per share. €0.1 million (2018: €0.1 million) ordinary 'A' shares were issued but not fully paid as at 4 January 2020.

The 'A' ordinary shares have four classes of membership A1, A2, A3 and A4. The shares held by a member in any class carry the designation of that class of membership. The rights of each class differ as follows:

- A1 members have all the rights of membership provided for in the rules of the Society except for those applying only to A4 members.
- A2 members are entitled to vote in elections in the Society but are not entitled to participate in any such elections as a candidate or proposer or seconder of a candidate. They are not entitled to receive notice of or vote on any special resolution or on any resolution to amend, delete or add to the rules of the Society, but are entitled to receive notice of and vote on all other resolutions at any general meeting of the Society.
- A3 members do not have the right to receive notice of any meeting of the Society or to attend or vote at any such meeting or to participate in any way in any elections in the Society.
- A4 members have the rights and entitlements attaching to corporate members and A4 shares rank pari passu with the A1 shares.

Note (a): During 2019, 106,272 (2018: 311,610) ordinary shares with a nominal value of €1 were issued to new members of the Society at €5 per share, of which €0.3 million (2018: €1.4 million) were fully paid for at 04 January 2020. The remaining balance will be received via deduction from milk payments up to 2023.

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22. Other reserves

	Capital reserve €'m note (a)	Merger reserve €'m note (b)	Currency reserve €'m note (c)	Hedging reserve €'m note (d)	FVOCI Reserve* €'m note (e)	Glanbia plc own shares €'m note (f)	Share based payment reserve €'m note (g)	Total €'m
Balance at 30 December 2018	17.4	88.7	60.4	(10.8)	7.5	(8.9)	7.6	161.9
Currency translation differences	-	-	46.8	-	-	-	-	46.8
Net investment hedge	-	-	(2.4)	-	-	-	-	(2.4)
Revaluation – gross	-	-	-	(20.1)	(0.2)	-	-	(20.3)
Reclassification to profit or loss – gross	-	-	-	1.8	-	-	-	1.8
Deferred tax	-	-	-	3.4	0.1	-	-	3.5
Net change in OCI	-	-	44.4	(14.9)	(0.1)	-	-	29.4
Purchase of Glanbia plc own shares	-	-	-	-	-	(8.1)	-	(8.1)
Cost of share based payments	-	-	-	-	-	-	4.6	4.6
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	-	-	-	-	-	8.0	(9.0)	(1.0)
Allocation of other comprehensive (expense)/income and contributions and distributions to non-controlling interests	-	-	(30.7)	8.7	-	5.2	(2.4)	(19.2)
Balance at 4 January 2020	17.4	88.7	74.1	(17.0)	7.4	(3.8)	0.8	167.6

	Capital reserve €'m note (a)	Merger reserve €'m note (b)	Currency reserve €'m note (c)	Hedging reserve €'m note (d)	FVOCI Reserve* €'m note (e)	Glanbia plc own shares €'m note (f)	Share based payment reserve €'m note (g)	Total €'m
Balance at 31 December 2017	17.4	88.6	42.9	(5.4)	9.0	(9.5)	7.9	150.9
Currency translation differences	-	0.1	58.6	-	-	-	-	58.7
Net investment hedge	-	-	(3.9)	-	-	-	-	(3.9)
Revaluation – gross	-	-	-	(8.9)	(0.3)	-	-	(9.2)
Reclassification to profit or loss - gross	-	-	-	0.3	(5.3)	-	-	(5.0)
Deferred tax	-	-	-	1.4	1.8	-	-	3.2
Net change in OCI	-	0.1	54.7	(7.2)	(3.8)	-	-	43.8
Purchase of Glanbia plc own shares	-	-	-	-	-	(5.2)	-	(5.2)
Cost of share based payments	-	-	-	-	-	-	8.8	8.8
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	-	-	-	-	-	9.0	(9.6)	(0.6)
Allocation of other comprehensive (expense)/income and contributions and distributions to non-controlling interests	-	-	(37.2)	1.8	2.3	(3.2)	0.5	(35.8)
Balance at 29 December 2018	17.4	88.7	60.4	(10.8)	7.5	(8.9)	7.6	161.9

*AFS financial asset reserve at and before 29 December 2018.

22a. Capital reserve

The capital reserve comprises of a capital redemption reserve which arose on 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.

	2019 €'m	2018 €'m
At the beginning and the end of the year	17.4	17.4

22b. Merger reserve

The merger reserve arose on the merger of Waterford Foods plc now named Waterford Foods DAC and Avonmore Foods plc now named Glanbia plc in 1997. The merger reserve adjustment represents the difference between the nominal value of the issued share capital of Waterford Foods DAC and the fair value of the shares issued by Glanbia plc.

22c. Currency reserve

The currency reserve reflects the foreign exchange gains and losses arising from the translation of the net investment in foreign operations and on borrowings designated as hedges of the net investment which are taken to equity. The movement in US dollar foreign exchange rates from 1.1454 as at 29 December 2018 to 1.1147 as at 4 January 2020 is the primary driver of the movement in the currency reserve in the year. See [note 30a](#) for further details. When an entity is sold the accumulated foreign currency gains and losses are recycled to the income statement.

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22d. 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. The hedging reserve also reflects the Group's share of the effective portion of changes in the fair value of derivatives that are entered into by the Group's joint ventures & associates. Refer to [note 30a](#).

The movements on the hedging reserve for the years ended 4 January 2020 and 29 December 2018 are as follows:

	joint ventures & associates €'m	Group €'m	Total hedging reserve €'m
Balance at 30 December 2018	(10.6)	(0.2)	(10.8)
Revaluation – gross			
– Interest rate swaps – loss in year	(12.1)	(8.1)	(20.2)
– Foreign exchange contracts – loss in year	0.5	(0.9)	(0.4)
– Forward commodity contracts – gain/(loss) in year	(0.1)	0.6	0.5
Recognised in OCI	(11.7)	(8.4)	(20.1)
Reclassification to profit or loss – gross			
– Foreign exchange contracts – loss in year	(0.2)	0.8	0.6
– Forward commodity contracts – loss in year	0.2	1.0	1.2
Reclassified from OCI to profit or loss	-	1.8	1.8
Deferred tax	3.1	0.3	3.4
Net change in OCI	(8.6)	(6.3)	(14.9)
Transfer to non-controlling interests	-	8.7	8.7
Balance at 4 January 2020	(19.2)	2.2	(17.0)
Balance at 31 December 2017	(8.7)	3.3	(5.4)
Revaluation – gross			
– Interest rate swaps – gain in year	(2.4)	(2.2)	(4.6)
– Foreign exchange contracts loss in year	(0.6)	(0.4)	(1.0)
– Forward commodity contracts – gain in year	0.4	(3.7)	(3.3)
Recognised in OCI	(2.6)	(6.3)	(8.9)
Reclassification to profit or loss – gross			
– Foreign exchange contracts – loss/(gain) in year	-	0.2	0.2
– Forward commodity contracts – loss in year	0.1	-	0.1
Reclassified from OCI to profit or loss	0.1	0.2	0.3
Deferred tax	0.6	0.8	1.4
Net change in OCI	(1.9)	(5.3)	(7.2)
Transfer to non-controlling interests	-	1.8	1.8
Balance at 29 December 2018	(10.6)	(0.2)	(10.8)

22e. FVOCI reserve

Unrealised gains and losses arising from changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognised in the FVOCI reserve. On derecognition of such an equity instrument, the accumulated balances of an instrument associated with it will be reclassified to retained earnings.

At and before 29 December 2018, this account is available for sale (AFS) financial asset reserve. Unrealised gains and losses arising from changes in the fair value of AFS financial assets are recognised in the AFS financial asset reserve. When such AFS financial assets are sold or impaired, the accumulated fair value adjustments are recycled to profit or loss.

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22f. Glanbia plc own shares

The own shares reserve reflects the ordinary shares of Glanbia plc which are held in trust by the Group.

An Employee Share Trust was established in May 2002 to operate initially in connection with the Glanbia plc's Saving Related Share Option Scheme and subsequently for the vesting of shares under the 2008 LTIP, 2018 LTIP and 2019 RSP (note 9). 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 have been waived, save 0.001 pence per share. An Employee Share Scheme Trust was established in April 2013 to operate in connection with Glanbia plc's AIDIS 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 acquired during the year and those held in trust are allocated to employees of Glanbia plc and Glanbia Ireland under the various share-based payment schemes. This represented an insignificant amount of the total share capital at the beginning and end of the year. Shares purchased are deemed to be own shares in accordance with IAS 32 'Financial Instruments'. The own shares at 4 January 2020 had a market value of €10.1 million (2018: €14.3 million).

The movement in own shares for the year ended 4 January 2020 and 29 December 2018 are as follows:

	2019 Value €'m	2019 Nominal value €'m	2019 Number of shares	2018 Value €'m	2018 Nominal value €'m	2018 Number of shares
At the beginning of the year	8.9	0.1	929,269	9.5	0.2	1,127,066
Purchased	8.1	-	630,005	5.2	-	349,296
Allocated	(8.0)	-	(581,505)	(9.0)	(0.1)	(547,093)
Transfer to non-controlling interests	(5.2)	-	-	3.2	-	-
At the end of the year	3.8	0.1	977,769	8.9	0.1	929,269

22g. Share-based payment reserve

The share-based payment reserve reflects the equity settled share based payment plans in operation by the Group (note 9).

23. Retained earnings

	Notes	2019 €'m	(restated) 2018 €'m
At the beginning of the period		533.7	479.4
Profit for the period		86.1	104.9
Other comprehensive income/(expense)			
– Currency exchange differences		-	(0.3)
– Remeasurement on defined benefit plans	8	(36.3)	(5.4)
– Deferred tax on remeasurements on defined benefit plans	26	3.2	0.8
– Share of remeasurements on defined benefit plans from joint ventures, net of deferred tax	16	(0.7)	(0.3)
Net change in OCI		(33.8)	(5.2)
Transfer to non controlling interests		15.3	2.6
Ordinary share interest paid to Society shareholders	12	(5.6)	(4.8)
Distributions to Society shareholders		(41.3)	(44.0)
Transfer on exercise, vesting or expiry of share based payments	22	1.0	0.6
Deferred tax on share based payments	26	0.1	0.2
Allocation of the share of contributions and distributions to non-controlling interests		0.1	-
At the end of the year		555.6	533.7

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24. Non-controlling interests

	2019 €'m	2018 €'m
At the beginning of the year	1,074.5	931.5
Allocation of the share of profit for the year (post exceptional)	125.3	162.3
Allocation of the share of other comprehensive expense	6.5	35.8
Allocation of the share of contributions and distributions	(2.7)	(2.6)
Dividends to non-controlling interests	(51.6)	(52.5)
At the end of the year	1,152.0	1,074.5

Summarised financial information for subsidiaries with material non-controlling interests:

	Glanbia plc 2019 €'m	Glanbia Ireland DAC 2019 €'m	Glanbia plc Restated 2018 €'m	Glanbia Ireland DAC Restated 2018 €'m
Non-controlling interests' equity interest	68.5%	27.4%	68.5%	27.4%
Balance sheet				
Non-current assets	2,228.1	708.6	2,128.2	688.4
Current assets	1,172.8	467.4	1,031.9	526.5
Non-current liabilities	(743.7)	(451.1)	(990.2)	(510.0)
Current liabilities	(955.3)	(306.6)	(580.8)	(296.7)
Net assets	1,701.9	418.3	1,589.1	408.2
Carrying value of non-controlling interests	1,030.0	114.6	1,019.9	111.8
Income statement				
Revenue	3,875.7	1,961.8	3,170.5	1,807.8
Profit before tax (post-exceptional)	199.1	72.3	266.8	66.6
Profit after tax (post-exceptional)	180.2	62.9	234.0	57.4
Other comprehensive income/(expense)	9.8	(23.1)	44.7	(9.8)
Total comprehensive income	190.0	39.8	278.7	47.6
Non-controlling interest's share of total comprehensive income	130.2	10.9	190.9	13.0

25. Financial liabilities

	Notes	2019 €'m	2018 €'m
Non-current			
Bank borrowings		575.6	850.8
Private debt placement		139.9	136.2
Secured exchangeable bond		93.4	93.0
Finance lease liabilities*		0.8	1.5
		809.7	1,081.5
Current			
Borrowings		264.8	8.2
Bank overdrafts	20	105.0	51.0
Secured exchangeable bond		(0.4)	(0.4)
Finance lease liabilities*		0.7	0.7
		370.1	59.5
Total financial liabilities		1,179.8	1,141.0

*Secured on specific plant and equipment

Notes to the Financial Statements for the financial year ended 4 January 2020

The maturity profile of the Group's multi-currency committed term facilities of €1.7 billion (2018: €1.7 billion) is as follows:

	Loans and borrowings 2019 €'m	Undrawn Committed facilities 2019 €'m	Loans and borrowings 2018 €'m	Undrawn Committed facilities 2018 €'m
12 months or less	370.1	53.8	59.5	-
Between 1 and 2 years	435.4	207.9	538.0	174.3
Between 2 and 5 years	374.3	299.6	217.7	-
More than 5 years	-	-	325.8	358.08
	1,179.8	561.3	1,141.0	532.3

The weighted average maturity of committed facilities is 2.4 years (2018: 3.2 years). Undrawn uncommitted facilities expiring within one year are €12.4 million (2018: €120.7 million).

The currency profile of financial liabilities is as follows:

	Euro €'m	US dollar €'m	Pound sterling €'m	Australian dollar €'m	Other* €'m	Total €'m
At 4 January 2020	561.9	602.0	6.8	3.6	5.5	1,179.8
At 29 December 2018	498.4	617.3	17.4	3.5	4.4	1,141.0

* Principal currencies in "other" include New Zealand dollar and Indian Rupee

Bank borrowings

The Group has committed unsecured bank facilities maturing in 2020, 2021 and 2024. They are borrowed at fixed and floating interest rates. At 4 January 2020, €151.6 million of bank borrowings denominated in USD are at fixed nominal interest rate of 3.30% (2018: €147.5 million at 3.30%). The remaining bank borrowings are subject to interest rate changes, taking into account of contractual repricing dates. Nominal interest rates of these borrowings range primarily from 0.39% – 8.80% (2018: 0.33% – 3.67%). The floating interest rates are set at commercial rates based on a margin over EURIBOR, US dollar LIBOR and Australian dollar interest rates for periods of up to six months.

Private placement debt

The private placement debt committed facility matures in 2021, bears interest at a fixed 5.40% nominal interest rate and is denominated in USD. At 4 January 2020, the Group had undrawn uncommitted private placement facilities of nil (2018: €87.3 million).

Bank overdrafts

Bank overdraft interest rates are variable and mostly range from 0.55% – 12.5% (2018: 0.67% – 2.75%). At 4 January 2020, the Group had undrawn uncommitted bank overdraft facilities of €35.9 million (2018: €33.2 million).

Secured exchangeable bond

In June 2016, a secured exchangeable bond of €100.0 million was issued at a fixed rate of 1.375% (payable half yearly) with a bullet repayment in June 2021 unless redeemed earlier at the option of the Society. This convertible debt instrument includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible bond option is accounted for as a derivative liability ([note 30a](#)). The convertible debt is a hybrid instrument containing a host debt contract and a convertible option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. The host bond is initially recognised at fair value and subsequently at amortised cost.

Debt issue costs

Included within the carrying value of borrowings and the secured exchangeable bond are deferred debt issue costs of €0.1 million (2018: €0.4 million), all of which will be recognised in finance costs in the Group income statement using the effective interest rate method over the remaining life of the borrowings.

Guarantees

Certain financial liabilities of Glanbia plc are secured by cross-guarantees from Glanbia plc and certain principal subsidiaries. The Group has complied with the financial covenants of its borrowing facilities during 2019 and 2018. See [note 30d](#).

Notes to the Financial Statements for the financial year ended 4 January 2020

Net debt is a non-IFRS measure which we provide to financial statement users as we believe they find it useful. Net debt comprises the following:

	Notes	2019 €'m	2018 €'m
Private debt placement		139.9	136.2
Secured exchangeable bond		93.0	97.2
Finance lease Liabilities		1.5	2.2
Bank borrowings		151.6	147.5
Not subject to interest rate changes*		386.0	383.1
Bank borrowings		688.8	711.5
Cash and cash equivalents net of bank overdrafts and restricted cash	20	(238.7)	(259.4)
Subject to interest rate changes*		450.1	452.1
		836.1	835.2

* Taking into account of contractual repricing dates at the reporting date.

The movement in net debt is as follows:

	Cash and short-term bank deposits (note 20) €'m	Restricted cash (note 20) €'m	Overdrafts €'m	Liabilities from financing activities				Total €'m
				Finance leases €'m	Bank borrowings €'m	Private debt placement €'m	Secured exchangeable bonds €'m	
2019								
At 30 December 2018	(322.1)	11.7	51.0	2.2	859.0	136.2	97.2	835.2
Cash flows	(13.3)	(11.7)	45.1	(0.7)	(35.2)	-	-	(15.8)
Acquisitions	(4.6)	-	8.8	-	6.4	-	-	10.6
Non-cash movement	-	-	-	-	-	-	(4.2)	(4.2)
Exchange differences	(3.7)	-	0.1	-	10.2	3.7	-	10.3
At 4 January 2020	(343.7)	-	105.0	1.5	840.4	139.9	93.0	836.1
2018								
At 31 December 2017	(244.1)	-	45.5	3.0	552.6	130.1	98.0	585.1
Cash flows	(46.0)	11.7	2.0	(0.8)	299.6	-	-	266.5
Acquisitions	(28.7)	-	3.9	-	-	-	-	(24.8)
Non-cash movement	-	-	-	-	-	-	(0.8)	(0.8)
Exchange differences	(3.3)	-	(0.4)	-	6.7	6.1	-	9.2
At 29 December 2018	(322.1)	11.7	51.0	2.2	859.0	136.2	97.2	835.2

The minimum lease payments of finance lease liabilities at the reporting date are as follows:

	2019 €'m	2018 €'m
12 months or less	0.7	0.8
Between 1 and 2 years	0.8	0.8
Between 2 and 5 years	-	0.7
	1.5	2.3
Future finance charges on lease payments	-	(0.1)
Present value of finance lease liabilities	1.5	2.2

The present value of finance lease liabilities at the reporting date is as follows:

	2019 €'m	2018 €'m
12 months or less	0.7	0.8
Between 1 and 2 years	0.8	0.8
Between 2 and 5 years	-	0.6
	1.5	2.2

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26. Deferred taxes

Recognition in the Group balance sheet:

	2019			2018		
	Deferred tax assets €'m	Deferred tax liabilities €'m	Net €'m	Deferred tax assets €'m	Deferred tax liabilities €'m	Net €'m
Deferred tax (assets)/liabilities before set off	(41.6)	222.4	180.8	(41.3)	212.5	171.2
Set off of deferred tax	39.8	(39.8)	-	39.2	(39.2)	-
Deferred tax (assets)/liabilities after set off	(1.8)	182.6	180.8	(2.1)	173.3	171.2

The movement in the net deferred tax liability recognised in the Group balance sheet is as follows:

	Notes	2019 €'m	2018 €'m
At the beginning of the year		171.2	132.5
Income statement charge	11	3.5	5.1
Deferred tax credit to other comprehensive income			
– on fair value movements		(0.4)	(2.6)
– on remeasurement of defined benefit plans	23	(3.2)	(0.8)
Deferred tax (credit)/charge to equity			
– on share based payments	23	(0.1)	(0.2)
– on acquisition of subsidiaries and intellectual properties		0.5	32.4
Reclassification (note 27)		5.6	-
Exchange differences		3.7	4.8
At the end of the year		180.8	171.2

The movement in deferred tax assets during the year is as follows:

	Retirement benefit obligations €'m	Other employee obligations €'m	Tax losses €'m	Other €'m	Total €'m
At 29 December 2018	(16.5)	(9.5)	(2.8)	(12.5)	(41.3)
Charged to income statement	0.4	1.5	0.5	1.0	3.4
Credited to other comprehensive income	(3.2)	-	-	-	(3.2)
Credited to equity	-	(0.1)	-	-	(0.1)
Reclassification	-	-	-	0.4	0.4
Exchange differences	(0.1)	(0.2)	-	(0.5)	(0.8)
At 4 January 2020	(19.4)	(8.3)	(2.3)	(11.6)	(41.6)
At 30 December 2017	(16.4)	(8.2)	(1.8)	(11.5)	(37.9)
Charged/(credited) to income statement	0.8	(0.5)	2.0	0.6	2.9
(Credited)/charged to other comprehensive income	(0.8)	-	-	0.3	(0.5)
Acquisition of subsidiaries and intellectual properties	-	(0.4)	(3.0)	(1.1)	(4.5)
Credited to equity	-	(0.2)	-	-	(0.2)
Exchange differences	(0.1)	(0.2)	-	(0.8)	(1.1)
At 29 December 2018	(16.5)	(9.5)	(2.8)	(12.5)	(41.3)

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The movement in deferred tax liabilities during the year is as follows:

Notes	Accelerated tax depreciation €'m	Fair value gain €'m	Development costs and other intangibles €'m	Other €'m	Total €'m
At 29 December 2018	86.0	-	99.4	27.1	212.5
Charged/(credited) to income statement	5.2	-	(10.9)	5.8	0.1
Credited to other comprehensive income	-	(0.4)	-	-	(0.4)
Acquisition of subsidiaries and intellectual properties	-	-	1.4	(0.9)	0.5
Reclassification	-	-	-	5.2	5.2
Exchange differences	1.6	-	2.6	0.3	4.5
At 04 January 2020	92.8	(0.4)	92.5	37.5	222.4
At 30 December 2017	77.9	2.3	69.3	20.9	170.4
Charged/(credited) to income statement	5.5	-	(9.6)	6.3	2.2
(Credited) to other comprehensive income	-	(2.6)	-	(0.3)	(2.9)
Acquisition of subsidiaries and intellectual properties	0.1	-	36.5	0.3	36.9
Exchange differences	2.5	0.3	3.2	(0.1)	5.9
At 29 December 2018	86.0	-	99.4	27.1	212.5

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.

At the balance sheet date, the Group has unused tax losses of €90.8 million (2018: €96.1 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €2.6 million (2018: €3.8 million) of such losses. No deferred tax asset has been recognised in respect of the remaining €88.3 million (2018: €92.3 million) as it is not considered probable that there will be future taxable profits available. All tax losses may be carried forward indefinitely. Other tax losses may be carried forward indefinitely. Also included in unrecognised tax losses are €46.6 million (2018: €45.9 million) of capital losses.

No deferred tax liability has been recognised on temporary differences of €41.8 million (2018: €34.4 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in joint ventures & associates are insignificant.

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27. Provisions

	Restructuring €'m note (a)	Legal claims €'m note (b)	Property & lease commitments €'m note (c)	Operational €'m note (d)	Regulatory & related provisions €'m note (e)	Total €'m
At 30 December 2018 – non-current	-	-	2.7	8.8	22.0	33.5
At 30 December 2018 – current	0.1	2.2	0.6	0.9	0.7	4.5
Reclassification	-	-	-	-	(22.7)	(22.7)
Net amount provided for in the year	0.8	-	-	0.4	-	1.2
Unused amounts reversed in the year	-	-	(0.6)	(0.3)	-	(0.9)
Utilised in the year	-	(1.9)	(0.7)	(3.1)	-	(5.7)
Exchange differences	-	-	-	0.1	-	0.1
At 4 January 2020	0.9	0.3	2.0	6.8	-	10.0
Non-current	-	-	-	6.3	-	6.3
Current	0.9	0.3	2.0	0.5	-	3.7
	0.9	0.3	2.0	6.8	-	10.0

- (a) The restructuring provision relates mainly to a redundancy provision arising from the ongoing strategic review of Glanbia plc's Performance Nutrition segment. The provision at 4 January 2020 is expected to be settled within the next 12 months.
- (b) The legal claims provision represented legal claims brought against the Group. The balance at 4 January 2020 is expected to be utilised during 2020. 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 4 January 2020.
- (c) The property and lease commitments provision relates to property remediation works and is based on the estimated cost of re-instating a property to its original condition. Due to the nature of the remediation works there is some uncertainty around the amount and timing of payments.
- (d) The operational provision represents provisions relating to certain insurance claims and other items. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.
- (e) The regulatory and related provision at 30 December 2018 represented provisions relating to the interest and penalties element of uncertain tax positions and the UK pension provision. Reclassifications have taken place in the year moving regulatory and related provisions to tax balances and accrued expenses to better reflect the nature of the items.

Notes to the Financial Statements

for the financial year ended 4 January 2020

28. Capital grants

	Notes	2019 €'m	2018 €'m
At the beginning of the year		26.4	24.6
Credited to the Group income statement	5	(1.8)	(2.3)
Additions		8.1	4.1
Impairment		(1.5)	-
At the end of the year		31.2	26.4
<hr/>			
Non-current		29.5	24.6
Current		1.7	1.8
		31.2	26.4

The entities receiving the grants are principal subsidiaries as outlined in [note 38](#) and have no going concern issues therefore, there are no material unfulfilled conditions or other contingencies attaching to any grants received.

29. Trade and other payables

	Notes	2019 €'m	(restated) 2018
Current			
Trade payables		370.3	351.2
Amounts due to joint ventures & associates	36c	87.4	80.5
Amounts due to other related parties	36c	0.4	0.3
Social security costs		6.0	5.3
Accrued expenses		192.4	195.9
Other payables		110.9	126.0
		767.4	759.2
Non-current			
Other payables		12.5	13.0
Total		779.9	772.2

See [note 0](#) for analysis of the movement in trade and other payables. See [note 30b](#) for information on the Group's fair value estimation process.

Other non-current payables relate primarily to lease incentives on non-cancellable operating leases and are amortised on a straight line basis over the lease term.

Notes to the Financial Statements

for the financial year ended 4 January 2020

30. Derivative financial instruments and financial risk management

30a. Derivative financial instruments

Notes	2019 Assets €'m	2019 Liabilities €'m	2018 Assets €'m	2018 Liabilities €'m
Cross currency swap – fair value through income statement	0.3	-	-	(0.2)
Convertible bond option – fair value through income statement	-	(4.8)	-	(4.6)
Interest rate swaps – cash flow hedges (interest rate risk)	-	(9.0)	-	(2.0)
Foreign exchange contracts – cash flow hedges (currency risk)	0.6	(0.6)	0.3	(0.5)
Commodity futures – cash flow hedges (commodity price risk)	-	(0.1)	0.2	(0.7)
Commodity futures – fair value hedges (commodity price risk)	-	-	1.2	-
Total	0.9	(14.5)	1.7	(8.0)
Non-current	-	(12.3)	-	(6.3)
Current	0.9	(2.2)	1.7	(1.7)
29.5	0.9	(14.5)	1.7	(8.0)

Derivatives recognised at fair value through income statement

Included in cross currency swaps is a pound sterling euro cross currency swap with a notional amount of £60.0 million (2018: £36.0 million) and €70.2 million (2018: €40.1 million). The translation gain included in the Group income statement in respect of this swap is €0.3 million (2018: €0.2 million loss).

Convertible bond option

In June 2016, a convertible bond of €100 million was issued by the Society. The convertible debt instrument includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible option is accounted for as a derivative liability. The convertible debt is a hybrid instrument containing a host debt contract and a conversion option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit and loss. The host bond is initially recognised at fair value and subsequently at amortised cost (note 25).

Hedge accounting

The Group enters into hedge relationships when there is an economic relationship between the hedged item and the hedging instrument. When the critical terms of the hedged item and hedging instrument are closely aligned for the prospective assessment of effectiveness, a qualitative assessment is performed. In instances where changes occur to the hedged item which result in the critical terms being no longer closely aligned, the Group uses the hypothetical derivative method to assess the ineffectiveness. A hedge ratio of one to one is established as the quantities of the hedged item and the hedging instrument used to hedge that hedged item are the same. Potential sources of ineffectiveness may include the timing and amounts of cash flows, and changes in credit risk of the hedging instruments or hedged items.

Derivative assets and liabilities designated as cash flow hedges

Foreign exchange contracts

The Group may use foreign exchange contracts to hedge its future cash flow risk from movements in foreign exchange rates on foreign denominated sales or purchases. Such contracts are generally designated as cash flow hedges. Weighted average hedged rate of foreign exchange contracts (including forward points) as at 4 January 2020 is EUR 1:US dollar 1.1132 (2018: EUR 1:US dollar 1.1607).

The notional principal amounts of the outstanding foreign exchange contracts at 4 January 2020 were €99.3 million (2018: €50.1 million). All outstanding foreign exchange contracts will mature and be released to the Group income statement within 12 months of the reporting date (2018: within 12 months of the reporting date)

Commodity futures

The Group may use commodity futures to hedge its future cash flow risk from movement in diesel oil, gas, butter, whey and skimmed milk powder commodity prices. The details of the outstanding futures designated as cash flow hedges at 4 January 2020 and 29 December 2018 are as follows:

	2019			2018		
	Notional amount €'m	Notional amount	Weighted average hedged rate	Notional amount €'m	Notional amount	Weighted average hedged rate
Gas	-	-	-	1.5	542,900 million BTU	€2.94 per million BTU
Diesel oil	1.1	2.6 million litres	€0.4379c per litre	2.2	5.0 million litres	€0.4461c per litre
Butter	0.5	115 tonnes	€4,430 per tonne	0.5	60 tonnes	€4,375 per tonne
Whey	-	-	-	0.2	300 tonnes	€754 per tonnes

Interest rate swaps

The Group may use floating to fixed interest rate swaps to hedge its future cash flow risk from its exposure to variable rates on its long-term borrowings with floating rates. The notional principal amount of the outstanding EURIBOR linked interest rate swap contracts designated as cash flow hedges affected by the interest rate benchmark reform as at 4 January 2020 were €360.0 million (2018: €200.0 million). Weighted average hedged rate of interest rate swaps as at 4 January 2020 is 0.31%. All outstanding interest rate swap mature in 2023 or 2024.

Notes to the Financial Statements for the financial year ended 4 January 2020

Amounts recognised in the Group income statement and the Group statement of comprehensive income (note 22d):

	2019 €'m	2018 €'m
(Losses)/gains recognised in other comprehensive income		
Interest rate swaps	(8.1)	(2.2)
Foreign exchange contracts	(0.9)	(0.4)
Commodity futures	0.6	(3.7)
	(8.4)	(6.3)

	2019 €'m	2018 €'m
Losses transferred from cash flow hedge reserve to the Group income statement		
Foreign exchange contracts	0.8	0.2
Commodity futures	1.0	-
	1.8	0.2

The transferred amounts relating to foreign exchange contracts are recorded in the line item "Administration expenses" in the income statement. No material ineffectiveness has been recognised in respect of the cash flow hedges in 2019 (2018: nil). If ineffectiveness had been recognised, it would have been recorded in "Administration expenses" in the income statement.

Refer to note 22d for the balances in the cash flow hedge reserve. The maturity profile of the cash flows of the derivative financial instruments is included in note 30d.

Derivative financial instruments entered into by joint ventures & associates

The Group's joint ventures & associates may enter into interest rate swaps, commodity futures (gas, oil, whey and skimmed milk powder) and foreign exchange contracts. The Group's share of the movement in the derivative financial instruments designated as cash flow hedges is recognised in other comprehensive income and against the carrying value of the interest in joint ventures & associates.

The movement recognised in other comprehensive income on interest rate swaps (note 22d) represents the Group's share of the movement in the interest rate swaps entered into by joint ventures & associates. All movements are recognised against the carrying value of the interest in joint ventures & associates until repayment of the related bank borrowings.

Net investment hedge

A portion of the Group's US dollar denominated borrowings (see note 25) with a nominal amount of US\$98.5 million (2018: US\$98.5 million) is designated as a hedge of a portion of the net investment in the Group's US dollar net assets amounting to US\$98.5 million (2018: US\$98.5 million). Therefore, hedge ratio is 1:1.

	Notes	2019 €'m	2018 €'m
Carrying value of net investment hedge		88.4	86.0
Loss recognised in other comprehensive income	22	(2.4)	(3.9)

The borrowings of US\$98.5 million is translated at year end exchange rate of EUR 1:US dollar 1.1147 (2018: EUR 1:US dollar 1.1454) to arrive at carrying amount of €88.4 million (2018: €86.0 million). €12.0 million (2018: €9.6 million) of the currency reserve relates to the net investment hedge (see note 22). There was no ineffectiveness recognised in the Group income statement during the year (2018: nil). If ineffectiveness had been recognised, it would have been recorded in "Administration expenses" in the income statement.

Derivative assets and liabilities designated as fair value hedges

Commodity futures

The Group entered into fixed price purchase and sale contracts for milk and cheese respectively and uses commodity futures to hedge this exposure. The notional principal amounts of the outstanding commodity (milk and cheese) futures, designated as fair value hedges at 4 January 2020 was nil (2018: €42.2 million and 29.1 million lbs of cheese). Weighted average hedged rate is nil (2018: €1.45 per lb of cheese).

Notes to the Financial Statements for the financial year ended 4 January 2020

30b. Fair value and fair value estimation

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table the Group deemed that the carrying amounts of financial instruments measured at amortised cost in the Group financial statements approximate their fair value due to their short term nature:

	Notes	Carrying amount 2019 €'m	Fair value 2019 €'m	Carrying amount 2018 €'m	Fair value 2018 €'m
Non-current trade and other receivables	18	5.1	5.1	16.3	16.3
Non-current financial asset measured at amortised cost – Ornua Co-Operative Ltd*	17	4.3	4.3	4.9	4.9
Non-current financial liabilities	25	(809.7)	(819.1)	(1,081.5)	(1,080.2)

Fair value is estimated by discounting future contractual cash flows using current market interest rates from observable interest rates at the end of the reporting period that are available to the Group for similar financial instruments (classified as level 2 in the fair value hierarchy).

Group's fair 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 valuation team reports directly to the Group Finance Director who in turn reports to the Glanbia plc Audit Committee. Discussions of valuation processes and results are held between the 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.

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).

Fair value of financial assets and liabilities carried at fair value

The following table presents the fair values of financial instruments measured at fair value:

	Notes	Fair value hierarchy	2019 €'m	2018 €'m
Derivative financial instruments (note 30a)				
– Cross currency swap – fair value through income statement	(a)	Level 2	0.3	(0.2)
– Secured exchangeable bond option – fair value through income statement	(b)	Level 2	(4.8)	(4.6)
– Interest rate swaps – cash flow hedges	(c)	Level 2	(9.0)	(2.0)
– Foreign exchange contracts assets – cash flow hedges	(d)	Level 2	0.6	0.3
– Foreign exchange contracts liabilities – cash flow hedges	(d)	Level 2	(0.6)	(0.5)
– Commodity futures assets – cash flow hedges	(e)	Level 2	-	0.2
– Commodity futures liabilities – cash flow hedges	(e)	Level 2	(0.1)	(0.7)
– Commodity futures assets – fair value hedges	(e)	Level 2	-	1.2
Equity instruments designated at FVOCI (2018: AFS financial assets) (note 17)				
– The BDO Development Capital Fund	(f)	Level 2	1.7	2.0
– IPL Plastics plc (previously known as One51 plc)	(g)	Level 2	0.9	1.1

- Fair value is determined by reference to the current foreign exchange rates at the end of the reporting period.
- Fair value is determined by reference to the quoted open market price on Global Exchange Market at the end of the reporting period.
- Fair value is estimated by discounting the difference between the contractual interest rate swap rates and the current interest rate swap rates (from observable interest rate swap rates at the end of the reporting period). The effects of discounting was insignificant in 2019 and 2018.
- The fair value is estimated by discounting the difference between the contractual forward exchange rate and the current forward exchange rate (from observable forward exchange rates at the end of the reporting period). The effect of discounting was insignificant in 2019 and 2018.
- The fair value is estimated by discounting the difference between the contractual forward commodity price and the current forward commodity price (from observable commodity forward prices at the end of the reporting period) and contract forward prices. The effect of discounting was insignificant in 2019 and 2018.
- The investment in the BDO Development Capital Fund is fair valued by reference to the latest quarterly report available to the limited partners.
- The unlisted equity shares in IPL Plastics plc are currently traded on an informal 'grey' market. Fair value is determined by reference to these published prices.

There were no transfers in either direction between Level 1 and Level 2 in 2019 and 2018. The Group did not hold any Level 3 financial assets or liabilities at 4 January 2020 or 29 December 2018.

Notes to the Financial Statements for the financial year ended 4 January 2020

30c. Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern while maximising the returns to members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital. Total capital is calculated based on equity as shown in the balance sheet and net debt as follows:

	Notes	2019 €'m	(restated) 2018 €'m
Total equity per the Group balance sheet		1,921.1	1,815.5
Total financial liabilities	25	1,179.8	1,141.0
Cash and cash equivalents	20	(343.7)	(322.1)
Total capital		2,757.2	2,634.4

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to increase or reduce debt or buy back shares. Any material adjustments to the capital structure are approved by the Board of Directors. From time to time, the Group purchases Glanbia plc shares on the market. These shares are primarily intended to be used for issuing shares under the Group's long-term and short-term incentive plans. Buy decisions are made on a specific transaction basis by Employee Benefit Trusts. The Board of Glanbia plc will seek approval for a share buyback programme at the annual General Meeting on the 22 April 2020.

30d. Financial risk management

The conduct of its ordinary business operations necessitates the Group holding financial instruments. The Group has exposure to the following risks arising from financial instruments: market risk comprising of currency risk, interest rate risk and price risk, liquidity risk and cash flow risk, and credit risk.

The Group does not enter into any financial instruments that give rise to a speculative position. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and undrawn 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 on behalf of the Glanbia plc group and Glanbia Ireland DAC. 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 foreign exchange risk, interest rate risk, liquidity risk and 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.

Currency risk

Although the Group is based in Ireland with the euro as the functional currency, it has significant geographic investment and operating exposures outside the eurozone, primarily in the US. As a result, currency movements, particularly movements in the euro/US dollar exchange rate, can significantly affect the Group's euro balance sheet and income statement. Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies and appropriate currency derivative instruments.

Sensitivity analysis

The following table demonstrates the sensitivity of profit before tax and total equity to movements in the euro/US dollar exchange rate with all other variables held constant.

	2019 €'m	2018 €'m
+/-5% change in euro/US dollar exchange rate		
Impact on profit before tax*	-/+9.0	-/+6.2
Impact on total equity**	-/+64.0	-/+57.1

*The impact on profit before tax is based on changing the euro/US dollar exchange rate used in calculating profit before tax for the period.

**The impact on total equity is calculated by changing the euro/US dollar exchange rate used in measuring the closing balance sheet.

The Group is exposed to transactional foreign currency risk that arises from sales or purchases by an operating unit in currencies other than the operating unit's functional currency. Group companies are required to manage their foreign exchange risk against their functional currency and spot and forward exchange contracts are primarily used to hedge foreign exchange risk exposure on foreign currency denominated sales and purchases.

The notional principal amounts of the outstanding foreign exchange contracts as at 4 January 2020 were €99.3 million (2018: €50.1 million), which substantially covers the operating units currency exposure.

Refer to [note 30a](#) for further details of the foreign exchange contracts.

Notes to the Financial Statements

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Interest rate risk

The Group's objective is to minimise the impact of interest rate volatility on interest costs. This is achieved by determining a long-term strategy against a number of policy guidelines, which focus on (i) the amount of floating rate indebtedness anticipated over such a period and (ii) 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.

The Group's main interest rate risk arises from long-term borrowings with floating rates, due to the borrowings being periodically contractually repriced within 12 months from the reporting date. These borrowings expose the Group to cash flow 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 interest rate amounts calculated by reference to the agreed notional amounts.

The exposure of the Group's borrowings subject to interest rate changes taking into account of contractual repricing dates at the end of the reporting period is €450.1 million (2018: €452.1 million) (note 25). The Group fix a portion of the floating rate bank borrowings for up to 6 month periods in line with Group policies. See note 30a for the floating to fixed interest rate swaps entered into by the Group to hedge against this exposure. The Group does not hedge 100% of its floating rate loans, therefore the amount hedged is a proportion of the outstanding loans up to the notional amount of the swaps.

The Group enters into interest rate swaps that have similar critical terms as the hedged item. As all critical terms matched during the year, there is an economic relationship between the interest rate swaps (hedging instruments) and floating rate borrowings (hedged items).

Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The following table demonstrates the sensitivity of profit before tax and total equity if market interest rates had been 1% higher or lower with all other variables being constant:

+/-1% change in market interest rates	2019 €'m	2018 €'m
Impact on profit before tax	-/+3.8	-/+2.5
Impact on total equity	-/+3.3	-/+2.2

Price risk

Equity price risk

The Group's objective is to minimise the price risk the Group is exposed to because of equity instruments held by the Group (note 17). These equity instruments are classified on the Group balance sheet as FVOCI (2018: available for sale financial assets). To manage its price risk arising from these 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. The impact of a 5% increase or decrease in equity indices across the eurozone countries would not have any material impact on Group profit before tax or total equity.

Commodity price risk

Commodity price risk in the Group arises primarily from price fluctuations of commodities. The Group's objective is to minimise commodity price risk through entering into commodity future contracts and the use of appropriate hedging strategies. The Group enters into forward purchase and forward sale agreements in the normal course of business. Certain of these contracts are deemed to be 'own use' as they were entered into in accordance with the Group's expected purchase, sale or usage requirements. The impact of a 5% increase or decrease in commodity prices (milk, cheese, gas diesel oil, butter, whey, skim milk powder) would not have any material impact on Group profit before tax or total equity.

Liquidity and cashflow 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. Refer to note 25 for details of the Group's committed facilities.

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, 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 statutory and management accounts and financial projections. All covenants have been complied with in 2019 and 2018.

There is no significant concentration of liquidity risk.

For further details regarding the Group's borrowing facilities see note 25.

Notes to the Financial Statements

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The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities 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 flows.

Financial liabilities	Notes	Less than 1 year €'m	Between 1 and 2 years €'m	Between 2 and 5 years €'m	More than 5 years €'m	Total €'m
At 4 January 2020						
Non-derivative financial liabilities						
– Financial liabilities (excluding finance lease liabilities)*		405.1	456.9	404.4	-	1,266.4
– Finance lease liabilities	25	0.7	0.8	-	-	1.5
– Trade and other payables		458.1	-	-	-	458.1
Less future finance costs		(35.7)	(22.3)	(30.1)	-	(88.1)
		828.2	435.4	374.3	-	1,637.9
Derivative financial liabilities		2.2	4.8	7.5	-	14.5
At 29 December 2018						
Non-derivative financial liabilities						
– Financial liabilities (excluding finance lease liabilities)*		93.2	567.8	247.1	325.9	1,234.0
– Finance lease liabilities	25	0.8	0.8	0.7	-	2.3
– Trade and other payables (restated)		432.0	-	-	-	432.0
Less future finance costs		(34.4)	(30.5)	(30.3)	(0.1)	(95.3)
		491.6	538.1	217.5	325.8	1,573.0
Derivative financial liabilities		1.5	1.7	-	-	3.1

*Financial liabilities include the contractual cash flows on the €100 million convertible bond (note 25). The bond also includes a written call option over Glanbia plc shares (note 30a).

Credit risk

The Group's objective is to minimise credit risk which is managed on a Group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial transaction fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, and credit exposures to customers, including outstanding receivables and committed transactions.

Other financial assets (note 17), loans to joint ventures & associates, and Glanbia MilkFlex (note 18) are not material. Loss allowance of ECL is accordingly not material.

Receivables are written off when there is no reasonable expectation of recovery such as debtor failing to engage in a repayment plan with a company. Subsequent recoveries of amounts written off are recognised in the Group income statement. 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.

Cash and cash equivalents

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 accept exposure to independently rated parties with long term credit ratings of at least Baa3 (Moody's) or BBB- (Standard & Poor's) in the Glanbia plc group or Ba2 (Moody's) or BB (Standard & Poor's) in Glanbia Ireland DAC ('GI'). The Group's cash and cash equivalents (note 20) at 4 January 2020 and 29 December 2018 were held within financial institutions which complied with Group policy. Accordingly, the Group considers its cash and cash equivalents to be of low credit risk and does not expect any expected credit loss in relation to them.

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Trade receivables

The Group's credit risk management policy requires that, where possible, all debt is insured with an external credit insurance underwriter, with the exception of Agribusiness (see below). No goods may be dispatched to a customer on credit until the application for credit has been authorised. The Group's authorisation review includes external credit agency reports, the trading and financial history and position of the customer, the business case, the country in which the customer operates and any other available information. The utilisation of credit limits is actively managed and reviewed formally on an annual basis. Where the extension of credit is not appropriate, payment in advance is required. No goods are dispatched on credit until the credit controller has authorised the application confirming all necessary procedures have been complied with. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date.

GI is also not covered by the credit insurance policy. GI'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.

Goods are sold primarily subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Where required, the Group holds appropriate security or liens in respect of trade and other receivables. The Group does not hold any significant security or liens at the end of the year.

See [note 18](#) for the carrying amount of the Group's trade and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, historical loss rates of operating units are calculated based on their recent historical credit loss experience and applied to the operating units trade receivables at the reporting date. The loss allowance is estimated based on historical loss rules and adjusted where appropriate to reflect current information and forward-looking information on macroeconomic factors, including the trading environment in countries in which the Group sells its goods, which affect the ability of the debtors to settle the receivables.

The movement in the expected credit loss allowance for trade receivables is as follows:

	2019 €'m	2018 €'m
At the beginning of the year	12.5	11.5
Exchange differences	0.2	0.1
Increase in loss allowance recognised in the year	6.0	3.9
Receivables written off during the year as uncollectible	(2.3)	(0.9)
Unused amounts reversed	(1.0)	(2.1)
At the end of the year	15.4	12.5

The net movement in the loss allowance has been included within the Group income statement.

Trade receivables amounted to €534.1 million at 4 January 2020 ([note 18](#)) (restated 2018: €523.5 million). Receivable balances that are neither past due nor impaired amounted to €423.7 million (restated 2018: €419.0 million). Past due information is reported to key management personnel for credit risk management purposes. At 4 January 2020, trade receivables of €110.4 million (2018: €104.5 million) were past due and analysed as follows:

	2019 €'m	2018 €'m
Past due:		
Less than 30 days	40.6	43.2
1 to 3 months	31.4	36.3
4 to 6 months	22.4	15.7
Over 6 months	16.0	9.3
Total	110.4	104.5
Less expected credit loss allowance	(15.4)	(12.5)
	95.0	92.0

Notes to the Financial Statements for the financial year ended 4 January 2020

30e. Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In relation to certain deposits the Group is required to maintain cash on deposit in respect of certain borrowings. The Group and the lender intend to net settle or realise the asset and settle the liability simultaneously. The Group has a current legally enforceable right to offset recognised amounts which is not conditional on the occurrence of a future event. As a result, the Group's borrowings have been presented net of these deposits 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:

Financial assets

	Notes	Gross amounts of recognised financial assets €'m	Gross amounts of recognised financial liabilities set of in the balance sheet €'m	Net amounts of financial assets presented in the balance sheet €'m
At 4 January 2020				
Derivative financial assets	30a	0.9	-	0.9
Cash and cash equivalents	20	455.8	(112.1)	343.7
At 29 December 2018				
Derivative financial assets	30a	1.7	-	1.7
Cash and cash equivalents	20	431.2	(109.1)	322.1

Financial liabilities

	Notes	Gross amounts of recognised financial liabilities €'m	Gross amounts of recognised financial liabilities set of in the balance sheet €'m	Net amounts of financial liabilities presented in the balance sheet €'m
At 4 January 2020				
Derivative financial liabilities	30a	(14.5)	-	(14.5)
Bank overdrafts and borrowings	25	(1,291.9)	112.1	(1,179.8)
At 29 December 2018				
Derivative financial liabilities	30a	(8.0)	-	(8.0)
Bank overdrafts and borrowings	25	(1,250.1)	109.1	(1,141.0)

30f. Carrying amounts of financial instruments

	Notes	2019 €'m	(restated) 2018 €'m
Financial assets measured at amortised cost			
– Trade and other receivables (excluding non-financial instruments)		531.0	533.4
– Ornuo Co-Operative Limited	17	4.3	4.9
		535.3	538.3
Financial liabilities measured at amortised cost			
– Financial liabilities	25	1,179.8	1,141.0
– Trade payables	29	370.3	351.2
– Amounts due to joint ventures & associates	29	87.4	80.5
– Amounts due to other related parties	29	0.4	0.3
		1,637.9	1,573.0
Equity instruments designated at FVOCI	17	4.8	5.2
Financial assets measured at FVTPL – derivatives	30a	0.9	1.7
Financial liabilities measured at FVTPL – derivatives	30a	(14.5)	(8.0)

Notes to the Financial Statements for the financial year ended 4 January 2020

31. Contingent liabilities

Bank guarantees amounting to €12.2 million (2018: €11.6 million) are outstanding at 4 January 2020. 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 8](#). 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 plans. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these plans.

Any Irish registered wholly-owned subsidiary of the Company may avail of the exemption from filing its statutory financial statements for the year ended 4 January 2020 as permitted by section 357 of the Companies Act 2014 and if an Irish registered wholly-owned subsidiary of the Company elects to avail of this exemption, there will be in force an irrevocable guarantee from the Company in respect of all commitments entered into by such wholly-owned subsidiary, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such wholly-owned subsidiary's statutory financial statements for the year ended 4 January 2020.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of Glanbia Foods B.V. (see [note 38](#)), Glanbia plc, a Subsidiary of the Society, has guaranteed the liabilities ensuing from legal acts performed by this subsidiary from 1 January 2019 in accordance with and to the extent as set out in section 2:403.1(f) of the Dutch Civil Code. Therefore Glanbia Foods B.V. is exempt from the obligation to publish its statutory financial statements and its obligations to file statutory financial statements has been fulfilled by means of the publication of the declaration of consent and the declaration of liability.

Within the scope of benefitting from the exemption related to the filing of the statutory financial statements for the financial year ended 31 December 2019 of the three Luxembourg subsidiaries (see [note 38](#)), Glanbia plc, a Subsidiary of the Society, has guaranteed the liabilities of these subsidiaries in respect of any losses or liabilities (as provided by Article 70 (c) of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings) for the financial year ended on 31 December 2019. These subsidiaries avail of the exemption from filing of their statutory financial statements, as permitted by Article 70 of the Luxembourg Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings.

The Group's financial liabilities are secured by cross-guarantees by the Company and certain principal subsidiaries. Expected credit loss allowance in relation to these guarantees is not material.

32. Commitments

Capital commitments

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

	2019 €'m	2018 €'m
Property, plant and equipment	17.8	24.7

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases contain no purchase option.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows at the reporting date:

	2019 €'m	2018 €'m
Not later than 1 year	28.5	24.2
Later than 1 year and not later than 5 years	71.8	62.9
Later than 5 years	49.3	43.6
	149.6	130.7

Other commitments

The Group had committed to provide a facility of €3.8 million under the Glanbia Milk Flex Fund. €0.6m was repaid in 2019 while €0.8 million was drawn down in 2018 ([note 18](#)).

The Group has a commitment in relation to the Patronage Bonus scheme amounting to €30.0 million in 2019 and €0.6 million remaining unpaid relating to 2018. These were approved at an SGM in 2019 and 2018. The Patronage Bonus will be paid out based on events that will be at the discretion of the Board.

Commitments in relation to joint ventures are disclosed in [note 16](#).

Notes to the Financial Statements

for the financial year ended 4 January 2020

33. Cash generated from operations

	Notes	2019 €'m	(restated) 2018 €'m
Profit after taxation		211.4	267.2
Income taxes		27.9	42.1
Reversal/creation of write-down of inventories		9.6	7.6
Non-cash movement in allowance of impairment of receivables		2.7	1.8
Non-cash element of exceptional charge		27.1	-
Non-cash move on cross currency swaps and fair value hedges		0.7	1.6
Share of results of joint ventures & associates	16	(28.0)	(25.5)
Depreciation	13	80.7	72.7
Amortisation	14	63.3	49.0
Non-cash move on secured exchangeable bond			0.2
Fair value of convertible bond		0.2	(1.0)
Cost of share based payments – equity settled	9	4.6	8.8
Cost of share based payments – cash settled	9	(0.3)	1.9
Difference between pension charge and cash contributions		(14.0)	(8.8)
Loss/(gain) on disposal of property, plant and equipment	5	0.3	(0.2)
Net loss on disposals of investments		-	0.2
Recycle of available for sale reserve to the Group income statement on disposal of investment		0.2	(5.3)
Non-cash movement on provision		0.2	(0.8)
Finance income	10	(5.1)	(4.5)
Finance expense	10	42.8	32.5
Impairment of intangibles		1.9	-
Impairment of capital grants	28	(1.5)	-
Amortisation of capital grants received	28	(1.8)	(2.3)
Cash generated before changes in working capital		422.9	437.2
Change in net working capital:			
– Increase in inventory	34	(5.9)	(96.1)
– (Increase)/decrease in short term receivables	34	(3.4)	29.9
– (Decrease)/increase in short term liabilities	34	10.0	64.6
– Decrease in provisions	34	(6.3)	(5.8)
Cash generated from operating activities		417.3	429.8

34. Movement in working capital

	Notes	Inventories €'m	Trade and other receivables €'m	Trade and other payables €'m	Provisions €'m	Total €'m
2019						
At 30 December 2018		665.7	579.6	(772.2)	(38.0)	435.1
Exchange differences		9.5	10.8	(10.8)	(0.1)	9.4
Arising on acquisition	35	15.3	10.5	(8.1)	-	17.7
Reclassification		-	-	-	22.7	22.7
Exceptional items, interest accruals, revolving share plan, capital creditors and other non-operating items		(27.5)	1.0	21.2	(0.9)	(6.2)
Increase in working capital	33	5.9	3.4	(10.0)	6.3	5.6
4 January 2020		668.9	605.3	(779.9)	(10.0)	484.3
2018 (restated)						
At 30 December 2017		533.1	540.6	(586.0)	(57.8)	429.9
Exchange differences		12.3	10.7	(14.5)	(0.2)	8.3
Arising on acquisition	35	32.0	24.8	(31.9)	-	24.9
Exceptional items, interest accruals, revolving share plan, capital creditors and other non-operating items		184.4	(25.9)	(204.4)	25.8	(20.1)
Increase/(decrease) in working capital	33	(96.1)	29.4	64.6	(5.8)	(7.9)
At 29 December 2018		665.7	579.6	(772.2)	(38.0)	435.1

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35. Business combinations

Acquisitions in 2019

On 28 February 2019, the Group acquired 100% of the equity of Watson LLC and Polymer Films LLC (collectively known as 'Watson'). Watson is a US based non-dairy ingredient solutions business, which will be a complementary acquisition for the Group and has been included in the Glanbia Nutritionals segment of Glanbia plc. The goodwill relates to the acquired workforce, the expectation that the business will give rise to synergies across the Glanbia Nutritionals segment of Glanbia plc, will generate future sales beyond the existing customer base, as well as the opportunity to expand the business into new markets, where there are no existing customers, and leverage the recipes and know-how across the Glanbia Nutritionals segment of Glanbia plc. Goodwill of €6.5 million is not deductible for tax purposes.

Details of the net assets acquired and goodwill arising from the acquisition are as follows:

	Total €'m
Purchase consideration – cash paid	61.3
Less: Fair value of assets acquired	(49.5)
Goodwill	11.8

The fair value of assets and liabilities arising from the acquisition are as follows:

	Notes	Total €'m
Property, plant and equipment	13	16.6
Software	14	0.3
Intangible assets – recipes and know-how	14	8.8
Intangible assets – customer relationships	14	12.9
Intangible assets – brands	14	1.1
Inventories	34	15.3
Trade and other receivables		13.7
Trade and other payables	34	(8.1)
Cash and cash equivalents (excluding bank overdraft)	25	4.6
Bank overdraft	25	(8.8)
Bank loans	25	(6.4)
Deferred tax liability	26	(0.5)
Fair value of net assets acquired		49.5

The fair value of Watson's trade and other receivables at the acquisition date amounted to €13.7 million. The gross contractual amount for trade receivables due is €13.5 million, of which €0.3 million is expected to be uncollectable.

Combined impact of acquisitions

The revenue and profit before taxation and exceptional items of the Group, including the impact of acquisitions completed during the financial year ended 4 January 2020, were as follows:

	2019 Acquisitions €'m	Group excluding acquisitions €'m	Consolidated group including acquisitions €'m
Revenue	76.0	5,723.1	5,799.1
Profit before taxation	4.3	281.8	286.1

The revenue and profit before taxation and exceptional items of the Group for the financial year ended 4 January 2020 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:

	2019 Acquisitions €'m	Group excluding acquisitions €'m	Pro-forma consolidated group €'m
Revenue	91.2	5,723.1	5,814.3
Profit before taxation	3.2	281.8	285.0

Acquisitions in 2018

The Group acquired KSF Holdings LLP and HNS Intermediate Corporation who collectively own SlimFast and their brands ('SlimFast') in 2018 for which the fair value of assets and liabilities were determined provisionally. Following the finalisation of the fair value of assets and liabilities during the measurement period, goodwill decreased by €1.5 million. This was as a result of an increase in the fair value of customer relationships intangible assets of €2.7 million and a decrease in the fair value of working capital of €1.2 million.

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36. Related party transactions

Related parties of the Group include subsidiary undertakings, joint ventures & associates, key management personnel and connected parties. A listing of the principal subsidiary and associated undertakings is provided in [note 38](#).

Transactions with joint ventures & associates

The Group trades in the normal course of business with its joint ventures & associates. The Group has certain agency agreements in place with its joint ventures & associates. The commission income receivable is included in sales of services, see [note 36a](#) and the year end balance receivable is included in [note 36c](#). The Group provides management and administrative services to its joint ventures & associates, which are settled in cash. Dividends received by the Group from its joint ventures & associates are as follows:

	Notes	2019 €'m	2018 €'m
Southwest Cheese Company, LLC	16	11.2	10.6
Glanbia Cheese Limited	16	12.5	12.4
South East Port Services Limited		0.4	0.4

The following transactions were carried out with related parties:

36a. Sales of goods and services

	2019 €'m	(restated) 2018
Sales of goods:		
– Associates		-
– Joint Ventures	104.8	123.7
– Key management	2.7	1.5
Sales of services:		
– Associates	-	-
– Joint Ventures	10.7	8.3

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

36b. Purchase of goods and services

	2019 €'m	(restated) 2018
Purchases of goods:		
– Associates	21.1	0.6
– Joint Ventures	1,025.8	810.9
– Key management	6.8	4.6
Purchases of services:		
– Associates	-	-
– Joint Ventures	0.2	0.7

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

36c. Year end balances

	Notes	2019 €'m	(restated) 2018
Receivables from related parties:			
– Associates			-
– Joint Ventures	18	6.1	5.9
– Key management	18	1.0	-
Payables to related parties:			
– Associates		-	-
– Joint Ventures		87.4	80.5
– Key management		0.4	0.3

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. No guarantees have been given or received. All outstanding balances are deemed to be fully recoverable by the Group.

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36d. Contribution to retirement benefit plans

Information in relation to the Group's contributions to retirement benefit plans is disclosed in [note 8](#).

36e. Key management compensation

Key management compensation includes the compensation of the Board of Directors (Executive and Non-Executive) and members of the Glanbia Operating Executive, including the Group Secretary. Dividends totalling €0.3 million (2018: €0.3 million) were received by key management personnel during the year, based on their personal shareholdings in Glanbia plc.

Key management personnel and connected parties

The Board of Directors and Glanbia Operating Executive are deemed to be key management personnel as they are responsible for planning, directing and controlling the activities of the Group. The Group trades in the normal course of business with key management personnel and connected parties who are involved in farming activities.

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 Annual Incentive Scheme and Long Term Incentive Plan, see [notes 8 and 9](#). No loans were made to key management during the year (2018: nil).

	2019 €'m	2018 €'m
Salaries and other short-term employee benefits	8.9	8.9
Post-employment benefits	1.2	1.0
Share based payments	0.5	6.6
Non-Executive Directors fees	1.9	1.8
	12.5	18.3

Retirement benefits of €0.4 million (2018: €0.4 million) were accrued in the year to four members of key management (2018: four) under a post retirement defined benefit plan. Total retirement benefits accrued to directors under the post retirement defined benefit plan are €7.6 million (2018: €6.5 million).

36f. Loans to joint ventures & associates

	2019 €'m	2018 €'m
Loans receivable		
At the beginning of the year	2.9	1.9
Loans (repaid)/advanced during the year	(1.0)	1.0
At the end of the year	1.9	2.9
Interest on loans receivable		
At the beginning of the year	-	0.1
Interest charged	0.1	-
Interest received	-	(0.1)
At the end of the year	0.1	-
Total loan and interest receivable at the end of the year	2.0	2.9

Loans receivable balance at the end of the year comprise:

- An interest bearing unsecured loan of €1.5 million, to South East Port Services Limited, a joint venture, is repayable subject to cash flows. An interest rate of 3.5% applies.
- An interest free unsecured loan of €0.4 million to Malting Company of Ireland Limited, a joint venture, is repayable on 15 June 2043.
- During 2018, a loan of €1.0 million was advanced at arm's length to Glanbia Cheese EU Limited, a joint venture, which was repaid in 2019.

These loans are classified within non-current trade and other receivables in the Group balance sheet and are detailed in [note 18](#).

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37. Events after the reporting period

In relation to Glanbia plc, a final dividend of 15.94c per ordinary share amounting to €47.2 million is proposed and recommended by the Directors. Subject to shareholder approval, this dividend will be paid on 24 April 2020 to shareholders on the register of members on 13 March 2020, the record date. In relation to Glanbia Ireland DAC, a final dividend of €31.4 million was approved by the Board on 11 March 2020.

The COVID-19 global pandemic is an unprecedented event that will in some way touch everybody on the planet. As a food and nutrition business, we have a recognised and important role to play in this crisis. The safety of our employees, customers, partners, consumers and products remains our highest priority. Wherever and whenever we can, we are actively supporting those who continue to have their lives changed or impacted by the virus, and those who are tirelessly and selflessly supporting the affected. We remain incredibly grateful for the extraordinary efforts that all our people are making in ensuring business continuity and continued product supply to our customers.

In parallel, we have implemented appropriate contingency and business continuity plans in order to safeguard that our production plants and supply chain remain fully operational. We have implemented global best-practice precautionary and hygiene measures at all our locations, including even stricter sanitation protocols, social distancing, travel restrictions and, where possible, our people are working from home. To-date this has meant that our supply chain is operational. As we move forward and governments step up their efforts to control the spread of COVID-19 we may see some disruption, although the extent and duration is unknown.

The effect of COVID-19, a non-adjusting event, on the Group is further considered in the going concern disclosure in Note 2.

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38. Principal subsidiary and associated undertakings

The information outlined below relates only to the principal undertakings in the Group.

All beneficial interests are in ordinary shares, membership interests or membership units held by Glanbia plc or Glanbia Ireland DAC except where indicated (*) which represent interests held by the Society directly.

(a) Subsidiaries

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
Ireland			
Alanfield Society Limited	1	Holding society	100
Avonmore Proteins Designated Activity Company ⁵	1	Financing	100
Avonmore Skim Milk Products Limited ⁵	1	Financing	100
Glanbia Cheesip Limited ¹	1	Research and development	100
D. Walsh & Sons Limited	40	Grain and fertilisers	60
Glanbia Consumer Foods Limited	1	Chilled consumer foods	100
Glanbia Estates Limited	1	Property and land dealing	100
Glanbia Commercial Limited ⁵	1	Financing	100
Glanbia Commsa Limited ⁵	1	Financing	100
Glanbia Commus Limited ⁵	1	Financing	100
Glanbia Finance Designated Activity Company ⁵	1	Financing	100
Glanbia International Finance Designated Activity Company	1	Financing	100
Glanbia Financial Services Unlimited Company	1	Financing	100
Glanbia Investipr Designated Activity Company	1	Holding and managing receivables	100
Glanbia Investment Holding Limited	1	Holding company	100
Glanbia Ireland Designated Activity Company ³	41	Milk Products	72.6*
Glanbia Ireland Treasury DAC	1	Financing	100
Glanbia Management Services Limited	1	Management services	100
Glanbia Nutritionals (Blending) Limited ⁵	1	Financing	100
Glanbia Nutritionals (Europe) Limited	1	Nutritional ingredients	100
Glanbia Nutritionals (Ireland) Limited	1	Nutritional ingredients and performance nutrition	100
Glanbia plc	1	Holding company	100
Glanbia Property Holding Designated Activity Company	1	Holding company	100
Glanbia Property Rentals Designated Activity Company ⁵	1	Property lessor	100
Glanbia Services Society Limited	1	Holding society	100*
Glanbia Support Services Limited	1	Business services	100
Glassonby Unlimited Company	1	Financing	100
Grassland Fertilizers (Kilkenny) Limited	40	Fertilisers	73
MacCormac Products Limited	1	Royalty earnings	75
South Eastern Cattle Breeding Society Limited	42	Cattle breeding	61
ON Optimum Nutrition Limited ⁵	1	Financing	100
Quinport Limited	1	Holding company	100*
Robinfield Co-operative Society Limited	1	Holding society	100
Sladmore Limited	1	Holding company	100*
Waterford Foods Designated Activity Company	1	Holding company	100
Glanbia Foods Ireland Limited	1	Consumer foods, agri trading and business services	100
Wexford Creamery Limited	1	Inactive	100

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Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
United States			
Aseptic Solutions USA Ventures, LLC	2	Nutritional ingredients	100
Glanbia Business Services, Inc.	2	Business services	100
Glanbia (Delaware), Inc.	2	Holding company	100
Glanbia, Inc.	2	Holding company	100
Glanbia Foods, Inc.	3	Cheese and nutritional ingredients	100
Glanbia Ingredients Services, Inc.	43	Dairy Products Distribution	100
Glanbia Nutritionals (NA), Inc.	2	Nutritional ingredients	100
Glanbia Nutritionals, Inc.	2	Nutritional ingredients	100
Glanbia Nutritional Services, LLC	2	Management services	100
Glanbia Performance Nutrition (Manufacturing), Inc.	2	Performance nutrition	100
Glanbia Performance Nutrition (NA), Inc. (formerly known as Glanbia Performance Nutrition, Inc.)	4	Performance nutrition	100
GPN Commercial, LLC	2	Performance nutrition	100
GPN Slimfast Commercial, LLC	2	Weight management solutions	100
Grass Advantage, LLC	5	Performance nutrition	100
Hyper Network Solutions of Florida, LLC	4	Mineral and vitamin supplements	100
KSF Acquisition Corporation	2	Weight management solutions	100
Lifeagen Biosciences of Florida, Inc.	4	Mineral and vitamin supplements	100
Watson LLC ⁴	6	Non-dairy ingredient solutions	100
Britain and Northern Ireland			
Glanbia Feedstuffs Limited	7	Animal feed distribution	100
Glanbia Foods (NI) Limited	44	Consumer food distribution	100
Glanbia Holdings Limited	7	Financing	100
Glanbia Investments (UK) Limited	7	Holding company	100
Glanbia Milk Limited	7	Management services	100
Glanbia Performance Nutrition (UK) Limited	7	Performance nutrition	100
Glanbia Performance Nutrition (UK Sales Division) Limited	7	Holding company	100
Glanbia (UK) Limited	7	Holding company	100
KSF Acquisition UK Limited	7	Weight management solutions	100
Waterford Foods International Limited	7	Holding company	100
Australia			
Glanbia Performance Nutrition Pty Limited	8	Performance nutrition	100
Brazil			
Glanbia Marketing de Produtos de Nutricao e Performance do Brasil Ltda ³	9	Performance nutrition	100
Canada			
Glanbia Nutritionals (Canada) Inc. ³	10	Nutritional ingredients	100
Glanbia Performance Nutrition Canada Inc. ³	10	Performance nutrition	100
China			
Glanbia Ingredients Trading (Shanghai) Company Limited	49	Marketing and support services	100
Glanbia Nutritionals (Suzhou) Co. Limited ³	11	Nutritional ingredients	100
Glanbia Performance Nutrition Trading (Shanghai) ³ Co., Ltd.	12	Performance nutrition	100
Glanbia (Shanghai) International Trading ³ Co. Limited	13	Nutritional ingredients	100
Denmark			
Nutramino Holding ApS ³	14	Holding company	100
Nutramino Int. ApS ³	14	Performance nutrition	100
France			
Glanbia Performance Nutrition France SAS ³	15	Performance nutrition	100
Germany			
Body & Fit Nutrition GmbH ³	16	Performance nutrition	100
Glanbia Ingredients GmbH	17	Marketing and support services	100
Glanbia Nutritionals Deutschland GmbH ³	17	Nutritional ingredients	100
Glanbia Performance Nutrition GmbH ³	18	Performance nutrition products	100
India			
Glanbia India Private Limited ²	19	Nutritional ingredients	100
Glanbia Performance Nutrition (India) Private Limited ²	20	Performance nutrition	100

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Incorporated and operating in	Registered office	Principal activity	Beneficial % interest
Japan			
Glanbia Japan K.K. ³	21	Nutritional ingredients	100
Korea (Republic of)			
Glanbia Performance Nutrition Korea LLC ³	22	Performance nutrition	100
Luxembourg			
Glanbia Luxembourg SA ³	23	Financing	100
Glanbia Luxfin SA ³	23	Financing	100
Glanbia Luxinvest SA ³	23	Financing	100
Mexico			
Glanbia, S.A. de CV ³	24	Nutritional ingredients	100
Netherlands			
B&F Vastgoed B.V. ³	25	Holding company	100
Body & Fit Sportsnutrition B.V. ³	25	Performance nutrition	100
Glanbia Foods B.V. ³	26	Holding company	100
New Zealand			
Glanbia Performance Nutrition (New Zealand) Limited ³	27	Performance nutrition	100
Norway			
Nutramino NO AS ³	28	Performance nutrition	100
Philippines			
Glanbia Performance Nutrition Philippines, Inc. ³	29	Performance nutrition	100
Portugal			
Glanbia Nutritionals (Portugal) – Sociedade Unipessoal, Lda. ³	30	Performance nutrition	100
Russian Federation			
LLC Glanbia ³	31	Nutritional ingredients	100
Singapore			
Glanbia Nutritional Singapore Pte Limited ³	32	Nutritional ingredients	100
Glanbia Performance Nutrition Singapore Pte Ltd	33	Performance nutrition	100
South Africa			
Glanbia (Pty) Limited ³	34	Nutritional ingredients	100
Sweden			
Nutramino AB ³	35	Performance nutrition	100
Turkey			
Glanbia Besin Ürünleri Pazarlama ve Ticaret Limited Sirketi ³	36	Performance nutrition	100
United Arab Emirates (UAE)			
Glanbia Performance Nutrition DMCC (UAE) ³	37	Performance nutrition	100
Uruguay			
Glanbia (Uruguay Exports) SA ³	38	Nutritional ingredients	100

1. Glanbia Cheesip Limited has a branch at 1 Rue Huldegard von Bingen L-1282 Luxembourg, with a statutory year fixed at 31 December each year in order to comply with statutory requirements.

2. The statutory year end of this subsidiary is 31 March 2018, which coincides with the tax year in India.

3. The statutory year end of these subsidiaries is fixed at 31 December each year in order to comply with statutory requirements.

4. Acquired in 2019.

5. The statutory year end of these subsidiaries is 23 December to facilitate changes to intragroup financing arrangements in 2020.

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 subsidiaries.

Notes to the Financial Statements

for the financial year ended 4 January 2020

(b) Joint ventures

Incorporated and operating in	Date to which results are included	Registered office	Principal activity	Beneficial % interest
Ireland				
Corman Miloko Ireland Limited	4/1/2020	45	Butter, oil and dairy spreads	45
Malting Company of Ireland Limited	4/1/2020	46	Malting	50
South East Port Services Limited ⁶	4/1/2020	40	Port services	49
Glanbia Cheese EU Limited	4/1/2020	1	Cheese products	50
United States				
MWC-Southwest Holdings LLC (formerly known as Spartan-Southwest Holdings, LLC)	4/1/2020	2	Holding company of two cheese and nutritional ingredients companies	50
Britain and Northern Ireland				
Glanbia Cheese Limited	4/1/2020	39	Cheese products	51

6. The Group holds 60% of the preference shares in South East Port Services Limited through its subsidiary D. Walsh & Sons Limited. No voting rights are attached to these shares.

(c) Associates

Incorporated and operating in	Date to which results are included	Registered office	Principal activity	Beneficial % interest
Ireland				
Co-Operative Animal Health Limited	4/1/2020	47	Agri chemicals	50
Greenfield Dairy Partners Limited	4/1/2020	48	Milk products	33

The Group's interests in joint ventures & associates are subject to certain restrictions however these are not material.

Notes to the Financial Statements

for the financial year ended 4 January 2020

Registered office

1. Glanbia House, Kilkenny, Ireland, R95 E866
2. 3411 Silverside Road Tatnall Building 104, Wilmington, New Castle County, DE 19810
3. 950 W Bannock Street 1100, Boise, ID83702, Ada County
4. 11380 Prosperity Farms Rd 221E, Palm Beach Gardens FL 33410
5. 251 Little Falls Drive, Wilmington, New Castle County, DE 19808
6. Kiernan Herner LLP, 105 Danbury Road, Suite 203, Ridgefield, CT 06877
7. One Victoria Square, Birmingham, B1 1BD
8. Level 10, 68 Pitt Street, Sydney NSW 2000
9. Alameda Gabriel Monteiro da Silva, No. 2892, Jardim America, na Cidade de Sao Paulo, São Paulo
10. 1700-242 Hargrave Street, Winnipeg MB, R3C 0V1
11. No. 128 Fangzong Street SIP, Suzhou, Jiangsu Province, PRC 215025, China
12. Room 101, Building D, the Bund SOHO, Zhongshan East 2nd Road 88, Shanghai, 200001
13. Room 228, 2/F, Building 1, No. 239, Gang'ao Road, Shanghai New Free Trade Zone, China
14. Landgreven 3, 1. tv., 1301, København K
15. 8, Avenue Hoche, 75008, Paris
16. Hohenstaufenring 62, 50674, Köln
17. Gewerbestrasse 3, 78359 Orsingen – Nenzingen
18. Mainzer Landstraße 41, 60329, Frankfurt am Main
19. Ground Floor, No. 12/47, 7th Cross, Swimming Pool Extension, Malleshwaram, Bangalore KA, 560003
20. Allied House, Nelson Mandela Marg Pocket 10, Sector B, Vasant Kunj, New Delhi, DL110070
21. Level 18 Yebisu Garden Place, Tower 4–20–3, Ebisu Shibuya-ku, Tokyo
22. 1319, 13th floor, 311 Gangnam-daero, Seocho-gu, Seoul
23. 15, Boulevard Friedrich Wilhelm Raiffeisen, L-2411, Luxembourg
24. Av. Prolongación Paseo de la Reforma No. 115–1006, Col. Paseo de las Lomas, C.P. 01330
25. Mars 10, 8448CP, Heerenveen
26. Atrium Building 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam
27. C/–Martelli Mckegg, Level 20, PwC Tower, 188 Quay Street, Auckland, 1010
28. Fillipstad brygge 1, 0252, Oslo
29. 146 Yakal Street, San Antonio Village, Makati City 1203
30. Miraflores, Torre de Mansanto, Rua Afonso Praça, 30–7o e 8o piso, 1495–061 Miraflores
31. 6 Vernadskogo prospect, Office 614, 119311, Moscow
32. Helios, 03-03/04, 11 Biopolis Way, Singapore, 138667
33. 300 Beach Road, 35-06/07, The Concourse, 199555
34. Stand 893, 7 Forbes Street, Midstream Estate – Windsor Gate, Brakfontein Road, Guateng, South Africa, 2192
35. Ostermalinstorg.1, 4 tr, 114 42, Stockholm
36. Kocatepe Mah., Lamartin Cad. No:5, Ofis Lamartine Kat:6, Taksim, Beyoglu, Istanbul, 34437
37. Unit No. 3406, Liwa Heights 1, Plot No: JLT – PH2-W3A, Jumeirah Lake Towers, Dubai
38. Copacabana Street, Block 26 – S 12, Médanos de Solymar City, Canelones
39. 4 Royal Mews, Gadbrook Park, Rudheath, Northwich, Cheshire, CW9 7VD
40. Palmerstown, Co Kilkenny
41. Ballyconra, Ballyragget, Co.Kilkenny
42. Dovea,Thurles, Co Tipperary
43. 4650 W.Spencer Street, Appleton, Outagamie County,WI 54914
44. 202 City Business Park, Dunmurry, BT17 9HY
45. Deerpark, Carrick-on-Suir, Co. Tipperary
46. The Maltings, South Link, Togher, Co. Cork
47. Tullow, Co. Carlow
48. Grove, Dunbe Grove, Dunbell, Co. Kilkenny
49. Room 901-902, No 550 East Yan'an Road, Huangpu District, Shanghai

39. 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 1893-2014 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;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- 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
Registered number 4928R
Financial statements
4 January 2020

Income Statement

for the financial year ended 4 January 2020

	Notes	2019 €'m	2018 €'m
Revenue	3	-	-
Administration expenses	4	(6.9)	(4.2)
Operating loss		(6.9)	(4.2)
Income from shares in Group companies	5	39.1	35.2
Interest receivable and similar income	6	2.6	2.7
Interest payable and similar charges	7	(1.9)	(2.2)
Profit before taxation		32.9	31.5
Income taxes	8	-	-
Profit for the year		32.9	31.5

On behalf of the Board

Mn Keane

S Talbot

M Garvey

Michael Keane *Shirley Talbot* *John Garvey*

Statement of Other Comprehensive Income for the financial year ended 4 January 2020

	Notes	2019 €'m	2018 €'m
Profit for the year		32.9	31.5
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to the Group income statement:			
Remeasurement of defined benefit liability	18	-	0.2
Revaluation of equity investments at FVOCI*, net of deferred tax	12	(0.2)	-
Items that may be reclassified subsequently to the Group income statement:			
Revaluation of AFS** financial assets		-	(0.6)
Other comprehensive (expense) for the year, net of income tax		(0.2)	(0.4)
Total comprehensive income for the year		32.7	31.1

* Fair value through other comprehensive income ('FVOCI')

** Available for sale ('AFS')

Balance Sheet

as at 4 January 2020

	Notes	2019 €'m	2018 €'m
Non-current assets			
Tangible assets	10	0.9	1.5
Intangible assets	11	0.4	-
Financial assets	12	267.2	267.2
Other financial assets (2018: AFS financial assets)	12	0.9	1.1
Debtors	13	43.3	53.3
		312.7	323.1
Current assets			
Debtors	13	154.8	137.4
Cash and cash equivalents	14	24.5	36.4
		179.3	173.8
Creditors: amounts falling due within one year	15	(29.9)	(21.6)
Net current assets		149.4	152.2
Total assets less current liabilities		462.1	475.3
Creditors: amounts falling due after more than one year	16	(98.2)	(97.6)
Provisions for liabilities			
Retirement benefit obligations	18	(0.6)	(0.7)
Net assets		363.3	377.0
Capital and reserves			
Share capital and share premium	19	161.2	160.7
Capital reserve		17.4	17.4
FVOCI reserve (2018: AFS reserve)		(2.3)	(2.1)
Retained earnings		187.0	201.0
Shareholders' equity		363.3	377.0

On behalf of the Board

Mn Keane

S Talbot

M Garvey

Antonia Keane *Thomas Talbot* *Sean Garvey*

Statement of Changes in Equity for the financial year ended 4 January 2020

	Share capital and share premium (note 19) €'m	Retained Earnings €'m	Capital Reserve (note a) €'m	FVOCI Reserve (note b) €'m	Total Equity €'m
Balance at 30 December 2018	160.7	201.0	17.4	(2.1)	377.0
Profit for the year	-	32.9	-	-	32.9
Other comprehensive expense	-	-	-	(0.2)	(0.2)
Total comprehensive income/(expense) for the year	-	32.9	-	(0.2)	32.7
Transactions with owners, recorded directly in equity					
Issue of share capital and share premium	0.5	-	-	-	0.5
Ordinary share interest (note 9)	-	(5.6)	-	-	(5.6)
Dividend payable to Society shareholders (note 9)	-	(5.0)	-	-	(5.0)
Distribution to members (note 9)	-	(36.3)	-	-	(36.3)
Balance at 4 January 2020	161.2	187.0	17.4	(2.3)	363.3
Balance at 31 December 2017					
	143.5	217.7	17.4	(1.5)	377.1
Profit for the year	-	31.5	-	-	31.5
Other comprehensive income/(expense)	-	0.2	-	(0.6)	(0.4)
Total comprehensive income/(expense) for the year	-	31.7	-	(0.6)	31.1
Transactions with owners, recorded directly in equity					
Issue of share capital and share premium	17.2	-	-	-	17.2
Ordinary share interest (note 9)	-	(4.8)	-	-	(4.8)
Distribution to members (note 9)	-	(43.6)	-	-	(43.6)
Balance at 29 December 2018	160.7	201.0	17.4	(2.1)	377.0

- (a) The capital reserve comprises of a capital redemption reserve which arose on the re-nominalisation of the Society's share capital on conversion to euro and a capital reserve which relates to the cancellation of Society shares.
- (b) Unrealised gains and losses arising from changes in the fair value of equity instruments measured at FVOCI are recognised in the FVOCI reserve. On derecognition of such an equity instrument, the accumulated balances of an instrument associated with it will be reclassified to retained earnings.

At and before 29 December 2018, this account is AFS reserve. Unrealised gains and losses from changes in the fair value of AFS financial assets are recognised in the AFS financial asset reserve. When such AFS financial assets are sold or impaired, the accumulated fair value adjustments are recycled in the income statement.

Notes to the Financial Statements

for the financial year ended 4 January 2020

1. Accounting policies

Basis of preparation

Glanbia Co-operative Society Limited (the 'Society') is a society incorporated and domiciled in Ireland. The address of its registered office is Glanbia House, Kilkenny.

These financial statements are prepared for the 53-week period ended 4 January 2020. Comparatives are for the 52 week period ended 29 December 2018. The balance sheets for 2019 and 2018 have been drawn up as at 4 January 2020 and 29 December 2018 respectively.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Society applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU, but makes amendments where necessary in order to comply with the Industrial and Provident Societies Acts 1893 to 2014 and has set out below where advantage of the FRS 101 disclosures exemptions has been taken.

The Society has taken advantage of the following disclosure exemptions under FRS 101, where applicable:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the Society and its subsidiaries include the equivalent disclosures, the Society has also taken the exemptions under FRS 101 available in respect of the following disclosures, where applicable:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared in euro and presented in euro millions (€'m).

The Society adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' during the year ended 4 January 2020 with no material impact to the financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis except, where applicable, the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments measured at fair value.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The rates of depreciation are as follows:

- | | |
|-----------------------|-----|
| • Buildings | 4% |
| • Plant and machinery | 10% |
| • Hardware | 20% |

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.

Financial assets

Investments in subsidiaries are held at cost in financial assets and are reviewed for impairment annually. An impairment loss is recognised in the income statement for the amount by which the carrying value exceeds its recoverable amount.

Other financial assets

The Company classifies and initially measures its equity instruments at fair value and are subsequently adjusted to fair value at each reporting date. If the market for a financial asset is not active or unquoted, the Group establishes fair value using valuation techniques. Changes in their fair value are recognised in the profit and loss account unless management has elected to present changes in fair value through other comprehensive income ('FVOCI') on an investment by investment basis. When an election is made for an investment, there is no subsequent reclassification of fair value gains and losses related to the investment to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Notes to the Financial Statements for the financial year ended 4 January 2020

Debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for expected credit loss for receivables. These are classified as non-current except for those maturing within 12 months of the reporting date or repayable on demand.

Impairment

An allowance for expected credit loss is made when the Company will be unable to recover receivable balances in full. Balances are written off when the probability of recovery is assessed as being remote. The loss allowance of expected credit loss for amounts owed by subsidiary undertakings is not material at year end.

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.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are recognised initially at fair value. Financial liabilities 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 financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities unless the Society has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments

The convertible bond includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder, or an amount of cash equal to the market value of the fixed number of shares at the date of conversion. This convertible bond option is accounted for as a derivative liability. The convertible bond is a hybrid instrument containing a host debt contract and a conversion option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. The host bond is initially recognised at fair value and subsequently amortised at cost.

Employee benefits

Pension obligations

The Society has both defined benefit and defined contribution plans.

Defined contribution pension

A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity. The Society 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 the defined benefit pension plan 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 quoted securities in active markets 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 Society 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.

Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

Notes to the Financial Statements for the financial year ended 4 January 2020

Interest receivable and Interest payable

Interest payable and similar charges include where applicable, interest payable, finance charges on shares classified as liabilities and finance leases recognised in the income statement using the effective interest method and unwinding of the discount on provisions.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Taxation

The tax expense for the year 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.

Current tax

Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Society balance sheet date in countries where the Society 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.

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 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.

2. Principal activities

The principal activity of the Society is the holding of investments.

3. Turnover

	2019 €'m	2018 €'m
By class of business		
Milk advisory services	-	-
By geographical market		
Ireland	-	-

4. Administration expenses

	2019 €'m	2018 €'m
Employee benefits	0.3	0.2
Board, council and committee expenses	1.4	0.9
Charges for services provided by other Glanbia group companies	1.9	1.7
Legal and professional fees	0.2	0.2
Other	3.1	1.2
	6.9	4.2

Remuneration paid/payable to the current auditors for the statutory audit of the Society during the year ended 4 January 2020 was €0.1 million (2018: €0.1 million).

Directors' fees paid during the year ended 4 January 2020 were €0.5 million (2018: €0.5 million).

5. Income from shares in Group companies

	2019 €'m	2018 €'m
Dividend income from ordinary shares in Glanbia plc	21.7	22.3
Dividend income from ordinary shares in Glanbia Ireland DAC	17.4	12.9
	39.1	35.2

Notes to the Financial Statements for the financial year ended 4 January 2020

6. Interest receivable and similar income

	2019 €'m	2018 €'m
FV of convertible bond	-	1.0
Rental income	0.3	0.2
Interest on loan to another Group company	2.3	1.5
Total interest receivable and similar income	2.6	2.7

7. Interest payable and similar charges

	2019 €'m	2018 €'m
Glanbia Advance Payment Scheme secured exchangeable bond finance costs including cost amortisation	1.8	1.8
Revolving Share Plan finance cost	-	0.4
FV of convertible bond	0.1	-
Total interest payable and similar charges	1.9	2.2

8. Taxation

Recognised in the income statement	2019 €'m	2018 €'m
Irish corporation tax	-	-
Current tax on income for the year	-	-
Total current tax charge	-	-
Deferred tax (note 16)	-	-
Origination and reversal of temporary differences	-	-
Total deferred tax charge/(credit)	-	-
Total tax charge/(credit) on profit on ordinary activities	-	-

Reconciliation of the total tax expense

The tax charge for the year is different than the tax charge that would result from applying the standard rate of Irish corporation tax to the profit on ordinary activities before taxation. The differences are explained below.

	2019 €'m	2018 €'m
Profit on ordinary activities before taxation	32.9	31.5
Profit on ordinary activities before taxation multiplied by standard rate of Irish corporation tax of 12.5% (2018: 12.5%)	4.1	4.0
Income taxable at passive Irish rates	0.3	0.3
Non-taxable income	(4.9)	(4.4)
Expenses of management	(0.2)	(0.3)
Other differences including income/(expenses) not deductible for tax	0.7	0.4
Total tax charge	-	-

Notes to the Financial Statements for the financial year ended 4 January 2020

9. Ordinary share interest and appropriations

	Notes	2019 €'m	2018 €'m
Ordinary share interest paid to Society shareholders	(a)	5.6	4.8
Distribution to Society shareholders – Dividend payable	(b)	5.0	-
Distribution to Society shareholders – rebates	(c)	36.3	43.6
		46.9	48.4

- (a) Ordinary share interest paid in 2019 was 15 cent per share on 37.2 million shares (2018: 13 cent per share on 36.9 million shares).
- (b) During 2019, the Board approved a further ordinary share interest (Special Dividend) distribution of €5 million (13.5 cent per share) to be paid in no more than two instalments, with the final instalment being paid no later than 31st December 2020.
- (c) Details of the patronage rebates are as follows:

During 2019, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature and the timing of payments at the discretion of the Board. As at 4 January 2020 €30.0 million remains unpaid (2018: nil).

During 2018, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €20.0 million with the nature and the timing of payments at the discretion of the Board. As at 4 January 2020 nil remains unpaid (2018: €20.0 million).

During 2017, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €30.0m with the nature on the timing of payments at the discretion of the Board. As at 4 January 2020 nil remains unpaid (2018: €2.5 million).

During 2017, at a Special General Meeting of the Society, members of the Society approved the payment of patronage rebate funds from the future receipts of annual dividends from Glanbia Ireland with the nature on the timing of payments at the discretion of the Board. During 2018 the Board announced the Trading Bonus Scheme as payments from these funds. As at 4 January 2020 the estimated payments were €13.8 million (2018: €14.0 million) with €13.3 million (2018: €14.0 million) remaining unpaid at year end.

During 2019, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:

- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to one unit of € loan stock for every 100 litres of milk supplied during 2019.
- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to two units of € loan stock for every 100 litres of milk supplied during 2018.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to three units of € loan stock for every one tonne of grain supplied during 2018 and 2019.

During 2018, pursuant to rule 98 of the rules of the Society, the Board distributed the below rebates to members of the Society from the members' approved funds:

- A milk rebate to members who supplied milk to the Society or its subsidiaries on the basis of up to three units of € loan stock for every 100 litres of milk supplied during 2018.
- A feed rebate to members who purchased from the Society or its subsidiaries on the basis of up to fifty units of € loan stock for every one tonne of retail purchases of feed during April 2018.
- A fertiliser rebate to members who purchased from the Society or its subsidiaries on the basis of up to seven units of € loan stock for every one tonne of retail purchases of fertiliser during 2017.
- A feed rebate to members who purchased from the Society or its subsidiaries on the basis of up to ten units of € loan stock for every one tonne of retail purchases of feed during 2017.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to 14 units of € loan stock for every one tonne of grain supplied during 2017.

Notes to the Financial Statements for the financial year ended 4 January 2020

10. Tangible assets

	Notes	Land and buildings €'m	Plant and equipment €'m	Hardware €'m	Total €'m
Cost					
Balance at 30 December 2018		3.3	1.1	0.7	5.1
Additions		-	-	-	-
Reclassification	11	-	-	(0.4)	(0.4)
Balance at 4 January 2020		3.3	1.1	0.3	4.7
Depreciation					
Balance at 30 December 2018		2.2	1.1	0.3	3.6
Depreciation charge for the year		0.2	-	-	0.2
At 4 January 2020		2.4	1.1	0.3	3.8
Carrying amount					
At 30 December 2018		1.1	-	0.4	1.5
At 4 January 2020		0.9	-	-	0.9

11. Intangible assets

	Notes	Software €'m	Total €'m
Cost			
Balance at 30 December 2018		-	-
Reclassification	10	0.4	0.4
Additions		0.1	0.1
Balance at 4 January 2020		0.5	0.5
Amortisation			
Balance at 30 December 2018		-	-
Amortisation charge for the year		0.1	0.1
At 4 January 2020		0.1	0.1
Carrying amount			
At 30 December 2018		-	-
At 4 January 2020		0.4	0.4

12. Financial assets and other financial assets

	Investments in Group companies €'m	Other financial assets €'m	Total €'m
Carrying amount:			
Balance at 30 December 2018	267.2	1.1	268.3
Fair value movement	-	(0.2)	(0.2)
At 4 January 2020	267.2	0.9	268.1
Carrying amount			
At 30 December 2018	267.2	1.1	268.3
At 4 January 2020	267.2	0.9	268.1

In the opinion of the Directors the shares in the Group undertakings are worth at least the amounts at which they are stated in the balance sheet.

Notes to the Financial Statements

for the financial year ended 4 January 2020

The investments in Group companies are as follows:

Group company	Holding %	Address of Registered Office	Country of Incorporation
Glanbia plc	31.5	Glanbia House, Kilkenny	Ireland
Glanbia Ireland DAC	60.0	Ballyragget, Kilkenny	Ireland
Quinport Limited	100.0	Glanbia House, Kilkenny	Ireland
Slademoire Limited	20.0	Glanbia House, Kilkenny	Ireland
Robinfield Co-operative Society Limited	100.0	Glanbia House, Kilkenny	Ireland

The shareholdings in the above entities are considered subsidiaries of the Society as the Society under IFRS 10 is deemed to have control over these entities due to Board representation & associated voting rights.

The other financial asset which is designated at fair value through other comprehensive income (2018: available for sale financial asset in 2018) is as follows:

Company	Number of shares held	Address of Registered Office	Country of Incorporation
IPL Limited	160,000	Montreal, Quebec	Canada

The unlisted equity shares in IPL Plastics plc are currently traded on an informal 'grey' market. Fair value is determined by reference to these published prices.

* Classified as available for sale financial asset in 2018.

13. Debtors

	2019 €'m	2018 €'m
Amounts owed by Group undertakings (a)	197.6	189.9
Other debtors	0.5	0.6
Glanbia Advance Payments Scheme (b)	-	0.2
	198.1	190.7
Non-current		
Amounts owed by Group undertakings	43.2	53.2
Other debtors	0.1	0.1
Non-current	43.3	53.3
Current	154.8	137.4
	198.1	190.7

(a) €104.4 million (2018: €189.9 million) of amounts due from Group undertakings are interest free, unsecured and payable on demand. €93.2 million (2018: nil) of amounts due from Group undertakings are interest bearing ranging from 0.8% to 5.0% (2018: nil) and unsecured, of which €50.0 million (2018: nil) is payable on demand.

(b) The Glanbia Advance Payment (GAP) scheme which offers advance payments to Society member suppliers in periods where grain and milk prices are weak, commenced in 2016. The GAP scheme offered advance payments of up to a maximum of 2 cent per litre on liquid and manufacturing milk supply in any month from May to December where the base Glanbia Ireland DAC (GI) manufacturing milk price (including VAT) fell below 24 cent per litre. Reimbursements are triggered when the GI base manufacturing price increases above 30 cent per litre including VAT. Return payments will be set out at a maximum of 2 cent per litre. At 4 January 2020 €nil million has been advanced to member suppliers (2018: €0.2 million).

Notes to the Financial Statements for the financial year ended 4 January 2020

14. Cash and cash equivalents

	2019 €'m	2018 €'m
Cash at bank and in hand	24.5	24.7
Restricted cash	-	11.7
	24.5	36.4

Restricted cash in 2018 was in relation to a share trading scheme which was administered by the Society on behalf of its members.

15. Creditors: amounts falling due within one year

	2019 €'m	2018 €'m
Amounts due to Group undertakings	2.2	0.3
Accruals	3.2	6.4
Trading Bonus Scheme (note 9)	13.3	14.0
Loan stock – bonus issue	1.7	-
Dividends payable (note 9)	9.5	0.9
	29.9	21.6

16. Creditors: amounts falling due after more than one year

	2019 €'m	2018 €'m
Secured exchangeable bond (note (a))	93.4	93.0
Convertible bond option – fair value through income statement (note (b))	4.8	4.6
	98.2	97.6

- (a) In June 2016, a secured exchangeable bond of €100.0 million was issued at a fixed rate of 1.375% (payable half yearly) with final repayment due in June 2021 unless redeemed earlier at the option of the Society. Included within the carrying value of the secured exchangeable bond are deferred debt issue costs of €1.8 million which will be recognised in finance costs in the income statement using the effective interest rate method over the remaining useful life of the bond.
- (b) The secured exchangeable bond includes a cash settlement option whereby the Society may deliver either a fixed number of shares to the holder, or an amount of cash equal to the market value of the fixed number of shares on the date of conversion. This convertible bond option is accounted for as a derivative liability containing a host debt contract and a conversion option component (written call option over Glanbia plc shares). The conversion option element is measured at fair value with changes in fair value recognised in profit or loss. Fair value movement in the year amounted to a loss to the income statement of €0.2 million (2018: €1.0 million gain). See note 6 and 7.

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	(Assets)		Liabilities		Net	
	2019 €'m	2018 €'m	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Employee benefits	-	-	-	-	-	-

Movement in deferred tax during the year

	30 December 2018 €'m	Recognised in income €'m	Recognised in equity €'m	4 January 2020 €'m
Employee benefits	-	-	-	-

Movement in deferred tax during the prior year

	31 December 2017 €'m	Recognised in income €'m	Recognised in equity €'m	29 December 2018 €'m
Employee benefits	-	-	-	-

Notes to the Financial Statements for the financial year ended 4 January 2020

18. Retirement benefit obligations

The defined benefit pension plan is administered by Boards of Trustees through separate trustee controlled funds. These Boards are responsible for the management and governance of the plan including compliance with all relevant laws and regulations. The Society's plan operates under its respective regulatory framework and minimum funding requirements. The plan is closed to new entrants.

The defined benefit pension plan provides retirement and death benefits for the Society's scheme members. The defined benefit pension plan is a career average pension plan, which provides 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 contributions paid to the defined benefit pension plans are in accordance with the schedule of contributions agreed between the Society and the Trustees of the plan as recommended in the actuarial valuation report or in subsequent actuarial advice. The contributions are partly funded by the employees, where they are required to contribute a fixed percentage of pensionable salary, and partly by the Society. The latest actuarial valuation reports for this plan, which are not available for public inspection, is dated between 5 April 2017 and 1 January 2019.

	2019 €'m	2018 €'m
Total defined benefit asset	2.6	2.3
Total defined benefit liability	(3.2)	(3.0)
Net liability for defined benefit obligations	(0.6)	(0.7)

Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2019 €'m	2018 €'m	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Balance at beginning of the year	(3.0)	(4.1)	2.3	3.2	(0.7)	(0.9)
Current service cost	-	(0.1)	-	-	-	(0.1)
Interest (cost)/income	(0.1)	(0.1)	0.1	0.1	-	-
Total amount recognised in profit or loss	(0.1)	(0.2)	0.1	0.1	-	(0.1)
Remeasurements						
– Assumption changes	(0.3)	1.2	-	-	(0.3)	1.2
– Experience adjustment	0.1	-	0.2	(0.1)	0.3	(0.1)
– Return on plan assets excluding interest income	-	-	-	(0.9)	-	(0.9)
Total amount recognised in other comprehensive income	(0.2)	1.2	0.2	(1.0)	-	0.2
Contributions paid by the employer	-	-	0.1	0.1	0.1	0.1
Benefits paid	0.1	0.1	(0.1)	(0.1)	-	-
Payments in respect of settlements	-	-	-	-	-	-
Balance at end of the year	(3.2)	(3.0)	2.6	2.3	(0.6)	(0.7)

	2019			2018		
	Quoted €'m	Unquoted €'m	Total €'m	Quoted €'m	Unquoted €'m	Total €'m
Equities*	0.7	-	0.7	0.6	-	0.6
Corporate bonds						
– Investment grade	0.3	-	0.3	0.3	-	0.3
– Non-investment grade	-	-	-	-	-	-
Government bonds and gilts	1.1	-	1.1	0.6	-	0.6
Property	-	0.1	0.1	-	-	-
Cash	-	0.2	0.2	-	0.4	0.4
Investment funds	-	0.3	0.3	-	0.3	0.3
Other	-	(0.1)	(0.1)	-	0.1	0.1
	2.1	0.5	2.6	1.5	0.8	2.3

* There is no emphasis on any industry. Industries that the plan assets are invested in include consumer, financials, healthcare, industrials and information technology.

Notes to the Financial Statements
for the financial year ended 4 January 2020

Notes to the Financial Statements for the financial year ended 4 January 2020

Through its defined benefit pension plan the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The pension plan holds investments in asset classes such as equities, which have volatile market values. 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. When assets return less than the discount rate, this will lead to an increase in the net defined benefit obligation. The Trustees conduct investment reviews to take advice on asset allocation, taking into account asset valuations, liability durations, funding measurements and an achievement of an appropriate return on assets.

Interest rate risk

The pension liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the pension plan holds other assets such as equities, the value of the assets and liabilities may not move in the same way. A change in the defined benefit obligation as a result of changes in the discount rate leads to volatility in the Society balance sheet, Society income statement and Society statement of comprehensive income. It also impacts the funding requirements for the plans.

Inflation risk

A significant proportion of the benefits under the plan are linked to inflation, be it consumer price inflation or retail price inflation, which in most cases are subject to a cap on annual increases. Although there are caps in force on inflation increases and the plan's assets are expected to provide a good hedge against inflation over the long-term, higher inflation will lead to higher liabilities.

Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

Defined contribution plans

The Society operates a defined contribution pension plan.

The total expense relating to the plan in the current year was €0.001 million (2018: €0.001 million).

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2019	2018
Discount rate	1.00%	1.80%
Inflation rate	1.10%-1.20%	1.30%-1.40%
Future salary increases*	2.20%	2.40%
Future pension increases	0.00%	0.00%
Mortality rates (years)		
– Male – reaching 65 years of age in 20 years' time	23.8	23.8
– Female – reaching 65 years of age in 20 years' time	25.9	25.9
– Male – currently aged 65 years old	21.4	21.4
– Female – currently aged 65 years old	23.9	23.9

*The defined benefit pension plan is on a career average structure therefore this assumption does not have a material impact.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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 Society's defined benefit pension scheme. The following table analyses, for the Society's pension scheme, 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 Society balance sheet. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the Financial Statements for the financial year ended 4 January 2020

2019 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(0.1)	(0.1)
Price inflation	0.25% movement	-	-
Longevity	1 year movement	0.1	0.1
Future salary increases *			
Future pension increases **			

2018 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(0.1)	(0.1)
Price inflation	0.25% movement	-	-
Longevity	1 year movement	0.1	0.1
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 defined benefit pension scheme.

	2019	2018
Expected contributions to post-employment defined benefit plans (€'m)	0.1	0.1
Weighted average duration of the defined benefit obligation (years)	17.0	17.0

19. Capital

	Number of shares		Ordinary 'A' shares €'000	'C' shares €'m	Share premium €'m	Total €'m
	Ordinary 'A' shares (millions)	'C' shares (millions)				
Share capital						
At 30 December 2018	37.1	11,535.8	37.1	115.4	8.2	160.7
Shares issued - note (a)	0.1	-	0.1	-	0.4	0.5
Shares cancelled	-	-	-	-	-	-
At 4 January 2020	37.2	11,535.8	37.2	115.4	8.6	161.2

The 'A' ordinary shares have a nominal value of €1 and four classes of membership A1, A2, A3 and A4. The shares held by a member in any class carry the designation of that class of membership. The rights of each class differ as follows:

- A1 members have all the rights of membership provided for in the rules of the Society except for those applying only to A4 members;
- A2 members are entitled to vote in elections in the Society but are not entitled to participate in any such elections as a candidate or proposer or seconder of a candidate. They are not entitled to receive notice of or vote on any special resolution or on any resolution to amend, delete or add to the rules of the Society, but are entitled to receive notice of and vote on all other resolutions at any general meeting of the Society.
- A3 members do not have the right to receive notice of any meeting of the Society or to attend or vote at any such meeting or to participate in any way in any elections in the Society.
- A4 members have the rights and entitlements attaching to corporate members and A4 shares rank pari passu with the A1 shares.

The 'C' shares have five sub-classes; Class C1, Class C2, Class C3, Class C4 and Class C5. The 'C' shares each have a nominal value of €0.01. The 'C' shares are not entitled to notice of or attendance or voting at general meetings of the Society. They do not entitle the holders to participate in any allocation of net surplus, interest or dividend on share capital or allocation of bonus shares unless otherwise specifically determined by the Board at its sole discretion. The Board may redeem the 'C' shares of any member at any time with the consent of that member. The 'C' shares rank ahead of the ordinary shares in the repayment of the nominal amount paid up thereof, but do not entitle the holder to participate in the distribution of any surplus assets. The 'C' shares are held by a member of the Glanbia Co-operative Society Limited Group and therefore eliminate on consolidation.

Note (a): During 2019, 106,272 (2018: 311,610) ordinary shares with a nominal value of €1 were issued to new members of the Society at €5 per share, of which €0.3 million (2018: €1.4 million) were fully paid for at 04 January 2020. The remaining balance will be received via deduction from milk payments up to 2023.

Notes to the Financial Statements

for the financial year ended 4 January 2020

20. Statement of the Board of directors' and society's 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 – 2014 and accounting standards issued by the Financial Reporting Council promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 101. In preparing the financial statements, the Board of Directors is 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; and
- to give an unreserved and unqualified statement that it has prepared the financial statements in accordance with FRS 101.

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 adequate accounting records 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.

21. Auditor

Deloitte Ireland LLP have expressed their willingness to continue in office.

22. Related party transactions

The Society has availed of the exemptions available in FRS 101 "Reduced Disclosure Framework" from disclosing transactions with Group undertakings and key management personnel. Also in accordance with the provisions of IAS 24 "Related Party Disclosures", balances due to and from Group entities have been aggregated.

23. Approval of the financial statements

The Board of Directors approved the financial statements on 22 April 2020.