

Glanbia Co-operative Society Limited

Glanbia Co-operative Society Limited
Consolidated Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2017



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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 30 December 2017 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;
- and 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"> Acquisition accounting & valuation of intangible assets on acquisitions; <p>Recurring:</p> <ul style="list-style-type: none"> Appropriateness of taxation provisions; Risk of potential impairment to the carrying value of goodwill & intangible assets; Appropriateness of key judgements in the underlying assumptions relating to retirement benefit obligations; Risk that the convertible bond issued is not valued correctly at year end; and Revenue recognition; and Risk that the convertible bond issued is not valued correctly at year end.
Materiality	<p>The materiality that we used in the current year was €16.18m which was determined on the basis of profit before tax and exceptional items.</p>
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 the acquisition of subsidiaries Amazing Grass and Body and Fit by Glanbia Performance Nutrition within Glanbia plc.</p> <p>We have removed patronage bonuses as a key audit matter as it is no longer considered significant because the quantum of the balance reduced in the year due to rising milk prices.</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 Board of Directors use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Board of Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group 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 we identified (whether or not due to fraud), 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.

Acquisition accounting and valuation of intangible assets on acquisitions

Key audit matter description



The Group acquired 100% of the equity of Grass Advantage LLC (Amazing Grass) on 6 January 2017 for consideration of \$132m and 100% of the equity of B&F Vastgoed B.V. (Body & Fit) on 31 March 2017 for consideration of €43.7m.

Both acquisitions include intangible assets and goodwill. Intangible assets recognised by the Group include customer relationships or lists, intellectual property and brand names. Valuing these intangible assets is a subjective process requiring a high level of estimation and judgement by the Directors. Both acquisitions required the Group to allocate the excess of purchase price over the fair value of the net assets acquired, firstly to intangible assets and the residual to goodwill. The treatment as goodwill or intangible assets has a significant impact on the subsequent amortisation or impairment policy applied. Therefore there is a risk that the allocation between intangible assets and goodwill is incorrect.

Refer also to page 16 (business combinations accounting policy), note 3 (Critical accounting estimates and judgements) and notes 14 and 34 to the financial statements.

How the scope of our audit responded to the key audit matter



We evaluated the design and determined the implementation of key controls in place in relation to the valuation process. We, in conjunction with our valuation specialists, reviewed the purchase price allocation and challenged the key assumptions utilised in the acquisition model to value the split between goodwill and other intangible assets. We assessed whether all assets had been appropriately identified and evaluated if appropriate methodologies were used in the valuation of the assets. We also tested the accounting treatment of acquisitions for compliance with IFRS 3.

Based on our procedures completed we assessed if the purchase price allocations performed by the Directors are reasonable.

We also evaluated the completeness and accuracy of the disclosures.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to acquisition accounting and valuation of intangible assets on acquisitions.

Taxation Provisions

Key audit matter description



The Group operates across numerous multinational jurisdictions, the most significant of which are Ireland and the USA.

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.

In addition, on 22 December 2017, the US signed into law the Tax Cuts and Jobs Act ("The US Tax Act"). This enactment introduces significant changes to the US tax code including a reduction of the US corporate income tax rate from 35% to 21%. The US Tax Act is an extensive legislative change which requires interpretation and judgement, most notably in relation to deferred tax, the impact on US state taxes, and uncertain tax positions.

There is a risk that tax authorities could have different interpretations to those of the Directors resulting in potential misstatement of tax provisions.

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.

How the scope of our audit responded to the key audit matter



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 the Directors' assessment of related tax risks and exposures across the Group.

We engaged our Irish and Deloitte 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, including provisions for uncertain tax positions as a result of the US Tax Act.

We challenged and evaluated Directors' assumptions and estimates, including external advice obtained, in respect of tax risks and related provisions.

We focused particularly on the Directors' judgements made in relation to transfer pricing risks and interpretations of relevant tax laws, and the Directors' assessment of likely outcomes for uncertain tax positions in key jurisdictions where the Group has significant trading operations.

We inspected relevant correspondence between the Group and relevant tax authorities.

We evaluated the completeness and accuracy of current and deferred tax disclosures for compliance with the relevant accounting standards, including the treatment of tax credits arising as a result of the US Tax Act, as an exceptional item in the Group income statement.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to the taxation provisions.

Risk of potential impairment to the carrying value of goodwill & intangible assets

Key audit matter description



The Group's goodwill and intangible assets of €984m, which is held across fourteen individual Cash Generating Units (CGUs), represents approximately 29% of the Group's total assets at year end. The Performance Nutrition business within Glanbia plc accounts for 86% of total goodwill and intangible assets as it has been the fastest growing and most acquisitive division of the Group over recent years.

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.

When a review for impairment is carried out, the recoverable amount of each CGU is compared to its carrying value. The recoverable amount is determined based on value in use calculations which rely on Director's assumptions and estimates of future trading performance.

The key assumptions utilised by the Directors in the impairment reviews are discount rates and growth rates.

Refer also to page 18 (Intangible assets accounting policy), note 3 (Critical accounting estimates and judgements) and note 14 to the financial statements.

How the scope of our audit responded to the key audit matter



We 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 controls in respect of the impairment review process and the budgeting process upon which the Group's discounted cash flow model is based.

We performed a retrospective review of assumptions used in prior year value in use calculations and compared these to actual outturn.

We challenged the underlying key assumptions within the Group's impairment model by developing an independent view of the Group discount rates where we benchmarked the rates used by the Directors against market data and comparable organisations.

We challenged cash flow projections by comparing them to historic rates and Group strategic plans. We challenged the Group's forecasts with reference to recent performance and trend analysis including historic growth rates.

We assessed the reasonableness of related assumptions used in determining terminal values.

We evaluated the completeness and accuracy of the disclosures in relation to goodwill and intangible assets for compliance with the relevant accounting standards.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to carrying value of goodwill and intangible assets.

Revenue Recognition

Key audit matter description



The Group sells products to customers under a variety of contractual terms. 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. Due to the level of different contractual terms with customers across the Group there is a risk that different revenue cut-off arrangements are not captured and recorded correctly.

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 controls in respect of revenue recognition.

We tested year end accruals for settlement of rebates and other selling arrangements and assessed whether there was any evidence of management bias in key judgements made by management. We also tested year end cut-off procedures and reviewed goods in transit at the year end date to ensure transactions were recorded in the correct period.

We tested manual journal entries posted to revenue for any unusual items. We tested higher risk transactions including consignment sales and agency arrangements and assessed if these transactions were appropriately accounted for in accordance with the relevant accounting standards.

In addition, we tested post year end credit notes and rebate payments to identify any invalid sales transactions recorded in the period.

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. The net pension deficit relating to these schemes was €134.7 million 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 actuarial assumptions, specifically the discount rate, which are 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 21 (retirement benefit accounting policy), note 3 (Critical accounting estimates and judgements) and note 8 to the financial statements.

How the scope of our audit responded to the key audit matter



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.

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.

We benchmarked key assumptions used against market and peer data where available.

We tested the valuation of a sample of plan assets, including obtaining independent valuations of investments held at year end.

We assessed whether managements' disclosures in the financial statements in respect of retirement benefit obligations were in accordance with the relevant accounting standards.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to retirement benefit obligations.

Bond Accounting

Key audit matter description



Glanbia Co-Operative Society Limited issued a €100m convertible bond in June 2016, which is listed on the Global Exchange Market (GEM).

This convertible debt instrument includes a cash settlement option whereby Glanbia Co-operative Society Limited 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. Under IFRS 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 or loss. The host bond is initially recognised at fair value and subsequently at amortised cost.

There is a risk that the conversion option has been valued incorrectly at year-end under International Financial Reporting Standards.

Refer also to page 22 (derivatives accounting policy) and note 29 to the financial statements.

How the scope of our audit responded to the key audit matter



We evaluated the design and determined the implementation of controls in respect of the valuation of the option at year-end.

We assessed the fair value of the option at the year end by agreement to a valuation obtained from an independent third party.

We utilised Deloitte valuation and treasury specialists as part of our audit team to assist us in our review of the valuation due to the complex and specialised nature of the work involved.

We reviewed the accounting treatment and bond agreement to assess if there were any current year changes that needed to be taken into account in our assessment of the valuation of the bond.

We reviewed the presentation of the bond within the financial statements under International Financial Reporting Standards.

Key observations



We have no observations that impact on our audit in respect of the amounts and disclosures related to the bond accounting.

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 €16.18m, which is approximately 5.5% 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 €0.8m 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 €13.76m.

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 90% of net assets and 91% 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 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 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 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.

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
Chartered Accountants and Statutory Audit Firm
Deloitte and Touche House, Earlsfort Terrace, Dublin 2

30 April 2018

Group Income Statement

for the financial year ended 30 December 2017

	Notes	2017			2016		
		Pre- Exceptional €'m	Exceptional €'m (note 6)	Total €'m	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m
Revenue	5	4,091.3	-	4,091.3	3,622.1	-	3,622.1
Earnings before interest, tax and amortisation (EBITA)	5	350.4	(22.3)	328.1	352.5	(17.5)	335.0
Intangible asset amortisation	14	(46.1)	(19.4)	(65.5)	(41.1)	-	(41.1)
Operating profit	5	304.3	(41.7)	262.6	311.4	(17.5)	293.9
Finance income	10	3.0	-	3.0	2.1	-	2.1
Finance costs	10	(37.6)	(14.0)	(51.6)	(34.4)	-	(34.4)
Share of results of Joint Ventures & Associates	15/16	27.8	8.8	36.6	13.2	-	13.2
Profit before taxation		297.5	(46.9)	250.6	292.3	(17.5)	274.8
Income taxes	11	(46.9)	45.0	(1.9)	(48.7)	2.7	(46.0)
Profit for the year		250.6	(1.9)	248.7	243.6	(14.8)	228.8
Attributable to:							
Equity holders of the Society		-	-	94.3	-	-	93.5
Non-controlling interests	23	-	-	154.4	-	-	135.3
				248.7			228.8

On Behalf of the Board

H Corbally

S Talbot

Mn Keane

Julian Keane

Group statement of comprehensive income

for the financial year ended 30 December 2017

	Notes	2017 €'m	2016 €'m
Profit for the year		248.7	228.8
Other comprehensive income			
Items that will not be reclassified subsequently to the Group income statement:			
Remeasurements – defined benefit plans	8	14.6	(40.6)
Deferred tax (charge)/credit on remeasurements – defined benefit plans	25	(1.2)	2.9
Share of remeasurements – defined benefit plans – Joint Ventures & Associates – net of deferred tax		3.2	(3.4)
Items that may be reclassified subsequently to the Group income statement:			
Currency translation differences		(148.7)	27.0
Net investment hedge	22	11.3	(3.0)
Revaluation of available for sale financial assets	22	2.2	(1.5)
Net fair value movements on cashflow hedges	22	4.9	0.6
Net fair value movements on cashflow hedges – Joint Ventures & Associates	22	0.8	3.5
Deferred tax on revaluation of available for sale financial assets	22	(0.7)	0.4
Deferred tax on cashflow hedges	22	(0.6)	(0.2)
Deferred tax on cashflow hedges – Joint Ventures & Associates	22	(0.1)	(1.4)
Other comprehensive expense for the year, net of tax		(114.3)	(15.7)
Total comprehensive income for the year		134.4	213.1
Total comprehensive income attributable to:			
Equity holders of the Society		56.5	84.3
Non-controlling interests	23	77.9	128.8
Total comprehensive income for the year		134.4	213.1

Group balance sheet

as at 30 December 2017

	Notes	2017 €'m	2016 €'m
ASSETS			
Non-current assets			
Property, plant and equipment	13	984.0	1,005.9
Intangible assets	14	984.3	976.0
Interests in Associates	15	2.6	2.7
Interests in Joint Ventures	16	94.1	71.5
Available for sale financial assets	17	17.4	14.9
Trade and other receivables	18	5.0	3.3
Deferred tax assets	25	1.6	1.8
Retirement benefit assets	8	1.7	2.6
Derivative financial instruments	29	0.4	0.1
		2,091.1	2,078.8
Current assets			
Inventories	19	560.9	514.5
Trade and other receivables	18	513.7	418.9
Current tax asset		11.3	9.2
Derivative financial instruments	29	6.0	1.5
Cash and cash equivalents	20	244.1	324.8
		1,336.0	1,268.9
Total assets		3,427.1	3,347.7
EQUITY			
Issued capital and reserves attributable to equity holders of the Parent			
Share capital and share premium	21	43.8	45.5
Other reserves	22	150.9	167.0
Retained earnings		480.2	371.3
		674.9	583.8
Non-controlling interests	23	931.5	784.9
Total equity		1,606.4	1,368.7
LIABILITIES			
Non-current liabilities			
Financial liabilities	24	771.7	880.5
Derivative financial instruments	29	5.7	6.6
Deferred tax liabilities	25	134.1	165.3
Retirement benefit obligations	8	136.4	161.0
Provisions	26	32.7	38.0
Capital grants	27	22.9	23.6
Other payables	28	10.1	11.6
		1,113.6	1,286.6
Current liabilities			
Trade and other payables	28	575.9	558.0
Current tax liabilities		51.9	54.1
Financial liabilities	24	51.9	46.6
Derivative financial instruments	29	0.6	3.3
Provisions	26	25.1	28.8
Capital grants	27	1.7	1.6
		707.1	692.4
Total liabilities		1,820.7	1,979.0
Total equity and liabilities		3,427.1	3,347.7

On behalf of the Board

H Corbally

S Talbot

Mn Keane

Group statement of changes in equity for the financial year ended 30 December 2017

	Attributable to equity holders of the Parent				Non-controlling interests €'m (note 23)	Total €'m
	Share capital and share premium €'m (note 21)	Other reserves €'m (note 22)	Retained earnings €'m	Total €'m		
Balance at 31 December 2016	45.5	167.0	371.3	583.8	784.9	1,368.7
Profit for the year	-	-	94.3	94.3	154.4	248.7
Other comprehensive (expense)/income						
Remeasurements – defined benefit plans	-	-	14.7	14.7	(0.1)	14.6
Deferred tax on remeasurements – defined benefit plans	-	-	(1.2)	(1.2)	-	(1.2)
Share of remeasurements – defined benefit plans – Joint Ventures & Associates	-	-	3.2	3.2	-	3.2
Revaluation of available for sale assets	-	2.2	-	2.2	-	2.2
Deferred tax on revaluation of available for sale financial assets	-	(0.7)	-	(0.7)	-	(0.7)
Deferred tax on cashflow hedges	-	(0.6)	-	(0.6)	-	(0.6)
Deferred tax on cashflow hedges – Joint Ventures & Associates	-	(0.1)	-	(0.1)	-	(0.1)
Fair value movements on cashflow hedges	-	5.1	-	5.1	-	5.1
Fair value movements on cashflow hedges – Joint Ventures & Associates	-	0.6	-	0.6	-	0.6
Currency translation differences	-	(149.8)	1.1	(148.7)	-	(148.7)
Net investment hedge	-	11.3	-	11.3	-	11.3
Allocation of the share of other comprehensive income to non-controlling interests	-	89.5	(13.1)	76.4	(76.4)	-
Total comprehensive income for the year	-	(42.5)	99.0	56.5	77.9	134.4
Transactions with equity holders of the Parent						
Contributions and distributions						
Dividends	-	-	-	-	(27.0)	(27.0)
Sale of shares held by a subsidiary	-	-	2.4	2.4	-	2.4
Ordinary share interest paid to Society shareholders	-	-	(3.9)	(3.9)	-	(3.9)
Distribution paid to Society shareholders	-	-	(5.0)	(5.0)	-	(5.0)
Dividend payable to Society shareholders	-	-	(10.0)	(10.0)	-	(10.0)
Shares cancelled	(1.7)	1.7	-	-	-	-
Cost of share based payments*	-	7.8	-	7.8	-	7.8
Transfer on exercise, vesting or expiry of share based payments*	-	2.4	(2.4)	-	-	-
Deferred tax on share based payments*	-	-	0.1	0.1	-	0.1
Purchase of Glanbia plc own shares*	-	(16.2)	-	(16.2)	-	(16.2)
Allocation of the share of contributions and distributions to non-controlling interests*	-	4.0	(0.1)	3.9	(3.9)	-
Total contributions and distributions	(1.7)	(0.3)	(18.9)	(20.9)	(30.9)	(51.8)
Equity adjustment arising on sale of Glanbia plc shares	-	-	118.6	118.6	36.9	155.5
Equity adjustment arising on spin out of Glanbia plc shares	-	-	(25.8)	(25.8)	25.8	-
Non-controlling interest arising on disposal of Dairy Ireland	-	26.7	(64.0)	(37.3)	37.3	-
Non-controlling interests arising on gain in control	-	-	-	-	(0.4)	(0.4)
Balance at 30 December 2017	43.8	150.9	480.2	674.9	931.5	1,606.4

* 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 30 December 2017

	Attributable to equity holders of the Parent				Non-controlling interests €'m (note 23)	Total €'m
	Share capital and share premium €'m (note 21)	Other reserves €'m (note 22)	Retained earnings €'m	Total €'m		
Balance at 2 January 2016	46.2	157.9	362.4	566.5	682.7	1,249.2
Profit for the year	-	-	93.5	93.5	135.3	228.8
Other comprehensive (expense)/income						
Remeasurements – defined benefit plans	-	-	(40.6)	(40.6)	-	(40.6)
Deferred tax on remeasurements – defined benefit plans	-	-	2.9	2.9	-	2.9
Share of remeasurements – defined benefit plans – Joint Ventures & Associates	-	-	(4.1)	(4.1)	-	(4.1)
Deferred tax on remeasurements – defined benefit plans – Joint Ventures & Associates	-	-	0.7	0.7	-	0.7
Revaluation of available for sale financial assets	-	(1.5)	-	(1.5)	-	(1.5)
Fair value movements on cashflow hedges	-	0.6	-	0.6	-	0.6
Fair value movements on cashflow hedges – Joint Ventures & Associates	-	3.5	-	3.5	-	3.5
Deferred tax on revaluation of available for sale financial assets	-	0.4	-	0.4	-	0.4
Deferred tax on cashflow hedges	-	(0.2)	-	(0.2)	-	(0.2)
Deferred tax on cashflow hedges – Joint Ventures & Associates	-	(1.4)	-	(1.4)	-	(1.4)
Currency translation differences	-	27.0	-	27.0	-	27.0
Net investment hedge	-	(3.0)	-	(3.0)	-	(3.0)
Allocation of the share of other comprehensive income to non-controlling interests	-	(16.4)	22.9	6.5	(6.5)	-
Total comprehensive income for the year	-	9.0	75.3	84.3	128.8	213.1
Transactions with equity holders of the Parent						
Contributions and distributions						
Dividends	-	-	-	-	(24.3)	(24.3)
Ordinary share interest paid to Society shareholders	-	-	(4.0)	(4.0)	-	(4.0)
Distribution paid to Society shareholders	-	-	(61.9)	(61.9)	-	(61.9)
Shares cancelled	(1.9)	-	-	(1.9)	-	(1.9)
Shares issued and premium on shares issued	1.2	-	-	1.2	-	1.2
Cost of share based payments*	-	7.7	-	7.7	-	7.7
Transfer on exercise, vesting or expiry of share based payments*	-	3.0	(3.0)	-	-	-
Deferred tax on share based payments*	-	-	0.2	0.2	-	0.2
Purchase of Glanbia plc own shares*	-	(10.4)	-	(10.4)	-	(10.4)
Allocation of the share of contributions and distributions to non-controlling interests*	-	(0.2)	1.8	1.6	(1.6)	-
Total contributions and distributions	(0.7)	0.1	(66.9)	(67.5)	(25.9)	(93.4)
Changes in ownership interests						
Non-controlling interests arising on gain in control	-	-	0.5	0.5	(0.7)	(0.2)
Balance at 31 December 2016	45.5	167.0	371.3	583.8	784.9	1,368.7

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

Group statement of cashflows

for the financial year ended 30 December 2017

	Notes	2017 €'m	2016 €'m
Cashflows from operating activities			
Cash generated from operating activities	32	243.6	454.1
Interest received		2.7	2.1
Interest paid		(51.3)	(30.9)
Tax paid		(33.6)	(29.0)
Net cash inflow from operating activities		161.4	396.3
Cashflows from investing activities			
Acquisition of subsidiaries – purchase consideration	34	(162.2)	(15.7)
Acquisition of subsidiaries – liabilities settled at completion	34	(7.6)	-
Acquisition of subsidiaries – cash and cash equivalents acquired	34	1.6	-
Payment of deferred consideration on acquisition of subsidiaries		(0.1)	-
Capital grants received	27	1.1	1.7
Sale of Shares held by a Subsidiary		2.4	-
Purchase of property, plant and equipment		(99.0)	(114.5)
Purchase of intangible assets		(36.9)	(24.8)
Interest paid in relation to property, plant and equipment		(1.0)	(3.3)
Dividends received from Joint Ventures & Associates	16	15.8	13.8
Investment in Glanbia MilkFlex Fund	31	(1.5)	(1.5)
Net redemption and additions in available for sale financial assets		(0.1)	(0.4)
Proceeds from property, plant and equipment		0.3	0.7
Net cash outflow from investing activities		(287.2)	(144.0)
Cashflows from financing activities			
Proceeds from issue of ordinary shares		1.3	2.1
Buyback and cancellation of ordinary shares		-	(1.9)
Purchase of Glanbia plc shares – equity settled share based payments	22	(16.2)	(10.4)
Purchase of Glanbia plc shares – cash settled share based payments		(0.8)	(0.8)
Proceeds from sale of Glanbia plc shares held by Society		-	-
Decrease in financial liabilities		(47.7)	(48.2)
Finance lease payments		(1.3)	(1.1)
Distribution paid to Society's shareholders - rebates	12	(5.0)	(60.0)
Ordinary share interest paid to Society's shareholders	12	(3.9)	(4.2)
Dividends paid to non-controlling interests	23	(27.4)	(24.3)
Glanbia Advance Payments Scheme	18	5.3	(5.8)
Revolving share plan – refunds paid	26	(9.8)	(0.3)
Sale of Glanbia plc shares	23	155.5	-
Net cash inflow/(outflow) from financing activities		50.0	(154.9)
Net (decrease)/increase in cash and cash equivalents		(75.8)	97.4
Cash and cash equivalents at the beginning of the year		286.9	186.9
Effects of exchange rate changes on cash and cash equivalents		(12.5)	2.6
Cash and cash equivalents at the end of the year	20	198.6	286.9

Group statement of cashflows

for the financial year ended 30 December 2017

	Notes	2017 €'m	2016 €'m
Reconciliation of net cashflow to movement in net debt			
Net increase in cash and cash equivalents		(75.8)	97.4
Cash movements from debt financing		48.9	49.5
New finance leases	13	-	(1.9)
		(26.9)	145.0
Exchange translation adjustment on net debt		50.4	(20.9)
Movement in net debt in the year		23.5	124.1
Net debt at the beginning of the year		(608.6)	(732.7)
Net debt at the end of the year	24	(585.1)	(608.6)

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

1. GENERAL INFORMATION

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

The Group has two divisions, Glanbia plc and Glanbia Ireland DAC.

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 three joint ventures, Southwest Cheese Company LLC (US), Glanbia Cheese Limited (UK) and Glanbia Ireland DAC (Ireland). Glanbia Performance Nutrition earns its revenue from the manufacture and sale of performance nutrition products. Glanbia Nutritionals earns its revenue from the manufacture and sale of cheese, dairy and non-dairy nutritional ingredients.

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 30 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the Group during the year ended 30 December 2017 are dealt with in section (aa) below. The adoption of these standards and interpretations had no significant impact on the results or financial position of the Group during the year.

The principal accounting policies adopted in the preparation of the Financial Statements are set out below.

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

(a) Basis of preparation

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

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

The consolidated Financial Statements have been prepared under the historical cost convention as modified by use of fair values for available for sale financial assets, derivative financial instruments, share-based payments and retirement benefit obligations. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of the consolidated Financial Statements in conformity with IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. See note 3.

Amounts are stated in euro millions (€'m) unless otherwise stated. These Financial Statements are prepared for the 52-week period ended 30 December 2017. Comparatives are for the 52-week period ended 31 December 2016. The balance sheets for 2017 and 2016 have been drawn up as at 30 December 2017 and 31 December 2016 respectively.

Re-presentation

Certain comparative amounts, primarily in respect of lease incentives, have been reclassified or re-presented, to achieve a more appropriate presentation.

Going concern

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

(b) Basis of consolidation

(i) Subsidiaries

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

The Society, together with its subsidiaries, holds 31.5% of the issued share capital of Glanbia plc. The Board of Directors of Glanbia plc for the year ended 30 December 2017 is comprised of 18 members, of which up to 10 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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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

(ii) Joint Ventures

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

(iii) Associates

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

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

Under the equity method of accounting, 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 other comprehensive income.

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

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

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

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

(v) Business combinations

The Group uses the acquisition method of accounting to account for business combinations.

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

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

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

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

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

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

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

(vi) Discontinued operations and non-current assets held for sale

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

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

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

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

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

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

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

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

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

(vii) **Non-controlling interests**

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

(c) **Foreign currency translation**

(i) **Functional and presentation currency**

Items included in the Financial Statements of each of the Group's subsidiaries, Joint Ventures & Associates are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated Financial Statements are presented in euro, which is the Society's functional currency and the Group's presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying 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.

Net investment hedges are foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment. When long-term intra-group loans are repaid the related cumulative currency translation recognised in the currency reserve is not reclassified to the income statement unless the entity is disposed of.

(iii) **Subsidiaries, Joint Ventures & Associates**

The income statement and balance sheet of subsidiaries, Joint Ventures & Associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each reporting date are translated at the closing rate at the reporting date of the balance sheet;
- 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	
	2017	2016	2017	2016
US dollar	1.1295	1.1068	1.1993	1.0541
Pound sterling	0.8764	0.8194	0.8872	0.8562
Australian dollar	1.4734	1.4884	1.5346	1.4596

(iv) **Business combinations**

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(d) Property, plant and equipment

(i) 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 are capitalised as part of the cost of the assets.

(ii) Depreciation

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

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

Land is not depreciated.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

(iii) Impairment

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

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

(e) Intangible assets

(i) Goodwill

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

Goodwill on acquisition of subsidiaries is included within intangible assets.

Goodwill associated with the acquisition of Joint Ventures & Associates is 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.

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

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

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

In accordance with IFRS 1 'First time Adoption of International Financial Reporting Standards', goodwill written off to reserves prior to date of transition to IFRS remains written off. In respect of goodwill capitalised and amortised at transition date, its carrying value at date of transition to IFRS remains unchanged.

(ii) Research and development costs

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

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering, its commercial and technological feasibility and costs can be measured reliably.

Development costs are amortised using the straight line method over their estimated useful lives. During the year the estimated useful life was changed from six to three years.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(iii) Brands, customer relationships and other intangibles

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

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

Definite life brands, customer relationships and other intangibles are amortised using the straight-line method over their useful life as follows:

	Yrs
Brands	10-40
Customer relationships	5-15
Other intangibles	2-15

The useful life used to amortise definite life brands, customer relationships and other intangibles relates to the future performance of the assets acquired and management's judgement of the period over which the economic benefit will be derived from the assets.

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

(iv) Computer software

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

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

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

(v) Impairment of intangible assets

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

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

An impairment loss 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 cashflows of the CGU.

(f) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are classified as non-current assets unless management intends to dispose of the available for sale financial asset within 12 months of the reporting date.

They are initially recognised at fair value plus transaction costs and are subsequently adjusted to fair value at each reporting date.

Unrealised gains and losses arising from changes in the fair value of the available for sale financial assets are recognised in other comprehensive income.

When such available for sale assets are disposed or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available for sale financial assets.

The fair values of quoted financial assets are based on current bid prices (level 1 within the fair value hierarchy). If the market for a financial asset is not active the Group establishes fair value using valuation techniques. See note 29 for further details.

Where the range of reasonable fair values is significant and the probability of various estimates cannot be reasonably assessed, the Group measures the investment at cost.

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

Impairment

A significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(g) Inventories

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

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

Cost is determined by the first-in, first-out (FIFO) method or by weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity).

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

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

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(h) Trade and loan receivables

Trade and loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. These are classified as non-current assets except for those maturing within 12 months of the reporting date.

Impairment

An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Objective evidence includes significant financial difficulties of the trade/loan receivable, probability that the trade/loan receivable will enter bankruptcy or financial reorganisation and default or delinquency in payments.

If collectability appears unlikely compared with the original terms of the receivable, the Group will determine the appropriate provision based on the available evidence at that time.

The amount of the allowance is the difference between the asset's carrying value and the estimated future cashflows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a receivable is uncollectable it is written off against the allowance account for receivables.

Subsequent recoveries of amounts previously written off are credited to the income statement. Where risks associated with receivables are transferred out of the Group under debt purchase agreements such receivables are recognised in the balance sheet to the extent of the Group's continued involvement and retained risk.

(i) Trade and other payables

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

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

The amounts are unsecured and are usually paid within 30–60 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.

(j) Provisions, contingent assets, contingent liabilities

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

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

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

(k) Cash and cash equivalents

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

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

(l) 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 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 counterparty.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(m) Employee benefits

(i) 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.

(ii) Share based payments – Glanbia plc

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

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

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

The non-market based charge to the income statement is 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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Awards under the Annual Incentive Deferred into Shares Scheme

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

(iii) 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.

(n) Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the reporting date.

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

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

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 29). 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 (note 24).

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and every six months, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cashflows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 29. Movements on the cashflow hedging reserve in equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The recycled gain or loss relating to the effective portion of interest rate swaps hedging variable interest rates on borrowings is recognised in the income statement within 'finance costs'. The recycled gain or loss relating to the effective portion of foreign exchange contracts is recognised in the income statement within revenue.

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Financial guarantee contracts

Financial guarantee contracts are issued to banking institutions by members of the Group on behalf of certain of its subsidiaries. These subsidiaries engage in ongoing financing arrangements with these banking institutions. Under the terms of IAS 39 'Financial Instruments: Recognition and Measurement', financial guarantee contracts are required to be recognised at fair value at inception and subsequently measured as a provision under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', on the Group balance sheet. Guarantees provided by the Group over the payment of employer contributions in respect of the UK defined benefit pension plans are treated as insurance contracts. See note 30.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(o) Income taxes

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

(i) Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. 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. We recognise interest and penalties related to tax uncertainties within administration expenses in the income statement and within provisions on the balance sheet.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

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.

(p) Government grants

Grants from government authorities are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Revenue grants are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Research and development taxation credits are recognised at their fair value in the income statement where there is reasonable assurance that the credit will be received.

(q) Share capital

(i) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(ii) Glanbia plc own shares

Where the Employee Share Trust and/or the Employee Share Scheme Trust (on behalf of Glanbia plc) purchases Glanbia plc's equity share capital, under the Glanbia plc 2008 LTIP Scheme and the Annual Incentive Deferred into Shares Scheme, 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.

(r) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity and when specific criteria have been met for each of the Group's activities.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Interest income is recognised using the effective interest rate method.

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

Revenue from the sale of property is recognised when there is an unconditional and irrevocable contract for sale.

If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group. Management considers the following factors to determine whether the Group acts as an agent or principal: (a) whether the Group takes title to or is exposed to inventory risk related to the goods, or has no significant responsibility in respect of the goods sold; (b) although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods; and (c) the ability of the Group to vary the selling prices set by the supplier by more than a small percentage.

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

(s) 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.

(t) 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.

(u) Finance costs

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

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

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

(v) Finance income

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

(w) Leases

(i) Finance leases

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

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance cost. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

(ii) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(x) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits.

(y) Income statement format

(i) Exceptional items

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

for the financial year ended 30 December 2017

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

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

(z) 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 performance nutrition products, sale of cheese, dairy and non-dairy nutritional ingredients.

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, 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 the operating segments note under IFRS 8 'Operating Segments'.

(aa) New accounting standards and IFRIC interpretations

The following standards and interpretations, issued by the IASB and IFRIC are effective for the Group for the first time in the year ended 30 December 2017 and have been adopted by the Group:

- Amendments to IAS 12 'Income Taxes' on the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 'Statement of Cash Flows' under its disclosure initiative
- Annual improvements to IFRS 2014–2016 Cycle – Amendments to IFRS 12

None of the above, have had a significant impact on the results or the financial position of the Group during the year ended 30 December 2017.

The following standards, amendments and interpretations have been published. The Group will apply the relevant standards from their effective dates. The standards are mandatory for future accounting periods but are not yet effective for the Group and have not been early adopted by the Group.

IFRS 9 'Financial Instruments' (EU effective date: on or after 1 January 2018)

This standard will be effective for and will be adopted by the Group for the 2019 financial year beginning 30 December 2018.

The Group's evaluation of the effect of adoption of IFRS 9 is on-going and the Group's initial findings are detailed as follows:

The Group's review has indicated that, on transition to the new standard, equity securities previously accounted for in accordance with IAS 39 as available for sale financial assets will be elected on initial recognition at fair value through other comprehensive income. On adoption of IFRS 9 any gains or losses arising on de-recognition of such assets will remain in equity and will not be recycled to the income statement. No other impact relating to the changes in classification have been identified that are likely to have a material effect on the Group's results.

IFRS 9 introduces a forward-looking expected credit losses model, rather than the current incurred loss model, when assessing impairment of financial assets in the scope of IFRS 9. The standard provides a simplified approach as a practical expedient. The Group will adopt this approach on transition and it is not expected that any significant adjustments will be made to results already reported on transition.

No impact to the Group's results has been identified from the Group's assessment of the requirements of the hedge accounting section of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers' (EU effective date: on or after 1 January 2018)

This standard will be effective for and will be adopted by the Group for the 2019 financial year beginning 30 December 2018.

The Group's evaluation of the effect of adoption of IFRS 15 is on-going and the Group's initial findings are detailed as follows:

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

The Group's assessment of the existing contracts with customers under the principal versus agent relationship may result in the Group transitioning from an agent to a principal relationship in the case of certain contracts. This assessment is on-going and any material impact, if there is any, will be quantified in the 2018 half year results. Any changes would result in a gross up of the revenue and costs of sales in lieu of the commission currently recognised for certain customers, with no expected impact to profit.

With the exception of the matter set out above, the Group has not identified any other material issues arising on the transition to the new standard.

IFRS 16 'Leases' (IASB effective date: on or after 1 January 2019)

This standard will be effective for and will be adopted by the Group for the 2020 financial year beginning 6 January 2020.

The Group's evaluation of the effect of adoption of IFRS 16 is on-going and the Group's initial findings are detailed as follows:

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 the date of initial application.

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 has approximately 700 operating leases for a range of assets principally relating to property, equipment and vehicles. The fair values of these leases are currently being evaluated. As a result of the transition to IFRS 16, the fair value of these leases representing the present value of the lease payments over the expected lease contract period will be recognised as a Right of Use Asset with a corresponding value recognised as a lease liability. Information on the Group's leases currently classified as operating leases is provided in note 31.

Amendments to IFRS 2 'Classification and Measurement of Share-based payment Transactions' (IASB effective date: on or after 1 January 2018 – not yet endorsed)

These amendments clarify that only market and non-vesting conditions are taken into account in the measurement of the fair value of the liability in a cash-settled share-based payment transaction. Vesting conditions (other than market conditions) are considered when estimating the number of awards expected to vest.

Annual Improvements to IFRSs 2014–2016 Cycle (IASB effective date: on or after 1 January 2018)

A number of small amendments to IAS 28 'Investments in Associates and Joint Ventures'.

Amendments to IAS 40 'Transfers of Investment Property' (IASB effective date: on or after 1 January 2018 – not yet endorsed)

This amendment provides guidance on transfers to, or from, investment properties.

Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' (IASB effective date: on or after 1 January 2019 – not yet endorsed)

The amendments clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an Associate or Joint Venture that form part of the net investment in the Associate or Joint Venture but to which the equity method is not applied.

Amendments to IFRS 9 'Financial Instruments' (IASB effective date: on or after 1 January 2019)

The amendments address concerns about how IFRS 9 'Financial Instruments' classifies particular pre-payable financial assets. In addition, the IASB has clarified an aspect of the accounting for financial liabilities following a modification.

Amendments to IAS 19 'Employee Benefits' (IASB effective date: on or after 1 January 2019 – not yet endorsed)

The amendments clarify the effect of a plan amendment curtailment or settlement on the requirements regarding the asset ceiling. It also clarifies that if a plan amendment, curtailment or settlement occur, that it is mandatory that the current service cost and the net investment for the period after the re-measurement are determined using the assumptions used for the re-measurement.

IFRIC Interpretation 22 'Foreign Currency Translation and Advance Consideration' (IASB effective date: on or after 1 January 2018)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Annual Improvements to IFRSs 2015–2017 Cycle (IASB effective date: on or after 1 January 2019 – not yet endorsed)

A number of small amendments to IFRS 3 'Business combinations', IFRS 11 'Joint arrangements', IAS 12 'Income taxes' and IAS 23 'Borrowing Costs'.

IFRIC 23 'Uncertainty over Income Tax treatments' – (IASB effective date 1 January 2019 – not yet endorsed)

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.

IFRS 17 'Insurance Contracts' (IASB effective date on or after 1 January 2021 – not yet endorsed)

This standard replaces the guidance in IFRS 4 'Insurance Contracts'. It requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle based accounting for insurance contracts.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to estimates are recognised prospectively. Significant judgements and estimates made in the preparation of these financial statements are set out below. With the exception of retirement benefit obligations, which are subject to market conditions, it is not expected that there will be a material adjustment to the carrying value of the asset and liabilities of the other areas outlined below.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated Financial Statements is included in the following notes:

- Note 2(r) – commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- Note 6 – exceptional items: assessing particular items which by virtue of their scale and nature should be disclosed in the income statement and noted as exceptional items;
- Note 16 – interests in Joint Ventures: whether the Group has joint control over an investee;
- Note 24 – financial liabilities: whether an arrangement contains a lease; and
- Note 2(w) – lease classification.

Estimates

(a) Impairment review of goodwill and indefinite life intangibles

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

The intangible assets of Glanbia Ireland, Glanbia Nutritionals and Glanbia Performance Nutrition, including goodwill arising on acquisition is 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. A terminal value assuming 2% growth into perpetuity is also applied. A reduction in projected EBITDA of 10% or a terminal value assuming zero growth or an increase in the discount factor used by 1% would not result in an impairment of the assets. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. The classification of intangible assets as indefinite is reviewed annually.

Additional information in relation to impairment reviews is disclosed in note 14.

(b) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain and the applicable tax legislation is open to differing interpretations. The Group takes external professional advice to help minimise this risk. It recognises liabilities for anticipated tax authority 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, a probability weighted expected value, past practices of the tax authorities and any precedents in the relevant jurisdiction. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised. The Group estimates the most probable amount of future taxable profits using assumptions consistent with those employed in impairment calculations and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

On 22 December 2017, the Tax Cuts and Jobs Act was signed into law in the United States which reduced the federal corporation tax rate from 35% to 21%. The impact of the reduction in the US tax rate has been factored into the calculation of the 2017 US tax liabilities, particularly impacting deferred tax (note 25). As all provisions and interpretations of the new legislation have not yet been clarified, certain assumptions have been made in the calculation of income taxes. It is not expected that there will be a material adjustment, within the next financial year, to the carrying amounts of tax assets and liabilities as at 30 December 2017 as a result of the assumptions made.

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

(c) Retirement benefit obligations

The Group operates a number of 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. The Irish plans have plan assets totalling €483.5 million (2016: €465.2 million) and plan liabilities of €595.9 million (2016: €592.6 million) giving a net pension deficit of €112.4 million (2016: €127.4 million). The UK plans have plan assets totalling €82.3 million (2016: €81.5 million) and plan liabilities of €104.7 million (2016: €112.6 million) giving a net pension deficit of €22.4 million (2016: €31.1 million).

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 Group has reviewed the impact of a change in the discount rate used and concluded that based on the pension deficit at 30 December 2017, an increase/decrease in the discount rate applied of 0.25% would have the impact of decreasing/increasing the Irish pension plan deficit by approximately €25.9 million to €27.1 million (2016: €26 million to €27 million) and decreasing the UK pension plan deficit by approximately €4.2 million to €4.5 million (2016: €4.8 million to €5.1 million).

Notes to the Financial Statements (continued) for the financial year ended 30 December 2017

Additional information in relation to retirement benefit obligations is disclosed in note 8.

(d) Business combinations

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

(e) 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 26.

(f) 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 were the discounted rate used in the discounted cash flow analysis to differ by 10% from the Group's estimates

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

Long-life assets comprising primarily of 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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

4. SEGMENT INFORMATION

The Group has two segments, Glanbia plc and Glanbia Ireland DAC. These segments align with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker (the Board) 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.

Each segment derives its revenue as follows; Glanbia Plc earns its revenue from the manufacture and sale of performance nutrition products, sale of cheese, dairy and non-dairy nutritional ingredients, and 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. 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 2017 or 2016.

The segment results for continuing operations are as follows:

2017	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Total gross segment revenue	2,745.5	1,404.1	4,149.6	4.1	4,153.7
Inter-segment revenue	(5.1)	(57.3)	(62.4)	-	(62.4)
Revenue	2,740.4	1,346.8	4,087.2	4.1	4,091.3
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)	293.9	59.9	353.8	(6.3)	347.5
Shares of results of Equity accounted investees pre- exceptional				27.8	27.8

2016	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Total gross segment revenue	2,847.9	833.5	3,681.4	8.2	3,689.6
Inter-segment revenue	(8.3)	(59.1)	(67.4)	-	(67.4)
Revenue	2,839.6	774.4	3,614.0	8.2	3,622.2
Total Group earnings before interest, tax, amortisation and exceptional items (EBITA)	305.1	48.9	354.0	(1.5)	352.5
Share of results of Equity accounted investees pre- exceptional				13.2	13.2

Segment earnings before interest, tax, amortisation and exceptional items are reconciled to reported profit before tax and profit after tax for continuing operations as follows:

	2017 €'m	2016 €'m
Earnings before interest, tax, amortisation and exceptional items	347.5	352.5
Amortisation – pre exceptional	(46.1)	(41.1)
Exceptional items	(44.0)	(17.5)
Share of results of Joint Ventures & Associates	27.8	13.2
Finance income	3.0	2.1
Finance costs	(37.6)	(34.4)
Reported profit before taxation	250.6	274.8
Income taxes	(1.9)	(46.0)
Reported profit for the year	248.7	228.8

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Other segment information pre-exceptional are as follows:

2017	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Depreciation and impairment of PPE	60.0	24.3	84.3	0.9	85.2
Amortisation and impairment of intangibles	63.0	2.6	65.6	-	65.6
Capital grants released to income statement	0.2	1.5	1.7	-	1.7
Capital expenditure – additions	75.6	77.1	152.7	-	152.7
Capital expenditure – business combinations	166.9	-	166.9	-	166.9

2016	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Depreciation and impairment of PPE	50.8	16.0	66.8	0.8	67.6
Amortisation and impairment of intangibles	40.8	1.4	42.2	-	42.2
Capital grant released to income statement	0.4	1.3	1.7	-	1.7
Capital expenditure – additions	98.8	45.3	144.1	1.7	145.8
Capital expenditure – business combinations	2.8	-	2.8	0.2	3.0

The segment assets and liabilities are as follows:

2017	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Segment assets	2,483.0	1,136.8	3,619.8	(192.7)	3,427.1
Segment liabilities	(1,101.3)	(752.9)	(1,854.2)	11.5	(1,842.7)

2016	Glanbia plc €'m	Glanbia Ireland €'m	Total reportable segments €'m	All other segments and unallocated €'m	Total Group €'m
Segment assets	2,708.7	664.2	3,372.9	(25.2)	3,347.7
Segment liabilities	(1,481.6)	(421.5)	(1,903.1)	(75.9)	(1,979.0)

Unallocated assets and liabilities comprise primarily taxation, cash and cash equivalents, borrowings, available for sale financial assets, derivatives, retirement benefit obligations and the carrying value of remaining Equity accounted investees.

Geographical information

The following represents a geographical analysis of the segment information in accordance with IFRS 8, which requires disclosure of information about the country of domicile (Republic of Ireland) and countries with material revenue and non-current assets.

	2017 €'m	2016 €'m
US	1,762.9	1,781.8
Ireland	1,160.7	966.8
UK	195.4	160.1
Rest of Europe	243.2	280.8
Other	729.1	432.6
Total	4,091.3	3,622.1

Revenue of approximately €312.5 million (2016: €332.5 million) is derived from a single external customer within the Glanbia plc segment.

The total of non-current assets, other than financial instruments and deferred tax assets located in Ireland is €1,222.7 million (2016: €1,141.4 million) and located in other countries, Mainly the US, is €849.3 million (2016: €920.6 million).

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

5. OPERATING PROFIT

	2017			2016		
	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m	Pre- exceptional €'m	Exceptional €'m (note 6)	Total €'m
Revenue	4,091.3	-	4,091.3	3,622.1	-	3,622.1
Cost of goods sold	(3,215.5)	-	(3,215.5)	(2,749.2)	(1.0)	(2,750.2)
Gross profit	875.8	-	875.8	872.9	(1.0)	871.9
Selling and distribution expenses	(316.0)	-	(316.0)	(301.8)	-	(301.8)
Administration expenses	(209.4)	(22.3)	(231.7)	(218.6)	(16.5)	(235.1)
Earnings before interest tax and amortisation (EBITA)	350.4	(22.3)	328.1	352.5	(17.5)	335.0
Intangible asset amortisation	(46.1)	(19.4)	(65.5)	(41.1)	-	(41.1)
Operating profit	304.3	(41.7)	262.6	311.4	(17.5)	293.9

Notes	2017			2016		
	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:						
Raw materials and consumables used	(2,870.3)	-	(2,870.3)	(2,288.4)	(1.0)	(2,289.4)
Depreciation of property, plant and equipment	13 (74.4)	-	(74.4)	(67.1)	-	(67.1)
Amortisation of capital grants received	27 1.7	-	1.7	1.7	-	1.7
Employee benefit expense	7 (430.9)	(4.4)	(435.3)	(418.6)	(10.1)	(428.7)
Auditor's remuneration (note 1)	(1.5)	-	(1.5)	(2.0)	-	(2.0)*
Research and development costs	(14.2)	-	(14.2)	(13.0)	-	(13.0)
Net foreign exchange gain	0.3	-	0.3	0.7	-	0.7
Intangible asset amortisation	14 (46.1)	(19.4)	(65.5)	(41.1)	-	(41.1)
Loss on disposal of property, plant and equipment	(0.7)	-	(0.7)	(0.3)	-	(0.3)
Impairment of intangible assets	14 -	-	-	(0.5)	(0.6)	(1.1)
Impairment of property, plant and equipment	13 (10.8)	-	(10.8)	(0.5)	-	(0.5)
Operating lease expense	13 (24.2)	-	(24.2)	(25.1)	-	(25.1)

*Within 2016 €0.6 million relates to the former auditor PricewaterhouseCoopers for tax advisory services.

The following tables disclose the fees paid or payable to Deloitte Ireland and to other Statutory Audit firms in the Deloitte network.

Current auditor	2017 €'m	2016 €'m
Statutory auditor		
– Statutory audit of Group companies	0.8	0.7
– Other assurance services	-	-
– Tax advisory services	-	-
– Other non-audit services	-	0.1
	0.8	0.8
Other statutory auditor network firms		
– Statutory audit of Group companies	0.7	0.6
– Other assurance services	-	-
– Tax advisory services	-	-
– Other non-audit services	-	-
	0.7	0.6

In addition to the above, Deloitte and its member firms received fees of €0.2 million (2016: €0.1 million) in respect of the audit of the Group's Joint Ventures & Associates.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

6. EXCEPTIONAL ITEMS

	Notes	2017 €'m	2016 €'m
Intangible asset amortisation	(a)	(19.4)	-
Costs in relation to the restructuring of Dairy Ireland	(b)	(16.8)	-
Rationalisation costs	(c)	(5.4)	(3.0)
Debt restructuring	(d)	(0.1)	-
Organisation redesign costs	(e)	-	(11.4)
Acquisition integration costs	(f)	-	(3.1)
Total exceptional operating loss		(41.7)	(17.5)
Finance costs	(d)	(14.0)	-
Share of results of Joint Ventures – deferred tax credit due to US tax reform	(g)	8.8	-
Total exceptional operating loss before tax		(46.9)	(17.5)
Deferred tax credit due to US tax reform	(g)	38.7	-
Tax credit on exceptional items	11	6.3	2.7
Total exceptional loss		(1.9)	(14.8)

The nature of the total exceptional operating loss is as follows:

	Notes	2017 €'m	2016 €'m
Amortisation of development costs		(19.4)	-
Employee benefit expense	7	(4.4)	(10.1)
Professional fees		(7.8)	-
Other operating costs		(0.6)	(7.4)
Impairment of tangible asset		(8.1)	-
Extraordinary general meeting costs		(1.4)	-
Total exceptional operating loss		(41.7)	(17.5)

The total cash outflow during the year in respect of exceptional charges was €31.3 million (2016: €19.4million) of which €9.9 million (2016: €9.1 million) was in respect of prior year exceptional charges.

- Intangible asset amortisation: Following a review of the useful life of capitalised development costs in respect of newly developed products across the Group, it was decided to reduce the estimate of the useful life from 6 to 3 years to reflect the dynamic environment for new product launches in their early development stage. The once-off additional amortisation from this change in estimate amounted to €19.4 million.
- On 2 July 2017, Glanbia Ireland DAC completed the acquisition of the Dairy Ireland business from Glanbia plc. Costs arising in respect of this transaction amounted to €13.0 million. These costs include impairment of tangible fixed assets of €8.1 million, professional fees of €3.6 million, Extraordinary General Meeting costs of €0.6 million, employee benefit expense of €0.5 million and other related costs of €0.2 million. Relating to this transaction Glanbia Co-operative Society Limited sold 8.9 million shares and this resulted in costs of €3.8 million. These costs include professional fees of €3.2 million, SGM related costs of €0.4 million and other related costs of €0.2 million.
- Rationalisation costs in the current year relate mainly to redundancies arising from the elimination of certain positions following a Group-wide organisational review. Costs of €5.4 million include employee benefit expense of €3.9 million, professional fees of €1.1 million and other costs of €0.4 million. Rationalisation costs in 2016 primarily relate to redundancy and rationalisation programme in Dairy Ireland.
- Following a review of debt facilities to ensure that the structure was appropriate to support the future growth of the Group, the Group repaid \$169.0 million of the \$325.0 million private placement debt resulting in €14.0 million of once-off interest costs reflecting make-whole interest due to note holders arising on early settlement and €0.1 million of professional fees.
- Organisation redesign costs relate to the Glanbia Nutritionals programme, announced in 2015, to fundamentally reorganise the business and leverage future market opportunities. This was largely completed in 2016. In 2016 costs of €11.4 million include consultancy of €2.9 million, employee benefit expense of €5.0 million, of which redundancy was €1.4 million, travel and expenses of €1.7 million, impairment of development costs and product line of €1.6 million and other costs of €0.1 million. There were no material organisation redesign related costs in 2017.
- Acquisition integration costs comprise costs relating to the integration, restructuring and redesign of route to market capabilities within acquired businesses in the Glanbia Performance Nutrition segment. This was completed in 2016. 2016 costs of €3.1 million include consultancy of €0.7 million, employee benefit expense comprising redundancy of €2.1 million and other costs of €0.3 million. There were no material acquisition related costs in 2017.
- On 22 December 2017 the Tax Cuts and Jobs Act was signed into law in the United States which reduced the federal corporate tax rate from 35% to 21%. As a result of the reduced federal corporate tax rate the Group recognised a deferred tax credit of €38.7 million within wholly owned subsidiaries and a deferred tax credit of €8.8 million within share of results from Joint Ventures.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

7. EMPLOYEE BENEFIT EXPENSE

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

	Notes	2017 €'m	2016 €'m
Wages and salaries		348.4	339.5
Social security costs		32.5	31.3
Pension costs – defined contribution plans	8	11.2	9.9
Pension costs – defined benefit plans	8	12.2	12.1
Other compensation costs:			
Cost of share based payments – equity settled	9	7.8	7.7
Cost of share based payments – cash settled	9	0.8	2.2
Company car allowance		1.7	1.9
Private health insurance		16.3	14.0
		430.9	418.6
Exceptional items	6	4.4	10.1
At the end of the year		435.3	428.7

Exceptional items includes redundancy of €3.9 million (2016: €6.5 million) and wages and salaries of €nil (2016: €3.6 million). Capitalised labour costs of €21.9 million (2016: €14.1 million) are included within the aggregate payroll costs above. See note 13 and note 14.

The average number of employees, excluding the Group's Joint Ventures & Associates, in 2017 was 5,292 (2016: 5,491) and is analysed into the following categories:

	2017	Re-presented* 2016
Glanbia Plc	3,975	3,531
Glanbia Ireland DAC	1,308	1,951
Other	9	9
	5,292	5,491

*Re-presented in line with note 4 segmental information.

8. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined benefit and defined contribution pension plans.

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	2017 €'m	2016 €'m
Defined contribution pension plan expense	7	11.2	9.9

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 1 January 2015 and 5 April 2017.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

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:

	2017 ROI	2017 UK	2016 ROI	2016 UK
Discount rate	1.80%	2.35%	1.80%	2.50%
Inflation rate	1.50%-1.60%	2.15%-3.15%	1.40%-1.50%	2.20%-3.20%
Future salary increases*	2.60%	0.00%	2.50%	0.00%
Future pension increases	0.00%	2.25%-2.95%	0.00%	2.25%-2.95%

*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.

Mortality rates

	2017 ROI mortality rates Years	2017 UK mortality rates Years	2016 ROI mortality rates Years	2016 UK mortality rates Years
Male – reaching 65 years of age in 20 years time	23.0	22.7	23.0	23.1
Female – reaching 65 years of age in 20 years time	25.4	25.0	25.4	25.7
Male – currently aged 65 years old	20.6	21.2	20.6	21.4
Female – currently aged 65 years old	23.2	23.5	23.2	23.8

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

Recognition in the Group income statement and in the Group statement of comprehensive income

The following amounts have been recognised in the Group income statement and Group statement of comprehensive income in relation to defined benefit pension plans:

Recognition in the Group income statement:

	Notes	2017 €'m	2016 €'m
Current service cost		(9.3)	(9.3)
Net interest cost		(2.9)	(2.8)
Total expense pre-settlement	7	(12.2)	(12.1)
Total expense recognised in the Group income statement in employee benefit expense		(12.2)	(12.1)

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Recognition in the Group statement of comprehensive income:

	2017 €'m	2016 €'m
Return of plan assets in excess of interest income	11.1	25.2
Actuarial gains arising from experience adjustments	9.1	5.6
Actuarial gain/(loss) arising from changes in demographic assumptions	1.3	(1.6)
Actuarial (loss)/gain arising from changes in financial assumptions	(6.9)	(69.8)
Total (expense)/income recognised in the Group statement of comprehensive income	14.6	(40.6)

Recognition in the Group balance sheet:

	2017 €'m	2016 €'m
Present value of funded obligations	(700.6)	(705.2)
Fair value of plan assets	565.9	546.8
Net defined benefit pension plan liability	(134.7)	(158.4)

Reconciliation of net defined benefit pension plan liability to the amounts recognised in the Group balance sheet:

	2017 €'m	2016 €'m
Non-current assets		
Surplus on defined benefit pension plan	1.7	2.6
Non-current liabilities		
Deficit on defined benefit pension plan	(136.4)	(161.0)
Net defined benefit pension plan liability	(134.7)	(158.4)

The net liability disclosed above relates to funded plans.

The movement in the net retirement benefit liability recognised in the Group balance sheet is as follows:

	Notes	2017 €'m	2016 €'m
At the beginning of the year		(158.4)	(128.8)
Exchange differences		1.0	2.8
Service cost and net interest cost	7	(12.2)	(12.1)
Remeasurements – defined benefit plans		14.6	(40.6)
Contributions paid/payable by employer		20.3	20.3
At the end of the year		(134.7)	(158.4)

Notes to the Financial Statements continued for the financial year ended 30 December 2017

The movement in obligations during the year is as follows:

	2017			2016		
	ROI €'m	UK €'m	Total €'m	ROI €'m	UK €'m	Total €'m
At the beginning of the year	(592.6)	(112.6)	(705.2)	(541.6)	(106.1)	(647.7)
Exchange differences	-	3.9	3.9	-	15.1	15.1
Current service costs	(9.4)	-	(9.4)	(9.3)	-	(9.3)
Interest costs	(10.5)	(2.7)	(13.2)	(12.1)	(3.4)	(15.5)
Remeasurements:						
– Experience gain	6.4	2.7	9.1	5.6	-	5.6
– (Loss)/gain from changes in demographic assumptions	-	1.3	1.3	-	(1.6)	(1.6)
– (Loss)/gain from changes in financial assumptions	(4.7)	(2.2)	(6.9)	(49.1)	(20.7)	(69.8)
Contributions by plan participants	(2.6)	-	(2.6)	(2.5)	-	(2.5)
Payments from plans:						
– Benefit payments	17.5	4.9	22.4	16.4	4.1	20.5
At the end of the year	(595.9)	(104.7)	(700.6)	(592.6)	(112.6)	(705.2)

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

	2017			2016		
	ROI €'m	UK €'m	Total €'m	ROI €'m	UK €'m	Total €'m
At the beginning of the year	465.2	81.5	546.7	433.4	85.5	518.9
Exchange differences	-	(2.8)	(2.8)	-	(12.4)	(12.4)
Interest income	8.4	2.0	10.4	9.8	2.8	12.6
Remeasurements:						
– Return on plan assets excluding amounts included in interest income/(expense)	8.5	2.6	11.1	19.6	5.6	25.2
Contributions by plan participants	2.6	-	2.6	2.5	-	2.5
Contributions paid/payable by employer	16.3	4.0	20.3	16.3	4.0	20.3
Payments from plans:						
– Benefit payments	(17.5)	(4.9)	(22.4)	(16.4)	(4.0)	(20.4)
At the end of the year	483.5	82.4	565.9	465.2	81.5	546.7

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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

	2017				2016			
	Quoted €'m	Unquoted €'m	Total €'m	%	Quoted €'m	Unquoted €'m	Total €'m	%
Equities:								
– Consumer	27.7	-	27.7	5	23.2	-	23.2	4
– Energy	9.7	-	9.7	2	10.1	-	10.1	2
– Financials	30.8	-	30.8	5	30.0	-	30.0	5
– Healthcare	16.6	-	16.6	3	15.3	-	15.3	3
– Industrials	18.1	-	18.1	3	15.6	-	15.6	3
– Information technology	22.3	-	22.3	4	18.4	-	18.4	3
– Materials	7.6	-	7.6	1	6.9	-	6.9	1
– Telecommunication services	4.2	-	4.2	1	5.0	-	5.0	1
– Utilities	4.3	-	4.3	1	4.7	-	4.7	1
– Other	11.5	-	11.5	2	11.4	1.0	12.4	2
Corporate bonds:								
– Investment grade	59.7	-	59.7	11	44.1	10.6	54.7	10
– Non-investment grade	9.1	-	9.1	2	5.6	1.3	6.9	1
Government bonds and gilts	141.0	-	141.0	25	116.9	18.2	135.1	25
Property:								
– UK	0.8	0.3	1.1	-	-	5.0	5.0	1
– Ireland	0.6	7.6	8.2	1	1.8	1.8	3.6	1
– Europe	-	1.9	1.9	-	-	9.9	9.9	2
Cash	6.6	4.1	10.7	2	1.2	9.7	10.9	2
Investment funds	-	162.3	162.3	29	-	157.7	157.7	29
Other	0.5	18.6	19.1	3	0.4	20.9	21.3	4
	371.1	194.8	565.9	100	310.6	236.1	546.7	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.

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.

2017 Assumption	Change in assumption	ROI plans		UK plans	
		Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
Discount rate	0.25% movement	(15.2)	15.9	(4.2)	4.5
Price inflation	0.25% movement	5.2	(5.2)	3.3	(3.3)
Longevity	1 year movement	10.1	(9.8)	4.5	(4.5)
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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

2016 Assumption	Change in assumption	ROI plans		UK plans	
		Increase €'m	Decrease €'m	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(25.8)	27.1	(4.8)	5.1
Price inflation	0.25% movement	8.9	(8.8)	3.5	(3.4)
Longevity	1 year movement	17.2	(16.8)	4.3	(4.3)
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.

	ROI plans €'m	UK plans €'m
Expected contributions to the defined benefit pension plans for the coming year	15.1	3.9

	ROI plans Years	UK plans Years
Weighted average duration of the defined benefit plans	18	16

9. SHARE BASED PAYMENT EXPENSE

Glanbia Ireland DAC operates a share based payment arrangement ('The GIID 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 expense of €0.8 million (2016: €2.2 million) recognised during the year ended 30 December 2017. The weighted average fair value at 30 December 2017 was €14.90 per share (2016: €16.00).

Awards outstanding under the GIID Scheme as at 30 December 2017 amounted to 244,652 (2016: 135,260). These are scheduled to vest in periods up to July 2019, 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.

The extent of vesting for awards granted is determined by growth in EPS, Total Shareholder Return performance (TSR) and Return on Capital Employed (ROCE) of Glanbia plc, with each of EPS, TSR and ROCE representing one third of the maximum vesting level. A service condition also applies.

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

- Between 15%-20% based on Glanbia plc adjusted EPS on a reported basis;
- Between 7.5%-12% based on Glanbia plc ROCE;
- Between 7.5%-8% based on relative TSR against the STOXX Europe 600 Food and Beverage index;
- 15% based on business segment Operating Cashflow;
- 15% based on KPMG Milk Price Audit Rank; and
- Between 30%-40% based on business segment ROCE.

Glanbia plc operates the following equity settled share based payment arrangements as defined in IFRS 2 'Share-based Payment'. The arrangements include both share option and share award schemes open to both Executive Directors and certain senior management.

- 2002 Long term incentive plan (the 2002 LTIP)
- 2008 Long term incentive plan (the 2008 LTIP)
- The Annual Incentive Deferred Into Shares Scheme (the AIDIS Scheme)

The share based payment reserve reflects charges relating to granting of both share options and awards under the 2002 LTIP, the 2008 LTIP and the AIDIS Scheme, net of transfers on vesting or expiry of share based payments.

The movement in the share based payment reserve for the year ended 30 December 2017 and 31 December 2016 is as follows:

	Notes	2017 €'m	2016 €'m
At the beginning of the year	22	8.5	7.7
Transfer on exercise, vesting or expiry of share based payments	22	(9.9)	(5.5)
Cost of share based payments	7/22	7.8	7.7
Allocation to non-controlling interests	22	1.5	(1.4)
At the end of the year	22	7.9	8.5

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

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

	Notes	2017 €'m	2016 €'m
The 2008 LTIP		7.1	5.8
The AIDIS Scheme		0.7	1.9
	7	7.8	7.7

2002 Long Term Incentive Plan

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 Glanbia plc group has been achieved. The performance criterion required an increase in the adjusted Earnings Per Share (EPS) of the Glanbia plc group 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.

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 (2016: Nil).

Movement in the number of options outstanding under 2002 LTIP for the year ended 30 December 2017 and 31 December 2016 is as follows:

	2017 Weighted average exercise price per share €	2017 Number of options	2016 Weighted average exercise price per share €	2016 Number of options
At the beginning of the year	4.15	45,000	3.81	55,000
Exercised during the year	(2.29)	(5,000)	(2.29)	(10,000)
At the end of the year	4.38	40,000	4.15	45,000

Expiry dates of share options outstanding and exercisable at 30 December 2017 and 31 December 2016 is as follows:

Expiry date	Exercise price €	2017 Number of options	2016 Number of options
2019	2.29	-	5,000
2021	4.38	40,000	40,000
		40,000	45,000

Total options of 40,000 (2016: 45,000) ordinary shares were outstanding at 30 December 2017 under the 2002 LTIP at prices of €2.29 and €4.38. The cost of the 2002 LTIP charged in the Group income statement was €nil (2016: nil). The fair value of the share options was calculated using the Binomial Model.

Options over 40,000 (2016: 45,000) ordinary shares were exercisable at 30 December 2017. The share price at the date of exercise for share options exercised was €18.47 (2016: €18.39). The weighted average life for share options outstanding is four years.

2008 Long Term Incentive Plan

This is a long-term share incentive plan, which was introduced in 2008 of Glanbia plc following the approval by the Glanbia plc 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.

Awards outstanding under the 2008 LTIP as at 30 December 2017 amounted to 2,203,668 (2016: 2,294,783). These are scheduled to vest in periods up to February 2020, 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. The maximum annual award level is 250% (for awards granted before 2015 the maximum was 150% and 2016 250%) of Base Salary. Vesting is determined on a straight line basis between threshold and maximum.

The extent of vesting for awards granted before 2015 is determined by growth in EPS, Total Shareholder Return performance (TSR) and Return on Capital Employed (ROCE), with each of EPS, TSR and ROCE representing one third of the maximum vesting level. A service condition also applies. There is a requirement to hold shares received pursuant to the vesting of LTIP awards for a minimum period of one year post-vesting.

The extent of vesting for awards granted from 2015 onwards is determined based on the performance category of each individual and consists of a combination of the following performance metrics, a service condition and in certain circumstances a personal objective.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

The award is determined by reference to three performance metrics for the Glanbia plc Managing Director and the Glanbia plc Finance Director:

- 50% based on Glanbia plc adjusted EPS on a reported basis;
- 30% based on Glanbia plc ROCE; and
- 20% based on relative TSR against the STOXX Europe 600 Food and Beverage index.

For Glanbia plc business segment Executive Directors, the award is determined by reference to the following performance metrics:

- 40% based on Glanbia plc adjusted EPS on a reported basis;
- 15% based on Glanbia plc ROCE;
- 15% based on relative TSR against the STOXX Europe 600 Food and Beverage index;
- 20% based on business segment EBITA; and
- 10% based on business segment ROCE.

From 2015 onwards the required period to hold shares received post vesting of LTIP award has increased to two years for members of the Glanbia plc Operating Executive.

IFRS 2 requires that a recognised valuation methodology be employed to determine the fair value of shares awarded and stipulates that this methodology should be consistent with methodologies used for pricing of financial instruments. The expense of €7.1 million (2016: €5.8 million) charged in the Group income statement has been arrived at through applying a Monte Carlo simulation technique to model the combination of market and non-market based performance conditions of the plan.

The assumptions used in the valuation were as follows:

	Granted in 2017	Granted in 2016	Granted in 2015	Granted in 2014
Risk-free interest rate	(0.63%)	(0.50%)	0.04%	0.10%
Expected volatility	25.00%	22.30%	22.0%	26.10%
Dividend yield	0.79%	0.66%	0.81%	0.94%

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

At each reporting date the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and the service condition. A share award may lapse if a participant ceases to be employed within the Group before the date of vest.

When the awards are exercised Glanbia plc re-issues shares from own shares and the fair value of the awards exercised is reclassified from the share based payment reserve to retained earnings.

Movement in the 2008 LTIP for the year ended 30 December 2017 and 31 December 2016 is as follows:

	2017 Number of awards	2016 Number of awards
At the beginning of the year	2,294,783	2,060,605
Granted	874,641	851,305
Vested	(644,620)	(457,852)
Lapsed	(321,136)	(159,275)
At the end of the year	2,203,668	2,294,783

Expiry dates of share awards outstanding at 30 December 2017 and 31 December 2016:

	2017 Number of awards	2016 Number of awards
Expiry date in		
2017	-	4,000
2018	-	710,103
2019	673,337	751,865
2020	706,990	828,815
2021	823,341	-
At the end of the year	2,203,668	2,294,783

Notes to the Financial Statements continued

for the financial year ended 30 December 2017

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

	Share price at date of award €	Year of earliest vesting date	Number of shares	Fair value – TSR component €	Fair value – non-market performance components €	Total weighted average fair value €	Expense in Group income statement 2017 €'m	Expense in Group income statement 2016 €'m
Granted in 2014								
2008 Long Term Incentive Plan	11.51	2017	841,000	5.75	11.19	9.38	-	2.4
Granted in 2015								
2008 Long Term Incentive Plan	17.53	2018	844,490	13.16	17.10	16.55	1.9	2.5
Granted in 2016								
2008 Long Term Incentive Plan	18.47	2019	851,305	11.19	18.11	17.15	2.2	0.9
Granted in 2017								
2008 Long Term Incentive Plan	18.05	2020	874,641	9.00	17.62	16.57	3.0	-
Total expense recognised in Group income statement							7.1	5.8

On 4 May 2016, 8 June 2016 and 21 October to 3 November 2016, 260,333, 180,453 and 17,066 respectively, of the share awards granted in 2013 vested. 362,248 of the share awards lapsed and 4,000 share awards have yet to vest. On 23 March 2017, 26 June 2017, 29 June 2017, 2 July 2017, 5 July 2017, 27 October 2017 and 10 November 2017, 10,074, 4,864, 131,348, 464,633, 16,143, 5,031 and 9,526 respectively, of the share awards granted in 2014 vested and 199,381 lapsed. On 5 July 2017 3,001 of the share awards granted in 2013 were vested.

Annual Incentive Deferred into Shares Scheme

This scheme is an annual performance related incentive scheme for Glanbia plc Executive Directors and other senior management. The fair value of the Annual Incentive Deferred into Shares Scheme was calculated as €0.7 million in 2017 (2016: €1.9 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.

10. FINANCE INCOME AND COSTS

	Notes	2017 €'m	2016 €'m
Finance income			
Interest income		3.0	2.1
Total finance income		3.0	2.1
Finance costs			
Bank borrowing costs		(11.6)	(10.2)
Facility fees including cost amortisation		(6.7)	(5.8)
Unwinding of discounts on provisions	26	(0.1)	(0.3)
Finance lease costs		(0.1)	(0.1)
Net interest expense		(1.2)	(0.1)
Finance cost of private debt placement		(28.7)	(16.0)
Finance cost of bonds		(1.4)	(0.8)
Revolving share plan appropriation	26	(1.1)	(1.1)
Other loans		(0.7)	-
Total finance costs		(51.6)	(34.4)
Net finance costs		(48.6)	(32.3)

Net finance costs exclude borrowing costs of €1.0 million (2016: €3.3 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 4.0% (2016: 4.2%). Interest income includes interest on loans to related parties of €0.1 million (2016: €0.1 million). See note 35 (f).

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

11. INCOME TAXES

	Notes	2017 €'m	2016 €'m
Current tax			
Irish current tax		17.5	16.4
Adjustments in respect of prior years		(0.4)	0.1
Irish current tax for the year		17.1	16.5
Foreign current tax		12.4	37.4
Adjustments in respect of prior years		(3.2)	1.2
Foreign current tax for the year		9.2	38.6
Total current tax		26.3	55.1
Deferred tax			
Deferred tax – current year		(23.8)	(7.9)
Adjustments in respect of prior years		(0.7)	(1.2)
Total deferred tax	25	(24.5)	(9.1)
Tax charge		1.8	46.0
The tax credit on exceptional items and the exceptional deferred tax credit included in the above amounts are as follows:			
Current tax credit on exceptional items		(4.2)	(2.5)
Deferred tax on credit exceptional items		(2.1)	(0.2)
Deferred tax credit due to US tax reform		(38.7)	
Total tax credit on exceptional items for the year		(45.0)	(2.7)

The net tax credit on exceptional items in 2017 and 2016 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:

	2017 €'m	2016 €'m
Profit before tax	250.6	274.8
Income tax calculated at Irish rate of 12.5% (2016: 12.5%)	31.3	34.3
Earnings at higher Irish rates	2.6	0.3
Difference due to overseas tax rates	6.7	13.1
Adjustment to tax charge in respect of previous periods	(4.2)	0.2
Tax on post-tax profits of Joint Ventures & Associates included in profit before tax	(3.5)	(1.6)
Reduction in US Tax rate	(38.7)	-
Other reconciling differences	7.7	(0.3)
Total tax charge	1.9	46.0

Details of deferred tax charged or credited directly to other comprehensive income during the year are outlined in note 25.

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 clarification on certain application matters in relation to the recently enacted Tax cuts and Job act 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.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

12. ORDINARY SHARE INTEREST AND APPROPRIATIONS

	Notes	2017 €'m	2016 €'m
Ordinary share interest paid to Society shareholders	(a)	3.9	4.0
Distribution to Society shareholders – Dividend payable	(b)	10.0	-
Distribution to Society shareholders – rebates	(c)	5.0	37.3
Distribution to Society shareholders – bonus issue	(d)	-	16.8
Distribution to Society shareholders – buy back	(e)	-	7.5
Distribution to Society shareholders – GAP interest	(f)	-	0.3
		18.9	65.9

- (a) Ordinary share interest paid in 2017 was 10 cent per share on 38.6 million shares (2016: 10 cent per share on 40.4 million shares).
- (b) During 2017 at a Special General Meeting of the Society, pursuant to rule 98 of the rules of the Society, members of the Society approved a dividend distribution of €10.0 million (26 cent per share) to be paid out by the end of 31 December 2018. The full amount remains unpaid (2016: €nil)
- (c) During 2015, at a Special General Meeting of the Society, members of the Society approved the setup of a patronage rebate fund of €50.6m with the nature on the timing of payments at the discretion of the Board. As at 30 December 2017 €2.0m remains unpaid (2016: €7.1m). (note 31)

During 2017, 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 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.

During 2016, 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 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 2016.
- A feed 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 feed during 2016.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to 10 units of € loan stock for every one tonne of grain supplied during 2015 and 2016.
- 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 2015 and 2016.

Also during 2016 pursuant to rule 98 of the rules of the Society the Board distributed the below distributions to members of the Society:

- (d) A bonus issue of 0.25 units of € loan stock and 0.17 units of € loan stock for every share held in the Society on 10 May 2016 and 26 October 2016 respectively. Loan stock of €1.3 million remains outstanding as at 30 December 2017 (2016: €1.6m) (note 28).
- (e) A share buy back of 1,862,535 shares (see note 21) at €5 per share consisting of a share cancellation at par of €1 and a bonus issue of 4 units of € loan stock for every share cancelled. The share buy back was fully paid as at 31 December 2016.
- (f) The Glanbia Advance Payment Scheme offers interest free support payments to farmers in periods of weak prices. An amount of €0.5million remains outstanding at 30 December 2017 (2016: €5.8m) (see note 18). This interest free support was a distribution to members of €0.3 million during the year ended 31 December 2016.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings €'m	Plant and equipment €'m	Motor vehicles €'m	Total €'m
Year ended 30 December 2017					
Opening carrying amount		371.3	632.8	1.8	1,005.9
Exchange differences		(21.0)	(33.2)	(0.1)	(54.3)
Acquisitions	34	5.6	1.9	-	7.5
Additions		19.5	96.0	0.4	115.9
Disposals		(4.9)	(1.1)	(0.5)	(6.5)
Impairments	5	(8.8)	(2.0)	-	(10.8)
Reclassification		(7.0)	7.7	-	0.7
Depreciation charge	5	(13.8)	(60.0)	(0.6)	(74.4)
Closing carrying amount		340.9	642.1	1.0	984.0
At 30 December 2017					
Cost		468.6	1,214.6	6.3	1,689.5
Accumulated depreciation and impairment		(127.7)	(572.5)	(5.3)	(705.5)
Carrying amount		340.9	642.1	1.0	984.0
Year ended 31 December 2016					
Opening carrying amount		350.0	592.1	0.9	943.0
Exchange differences		5.4	5.9	0.6	11.9
Acquisitions	34	-	0.2	-	0.2
Additions		29.3	90.4	1.3	121.0
Disposals		(0.3)	(2.0)	(0.3)	(2.6)
Impairments	5	(0.5)	-	-	(0.5)
Reclassification		(0.8)	1.0	(0.2)	-
Depreciation charge	5	(11.8)	(54.8)	(0.5)	(67.1)
Closing carrying amount		371.3	632.8	1.8	1,005.9
At 31 December 2016					
Cost		497.8	1,212.1	12.2	1,722.1
Accumulated depreciation and impairment		(126.5)	(579.3)	(10.4)	(716.2)
Carrying amount		371.3	632.8	1.8	1,005.9

Depreciation expense of €74.4 million was charged to the Group income statement during the year (2016: €67.1 million).

Impairment charge of €10.8 million was charged to the Group income statement during the year (2016: €0.5 million).

Included in the closing cost at 30 December 2017 is an amount of €62.6 million (2016: €59.9 million) incurred in respect of assets under construction.

Included in the cost of additions for 2017 is €1.3 million (2016: €3.6 million) incurred in respect of staff costs capitalised into assets.

During the year, the Group has capitalised borrowing costs amounting to €1.0 million (2016: €3.3 million) on qualifying assets (see note 10).

Operating lease rentals amounting to €24.2 million (2016: €25.1 million) are charged to the Group income statement (see notes 5 and 31).

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

Assets held under finance leases:

The net carrying amount in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

	2017 €'m	2016 €'m
Carrying amount at the beginning of the year	5.4	5.4
Exchange differences	-	-
Additions	-	1.9
Reclassification	-	(0.7)
Depreciation charge	(1.2)	(1.2)
Carrying amount at the end of the year	4.2	5.4
At the end of the year		
Cost	12.5	14.9
Accumulated depreciation	(8.3)	(9.5)
Carrying amount	4.2	5.4

14. INTANGIBLE ASSETS

	Notes	Goodwill €'m	Brands and other intangibles €'m	Software costs €'m	Development costs €'m	Total €'m
Year ended 30 December 2017						
Opening carrying amount		387.4	518.3	36.8	33.5	976.0
Exchange differences		(48.0)	(67.3)	(2.3)	(3.3)	(120.9)
Acquisitions	34	68.1	91.3	-	-	159.4
Additions		-	1.7	21.6	13.5	36.8
Reclassification		-	-	(1.5)	-	(1.5)
Amortisation	5	-	(31.4)	(6.7)	(27.4)	(65.5)
Closing carrying amount		407.5	512.6	47.9	16.3	984.3
At 30 December 2017						
Cost		407.5	679.5	117.1	70.9	1,275.0
Accumulated amortisation and impairment		-	(166.9)	(69.2)	(54.6)	(290.7)
Carrying amount		407.5	512.6	47.9	16.3	984.3
Year ended 31 December 2016						
Opening carrying amount		374.6	529.6	29.8	28.3	962.3
Exchange differences		11.5	15.4	0.6	1.1	28.6
Acquisitions		1.3	1.5	-	-	2.8
Additions		-	0.2	12.8	11.8	24.8
Disposals		-	(0.2)	(0.1)	-	(0.3)
Impairment	5	-	-	-	(1.1)	(1.1)
Amortisation	5	-	(28.2)	(6.3)	(6.6)	(41.1)
Closing carrying amount		387.4	518.3	36.8	33.5	976.0
At 31 December 2016						
Cost		387.4	672.1	102.5	66.2	1,228.2
Accumulated amortisation and impairment		-	(153.8)	(65.7)	(32.7)	(252.2)
Carrying amount		387.4	518.3	36.8	33.5	976.0

Amortisation expense of €65.5 million (2016: €41.1 million) has been charged to operating profit during the year (note 5). The average remaining amortisation period for software costs is 4.6 years (2016: 7 years) and development costs is 3 years (2016: 4 years).

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

Approximately €14.4 million of software additions during the year (2016: €7.0 million) were internally generated which included €12.3 million (2016: €6.0 million) of staff costs capitalised. Approximately €13.2 million of development cost additions during the year (2016: €10.6 million) were internally generated which included €8.3 million (2016: €4.5 million) of staff costs capitalised.

During the year the estimated useful life of development assets was reduced from 6 to 3 years. This change was made following a review of the useful life of capitalised development costs in respect of newly developed products across the Group to reflect the dynamic environment for new product launches in their early development stage. The additional amortisation in the year due to the change in estimated useful life amounted to €19.4 million and is included in exceptional items (note 6).

The amortisation that will be charged in the Group income statement in 2018 is estimated at €12.2 million.

Brands and other intangibles

	Notes	Brands €'m	Customer relationships €'m	Other €'m	Total brands and other intangibles €'m
Year ended 30 December 2017					
Opening carrying amount		339.7	172.0	6.6	518.3
Exchange differences		(43.5)	(23.6)	(0.2)	(67.3)
Acquisitions	34	50.8	39.9	0.6	91.3
Additions		-	-	1.7	1.7
Disposals		-	-	-	-
Amortisation		(8.0)	(21.7)	(1.7)	(31.4)
Closing carrying amount		339.0	166.6	7.0	512.6
At 30 December 2017					
Cost		373.9	285.3	20.3	679.5
Accumulated amortisation and impairment		(34.9)	(118.7)	(13.3)	(166.9)
Carrying amount		339.0	166.6	7.0	512.6
Year ended 31 December 2016					
Opening carrying amount		336.9	185.2	7.4	529.5
Exchange differences		10.2	5.1	-	15.3
Acquisitions		-	1.5	-	1.5
Additions		-	-	0.2	0.2
Disposals		-	-	(0.2)	(0.2)
Amortisation		(7.4)	(19.8)	(0.8)	(28.0)
Closing carrying amount		339.7	172.0	6.6	518.3
At 31 December 2016					
Cost		376.5	286.0	9.6	672.1
Accumulated amortisation and impairment		(36.8)	(114.0)	(3.0)	(153.8)
Carrying amount		339.7	172.0	6.6	518.3

Notes to the Financial Statements continued

for the financial year ended 30 December 2017

Individually material intangible assets with definite useful lives

	Carrying amount 2017 €'m	Average remaining amortisation period 2017 Years	Carrying amount 2016 €'m	Average remaining amortisation period 2016 Years
Brands				
Glanbia Performance Nutrition – BSN	43.9	33	51.5	34
Glanbia Performance Nutrition – Isopure	55.4	37	64.8	38
Glanbia Performance Nutrition – thinkThin	68.0	38	79.4	39
Glanbia Performance Nutrition – Body & Fit	11.9	39	-	-
Glanbia Performance Nutrition – Amazing Grass	33.3	39	-	-
Customer Relationships				
Glanbia Performance Nutrition – Optimum Nutrition	28.5	5	39.6	6
Glanbia Performance Nutrition – BSN	20.8	8	27.0	9
Glanbia Performance Nutrition – Isopure	21.0	10	26.4	11
Glanbia Performance Nutrition – thinkThin	54.4	11	67.8	12
Glanbia Performance Nutrition – Amazing Grass	32.0	14	-	-

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.

Indefinite life intangible assets

	Carrying amount 2017 €'m	Useful life 2017 Years	Carrying amount 2016 €'m	Useful life 2016 Years
Brands				
Glanbia Performance Nutrition – Optimum Nutrition	102.3	Indefinite	116.4	Indefinite

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 in question. 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 acquired in business combinations is allocated to the Group's cash generating units (CGUs) that are expected to benefit from the business acquisition, rather than where the asset is owned. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes.

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

	Goodwill 2017 €'m	Indefinite life intangibles 2017 €'m	Number of CGUs 2017	Goodwill 2016 €'m	Indefinite life intangibles 2016 €'m	Number of CGUs 2016
Glanbia plc						
Glanbia Performance Nutrition	297.9	102.3	8	265.8	116.4	6
Glanbia Nutritionals	98.3	-	4	110.3	-	4
Glanbia Ireland	11.3	-	2	11.3	-	2
	407.5	102.3	14	387.4	116.4	12

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

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 2017 €'m	Indefinite life intangibles 2017 €'m	Discount rate 2017	Goodwill 2016 €'m	Indefinite life intangibles 2016 €'m	Discount rate 2016
Glanbia Performance Nutrition – thinkThin	77.6	-	7.08%	88.3	-	7.5%
Glanbia Performance Nutrition – Optimum Nutrition	72.9	102.3	7.76%	82.9	116.4	7.9%
Glanbia Performance Nutrition – Isopure	52.9	-	7.08%	60.2	-	7.6%
Glanbia Performance Nutrition – Amazing Grass	35.4	-	7.08%	-	-	-
Glanbia Performance Nutrition – Body & Fit	28.0	-	7.47%	-	-	-
Glanbia Nutritionals – Customised Solutions	67.1	-	7.08%	76.3	-	7.5%
Other CGU's without individually significant goodwill	73.6	-	6.18%-8.65%	79.7	-	6.4%-9.2%
	407.5	102.3		387.4	116.4	

Impairment testing methodology, inputs, assumptions and results (Glanbia plc):

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis or more frequently if there are indications that they might be impaired. The recoverable amount of goodwill and indefinite life intangibles allocated to a CGU is determined based on a value in use computation.

The cash flow projections are based on the 2018 budget formally approved by, and the strategic plan for 2019 and 2020 as presented to, the Board of Directors. In cases where management have strategic plans beyond 2020 these numbers are also used in the projections. In preparing the 2018 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.

A terminal value assuming 2% growth into perpetuity was used. 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 strong financial position, its established history of earnings growth and cashflow generation and its proven ability to integrate value enhancing acquisitions.

The present value of future cashflows is calculated using pre-tax discount rates which are 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, adjusted to reflect risks associated with the CGU.

No impairments arose in either 2017 or 2016.

Sensitivity analysis

The following sensitivities have been performed across the CGUs:

- estimated future profitability 10% lower than managements estimates
- terminal value assuming zero growth
- pre-tax discount rate 1% higher than managements estimates.

Applying these assumptions would not have required the Group to recognise any impairment against goodwill or indefinite life intangibles. Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Notes to the Financial Statements continued for the financial year ended 30 December 2017

15. INTERESTS IN ASSOCIATES

	Notes	2017 €'m	2016 €'m
At the beginning of the year		2.7	7.1
Share of profit after tax		(0.1)	(0.3)
Remeasurements defined benefit plan (net of deferred tax)		-	-
Dividend received		-	-
Transfer to interests in Joint Ventures	16	-	(4.1)
Transfer to investment in subsidiary		-	-
At the end of the year		2.6	2.7

Nature of interests in Associates

Name of entity	Place of business/ country of incorporation	Group's % of ownership interest	Primary activity
Greenfield Dairy Partners Limited	Kilkenny, Ireland	33.33%*	Milk products
Co-Operative Animal Health Limited	Tullow, Co Carlow, Ireland	50%*	Agri chemicals

* Glanbia Ireland DAC's percentage ownership interest.

The Associates listed above have share capital, consisting of ordinary shares.

Co-Operative Animal Health Limited provides nutrition and veterinary solutions to the agricultural sector in Ireland and complements the Group's Dairy Ireland business. In accordance with the Group's accounting policy, Co-Operative Animal Health Limited is included in the Group result as an Associate using the equity method of accounting. The Group, despite holding 50% of the ordinary share capital of this entity, has significant influence and not joint control over the entity, due to the nature of its voting rights.

Greenfield Dairy Partners Limited was established to finance the development of the Kilkenny Greenfield Dairy farm and compliments the Group's Glanbia Ireland DAC business.

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Summarised financial information for Associates

Set out below is the summarised financial information for the Group's Associates, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the Associates reconciled to the carrying value of the Group's interest in Associates.

	2017 €'m	2016 €'m
Associate balance sheet (100%):		
Non-current assets	3.0	3.1
Current assets	15.0	15.0
Non-current liabilities	(1.2)	(1.4)
Current liabilities	(11.2)	(10.9)
Net assets	5.6	5.8
Reconciliation to the carrying value of the Group's interest in Associate:		
Carrying value of Group's interest in Associate	2.6	2.7
Associate income statement (100%):		
Revenue	62.7	32.0
(Loss) before tax	(0.2)	(0.5)
(Loss) after tax	(0.2)	(0.5)
Total comprehensive (expense)	(0.2)	(0.5)
Reconciliation to the Group's share of total comprehensive (expense)/income:		
Group's share of total comprehensive (expense)	(0.1)	(0.2)

Further details in relation to principal Associates are outlined in note 37.

16. INTERESTS IN JOINT VENTURES

	Notes	2017 €'m	2016 €'m
At the beginning of the year		71.5	64.5
Share of profit after tax		36.7	13.5
Remeasurements – defined benefit pension plans (net of deferred tax)		3.2	(3.4)
Fair value movement on cashflow hedges (net of deferred tax)	22(d)	0.5	2.1
Income tax movement		4.3	6.9
Dividend received		(15.8)	(13.8)
Exchange differences		(6.3)	(2.4)
Transfer from interests in Associates	15	-	4.1
At the end of the year		94.1	71.5

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Nature of interests in Joint Ventures

Name of entity	Place of business/ country of incorporation	Notes	Group's % of ownership interest	Primary activity
Southwest Cheese Company, LLC	Clovis, New Mexico, US	(a)	50%*	Cheese and nutritional ingredients
Glanbia Cheese Limited	Magheralin and Llangefni, UK	(b)	51%*	Cheese products
Malting Company of Ireland Limited	Togher, Co Cork, Ireland	(c)	50%**	Malting
South East Port Services Limited	Kilkenny, Ireland	(d)	49%**	Port services
Corman Miloko Ireland Limited	Carrick-on-Suir, Co.Tipperary, Ireland	(e)	45%**	Butter, oil and dairy spreads

* Glanbia plc's percentage ownership interest.

**Glanbia Ireland DAC's percentage ownership interest.

The Joint Ventures listed above have share capital, consisting solely of ordinary shares, membership interests or membership units and preference shares.

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.

The percentage of ownership interest is in line with the Group's control of voting rights in the entity at year end, with the exception of Glanbia Cheese Limited (see note (b) below).

- (a) Southwest Cheese Company, LLC (SWC) is a large scale manufacturer of premium quality block cheese and whey protein ingredients for consumer foods and beverage markets internationally. The Group act as an agent on behalf of SWC and earn commission on the sale of whey protein products and cheese.
- (b) Glanbia Cheese Limited is a leading European mozzarella producer. Its customers include most of the leading pizza and pasta chains, food service operators, industrial food manufacturers, wholesalers and retailers across Europe and internationally. The two plants (Magheralin and Llangefni) are strategically located in productive agricultural heartlands which helps to ensure a secure and consistent supply of high-quality milk. 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 direct the relevant activities of the business. The Group controls only 50% of the voting rights and is entitled to appoint only 50% of the total number of Directors to the Board.
- (c) Malting Company of Ireland Limited provides Irish malted barley products to the brewing and distilling industry. This company was transferred from Glanbia plc to Glanbia Ireland DAC during 2017.
- (d) South East Port Services Limited is engaged in the provision of storage, stevedoring and shipping agency services. This company was transferred from Glanbia plc to Glanbia Ireland DAC during 2017. Glanbia Ireland DAC holds 49% of the share capital of South East Port Services Limited, but this entity is considered to be a Joint Venture due to the composition of the voting rights and the Board of Directors.
- (f) Corman Miloko Ireland Limited produces butter, oil and dairy spreads. Glanbia Ireland DAC holds 45% of the share capital of Corman Miloko Ireland Limited, but this entity is considered to be a Joint Venture due to the composition of the voting rights and the Board of Directors.

Commitments and contingent liabilities in respect of Joint Ventures

There are no contingent liabilities or commitments relating to the Group's interest in its Joint Ventures.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Summarised financial information for Joint Ventures

Set out below is the summarised financial information for the Group's Joint Ventures, which are accounted for using the equity method.

The information below reflects the amounts presented in the Financial Statements of the Joint Ventures reconciled to carrying value of the Group's interest in Joint Ventures.

2017	Southwest Cheese Company, LLC €'m	Glanbia Cheese Limited €'m	Other €'m	Total €'m
Joint Venture balance sheet (100%):				
Non-current assets	308.6	41.8	31.3	381.7
Current assets				
Cash and cash equivalents	-	27.2	0.8	28.0
Other current assets	91.6	47.7	16.0	155.3
	91.6	74.9	16.8	183.3
Non-current liabilities				
Financial liabilities	(215.6)	-	(1.2)	(216.8)
Other non-current liabilities	-	(12.3)	(7.3)	(19.6)
	(215.6)	(12.3)	(8.5)	(236.4)
Current liabilities				
Bank overdrafts and loans	(9.9)	-	(0.8)	(10.7)
Other current liabilities	(84.8)	(40.4)	(10.7)	(135.9)
	(94.7)	(40.4)	(11.5)	(146.6)
Net assets	89.9	64.0	28.1	182.0
Reconciliation of the carrying value of the Group's interest in Joint Ventures:				
Group's equity interest	50%	51%	-	-
Group's share of net assets	45.0	32.6	12.5	90.1
Dividend income receivable	-	2.2	-	2.2
Adjustment in relation to remeasurement	-	-	1.8	1.8
Carrying value of Group's interest in Joint Ventures	45.0	34.8	14.3	94.1
Joint Venture income statement (100%):				
Revenue	738.0	316.7	149.5	1,204.2
Depreciation	(12.0)	(5.0)	(1.9)	(18.9)
Interest (expense)/income	(5.3)	-	(0.2)	(5.5)
Profit before tax	25.8	40.2	3.5	69.5
Tax	(10.3)	(8.0)	(0.5)	(18.8)
Exceptional tax credit	17.4	-	-	17.4
Profit after tax	32.9	32.2	3.0	68.1
Other comprehensive income	1.5	2.1	3.9	7.5
Total comprehensive income	34.4	34.3	6.9	75.6
Reconciliation to the Group's share of total comprehensive income:				
Group's equity interest	50%	51%	-	-
Group's share of total comprehensive income	17.2	17.5	3.4	38.1
Dividends receivable by the Group	-	2.2	-	2.2
Group's share of total comprehensive income	17.2	19.7	3.4	40.3
Joint Venture other movements:				
Dividend received by Group	(11.1)	(4.7)	(0.4)	(16.2)
Exchange differences arising on consolidation	(5.4)	(0.8)	-	(6.2)
Income tax movement	4.3	-	-	4.3

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

2016	Southwest Cheese Company, LLC €'m	Glanbia Cheese Limited €'m	Other €'m	Total €'m
Joint Venture balance sheet (100%):				
Non-current assets	288.3	41.6	32.2	362.1
Current assets				
Cash and cash equivalents	-	36.8	-	36.8
Other current assets	102.8	11.1	16.8	130.7
	102.8	47.9	16.8	167.5
Non-current liabilities				
Financial liabilities	(157.6)	-	(1.8)	(159.4)
Other non-current liabilities	-	(16.1)	(9.2)	(25.3)
	(157.6)	(16.1)	(11.0)	(184.7)
Current liabilities				
Bank overdrafts and loans	(12.0)	-	(4.3)	(16.3)
Other current liabilities	(141.5)	(36.1)	(11.0)	(188.6)
	(153.5)	(36.1)	(15.3)	(204.9)
Net assets	80.0	37.3	22.7	140.0
Reconciliation of the carrying value of the Group's interest in Joint Ventures:				
Group's equity interest	50%	51%	-	-
Group's share of net assets	40.0	19.0	10.9	69.9
Dividend income receivable	-	1.6	-	1.6
Carrying value of Group's interest in Joint Ventures	40.0	20.6	10.9	71.5
Joint Venture income statement (100%):				
Revenue	739.7	230.5	88.8	1,059.0
Depreciation	(12.0)	(4.3)	(1.2)	(17.5)
Interest (expense)/income	(5.2)	0.1	(0.2)	(5.3)
Profit before tax	31.3	4.2	1.8	37.3
Tax	(12.5)	(0.9)	(0.3)	(13.7)
Profit after tax	18.8	3.3	1.5	23.6
Other comprehensive income/(expense)	4.4	(6.3)	(0.8)	(2.7)
Total comprehensive income/(expense)	23.2	(3.0)	0.7	20.9
Reconciliation to the Group's share of total comprehensive income:				
Group's equity interest	50%	51%	-	-
Group's share of total comprehensive income/(expense)	11.6	(1.5)	0.5	10.6
Dividends receivable by the Group	-	1.6	-	1.6
Group's share of total comprehensive income	11.6	0.1	0.5	12.2
Joint Venture other movements:				
Dividend received by Group	(11.3)	(2.1)	(0.4)	(13.8)
Exchange differences arising on consolidation	1.3	(3.6)	-	(2.3)
Income tax movement	6.9	-	-	6.9
Transfers from interests in Associates	-	-	4.1	4.1

The Group's other interest in Joint Ventures includes Malting Company of Ireland Limited, South East Port Services Limited and Corman Miloko Ireland Limited in 2016. Further details in relation to principal Joint Ventures are outlined in note 37.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

17. AVAILABLE FOR SALE FINANCIAL ASSETS

	2017 €'m	2016 €'m
At the beginning of the year	14.9	16.0
Disposals/redemption	(2.0)	(1.4)
Fair value adjustment	2.2	(1.5)
Additions	2.3	1.8
At the end of the year	17.4	14.9

Available for sale financial assets at the reporting date include the following:

	Notes	Level	2017 €'m	2016 €'m
Listed securities				
Equity securities – eurozone countries	29.2	1	0.2	0.2
Unlisted securities				
IPL Plastics plc (previously known as One51 plc)	29.2	2	7.6	5.1
Ornua Co-Operative Limited– convertible loan stock	29.2	2	5.5	6.3
The BDO Capital Development Fund	29.2	2	2.7	2.0
Ornua Co-Operative Limited			0.4	0.4
Moorepark Technology			0.7	0.2
Other available for sale financial assets			0.3	0.7
			17.4	14.9

Available for sale financial assets with a carrying value of €1.0 million (2016: €1.4 million) are included at cost. The fair value of these shares cannot be reliably measured as they are not actively traded or there is not a readily available market for such instruments. The Group has no plans to dispose of these financial assets in the foreseeable future.

Available for sale financial assets are classified as non-current assets, unless they are expected to be realised within 12 months of the reporting date or unless they will need to be sold to raise operating capital. All available for sale financial assets are euro denominated.

The additions during the year primarily related to the increase in the Company's investment in the BDO Development Capital Fund.

18. TRADE AND OTHER RECEIVABLES

	Notes	2017 €'m	2016 €'m
Trade receivables		467.3	372.3
Less provision for impairment of receivables		(11.6)	(10.9)
Trade receivables – net		455.7	361.4
Prepayments		29.4	25.0
Receivables from Joint Ventures & Associates	35	9.0	5.5
Receivables from other related parties	35	-	0.1
Loans to Joint Ventures & Associates	35	1.9	1.8
Value added tax		7.7	6.7
Other receivables		11.5	14.4
Glanbia MilkFlex Fund		3.0	1.5
Glanbia Advance Payment Scheme	35	0.5	5.8
Total		518.7	422.2
Non-current			
Loans to Joint Ventures & Associates		2.0	1.8
Glanbia MilkFlex Fund		3.0	1.5
Non-current		5.0	3.3
Current		513.7	418.9
		518.7	422.2

Notes to the Financial Statements *continued*

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See note 33 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 29.

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 30 December 2017 €0.5 million has been advanced to member suppliers (2016: €5.8 million). The Group expects this balance to be received within three years.

Also 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. The Group invested €1.5 million in the Fund through a profit participation loan during the year ended 30 December 2017 (2016: €1.5 million).

The carrying amounts of the Group's trade and other receivables at the reporting date by currency are as follows:

	2017 €'m	2016 €'m
Euro	247.1	199.5
US dollar	232.4	192.9
Pound sterling	26.9	15.2
Australian dollar	3.3	4.3
Other	9.0	10.3
	518.7	422.2

At 30 December 2017, Group trade receivables of €68.4 million (2016: €72.7 million) were past due:

	2017 €'m	2016 €'m
Past due:		
Less than 30 days	28.2	26.7
1 to 3 months	19.7	22.1
4 to 6 months	11.1	14.2
Over 6 months	9.4	9.7
	68.4	72.7
Less allowance for impairment of receivables	(11.5)	(10.9)
	56.9	61.8

Where the Group expects that those balances that are past due are not collectible in full the Group establishes an allowance for impairment that represents the difference between the carrying value of the trade and other receivable and the estimated future cashflows, see note 2(h). At 30 December 2017 the allowance for impairment of trade receivables was €11.5 million (2016: €10.9 million).

The movement in the provision for impairment of Group trade receivables is as follows:

	2017 €'m	2016 €'m
At the beginning of the year	10.9	10.0
Exchange differences	(0.2)	-
Provision for impairment recognised in the year	3.0	2.7
Receivables written off during the year as uncollectible	(0.3)	(0.3)
Unused amounts reversed	(1.9)	(1.5)
At the end of the year	11.5	10.9

The net movement in the allowance for impairment of receivables has been included within the Group income statement.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

19. INVENTORIES

	2017 €'m	2016 €'m
Raw materials	110.9	120.3
Work in progress	8.4	17.0
Finished goods	394.9	335.6
Consumables	46.7	41.6
	560.9	514.5

Included above are inventories carried at net realisable value amounting to €116.0 million (2016: €55.3 million). The cost of inventories recognised as an expense during the year in cost of goods sold was €2,826.18 million (2016: €2,289.4 million). This includes a debit of €8.4 million (2016: €2.3 million credit), being the net of write-downs of inventory to net realisable value and reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

20. CASH AND CASH EQUIVALENTS

	Notes	2017 €'m	2016 €'m
Cash at bank and in hand		204.6	262.6
Short term bank deposits		39.5	62.2
Cash and cash equivalents in the Group balance sheet		244.1	324.8
Bank overdrafts used for cash management purposes	24	(45.5)	(37.9)
Cash and cash equivalents in the Group statement of cashflows		198.6	286.9

21. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (millions)	Ordinary shares €'m	Share premium €'m	Total €'m
At 31 December 2016	38.5	38.5	7.0	45.5
Shares issued – note (a)	-	-	-	-
Shares cancelled – note (b)	(1.7)	(1.7)	-	(1.7)
At 30 December 2017	36.8	36.8	7.0	43.8

The total authorised number of ordinary 'A' shares is 36.8 million (2016: 38.5 million) with a par value of €1 per share. €0.9 million (2016: €3.1 million) ordinary 'A' shares were issued but not fully paid as at 31 December 2017.

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 2017, 870 ordinary shares with a nominal value of €1, were issued to new members of the Society at €5 per share, of which €0.002 million were fully paid for at 31 December 2017. The remaining balance will be received via deduction from milk payments up to 2020.

Note (b): Also during 2017, 176 ordinary shares with a nominal value of €1, were bought back from members of the Society at €5 per share and were immediately cancelled. 1,714,932 ordinary shares with a nominal value of €1 were cancelled.

Notes to the Financial Statements continued
for the financial year ended 30 December 2017

22. OTHER RESERVES

	Capital reserve €'m note (a)	Merger reserve €'m note (b)	Currency reserve €'m note (c)	Hedging reserve €'m note (d)	Available for sale financial asset reserve €'m note (e)	Glanbia plc own shares €'m note (f)	Share based payment reserve €'m note (g)	Total €'m
Balance at 31 December 2016	15.7	61.9	90.9	(9.9)	8.0	(8.1)	8.5	167.0
Currency translation differences	-	-	(149.8)	-	-	-	-	(149.8)
Net investment hedge	-	-	11.3	-	-	-	-	11.3
Revaluation of interest rate swaps – gain in year	-	-	-	1.2	-	-	-	1.2
Foreign exchange contracts – loss in year	-	-	-	1.1	-	-	-	1.1
Transfers to income statement:								
Foreign exchange contracts – loss in year	-	-	-	0.3	-	-	-	0.3
Forward commodity contracts – loss in year	-	-	-	(0.1)	-	-	-	(0.1)
Revaluation of forward commodity contracts – gain in year	-	-	-	3.2	-	-	-	3.2
Revaluation of available for sale financial assets – gain in year	-	-	-	-	2.2	-	-	2.2
Deferred tax on fair value movements	-	-	-	(0.7)	(0.7)	-	-	(1.4)
Cost of share based payments	-	-	-	-	-	-	7.8	7.8
Cancellation of Society shares arising on spinout	1.7	-	-	-	-	-	-	1.7
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	-	-	-	-	-	12.3	(9.9)	2.4
Purchase of Glanbia plc own shares	-	-	-	-	-	(16.2)	-	(16.2)
Equity adjustment arising on Disposal of Dairy Ireland	-	26.7	-	-	-	-	-	26.7
Allocation of other comprehensive (income)/expense and contributions and distributions to non–controlling interests	-	-	90.5	(0.5)	(0.5)	2.5	1.5	93.5
Balance at 30 December 2017	17.4	88.6	42.9	(5.4)	9.0	(9.5)	7.9	150.9
	Capital reserve €'m note (a)	Merger reserve €'m note (b)	Currency reserve €'m note (c)	Hedging reserve €'m note (d)	Available for sale financial asset reserve €'m note (e)	Glanbia plc own shares €'m note (f)	Share based payment reserve €'m note (g)	Total €'m
Balance at 2 January 2016	15.7	61.9	82.2	(10.7)	8.5	(7.4)	7.7	157.9
Currency translation differences	-	-	27.0	-	-	-	-	27.0
Net investment hedge	-	-	(3.0)	-	-	-	-	(3.0)
Revaluation of interest rate swaps – gain in year	-	-	-	3.9	-	-	-	3.9
Foreign exchange contracts – loss in year	-	-	-	(0.6)	-	-	-	(0.6)
Transfers to income statement:								
Foreign exchange contracts – loss in year	-	-	-	0.1	-	-	-	0.1
Forward commodity contracts – loss in year	-	-	-	0.4	-	-	-	0.4
Revaluation of forward commodity contracts – gain in year	-	-	-	0.3	-	-	-	0.3
Revaluation of available for sale financial assets – loss in year	-	-	-	-	(1.5)	-	-	(1.5)
Deferred tax on fair value movements	-	-	-	(1.6)	0.4	-	-	(1.2)
Cost of share based payments	-	-	-	-	-	-	7.7	7.7
Transfer on exercise, vesting or expiry of share based payments in Glanbia plc	-	-	-	-	-	8.5	(5.5)	3.0
Purchase of Glanbia plc own shares	-	-	-	-	-	(10.4)	-	(10.4)
Allocation of other comprehensive (income)/expense and contributions and distributions to non–controlling interests	-	-	(15.3)	(1.7)	0.6	1.2	(1.4)	(16.6)
Balance at 31 December 2016	15.7	61.9	90.9	(9.9)	8.0	(8.1)	8.5	167.0

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(a) 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.

	2017 €'m	2016 €'m
At the beginning and the end of the year	15.7	15.7

(b) 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.

(c) 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. See note 29.1 for further details. When an entity is sold the accumulated foreign currency gains and losses are recycled to the income statement.

(d) Hedging reserve

The hedging reserve reflects the effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow 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 29.1.

The movements on the hedging reserve for the years ended 30 December 2017 and 31 December 2016 are as follows:

	Joint Ventures & Associates €'m	Group €'m	Total hedging reserve €'m
Balance at 31 December 2016	(9.2)	(0.7)	(9.9)
Revaluation of interest rate swaps – gain in year	0.1	1.1	1.2
Foreign exchange contracts loss in year	-	1.1	1.1
Transfer to income statement			
– Foreign exchange contracts – loss/(gain) in year	0.6	(0.3)	0.3
– Forward commodity contracts – loss in year	(0.1)	3.3	3.2
Revaluation of forward commodity contracts – gain in year	-	(0.1)	(0.1)
Deferred tax on fair value movements	(0.1)	(0.6)	(0.7)
Transfer to non-controlling interests	-	(0.5)	(0.5)
Balance at 30 December 2017	(8.7)	3.3	(5.4)
Balance at 2 January 2016	(11.3)	0.6	(10.7)
Revaluation of interest rate swaps – gain in year	3.7	0.2	3.9
Foreign exchange contracts loss in year	(0.5)	(0.1)	(0.6)
Transfer to income statement			
– Foreign exchange contracts – loss/(gain) in year	0.1	-	0.1
– Forward commodity contracts – loss in year	0.1	0.3	0.4
Revaluation of forward commodity contracts – gain in year	0.1	0.2	0.3
Deferred tax on fair value movements	(1.4)	(0.2)	(1.6)
Transfer to non-controlling interests	-	(1.7)	(1.7)
Balance at 31 December 2016	(9.2)	(0.7)	(9.9)

(e) Available for sale financial asset reserve

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

(f) Glanbia plc own shares

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

The movement in own shares for the year ended 30 December 2017 and 31 December 2016 are as follows:

	2017 Value €'m	2017 Nominal value €'m	2017 Number of shares	2016 Value €'m	2016 Nominal value €'m	2016 Number of shares
At the beginning of the year	8.1	0.1	934,860	7.4	0.1	859,933
Purchased	16.2	0.1	938,590	10.4	-	609,845
Allocated	(12.3)	-	(746,384)	(8.5)	-	(534,918)
Transfer to non-controlling interests	(2.5)	-	-	(1.2)	-	-
At the end of the year	9.5	0.2	1,127,066	8.1	0.1	934,860

The shares held in trust are allocated to employees under the Glanbia plc 2008 LTIP plan and the Glanbia plc AIDIS scheme.

An Employee Share Trust was established in May 2002 to operate initially in connection with the Glanbia plc's Saving Related Share Option Scheme (Sharesave Scheme) and subsequently for the vesting of shares under the 2008 LTIP. The Trustee of the Employee Share Trust is Computershare Trustees (Jersey) Limited, a Jersey based trustee services company. The dividend rights in respect of these shares 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.

Shares purchased for the 2008 LTIP scheme and the Glanbia plc's AIDIS scheme are deemed to be own shares in accordance with IAS 32 'Financial Instruments'. The shares included in the Employee Share Trust and the Employee Share Scheme Trust at 30 December 2017 cost €19.1 million (2016: €15.2 million) and had a market value of €16.8 million (2016: €14.8 million). During the year ended 30 December 2017 746,384 (2016: 534,918) shares were allocated of which 644,620 (2016: 457,852) were allocated under the 2008 LTIP and 101,764 (2016: 77,066) were allocated under the AIDIS scheme. See note 34 for details of own shares acquired during the year from related parties.

(g) Share based payment reserve

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

23. NON-CONTROLLING INTERESTS

	2017 €'m	2016 €'m
At the beginning of the year	784.9	682.7
Share of profit for the year	154.4	135.3
Non-controlling interest arising on Disposal of Dairy Ireland (note b)	37.3	-
Allocation of the share of other comprehensive expense	(76.5)	(6.5)
Allocation of the share of contributions and distributions	(3.9)	(1.6)
Dividends to non-controlling interests	(27.4)	(24.3)
Non-controlling interests arising on gain in control	-	(0.7)
Equity adjustment arising on the sale of Glanbia plc shares (note a)	36.9	-
Equity adjustment arising on the spin out of Glanbia plc shares (note a)	25.8	-
At the end of the year	931.5	784.9

(a) On 18 May 2017, at the SGM of the Society it was approved by the Members to reduce the Society's shareholding in Glanbia plc from 36.5% to 31.5%. This reduction was achieved through (i) the sale of 8.7 million shares as part of a market placing at €17.80 per share, resulting in the receipt of gross sales proceeds of €155.5 million and a profit on disposal of €148.4 million; and (ii) the spin out of 5.9 million shares to Members at a cost of €4.9 million to the Society. As a result of these transactions the equity of Glanbia plc owned by non-controlling interests increased and these adjustments reflect that change in value of assets within the Society Group attributable to the Non-Controlling interests.

(b) On 2 July 2017 Glanbia plc disposed of 60% of its shareholding in Dairy Ireland and related assets ("Dairy Ireland") to the Society, its ultimate parent. The disposal was approved by the Society members at the SGM on 18 May 2017 and by Glanbia plc Group shareholders at an EGM on 22 May 2017. The profit arising on this transaction attributable to the non-controlling interest parties amounted to €37.3 million.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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

2017	Glanbia plc €'m	Glanbia Ireland DAC €'m
Balance sheet		
Non-current assets	1,683.3	601.0
Current assets	799.7	535.7
Non-current liabilities	(703.0)	(364.3)
Current liabilities	(398.3)	(388.6)
Net assets	1,381.7	383.8
Adjustments in respect of inter-company eliminations:		
Investment in Glanbia Ireland DAC held by Glanbia plc	(187.1)	-
Non-controlling interests in Glanbia plc	-	(10.9)
Unrealised profit on sales to the Group	-	-
	1,194.6	372.9
Reconciliation to the carrying value of the non-controlling interests:		
Non-controlling interest's equity interest	68.5%	27.4%
Carrying value of non-controlling interests	818.3	102.1
Income statement		
Revenue	2,745.5	1,404.1
Profit before tax	323.2	49.9
Profit after tax	329.5	43.1
Other comprehensive (expense)/income	(117.0)	2.2
Total comprehensive income	212.5	45.3
Adjustments in respect of inter-company eliminations:		
Profit on Disposal of Dairy Ireland	(96.8)	-
Share of Glanbia Ireland DAC total comprehensive income in Glanbia plc	(19.3)	-
Non-controlling interests share of Glanbia plc total comprehensive income	-	0.4
Unrealised profit on sales to the Group	-	0.4
	96.4	46.1
Reconciliation to the non-controlling interest's share of total comprehensive income:		
Non-controlling interest's equity interest	63.5%-68.5%	25.4%-27.4%
Non-controlling interest's share of total comprehensive income	65.5	12.0

Notes to the Financial Statements continued

for the financial year ended 30 December 2017

2016	Glanbia plc €'m	Glanbia Ireland DAC €'m
Balance sheet		
Non-current assets	1,789.7	403.0
Current assets	918.9	261.2
Non-current liabilities	(914.0)	(287.6)
Current liabilities	(567.5)	(133.9)
Net assets	1,227.1	242.7
Adjustments in respect of inter-company eliminations:		
Investment in Glanbia Ireland DAC held by Glanbia plc	(95.6)	-
Non-controlling interests in Glanbia plc	(11.1)	-
Unrealised profit on sales to the Group	-	(3.9)
	1,120.4	238.8
Reconciliation to the carrying value of the non-controlling interests:		
Non-controlling interest's equity interest	63.5%	25.4%
Carrying value of non-controlling interests	711.6	60.7
Income statement		
Revenue	2,847.9	833.5
Profit before tax	252.6	37.8
Profit after tax	212.2	32.6
Other comprehensive expense	(11.1)	(8.1)
Total comprehensive income	201.1	24.5
Adjustments in respect of inter-company eliminations:		
Share of Glanbia Ireland DAC total comprehensive income in Glanbia plc	(9.3)	-
Non-controlling interests share of Glanbia plc total comprehensive income	(0.3)	-
Unrealised profit on sales to the Group	-	0.8
	191.5	25.3
Reconciliation to the non-controlling interest's share of total comprehensive income:		
Non-controlling interest's equity interest	63.5%	25.4%
Non-controlling interest's share of total comprehensive income	121.6	6.4

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

24. FINANCIAL LIABILITIES

	Notes	2017 €'m	2016 €'m
Non-current			
Bank borrowings		547.0	476.9
Private debt placement		130.1	308.3
Secured exchangeable bond		92.7	92.4
Finance lease liabilities*		1.9	2.9
		771.7	880.5
Current			
Bank overdrafts	20	45.5	37.9
Finance lease liabilities*		1.1	1.4
Secured exchangeable bond		(0.4)	(0.3)
Borrowings		5.7	7.6
		51.9	46.6
Total financial liabilities		823.6	927.1

*Secured on specific plant and equipment

Bank borrowings

The Group's bank borrowings are denominated in euro, US dollar, pound sterling and Australian dollar and are borrowed at floating interest rates. Interest is set at commercial rates based on a spread over EURIBOR, US dollar LIBOR, pound sterling LIBOR and Australian dollar LIBOR for periods of up to six months. At 30 December 2017, the Group had undrawn uncommitted bank overdraft facilities of €20.2 million (2016: €14.6 million).

Private debt placement

In August 2011, Private Placement notes of \$325 million were issued at a fixed rate of 5.4% and are due to mature in June 2021. On 15 December 2017, the Group repaid \$169.0 million of the \$325.0 million private placement notes. The additional interest payable on early repayment amounted to €14.0 million. At 30 December 2017, the Group had undrawn uncommitted Private Placement facilities of €83.4 million (2016: €94.9 million).

Secured exchangeable bond

In June 2016, a secured exchangeable bond of €100 million was issued at a fixed rate of 1.375% (payable half yearly) with 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 in the date of conversion. This convertible bond option is accounted for as a derivative liability (note 29). 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 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 €0.4 million (2016: €2.6 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 2017 and 2016. See note 29.4.

Financial liabilities include the following for the purposes of the Group statement of cashflows at the reporting date:

	Notes	2017 €'m	2016 €'m
Total financial liabilities		823.6	927.1
Bank overdraft included as part of cash and cash equivalents	20	(45.5)	(37.9)
		778.1	889.2

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

The maturity profile of financial liabilities and undrawn committed facilities is as follows:

	Loans and borrowings 2017 €'m	Undrawn Committed facilities 2017 €'m	Loans and borrowings 2016 €'m	Undrawn Committed facilities 2016 €'m
12 months or less	143.7	-	47.3	-
Between 1 and 2 years	6.8	-	125.8	125.0
Between 2 and 5 years	652.8	585.6	737.5	405.9
More than 5 years	20.3	-	16.5	-
	823.6	585.6	927.1	530.9

Undrawn uncommitted facilities expiring within one year are €103.6 million (2016: €109.5 million). All of the undrawn borrowing facilities are floating rate facilities.

The exposure of the Group's total financial liabilities to interest rate changes, taking account of contractual repricing dates, at the reporting date is as follows:

	2017 €'m	2016 €'m
12 months or less	637.1	522.6
Between 1 and 2 years	1.3	0.6
Between 2 and 5 years	184.6	402.0
More than 5 years	0.6	1.9
	823.6	927.1

Details of the Group's exposure to risks arising from current and non-current financial liabilities are set out in note 29.

The terms and conditions of outstanding loans are as follows:

2017	Currency	Nominal interest rate	Year of maturity	Carrying amount €'m
Private debt placement	USD	5.40%	2021	130.1
Secured exchangeable bond	EUR	1.38%	2021	92.3
Committed unsecured bank facility loan	EUR	0.88%-1.14%	2020/2023	186.9
Other committed unsecured bank facility loans	Other	0.82%-3.23%	2018/2020	365.8
Finance lease liabilities	Other	3.00%-7.00%	2017/2035	3.0
Bank overdrafts	Other	0.83%-2.50%	2017	45.5
Total interest bearing liabilities				823.6

Other represents financial liabilities denominated in the following currencies – euro, US dollar, New Zealand dollar, Danish krone, Swedish krone and Norwegian krone.

2016	Currency	Nominal interest rate	Year of maturity	Carrying amount €'m
Private debt placement	USD	5.40%	2021	308.3
Secured exchangeable bond	EUR	1.38%	2021	92.0
Committed unsecured bank facility loan	EUR	0.88%-1.14%	2020/2023	243.6
Other committed unsecured bank facility loans	Other	0.82%-3.23%	2018/2020	241.0
Finance lease liabilities	Other	3.00%-7.00%	2017/2035	4.3
Bank overdrafts	Other	0.83%-2.50%	2017	37.9
Total interest bearing liabilities				927.1

Other represents financial liabilities denominated in the following currencies – euro, pound sterling, Danish krone, Swedish krone and Norwegian krone.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

The carrying amounts of the Group's total financial liabilities are denominated in the following currencies at 30 December 2017:

	Euro €'m	US dollar €'m	Pound sterling €'m	Australian dollar €'m	Other* €'m	Total €'m
Bank overdrafts	39.7	-	5.6	-	0.2	45.5
Bank borrowings	378.4	163.5	-	9.8	1.0	552.7
Private debt placement	-	130.1	-	-	-	130.1
Secured exchangeable bond	92.3	-	-	-	-	92.3
Finance lease liabilities	2.8	-	-	-	0.2	3.0
	513.2	293.6	5.6	9.8	1.4	823.6

* Other represents financial liabilities denominated in the following currencies – New Zealand dollar, Danish krone, Swedish krone and Norwegian krone, none of which are individually material to the Group.

The carrying amounts of the Group's total financial liabilities are denominated in the following currencies at 31 December 2016:

	Euro €'m	US dollar €'m	Pound sterling €'m	Australian dollar €'m	Other* €'m	Total €'m
Bank overdrafts	23.7	-	10.3	-	3.9	37.9
Bank borrowings	382.1	91.4	-	10.6	0.4	484.5
Private debt placement	-	308.3	-	-	-	308.3
Secured exchangeable bond	92.1	-	-	-	-	92.1
Finance lease liabilities	3.8	-	-	-	0.5	4.3
	501.7	399.7	10.3	10.6	4.8	927.1

* Other represents financial liabilities denominated in the following currencies – Danish krone, Swedish krone and Norwegian krone, none of which are individually material to the Group.

Finance lease liabilities – minimum lease payments at the reporting date:

	2017 €'m	2016 €'m
12 months or less	1.2	1.5
Between 1 and 2 years	1.1	1.2
Between 2 and 5 years	2.2	0.8
Greater than 5 years	1.7	1.8
	6.2	5.3
Future finance charges on lease payments	(0.8)	(1.0)
Present value of finance lease liabilities	5.4	4.3

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

	2017 €'m	2016 €'m
12 months or less	1.1	1.4
Between 1 and 2 years	1.1	1.1
Between 2 and 5 years	1.9	0.6
Greater than 5 years	1.3	1.2
	5.4	4.3

Notes to the Financial Statements continued for the financial year ended 30 December 2017

For the purposes of the Group statement of cash flows net debt is comprised of the following:

Net debt at the end of the year comprises:	Notes	2017 €'m	2016 €'m
Borrowings		783.7	895.5
Cash and cash equivalents net of bank overdrafts	20	(198.6)	(286.9)
		585.1	608.6

The movement in net debt is as follows:

	Cash and short-term bank deposits (note 20) €'m	Overdrafts €'m	Finance leases €'m	Bank borrowings €'m	Private debt placement €'m	Secured exchangeable bonds €'m	Total €'m
2017							
At 31 December 2016	(324.8)	37.9	4.3	484.4	308.3	98.5	608.6
Cash flows	68.2	7.6	(1.3)	114.9	(162.0)	(0.5)	26.9
Exchange differences	12.5	-	-	(46.7)	(16.2)	-	(50.4)
At 30 December 2017	(244.1)	45.5	3.0	552.6	130.1	98.0	585.1
2016							
At 2 January 2016	(230.1)	43.2	3.6	617.5	298.5	-	732.7
Cash flows	(91.6)	(5.8)	(1.3)	(147.5)	-	-	(246.2)
New finance leases	-	-	1.9	-	-	-	1.9
New secured exchangeable bond	-	-	-	-	-	98.5	98.5
Debt acquired on acquisition	-	-	-	0.8	-	-	0.8
Exchange differences	(3.1)	0.5	0.1	13.6	9.8	-	20.9
At 31 December 2016	(324.8)	37.9	4.3	484.4	308.3	98.5	608.6

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

25. DEFERRED TAXES

The following amounts are shown in the Group balance sheet:

	2017			2016		
	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	(37.9)	170.4	132.5	(53.2)	216.7	163.5
Set off of deferred tax	36.3	(36.3)	-	51.4	(51.4)	-
Deferred tax (assets)/liabilities after set off	(1.6)	134.1	132.5	(1.8)	165.3	163.5

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

	Notes	2017 €'m	2016 €'m
At the beginning of the year		163.5	170.2
Income statement charge/(credit)	11	14.2	(9.1)
Deferred tax charge/(credit) on fair value movements	22	1.4	(0.3)
Deferred tax charge/(credit) relating to defined benefit remeasurement		1.2	(2.9)
Deferred tax on acquisition of subsidiaries	34	8.0	0.6
Deferred tax credited on share based payments		(0.1)	(0.2)
Reduction in US tax rate	11	(38.7)	-
Exchange differences		(17.0)	5.2
At the end of the year		132.5	163.5

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

Deferred tax assets

	Retirement benefit obligations €'m	Other employee obligations €'m	Tax losses €'m	Other €'m	Total €'m
At 31 December 2016	(19.2)	(15.9)	(2.6)	(15.5)	(53.2)
(Credited)/charged to income statement	(0.2)	3.6	0.7	(2.4)	1.7
Charged to other comprehensive income	1.2	-	-	-	1.2
Credited directly to equity	-	(0.1)	-	-	(0.1)
Reduction in US tax rate charged to Income statement	1.3	3.1	-	5.1	9.5
Exchange differences	0.5	1.1	0.1	1.3	3.0
At 30 December 2017	(16.4)	(8.2)	(1.8)	(11.5)	(37.9)
At 2 January 2016	(13.3)	(18.1)	(2.1)	(10.1)	(43.6)
(Credited)/charged to income statement	(2.9)	2.7	(0.6)	(4.6)	(5.4)
Credited to other comprehensive income	(2.9)	-	-	-	(2.9)
Credited directly to equity	-	(0.2)	-	-	(0.2)
Acquisitions of subsidiaries and intellectual property	-	0.1	-	(0.4)	(0.3)
Exchange differences	(0.2)	(0.3)	0.1	(0.4)	(0.8)
At 31 December 2016	(19.3)	(15.8)	(2.6)	(15.5)	(53.2)

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Deferred tax liabilities

	Notes	Accelerated tax depreciation €'m	Fair value gain €'m	Development costs and other intangibles €'m	Other €'m	Total €'m
At 31 December 2016		107.5	0.9	101.0	7.3	216.7
Charged/(credited) to income statement		7.2	-	(8.8)	14.1	12.5
Charged to other comprehensive income	22	-	1.4	-	-	1.4
Acquisition of subsidiaries and intellectual properties		0.1	-	7.9	-	8.0
Reduction in US tax rate credited to the Income Statement		(28.0)	-	(19.7)	(0.5)	(48.2)
Exchange differences		(9.0)	-	(11.1)	-	(20.1)
At 30 December 2017		77.8	2.3	69.3	20.9	170.3
At 2 January 2016		92.4	1.1	106.5	13.8	213.8
Charged/(credited) to income statement		12.1	-	(9.7)	(6.2)	(3.8)
Credited to other comprehensive income	22	-	(0.3)	-	-	(0.3)
Acquisition of subsidiaries and intellectual properties		0.1	-	1.1	(0.4)	0.8
Exchange differences		3.0	-	3.2	-	6.2
At 31 December 2016		107.6	0.8	101.1	7.2	216.7

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 €113.6 million (2016: €128.6 million) available for offset against future profits. A deferred tax asset has been recognised in respect of €8.8 million (2016: €4.0 million) of such losses. No deferred tax asset has been recognised in respect of the remaining €104.8 million (2016: €124.6 million) as it is not considered probable that there will be future taxable profits available. Included in unrecognised tax losses are losses of €6.2 million (2016: €10.7 million) which will expire within the next 4 years. Other tax losses may be carried forward indefinitely. Also included in unrecognised tax losses are €46.4 million (2016: €46.7 million) of capital losses.

No deferred tax liability has been recognised on temporary differences of €25.9 million (2016: €17.7 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.

The deferred income tax charged/(credited) to other comprehensive income during the year is as follows:

	Notes	2017 €'m	2016 €'m
Available for sale financial asset reserve	22	0.7	(0.4)
Hedging reserve	22(d)	0.7	0.2
Defined benefit remeasurements		1.2	(2.9)
		2.6	(3.1)

Deferred income tax credited to equity:

The deferred income tax credited to equity during the year was €0.1 million (2016: €0.2 million) and relates to tax benefits arising on share based payments.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

26. PROVISIONS

	Restructuring €'m note (b)	Legal claims €'m note (c)	Property & lease commitments €'m note (d)	Operational €'m note (e)	Revolving share plan €'m note (f)	Regulatory & related provisions €'m Note (g)	Total €'m
At 31 December 2016	5.6	7.5	5.1	24.7	23.9	-	66.8
Reclassification (note a)	-	-	-	(15.6)	-	15.6	-
Net amount provided for in the year	5.4	1.9	0.3	0.8	1.1	4.9	14.4
Acquisition	-	-	-	1.0	-	-	1.0
Unused amounts reversed in the year	-	(5.9)	-	-	-	-	(5.9)
Utilised in the year	(7.9)	-	(0.1)	(0.3)	(9.8)	-	(18.1)
Exchange differences	0.3	(0.5)	-	(0.1)	-	-	(0.3)
Unwinding of discounts	-	-	(0.1)	-	-	-	(0.1)
At 30 December 2017	3.4	3.0	5.2	10.5	15.2	20.5	57.8
Non-current	-	-	4.2	8.7	-	19.8	32.7
Current	3.4	3.0	1.0	1.8	15.2	0.7	25.1
	3.4	3.0	5.2	10.5	15.2	20.5	57.8

- (a) Certain reclassifications have taken place in the period to better reflect the nature of the provisions.
- (b) The restructuring provision relates mainly to additional termination payments agreed as part of the rationalisation programme in Dairy Ireland, the organisation redesign programme in Glanbia Nutritionals and the acquisition integration project in Glanbia Performance Nutrition. The provision is expected to be fully utilised during 2018. The amount provided in the year is recognised as an exceptional item in the Group income statement.
- (c) The legal claims provision represents legal claims brought against the Group, none of which are individually material to the Group. The balance at 30 December 2017 is expected to be utilised during 2018. 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 30 December 2017.
- (d) The property and lease commitments provision relates to a remaining onerous lease and property remediation works and is based on the estimated cost of re-instating two properties to their original condition. It is expected that the provision will be fully utilised within one year.
- (e) The operational provision relates to certain insurance claims, product returns, deferred payments in respect of recent acquisitions and other items. Due to the nature of these items, there is some uncertainty around the amount and timing of payments.
- (f) This provision represents the Society's liability under the 2015 revolving share plan scheme (the 2015 plan). The 2015 plan provides milk suppliers, patrons and eligible employees of the Group the opportunity to invest capital sums for a three year term with projected capital growth of 15%.
- (g) The regulatory and related provision represents provisions relating to the interest and penalties element of uncertain tax positions and the UK pensions provision. Due to the nature of these items, there is some uncertainty around the amount and timing of payments, however there is not expected to be a material change within the next 12 months.

27. CAPITAL GRANTS

	Notes	2017 €'m	2016 €'m
At the beginning of the year		25.2	25.2
Credited to the Group income statement	5	(1.7)	(1.7)
Additions		1.1	1.7
Exchange differences		-	-
At the end of the year		24.6	25.2
Non-current		22.9	23.6
Current		1.7	1.6
		24.6	25.2

The entities receiving the grants are principal subsidiaries as outlined in note 37 and have no going concern issues therefore, there are no material unfulfilled conditions or other contingencies attaching to any grants received.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

28. TRADE AND OTHER PAYABLES

	Notes	2017 €'m	2016 €'m
Trade payables		329.6	324.7
Amounts due to Joint Ventures & Associates	35	4.9	4.1
Amounts due to other related parties	35	0.2	0.2
Social security costs		3.4	5.6
Accrued expenses		164.3	210.4
Loan stock – bonus issue (note 12)		1.3	1.6
Other payables		72.2	23.0
Non-current		575.9	558.0
Other payables		10.1	11.6
Total		586.0	569.6

See note 33 for analysis of the movement in trade and other payables. See note 29 for information on the Group's fair value estimation process.

29. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

29.1 Derivative financial instruments

	Notes	2017 Assets €'m	2017 Liabilities €'m	2016 Assets €'m	2016 Liabilities €'m
Cross currency swap – fair value through income statement		1.7	-	-	(1.1)
Convertible bond option – fair value through income statement		-	(5.6)	-	(6.4)
Interest rate swaps – cashflow hedges		0.5	(0.3)	-	(0.8)
Foreign exchange contracts – cashflow hedges		0.5	(0.2)	0.6	(1.1)
Commodity futures – cashflow hedges		3.3	(0.2)	0.5	(0.5)
Commodity futures – fair value hedges		0.4	-	0.5	-
Total		6.4	(6.3)	1.6	(9.9)
Non-current		0.4	(5.7)	0.1	(6.6)
Current		6.0	(0.6)	1.5	(3.3)
	29.5	6.4	(6.3)	1.6	(9.9)

Derivatives recognised at fair value through income statement

Cross currency swap

This derivative is a pound sterling US dollar cross currency swap with a notional amount of GBP £31.0 million and US dollar \$41.5 million and euro US dollar cross currency swaps with notional amounts of €101.7 million and US dollar \$120.3 million accounted for at fair value. The translation gain included in the Group income statement in respect of this swap is €1.7 million. The instrument in the prior year refers to a pound sterling US dollar cross currency swap with a notional amount of GBP £31.0 million and US dollar \$39.3 million which was settled during 2017. The translation loss included in the Group income statement in respect of this swap is €0.3 million.

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 24).

Derivative assets and liabilities designated as cashflow hedges

Foreign exchange contracts

The Group uses foreign exchange contracts to hedge its future cashflow risk from movements in foreign exchange rates, such contracts are generally designated as cashflow hedges.

The notional principal amounts of the outstanding foreign exchange contracts at 30 December 2017 were €36.1 million (2016: €41.7 million). All outstanding foreign exchange contracts will mature and be released to the Group income statement within 12 months of the reporting date (2016: within 12 months of the reporting date).

Notes to the Financial Statements continued for the financial year ended 30 December 2017

Commodity futures

The Group uses commodity futures to hedge its future cashflow risk from movement in diesel, oil, gas, butter, whey and skimmed milk powder commodity prices. The notional principal amount of the outstanding futures designated as cashflow hedges is €19.9 million (2016: €4.2 million). All outstanding commodity futures mature and will be released to the Group income statement within 12 months of the reporting date (2016: within 12 months of the reporting date).

Interest rate swaps

The Group uses interest rate swaps to hedge its future cashflow risk from movements in interest rates. The notional principal amount of the outstanding interest rate swap contracts, qualifying as cashflow hedges at 30 December 2017 were €230.0 million (2016: €75.0 million).

All outstanding interest rate swap contracts will mature and be released to the Group income statement within 12 months of the reporting date (2016: within 12 months of the reporting date).

Amounts recognised in the Group income statement and the Group statement of comprehensive income:

	Notes	2017 €'m	2016 €'m
(Losses)/gains recognised in other comprehensive income			
Foreign exchange contracts	22(d)	1.1	(0.1)
Interest rate swaps	22(d)	1.1	0.3
Commodity futures	22(d)	(0.1)	0.2
		2.1	0.4

	Notes	2017 €'m	2016 €'m
(Losses)/gains transferred from equity to the Group income statement			
Foreign exchange contracts	22(d)	(0.3)	-
Commodity futures	22(d)	3.3	0.3
		3.0	0.3

No ineffectiveness has been recognised in respect of the cashflow hedges in 2017 (2016: nil).

The maturity profile of the cashflows of the derivative financial instruments is included in note 29.4(d).

Derivative assets and liabilities designated as fair value hedges

Commodity futures

The Group enters 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 30 December 2017 was €89.1 million (2016: €61.0 million). All outstanding commodity contracts are short positions at 30 December 2017.

Net investment hedge

A portion of the Group's US dollar denominated borrowings amounting to US dollar \$98.5 million (2016: US dollar \$98.5 million) is designated as a hedge of the net investment in the Group's US dollar net assets.

	Notes	2017 €'m	2016 €'m
Carrying value of net investment hedge		82.1	93.4
Loss recognised in other comprehensive income	22	11.3	(3.0)

There was no ineffectiveness recognised in profit or loss during the year (2016: nil).

Derivative financial instruments entered into by Joint Ventures & Associates

The Group's Joint Ventures & Associates 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 cashflow hedges is recognised in other comprehensive income and against the carrying value of the interest in Joint Ventures & Associates.

The Group has not entered into any interest rate swaps, the gain recognised in other comprehensive income on interest rate swaps represents the Groups share of the movement in the interest rate swaps entered in by Joint Ventures & Associates. All movements are recognised against carrying value of the interest in Joint Ventures & Associates until repayment of the related bank borrowings.

Financial guarantee contracts

In accordance with Group accounting policy, management has reviewed the fair values associated with financial guarantee contracts, as defined within IAS 39 'Financial Instruments: Recognition and Measurement', issued in the name of subsidiary companies of the Group and has determined that their value is not significant. No adjustment has been made to the balance sheet to reflect the fair value of the financial guarantee contracts issued in its name.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

29.2 Fair value and fair value estimation

The fair value of financial assets and liabilities together with their carrying amounts are as follows:

	Notes	Cashflow hedges €'m	Fair value through income statement €'m	Financial assets/ (liabilities) held at amortised cost €'m	Financial assets/ (liabilities) held at fair value €'m	Total carrying value €'m	¹ Fair value €'m
At 30 December 2017							
Trade receivables – net	18	-	-	455.7	-	455.7	-
Receivables from Joint Ventures & Associates	18	-	-	9.5	-	9.5	-
Receivables from other related parties	18	-	-	-	-	-	-
Loans to Joint Ventures & Associates	18	-	-	4.9	-	4.9	-
Available for sale financial assets at amortised cost	17	-	-	2.5	-	2.5	-
Available for sale financial assets at fair value	17	-	-	-	14.9	14.9	14.9
Derivative financial instruments	29.1	4.3	2.1	-	-	6.4	6.4
Cash and cash equivalents	20	-	-	244.1	-	244.1	-
Total financial assets		4.3	2.1	716.7	14.9	738.0	
Trade payables	28	-	-	(329.6)	-	(329.6)	-
Amounts due to Joint Ventures & Associates	28	-	-	(4.9)	-	(4.9)	-
Amounts due to other related parties	28	-	-	(0.2)	-	(0.2)	-
Financial liabilities – non-current	24	-	-	(771.7)	-	(771.7)	(775.8)
Financial liabilities – current	24	-	-	(51.9)	-	(51.9)	-
Derivative financial instruments	29.1	(0.7)	(5.6)	-	-	(6.3)	(6.3)
Total financial liabilities		(0.7)	(5.6)	(1,158.3)	-	(1,164.6)	
At 31 December 2016							
Trade receivables – net	18	-	-	361.4	-	361.4	-
Receivables from Joint Ventures & Associates	18	-	-	5.5	-	5.5	-
Receivables from other related parties	18	-	-	0.1	-	0.1	-
Loans to Joint Ventures & Associates	18	-	-	1.8	-	1.8	-
Available for sale financial assets at amortised cost	17	-	-	1.3	-	1.3	-
Available for sale financial assets at fair value	17	-	-	-	13.6	13.6	13.6
Derivative financial instruments	29.1	1.1	0.5	-	-	1.6	1.6
Cash and cash equivalents	20	-	-	324.8	-	324.8	-
Total financial assets		1.1	0.5	694.9	13.6	710.1	
Trade payables	28	-	-	(324.7)	-	(324.7)	-
Amounts due to Joint Ventures & Associates	28	-	-	(4.1)	-	(4.1)	-
Amounts due to other related parties	28	-	-	(0.2)	-	(0.2)	-
Financial liabilities – non-current	24	-	-	(880.5)	-	(880.5)	(901.2)
Financial liabilities – current	24	-	-	(46.6)	-	(46.6)	-
Derivative financial instruments	29.1	(2.4)	(7.5)	-	-	(9.9)	(9.9)
Total financial liabilities		(2.4)	(7.5)	(1,256.1)	-	(1,266.0)	

The Group deemed that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Group Financial Statements approximate their fair value.

- The Group has not disclosed the fair values for financial instruments such as short-term trade and other receivables and trade and other payables because their carrying amounts are a reasonable approximation of fair value.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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.

Fair value of financial assets and liabilities carried at fair value

In accordance with IFRS 13 'Fair Value Measurements', the Group has disclosed the fair value of instruments by the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities, which are measured at fair value at 30 December 2017 and 31 December 2016:

	Notes	Fair value hierarchy	2017 €'m	2016 €'m
Assets				
Cross currency swap – fair value through income statement	(a)		1.7	-
Foreign exchange contracts – cashflow hedges	(b)	Level 2	0.5	0.6
Commodity futures – cashflow hedges	(c)	Level 2	3.3	0.5
Commodity futures – fair value hedges	(c)	Level 2	0.4	0.5
Interest rate swaps – cashflow hedges	(h)	Level 2	0.4	-
Available for sale financial assets – equity securities – listed	(d)	Level 1	0.2	0.2
Available for sale financial assets – equity securities – One51 plc	(e)	Level 2	7.6	5.1
Available for sale financial assets – equity securities – The BDO Development Capital Fund	(f)	Level 2	2.7	2.0
Available for sale financial assets – Ornuia Co-Operative Ltd	(g)	Level 2	5.9	6.3
Total assets			22.7	15.2

	Notes	Fair value hierarchy	2017 €'m	2016 €'m
Liabilities				
Cross currency swap – fair value through income statement	(a)	Level 2	-	(1.1)
Foreign exchange contracts – cashflow hedges	(b)	Level 2	(0.2)	(1.1)
Commodity futures – cashflow hedges	(c)	Level 2	(0.2)	(0.5)
Interest rate swaps – cashflow hedges	(h)	Level 2	(0.3)	(0.8)
Secured exchangeable bond option – fair value through income statement	(i)	Level 2	(5.6)	(6.4)
Total liabilities			(6.3)	(9.9)

- (a) Fair value is determined by reference to the current foreign exchange rates at the end of the reporting period.
- (b) 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 2017 and 2016.
- (c) 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 2016 and 2015.
- (d) Fair value is determined by reference to the stock exchange quoted bid prices at the end of the reporting period.
- (e) The unlisted equity shares in One51 plc are currently traded on an informal 'grey' market. Fair value is determined by reference to these published prices.
- (f) The unlisted investment in the BDO Development Capital Fund is fair valued by reference to the latest quarterly report available to the limited partners.
- (g) The fair value is estimated by discounting the expected future cashflows using current interest rates.
- (h) The fair value is determined at the present value of the estimated future cashflows based on the terms and maturity of each contract using market interest rates.
- (i) Fair value is determined by reference to the quoted open market price on Global Exchange Market at the end of the reporting period.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

There were no transfers in either direction between Level 1 and Level 2 in 2017 and 2016. The Group did not hold any Level 3 financial assets or liabilities at 30 December 2017 or 31 December 2016.

Fair value of financial assets and liabilities carried at amortised cost

With the exception of those financial liabilities outlined below, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Group Financial Statements approximate their fair value.

The following table shows the fair value hierarchy of the financial liabilities not measured at fair value in the Group balance sheet but for which fair value disclosures are required:

	Notes	Fair value hierarchy	Carrying amount 2017 €'m	Fair value 2017 €'m	Carrying amount 2016 €'m	Fair value 2016 €'m
Non-current financial liabilities	(a)	Level 2	771.7	775.8	880.5	901.2

(a) Fair value is estimated by discounting future contractual cashflows 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.

29.3 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	2017 €'m	2016 €'m
Total equity per the Group balance sheet		1,606.4	1,368.7
Cash and cash equivalents	20	(244.1)	(324.8)
Non-current financial liabilities	24	771.7	880.5
Current financial liabilities	24	51.9	46.6
Total capital		2,185.9	1,971.0

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 Glanbia plc long term and short term incentive plans. Buy decisions are made on a specific transaction basis by the Employee Benefit Trusts. The Group does not have a defined share buy-back plan.

29.4 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: currency risk, interest rate risk, price risk, liquidity risk, cashflow risk, and credit risk.

The Group does not engage in holding or issuing speculative financial instruments. The Group finances its operations by a mixture of retained profits, medium-term committed borrowings and short-term uncommitted borrowings. The Group borrows in the major global debt markets in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis. Risk management, other than credit risk management, is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors 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 liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

There has been no significant change during the financial year or since the end of the year to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Market risk

(a) Currency risk

Although the Group is based in Ireland with the euro as the functional currency, 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. The Group has transactional currency exposures that arise from sales or purchases by an operating unit in currencies other than the unit's operating functional currency. Group companies are required to manage their foreign exchange risk against their functional currency and to hedge foreign exchange risk exposure through Group Treasury. Group Treasury monitors and manages these currency exposures on a continuous basis, using approved hedging strategies (including net investment hedges) and appropriate currency derivative instruments.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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.

5% change in euro/US dollar exchange rate	2017 €'m	2016 €'m
Impact on profit before tax*	13.2	13.0
Impact on total equity**	72.2	56.5

*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.

(b) 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 (a) the amount of floating rate indebtedness anticipated over such a period and (b) the consequent sensitivity of interest costs to interest rate movements on this indebtedness and the resultant impact on reported profitability. The Group borrows at both fixed and floating rates of interest and can use interest rate swaps to manage the Group's resulting exposure to interest rate fluctuations.

Borrowings issued at floating rates expose the Group to cashflow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain no more than one third of its projected debt exposure on a floating rate basis over any succeeding 12 month period with further minimum guidelines over succeeding 24 and 36 month periods.

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

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

The following table analyses the financial liabilities at 30 December 2017 and 31 December 2016 between fixed and variable rates. The Group fix a portion of the variable rate financial liabilities for 6 month periods in line with Group policies.

	Notes	2017 €'m	2016 €'m
Financial liabilities – fixed rate		320.4	445.8
Financial liabilities – variable rate		503.2	481.2
Cash and cash equivalents – variable rate	20	(244.1)	(324.8)
Net debt		579.5	602.2

Sensitivity analysis

The Group doesn't 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 with all other variables being constant:

1% increase in market interest rates	2017 €'m	2016 €'m
Impact on profit before tax	(3.1)	(4.1)
Impact on total equity	(2.7)	(3.5)

(c) Price risk

Equity price risk

The Group's objective is to minimise the price risk the Group is exposed to because of investments held by the Group in listed and unlisted securities. These securities are classified on the Group balance sheet as available for sale financial assets. To manage its price risk arising from investments in listed equity securities, the Group does not maintain a significant balance with any one equity. Diversification of the portfolio must be done in accordance with the limits set by the Group.

Sensitivity analysis

The impact of a 5% increase or decrease in equity indices across the eurozone countries would not have any material impact on Group profit before tax or total equity.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

Commodity price risk

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' in line with IAS 32 'Financial Instruments' as they were entered into in accordance with the Group's expected purchase, sale or usage requirements.

Sensitivity analysis

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.

(d) 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. At the year end, the Group had multi-currency committed term facilities of €1,428.3 million (2016: €1,428.3 million) of which €585.9 million (2016: €498.9 million) was undrawn. The weighted average maturity of these facilities is 2.6 years (2016: 3.1 years).

When appropriate, surplus funds in the Group are transferred to Group Treasury through different methods including the repayment of borrowings, deposits and dividends. These are then lent to Group companies or contributed as equity to fund Group operations, used to repay external debt or invested externally. The Group does not use off-balance sheet special purpose entities as a source of liquidity or for other financing purposes. The Group uses cashflow 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 and based on current financial projections it is expected that all covenants will continue to be complied with for the foreseeable future. There is no significant concentration of liquidity risk.

For further details regarding the Group's borrowing facilities see note 24.

The table below analyses the Group's financial liabilities, all non-derivative financial liabilities and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cashflows, 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 cashflows.

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 30 December 2017						
Non-derivative financial liabilities						
Financial liabilities (excluding finance lease liabilities) *		(168.7)	(30.4)	(668.5)	(19.1)	(886.7)
Finance lease liabilities	24	(1.1)	(1.0)	0.4	(1.3)	(3.0)
Trade and other payables		(406.7)	-	-	-	(406.7)
		(576.5)	(31.4)	(668.1)	(20.4)	(1,296.4)
Less future finance costs		25.7	24.7	15.7	-	66.1
		(550.8)	(6.7)	(652.4)	(20.4)	(1,230.3)
Derivative financial liabilities						
Commodity futures – gross cash (outflow)	29.1	(0.2)	-	-	-	(0.2)
Commodity futures – gross cash inflow	29.1	3.7	-	-	-	3.7
Cross currency swap – gross cash (outflow)	29.1	(134.9)	-	-	-	(134.9)
Cross currency swap – gross cash inflow	29.1	136.6	-	-	-	136.6
Foreign exchange contracts – gross cash (outflow)	29.1	(0.2)	-	-	-	(0.2)
Foreign exchange contracts – gross cash inflow	29.1	0.5	-	-	-	0.5
Interest rate swaps – cash (outflow)	29.1	(0.2)	(0.1)	-	-	(0.3)
Interest rate swaps – cash inflow	29.1	0.1	0.4	-	-	0.5
						5.7

*Financial liabilities include the contractual cashflows on the €100 million convertible bond (note 24). The bond also includes a written call option over Glanbia plc shares (note 29.1).

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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 31 December 2016						
Non-derivative financial liabilities						
Financial liabilities (excluding finance lease liabilities) *		(77.7)	(154.9)	(801.5)	(15.5)	(1,049.6)
Finance lease liabilities	24	(1.5)	(1.2)	(0.6)	(1.0)	(4.3)
Trade and other payables		(329.0)	-	-	-	(329.0)
		(408.2)	(156.1)	(802.1)	(16.5)	(1,382.9)
Less future finance costs		32.3	30.3	54.3	0.8	117.7
		(375.9)	(125.8)	(747.8)	(15.7)	(1,265.2)
Derivative financial liabilities						
Commodity futures – gross cash (outflow)	29.1	(0.5)	-	-	-	(0.5)
Commodity futures – gross cash inflow	29.1	0.4	0.1	-	-	0.5
Cross currency swap – gross cash (outflow)	29.1	(37.3)	-	-	-	(37.3)
Cross currency swap – gross cash inflow	29.1	36.2	-	-	-	36.2
Foreign exchange contracts – gross cash (outflow)	29.1	(1.1)	-	-	-	(1.1)
Foreign exchange contracts – gross cash inflow	29.1	0.6	-	-	-	0.6
Interest rate swaps – cash (outflow)	29.1	(0.6)	(0.2)	-	-	(0.8)
		(2.3)	(0.1)	-	-	(2.4)

The contractual undiscounted cash flows for cash and cash equivalents equal the carrying value at 30 December 2017 and 31 December 2016.

(e) 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, deposits with banks and financial institutions, derivative financial instruments as well as credit exposures to customers, including outstanding receivables and committed transactions.

In the international movement and placement of funds and execution of financial transactions, the risk of counterparty default is managed by the Group's policies requiring exposure to independently rated parties with long term credit ratings of at least A3 (Moody's) or A- (Standard & Poor's). In the movement and placement of funds and execution of financial transactions in Ireland, the Group's policies 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 held cash and cash equivalents of €244.1 million (2016: €324.8 million) and derivative financial assets of €6.4 million (2016: €1.6million) at 30 December 2017, all balances were held within financial institutions which complied with Group policy.

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.

Agribusiness within the Dairy Ireland division is not covered by the credit insurance policy, new accounts or increasing credit facilities on existing accounts are the responsibility of the business unit manager. All customers are categorised by risk profile and risk category reviews occur annually. Payment terms offered are as short as possible to minimise risk and to shorten cash collection period.

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.

The Group has one significant external customer within the Glanbia Nutritionals division. This customer accounted for €44.4 million of the trade and other receivables carrying amount (2016: €51.8 million). The Group is satisfied that they have satisfactory credit control procedures in place in respect of this customer.

The Group does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For further details regarding the Group's trade and other receivables see note 18.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

29.5 Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. The ISDA agreements and the GAP agreement (see note 18) do not meet the criteria for offsetting in the Group balance sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. No collateral is paid or received.

The Group is required to maintain cash on deposit in respect of certain borrowings. Upon maturity the Group and the lender intend to net settle or realise the asset and settle the liability simultaneously. As a result, the Group's borrowings have been presented net of the cash on deposit as the requirements for offsetting have been met.

The following tables set out the carrying amounts of recognised financial instruments that are subject to the above agreements:

29.5 (a) Financial assets

	Notes	Gross amounts of recognised financial assets €'m	Gross amounts of recognised financial liabilities set off in the balance sheet €'m	Net amounts of financial assets presented in the balance sheet €'m
At 30 December 2017				
Derivative financial assets	29.1	6.4	-	6.4
Cash and cash equivalents	20	348.3	(104.2)	244.1
		354.7	(104.2)	250.5
At 31 December 2016				
Derivative financial assets	29.1	1.6	-	1.6
Cash and cash equivalents	20	443.4	(118.6)	324.8
		445.0	(118.6)	326.4

29.5 (b) Financial liabilities

	Notes	Gross amounts of recognised financial liabilities €'m	Gross amounts of recognised financial assets set off in the balance sheet €'m	Net amounts of financial liabilities presented in the balance sheet €'m
At 30 December 2017				
Derivative financial liabilities	29.1	(6.3)	-	(6.3)
Bank overdrafts and borrowings	24	(927.8)	104.2	(823.6)
		(934.1)	104.2	829.9
At 31 December 2016				
Derivative financial liabilities	29.1	(9.9)	-	(9.9)
Bank overdrafts and borrowings	24	(1,045.6)	118.5	(927.1)
		(1,055.5)	118.5	(937.0)

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

30. CONTINGENT LIABILITIES

Group

Bank guarantees amounting to €14.8 million (2016: €13.4 million) are outstanding at 30 December 2017. 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 certain other costs in relation to its UK pension plans 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. Glanbia plc and the Group considers these guarantees to be insurance contracts and accounts for them as such. The amount of the potential liability under the UK pension guarantee is reducing annually by the contributions paid into these plans. Glanbia plc and the Group treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

31. COMMITMENTS

Capital commitments

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

	2017 €'m	2016 €'m
Property, plant and equipment	39.4	19.1

Operating lease commitments – where the Group is the lessee

The Group leases various assets. Generally, operating leases are short-term with no purchase option. The future aggregate minimum lease payments under non-cancellable operating leases are as follows at the reporting date:

	2017 €'m	2016 €'m
Not later than 1 year	20.4	22.0
Later than 1 year and not later than 5 years	60.0	62.1
Later than 5 years	47.1	58.6
	127.5	142.7

Other commitments

The Group has committed to provide a facility of €3.0 million under the Glanbia Milk Flex Fund. €1.5 million has been drawn down in 2017 (note 18).

The Group has a commitment in relation to the Patronage Bonus scheme amounting to €30.0 million. This has been approved at an SGM on 18 May 2017. The Patronage Bonus will be paid out based on events that will be at the discretion of the Board.

The Group has a further commitment of €2.0 million in relation to previous funds dating back to 2015.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

32. CASH GENERATED FROM OPERATIONS

	Notes	2017 €'m	2016 €'m
Profit after taxation		248.7	228.7
Income taxes		1.9	46.0
Reversal of write-down of inventories	19	(8.4)	(2.3)
Impairment of tangible assets	13	10.8	0.5
Impairment of intangible assets	14	-	0.5
Reclassification of intangible assets	14	1.5	-
Non-cash element of exceptional charge		3.1	7.1
Share of results of Joint Ventures & Associates	15/16	(36.6)	(13.2)
Depreciation	13	74.4	67.1
Amortisation	14	65.5	41.1
Cost of share based payments – equity settled	9	7.8	7.7
Cost of share based payments – cash settled	9	0.8	2.2
Difference between pension charge and cash contributions	8	(8.1)	(8.2)
Loss on disposal of property, plant and equipment	5	0.7	0.3
Insurance proceeds		-	1.9
Finance income	10	(3.0)	(2.1)
Finance expense	10	51.6	34.4
Amortisation of government grants received	27	(1.7)	(1.7)
Cash generated before changes in working capital		409.0	410.0
Change in net working capital:			
– Increase in inventory	33	(54.9)	(27.0)
– (Increase)/decrease in short term receivables	33	(119.0)	13.2
– Increase in short term liabilities	33	10.6	61.8
– (Decrease) in provisions	33	(2.1)	(3.9)
Cash generated from operating activities		243.6	454.1

33. MOVEMENT IN WORKING CAPITAL

2017	Notes	Inventories €'m	Trade and other receivables €'m	Trade and other payables €'m	Provisions €'m	Total €'m
At 31 December 2016		514.5	418.9	(569.6)	(66.8)	297.0
Exchange differences		(35.4)	(26.9)	35.4	0.3	(26.6)
Arising on acquisition	34	18.5	(9.0)	(18.2)	-	(8.7)
Exceptional items, interest accruals, revolving share plan, capital creditors and other non-operating items		118.2	249.7	(44.2)	10.8	334.5
Increase/(decrease) in working capital	32	(54.9)	(119.0)	10.6	(2.1)	(165.4)
At 30 December 2017		560.9	513.7	(586.0)	(57.8)	430.8

34. BUSINESS COMBINATIONS

Acquisitions in 2017

On 6 January 2017, the Group acquired 100% of the equity of Grass Advantage LLC (Amazing Grass). Amazing Grass offers plant-based organic, GMO free products to lifestyle consumers in the natural, online, food, drug and mass channels in North America. The brand complements the product portfolio of Glanbia Performance Nutrition and offers a strong position in the plant-based nutrition market. The goodwill reflects the expectation that the business will continue to generate new customers and new products over time. Goodwill of €40.1 million is not deductible for tax purposes.

On 31 March 2017, the Group acquired 100% of the equity of B&F Vastgoed B.V. (Body & Fit). Body & Fit is a leading European direct to consumer online branded business focused on performance nutrition. This acquisition offers Glanbia Performance Nutrition a direct presence in the rapidly growing direct to consumer channel and the goodwill attributable to this acquisition is reflective of this. Goodwill of €28.0 million is not deductible for tax purposes.

Notes to the Financial Statements continued

for the financial year ended 30 December 2017

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

	Amazing Grass €'m	Body & Fit €'m	Total €'m
Purchase consideration	124.5	43.7	168.2
Less: Fair value of assets acquired	(84.4)	(15.7)	(100.1)
Goodwill	40.1	28.0	68.1

	Amazing Grass €'m	Body & Fit €'m	Total €'m
Purchase consideration – cash paid	125.1	44.7	169.8
Refund due from vendor	(0.6)	(1.0)	(1.6)

Purchase consideration	124.5	43.7	168.2
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The fair value of assets and liabilities arising from the acquisition are as follows:

	Notes	Amazing Grass €'m	Body & Fit €'m	Total €'m
Property, plant and equipment	13	0.2	7.3	7.5
Intangible assets	14	-	0.6	0.6
Intangible assets – customer relationships	14	38.7	1.2	39.9
Intangible assets – brands	14	38.7	12.1	50.8
Inventories	33	7.5	11.0	18.5
Trade and other receivables	33	6.4	1.0	7.4
Trade and other payables	33	(3.9)	(6.7)	(10.6)
Liabilities settled at completion	33	-	(7.6)	(7.6)
Cash and cash equivalents		1.6	-	1.6
Deferred tax liability	25	(4.8)	(3.2)	(8.0)
Fair value of assets acquired		84.4	15.7	100.1

The contingent consideration arrangement in the Body & Fit acquisition requires the Group to pay the former owners of Body & Fit an earn out if the actual 2017 earnings before interest, tax, depreciation and amortisation (EBITDA) exceeds a minimum agreed amount. The fair value of the Group's estimated contingent consideration at acquisition was €nil.

The fair value of Amazing Grass's trade and other receivables at the acquisition date amounted to €6.4 million. The gross contractual amount for trade receivables due is €6.6 million.

The fair value of Body & Fit's trade and other receivables at the acquisition date amounted to €1.0 million which equates to the gross contractual amount.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis. Any amendments to these fair values within the 12 month timeframe from the date of acquisition will be disclosed in the 2018 Annual Report as stipulated by IFRS 3 'Business Combinations'.

Combined impact of acquisitions

The revenue and profit (net of transaction costs) of the Group including the impact of acquisitions completed during the financial year ended 30 December 2017 were as follows:

	2017 Acquisitions €'m	Group excluding acquisitions €'m	Consolidated group including acquisitions €'m
Revenue	79.6	4,011.7	4,091.3
Profit before taxation and exceptional items	1.3	293.3	294.6

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

The revenue and profit (including transaction costs) of the Group for the financial year ended 30 December 2017 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:

	2017 Acquisitions €'m	Group excluding acquisitions €'m	Pro-forma consolidated group €'m
Revenue	96.9	4,011.7	4,108.6
Profit before taxation and exceptional items	1.8	293.3	295.1

Acquisitions in 2016 – EMI Nutrition Distributors Pty Limited

On 29 February 2016, the Group acquired 100% of the business and operating assets of EMI Nutrition Distributors Pty Limited (EMI). EMI's principal activity is the distribution and marketing of performance nutrition products. No amendments were noted in relation to the fair values assigned at initial recognition.

Acquisitions in 2016 – South Eastern Cattle Breeding Society Limited

On 22 December 2016 the Group gained control of South Eastern Cattle Breeding Society Limited (SECB). The Group's interest in SECB had been accounted for under the equity method of accounting as an interest in Associate.

35. RELATED PARTY TRANSACTIONS

Related parties of the Group include subsidiary undertakings, Joint Ventures & Associates, post-employment benefits, key management personnel and connected parties. A listing of the principal subsidiary and associated undertakings is provided in note 37.

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 35(a) and the year end balance receivable is included in note 35(c). 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	2017 €'m	2016 €'m
Southwest Cheese Company, LLC	16	11.1	11.3
Glanbia Cheese Limited	16	4.7	2.1
South East Port Services Limited	15/16	0.4	0.4
		16.2	13.8

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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

The following transactions were carried out with related parties:

35 (a) Sales of goods and services

	2017 €'m	2016 €'m
Sales of goods:		
– Associates	4.1	-
– Joint Ventures	116.9	69.5
– Key management	1.1	1.0
	122.1	70.5
Sales of services:		
– Associates	4.9	-
– Joint Ventures	11.6	16.5
	16.5	16.5

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

35 (b) Purchases of goods and services

	2017 €'m	2016 €'m
Purchases of goods:		
– Associates	7.3	13.9
– Joint Ventures	16.0	6.5
– Key management	4.2	2.9
	27.5	23.3
Purchases of services:		
– Associates	-	-
– Joint Ventures	1.0	2.0
	1.0	2.0

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

35 (c) Year end balances

	2017 €'m	2016 €'m
Receivables from related parties:		
– Associates	-	-
– Joint Ventures	9.5	5.5
– Key management	-	0.1
	9.5	5.6
Payables to related parties:		
– Associates	0.4	3.4
– Joint Ventures	4.5	0.7
– Key management	0.2	0.2
	5.1	4.3

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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

35 (d) Contributions to retirement benefit plans

Information in relation to the Group's contributions to retirement benefit plans is disclosed in note 8.

35 (e) Key management compensation

IAS 24 'Related Party Disclosures' requires the disclosure of compensation paid to the Group's key management.

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 0.1 million (2016: €0.1 million) were received by key management personnel during the year, based on their personal shareholdings in Glanbia plc.

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 (2016: nil).

	2017 €'m	2016 €'m
Salaries and other short-term employee benefits	7.5	6.5
Post-employment benefits	0.8	0.7
Share based payments	4.6	5.8
Non-Executive Directors fees	1.7	1.7
	14.6	14.7

Retirement benefits of €0.4 million (2016: €0.3 million) were accrued in the year to four members of key management (2016: three) under a post retirement defined benefit plan. Total retirement benefits accrued to directors under the post retirement defined benefit plan are €5.8 million (2016: €4.4 million).

35 (f) Loans to Joint Ventures & Associates

	2017 €'m	2016 €'m
Loans receivable		
At the beginning of the year	1.9	1.8
Exchange differences	-	-
Loans advanced during the year	-	-
Loan payments received	-	-
At the end of the year	1.9	1.8
Interest on loans receivable		
At the beginning of the year	-	0.1
Exchange differences	-	-
Interest charged	0.1	0.1
Interest received	-	(0.1)
At the end of the year	0.1	0.1
Total loan and interest receivable at the end of the year	2.0	1.9

An interest bearing unsecured loan of €1.5 million, to South East Port Services Limited, a Joint Venture, is repayable subject to cashflows. An interest rate of 3.5% applies. An interest free unsecured loan of €0.35 million to Malting Company of Ireland Limited, a Joint Venture, is repayable on 15 June 2043. These loans are classified within non-current trade and other receivables in the Group balance sheet and are detailed in note 18.

36. EVENTS AFTER THE REPORTING PERIOD

There were no significant events, outside the ordinary course of business other than those described in note 34 – business combinations, that affected the Group since 30 December 2017.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

37. 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.

37 (a) Subsidiaries

Incorporated and operating in Ireland	Registered office	Principal activity	Beneficial % interest 2017	Beneficial % interest 2016
Alanfield Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	100	100
Avonmore Proteins Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Avonmore Skim Milk Products Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Cold Chain Food Distributors Limited	Glanbia House, Kilkenny, Co Kilkenny	Inactive	100	100
Glanbia Cheesip Limited ¹	Glanbia House, Kilkenny, Co Kilkenny	Research and development	100	100
D. Walsh & Sons Limited	Palmerstown, Co Kilkenny	Grain and fertilisers	60	60
Glanbia Consumer Foods Limited	Glanbia House, Kilkenny, Co Kilkenny	Chilled consumer foods	100	100
Glanbia Estates Limited	Glanbia House, Kilkenny, Co Kilkenny	Property and land dealing	100	100
Glanbia Feeds Limited	Glanbia House, Kilkenny, Co Kilkenny	Manufacture of animal feed	100	100
Glanbia Finance Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Glanbia Financial Services Unlimited Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Glanbia Investipr Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Management of receivables	100	100
Glanbia Holdings (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100	100
Glanbia Ireland Designated Activity Company	Ballyconra, Ballyragget, Co. Kilkenny	Milk Products	72.6*	75*
Glanbia Management Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Management services	100	100
Glanbia Nutritionals (Blending) Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Glanbia Nutritionals (Europe) Limited	Glanbia House, Kilkenny, Co Kilkenny	Nutritional ingredients	100	100
Glanbia Nutritionals (Ireland) Limited	Glanbia House, Kilkenny, Co Kilkenny	Performance nutrition and ingredients	100	100
Glanbia Nutritionals (Research) Limited	Glanbia House, Kilkenny, Co Kilkenny	Research and development	100	100
Glanbia plc	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100	100
Glanbia Property Holding Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100	100
Glanbia Property Rentals Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Property rental company	100	100
Glanbia Services Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	100*	100*
Glanbia Support Services Limited	Glanbia House, Kilkenny, Co Kilkenny	Business services	100	100
Glassonby Unlimited Company	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Grassland Fertilizers (Kilkenny) Limited	Palmerstown, Co Kilkenny	Fertilisers	73	73
MacCormac Products Limited	Glanbia House, Kilkenny, Co Kilkenny	Royalty earnings	75	75
South Eastern Cattle Breeding Society Limited	Dovea, Thurles, Co Tipperary	Cattle breeding	61	61
ON Optimum Nutrition Limited	Glanbia House, Kilkenny, Co Kilkenny	Financing	100	100
Quinport Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100*	100*
Robinfield Co-operative Society Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding society	100*	100*
Sladmore Limited	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100*	100*
Waterford Foods Designated Activity Company	Glanbia House, Kilkenny, Co Kilkenny	Holding company	100	100
Glanbia Foods Ireland Limited	Glanbia House, Kilkenny, Co Kilkenny	Consumer foods, agri trading and business services	100	100
Wexford Creamery Limited	Ballyconra, Ballyragget, Co. Kilkenny	Cheese production	75	75

Notes to the Financial Statements *continued*
for the financial year ended 30 December 2017

Incorporated and operating in	Registered office	Principal activity	Beneficial % Interest 2017	Beneficial % Interest 2016
United States				
Aseptic Solutions USA Ventures, LLC	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Nutritional ingredients & co packer	100	100
Glanbia (Delaware), Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Holding company	100	100
Glanbia, Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Holding company	100	100
Glanbia Business Services, Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Business services	100	100
Glanbia Foods, Inc.	Corporate Creations Network Inc., 950 W.Bannock Street 1100, Boise, ID83702, Ada County	Cheese and nutritional ingredients	100	100
Glanbia Ingredients Inc.	4650 W.Spencer Street, Appleton, Outagamie County,WI 54914	Dairy Products Distribution	100	100
Glanbia Nutritionals (NA), Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Nutritional ingredients	100	100
Glanbia Nutritionals Inc.	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Nutritional ingredients	100	100
Glanbia Performance Nutrition, Inc.	11380 Prosperity Farms Rd 221E, Palm Beach Gardens FL 33410	Performance nutrition	100	100
GPN Commercial, LLC (formerly known as The Isopure Company, LLC)	3411 Silverside Road Rodney Building 104, Wilmington, New Castle County, DE 19810	Performance nutrition	100	100
Grass Advantage, LLC	2711 Centerville Road, Suite 400, Wilmington, New Castle County DE 19808	Performance nutrition	100	-
Britain and Northern Ireland				
Glanbia Feedstuffs Limited	One Victoria Square, Birmingham, B1 1BD	Animal feed distribution	100	100
Glanbia Foods (NI) Limited	202 City Business Park, Dunmurry, BT17 9HY	Consumer food distribution	100	100
Glanbia Holdings Limited	One Victoria Square, Birmingham, B1 1BD	Financing	100	100
Glanbia Investments (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	100	100
Glanbia Milk Limited	One Victoria Square, Birmingham, B1 1BD	Management services	100	100
Glanbia Performance Nutrition (UK) Limited	Unit 3 Romalldkirk Rd, Middlesbrough, TS2 1XA	Performance nutrition	100	100
Glanbia (UK) Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	100	100
Waterford Foods International Limited	One Victoria Square, Birmingham, B1 1BD	Holding company	100	100
Germany				
Glanbia Nutritionals Deutschland GmbH	Gewerbestrasse 3, 78359 Orsingen - Nenzingen	Nutritional ingredients	100	100
Body & Fit Nutrition GmbH	Hohenstaufenring 62, 50674, Köln	Performance nutrition	100	-
Glanbia Performance Nutrition GmbH	Köpenicker Strasse 10, 10997, Berlin	Performance nutrition products	100	100
China				
Glanbia Nutritionals (Suzhou) Co. Limited	No. 128 Fangzong Street SIP, Suzhou, Jiangsu Province, PRC 215025, China	Nutritional ingredients	100	100
Glanbia Performance Nutrition Trading (Shanghai) Co., Ltd.	Room 908, World Trade Tower, Guangdong Road 500, Huangpu District, Shanghai, 200001	Performance nutrition	-	-
Glanbia (Shanghai) International Trading Co. Limited	Room 432, No.473 Fute Xiyi Road, Waigaoqiao Free Trade Zone, Shanghai, China	Nutritional ingredients	100	100
Japan				
Glanbia Japan K.K	Level 18 Yebisu Garden Place, Tower 4-20-3, Ebisu Shibuya-ku, Tokyo	Nutritional ingredients	100	-
Singapore				
Glanbia Performance Nutrition Singapore Pte Ltd	70 Bendemeer Road, 06-01, 339940	Performance nutrition	100	-
Australia				
Glanbia Performance Nutrition Pty Limited	Unit 4, 14 Lionel Road Mount Waverley VIC 3149	Performance nutrition	100	100
Brazil				
Glanbia Marketing de Produtos de Nutricao e Performance do Brasil Ltda	Alameda Gabriel Monteiro da Silva, No. 2892, Jardim America, na Cidade de Sao Paulo, São Paulo	Performance nutrition	100	100

Notes to the Financial Statements *continued*
for the financial year ended 30 December 2017

Incorporated and operating in	Registered office	Principal activity	Beneficial % interest 2017	Beneficial % interest 2016
Canada				
Glanbia Nutritionals (Canada) Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Nutritional ingredients	100	100
Glanbia Performance Nutrition Canada Inc.	c/o Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg MB R3B 3L3	Performance nutrition	100	100
Denmark				
Nutramino Holding ApS	Frederikssundsvej 62 B 1, 2400 København NV	Holding company	100	100
Nutramino Int. ApS	Frederikssundsvej 62 B 1, 2400 København NV	Performance nutrition	100	100
France				
Glanbia Performance Nutrition France SAS	8, Avenue Hoche, 75008, Paris	Performance nutrition	100	100
India				
Glanbia India Private Limited ²	43/61, "Srinidhi", Surveyor's Street, Basavangudi, Bangalore 560004	Nutritional ingredients	100	100
Glanbia Performance Nutrition (India) Private Limited	234, 3rd Floor, Shivani CGHS Ltd., Plot No. 18, Sector 12, Dwarka, New Delhi, West Delhi, Delhi-DL, 110078	Performance nutrition	100	100
Luxembourg				
Glanbia Luxembourg SA ³	5, Rue Guillaume Kroll, L-1882	Financing	100	100
Glanbia Luxfin SA ³	5, Rue Guillaume Kroll, L-1882	Financing	100	100
Glanbia Luxinvest SA ³	5, Rue Guillaume Kroll, L-1882	Financing	100	100
Netherlands				
B&F Vastgoed B.V.	Mars 10, 8448CP, Heerenveen	Holding company	100	100
Body & Fit Sportsnutrition B.V.	Mars 10, 8448CP, Heerenveen	Performance nutrition	100	-
Glanbia Foods B.V.	Atrium Building 8th Floor, Strawinskylaan 3127, 1077 ZX, Amsterdam	Holding company	100	-
Mexico				
Glanbia, S.A. de CV	Av. Prolongación Paseo de la Reforma No. 115-1006, Col. Paseo de las Lomas, C.P. 01330	Nutritional ingredients	100	100
New Zealand				
Glanbia Performance Nutrition (New Zealand) Limited	C/-Martelli Mckegg, Level 20, PwC Tower, 188 Quay Street, Auckland, 1010	Performance nutrition	100	100
Norway				
Nutramino NO AS	Fillstad brygge 1, 0252, Oslo	Performance nutrition	100	100
Portugal				
Glanbia Nutritionals (Portugal) – Sociedade Unipessoal, Lda.	Miraflores, Torre de Mansanto, Rua Afonso Praça, 30-7o e 8o piso, 1495-061 Miraflores	Performance nutrition	100	100
Russian Federation				
LLC Glanbia	Office 1934, 10 Testovskaya Street, 123317, Moscow	Nutritional ingredients	100	100
South Africa				
Glanbia (Pty) Limited	Stand 893, 7 Forbes Street, Midstream Estate - Windsor Gate, Brakfontein Road, Ekurhuleni, South Africa 2192	Nutritional ingredients	100	100
Sweden				
Nutramino AB	Ostermalinstorg.1, 4 tr, 114 42, Stockholm Sweden	Performance nutrition	100	100
Turkey				
Glanbia Besin Ürünleri Pazarlama ve Ticaret Limited Sirketi	Kocatepe Mah., Lamartin Cad. No:5, Ofis Lamartine Kat:6, Taksim, Beyoglu, Istanbul, 34437	Performance nutrition	100	100
Uruguay				
Glanbia (Uruguay Exports) SA	Copacabana Street, Block 26 - S 12, Médanos de Solymar City, Canelones	Nutritional ingredients	100	100

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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 2017, 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.

The Group has no significant restrictions in relation to the Group's ability to access or use the assets and settle the liabilities of the Group.

37 (b) Joint Ventures & Associates

Incorporated and operating in	Joint Venture/ Associate	Date to which results are included	Registered office	Principal activity	Beneficial % interest 2017	Beneficial % interest 2016
Ireland						
Corman Miloko Ireland Limited	Joint Venture	30/12/2017	Deerpark, Carrick-on-Suir, Co. Tipperary	Butter, oil and dairy spreads	45	45
Co-Operative Animal Health Limited	Associate	30/12/2017	Tullow, Co Carlow	Agri chemicals	50	50
Greenfield Dairy Partners Limited	Associate	30/12/2017	Grove, Dunbe Grove, Dunbell Co. Kilkenny	Milk products	33	33
Malting Company of Ireland Limited	Joint Venture	30/12/2017	The Maltings, South Link, Togher, Co Cork	Malting	50	50
South East Port Services Limited	Joint Venture	30/12/2017	Palmerstown, Co. Kilkenny	Port services	49	49
United States						
Southwest Cheese Company, LLC	Joint Venture	30/12/2017	1209 Orange Street, Wilmington New Castle County, DE 19801	Milk products	50	50
Britain and Northern Ireland						
Glanbia Cheese Limited	Joint Venture	30/12/2017	4 Royal Mews, Gadbrook Park, Rudheath, Cheese products Northwich, Cheshire, CW9 7VD		51	51

The Groups interests in Joint Ventures & Associates are subject to certain restrictions however these are not material.

38. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view in accordance with applicable Irish law including the Industrial and Provident Societies Acts, 1893 to 2014 and IFRSs as adopted by the European Union. In preparing the financial statements, the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union and ensure the Financial Statements contain the information required by the Companies Act 2014 and as regards the Company Financial Statements as applied in accordance with the provision of the Companies Act 2014; 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
30 December 2017

Income Statement for year ended 30 December 2017

	Notes	2017			2016		
		Pre- Exceptional €'m	Exceptional €'m (note 8)	Total €'m	Pre- Exceptional €'m	Exceptional €'m	Total €'m
Revenue	3	-	-	-	-	-	-
Administration expenses	4	(4.4)	(4.9)	(9.3)	(3.8)	-	(3.8)
Operating (loss)		(4.4)	(4.9)	(9.3)	(3.8)	-	(3.8)
Profit on disposal of Glanbia Plc shares		-	148.4	148.4	-	-	-
Income from shares in Group companies	5	13.5	-	13.5	12.7	-	12.7
Interest receivable and similar income	6	2.8	-	2.8	2.3	-	2.3
Interest payable and similar charges	7	(2.9)	-	(2.9)	(2.0)	-	(2.0)
Profit before taxation		9.0	143.5	152.5	9.2	-	9.2
Income taxes	9	-	-	-	-	-	-
Profit for the year		9.0	143.5	152.5	9.2	-	9.2

The income statement has been prepared on the basis that all operations relate to continuing operations.

On behalf of the Board

  
H Corbally S Talbot M Keane

Statement of Other Comprehensive Income for year ended 30 December 2017

	Notes	2017 €'m	2016 €'m
Profit for the year		152.5	9.2
Other comprehensive income/(expense)			
Revaluation of available for sale financial asset	12	0.6	(0.2)
Remeasurement of defined benefit liability	18	0.1	(0.2)
Other comprehensive income for the year, net of income tax		0.1	(0.4)
Total comprehensive income for the year		153.2	8.8

Balance sheet

As At 30 December 2017

	Notes	2017 €'m	2016 €'m
Non-current assets			
Tangible assets	11	1.2	1.3
Financial assets	12	267.2	167.2
Available for sale financial assets	12	1.7	1.1
Debtors	13	59.9	1.8
		330.0	171.4
Current assets			
Debtors	13	144.9	100.7
Cash and cash equivalents	14	32.8	94.8
		177.7	195.5
Creditors: amounts falling due within one year	15	(31.4)	(14.3)
Net current assets		146.3	181.2
Total assets less current liabilities		476.3	352.6
Creditors: amounts falling due after more than one year	16	(98.3)	(113.5)
Provisions for liabilities			
Retirement benefit obligations	18	(0.9)	(1.0)
Net assets		377.1	238.1
Capital and reserves			
Share capital and share premium	19	143.5	135.6
Capital reserve	19	17.4	15.7
Available for sale financial asset reserve		(1.5)	(2.1)
Retained earnings		217.7	88.9
Shareholders' equity		377.1	238.1

On behalf of the Board





H Corbally S Talbot Mn Keane

Statement of changes in equity

for the financial year ended 30 December 2017

	Share capital and share premium (note 19) €'m	Retained earnings €'m	Capital Reserve (note a) €'m	Available for sale financial asset reserve (note b) €'m	Total Equity €'m
Balance at 2 January 2016	136.3	145.8	15.7	(1.9)	295.9
Total comprehensive income/(expense) for the year					
Profit for the year	-	9.2	-	-	9.2
Revaluation of available for sale financial asset	-	-	-	(0.2)	(0.2)
Remeasurement of defined benefit liability (note 18)	-	(0.2)	-	-	(0.2)
Total comprehensive income/(expense) for the year	-	9.0	-	(0.2)	8.8
Transactions with owners, recorded directly in equity					
Cancellation of share capital (note 19)	(1.9)	-	-	-	(1.9)
Issue of share capital (note 19)	1.2	-	-	-	1.2
Ordinary share interest (note 10)	-	(4.0)	-	-	(4.0)
Distribution to members (note 10)	-	(61.9)	-	-	(61.9)
Total contributions by and distributions to owners	(0.7)	(65.9)	-	-	(66.6)
Balance at 1 January 2017	135.6	88.9	15.7	(2.1)	238.1
Total comprehensive income for the year					
Profit for the year	-	152.5	-	-	152.5
Revaluation of available for sale financial asset (note 12)	-	-	-	0.6	0.6
Remeasurement of defined benefit liability (note 18)	-	0.1	-	-	0.1
Total comprehensive income for the year	-	152.6	-	0.6	153.2
Transactions with owners, recorded directly in equity					
Cancellation of share capital (note 19)	(1.7)	-	1.7	-	-
Issue of share capital (note 19)	9.6	-	-	-	9.6
Ordinary share interest (note 10)	-	(3.9)	-	-	(3.9)
Dividend payable to Society shareholders (note 10)	-	(10.0)	-	-	(10.0)
Distribution to members (note 10)	-	(5.0)	-	-	(5.0)
Distribution to members – spin out of Glanbia plc investment	-	(4.9)	-	-	(4.9)
Total contributions by and distributions to owners	7.9	(23.8)	1.7	-	(14.2)
Balance at 30 December 2017	143.5	217.7	17.4	(1.5)	377.1

(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 from changes in the fair value of available for sale financial assets are recognised in the available for sale financial asset reserve. When such available for sale financial assets are sold or impaired, the accumulated fair value adjustments are recycled in the income statement.

Notes to the Financial Statements

for the financial year ended 30 December 2017

1. Accounting policies

1.1 Basis of preparation

Glanbia Co-operative Society Limited 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 52 week period ended 30 December 2017. Comparatives are for the 52 week period ended 31 December 2016. The balance sheets for 2017 and 2016 have been drawn up as at 30 December 2017 and 31 December 2016.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued in August 2014. The amendments to FRS 101 (2014/15 Cycle), issued in July 2015 and effective for financial years commencing 1 January 2015, have also been applied.

In preparing these financial statements, the Society applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Industrial and Provident Societies Act 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 Glanbia plc include the equivalent disclosures, the Society has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared in euro and presented in euro millions.

1.2 Measurement convention

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, financial instruments classified as fair value through the profit or loss or as available-for-sale and liabilities for cash-settled share-based payments.

1.3 Revenue recognition

Revenue is measured at the fair value of the consideration received/receivable for the sale of services to external customers net of value added tax, rebates and discounts. The Society recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity. There was no revenue recognised in the 2017 financial year or preceding financial year.

1.4 Financial fixed assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as non-current assets unless management intends to dispose of the available for sale financial asset within 12 months of the reporting date.

They are initially recognised at fair value plus transaction costs and are subsequently adjusted to fair value at each reporting date.

Unrealised gains and losses arising from changes in the fair value of the available for sale financial assets are recognised in other comprehensive income.

When such available for sale assets are disposed or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available for sale financial assets.

The fair values of quoted financial assets are based on current bid prices (level 1 within the fair value hierarchy).

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

If the market for a financial asset is not active the Society establishes fair value using valuation techniques.

Where the range of reasonable fair values is significant and the probability of various estimates cannot be reasonably assessed, the Society measures the investment at cost.

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

1.5 Impairment of available for sale financial assets

A significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.6 Investment in subsidiaries

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. For the purpose of assessing impairment, assets are grouped at the lowest level for which they are identifiable cash flows (CGU's).

1.7 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.

1.8 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.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

1.9 Trade and loan receivables

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less provision for impairment. If payments received from customers exceed the income recognised, then the difference is presented as deferred income.

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. These are classified as non-current assets except for those maturing within 12 months of the reporting date.

1.10 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.

1.11 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.

1.12 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.

1.13 Dividend income

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

1.14 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.

1.15 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.

(i) 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.

(ii) Deferred tax

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

Deferred tax 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.

1.16 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.

2. Principal activities

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

Notes to the Financial Statements continued for the financial year ended 30 December 2017

3. Turnover

	2017 €'m	2016 €'m
By class of business		
Milk advisory services	-	-
By geographical market		
Ireland	-	-

4. Administration expenses

	2017			2016		
	Pre- Exceptional €'m	Exceptional €'m (note 8)	Total €'m	Pre- Exceptional €'m	Exceptional €'m (note 8)	Total €'m
Employee benefits	0.3	-	0.3	0.9	-	0.9
Board, council and committee expenses	0.8	-	0.8	0.8	-	0.8
Charges for services provided by other Glanbia group companies	1.9	1.0	2.9	1.0	-	1.0
Legal and professional fees	0.2	2.3	2.5	0.3	-	0.3
Other	1.2	1.6	2.8	0.8	-	0.8
	4.4	4.9	9.3	3.8	-	3.8

Remuneration paid/payable to the current auditors for the statutory audit of the Society during the year ended 30 December 2017 was €0.1 million (2016: €0.1 million to the former auditor).

Directors' fees paid during the year ended 30 December 2017 were €0.5 million (2016: €0.5 million).

5. Income from shares in Group companies

	2017 €'m	2016 €'m
Dividend income from ordinary shares in Glanbia plc	13.5	12.7
	13.5	12.7

6. Interest receivable and similar income

	2017 €'m	2016 €'m
FV of convertible bond	0.8	-
Rental income	0.3	0.3
Interest on loan to another Group company	1.7	1.6
Interest on the Glanbia Advance Payment Scheme	-	0.3
Total interest receivable and similar income	2.8	2.3

7. Interest payable and similar charges

	2017 €'m	2016 €'m
Glanbia Advance Payment Scheme secured exchangeable bond finance costs including cost amortisation	1.7	0.9
Revolving Share Plan finance cost	1.1	1.1
Deposit interest cost	0.1	-
Total interest payable and similar charges	2.9	2.0

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

8. Exceptional items

	2017 €'m	2016 €'m
Profit on disposal of Glanbia plc shares	148.4	-
Professional fees	(2.3)	-
Charges for services on the transaction provided by other Glanbia companies	(1.0)	-
Disposal costs (broker fees for the sale of Glanbia plc shares)	(0.9)	-
SGM and meeting costs	(0.4)	-
Other	(0.3)	-
	143.5	-

On 18 May 2018 at a Special General Meeting of the Society (SGM), the members approved the sale of €8.9 million Glanbia plc shares as part of the transaction to acquire 60% of Dairy Ireland through its subsidiary undertaking (now called Glanbia Ireland DAC – 60% owned by the Society). The profit on the disposal of these shares amounted to €148.4 million. The costs associated with the disposal of these shares and the Special General Meeting of the Society amounted to €4.9 million and are detailed in the table above.

9. Taxation

Recognised in the income statement	2017 €'m	2016 €'m
Irish corporation tax		
<u>Current tax on income for the year</u>	-	-
Total current tax charge	-	-
Deferred tax (see note 17)		
<u>Origination and reversal of temporary differences</u>	-	-
Total deferred tax charge/(credit)	-	-
<u>Total tax charge/(credit) on profit on ordinary activities</u>	-	-

Reconciliation of the total tax expense

The tax charge for the year is different than (2016 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.

	2017 €'m	2016 €'m
Profit on ordinary activities before taxation	152.5	9.2
Profit on ordinary activities before taxation multiplied by standard rate of Irish corporation tax of 12.5% (2016: 12.5%)	19.1	1.2
Income taxable at passive Irish rates	0.3	0.2
Non-taxable income	(20.1)	(1.6)
Expenses of management	(0.2)	(0.5)
<u>Other differences including income/(expenses) not deductible for tax</u>	<u>0.9</u>	<u>0.7</u>
Total tax charge	-	-

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

10. Ordinary share interest and appropriations

	Notes	2017 €'m	2016 €'m
Ordinary share interest paid to Society shareholders	(a)	3.9	4.0
Distribution to Society shareholders – rebates	(b)	5.0	37.3
Distribution to Society shareholders – bonus issue	(c)	-	16.8
Dividend payable to Society shareholders – dividend	(d)	10.0	-
Distribution to Society shareholders – buy back	(e)	-	7.5
Distribution to Society shareholders – GAP interest	(f)	-	0.3
Distribution to Society shareholders – spin out of Glanbia Plc investment	(g)	4.9	-
		23.8	65.9

- (a) Ordinary share interest paid in 2017 was 10 cent per share on 38.6 million shares (2016: 10 cent per share on 40.4 million shares).
- (b) During 2017, 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 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.

During 2016, 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 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 2016.
- A feed 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 feed during 2016.
- A grain rebate to members who supplied grain to the Society or its subsidiaries on the basis of up to 10 units of € loan stock for every one tonne of grain supplied during 2015 and 2016.

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 2015 and 2016.

- (c) Also during 2016 pursuant to rule 98 of the rules of the Society the Board distributed the below distributions to members of the Society:
A bonus issue of 0.25 units of € loan stock and 0.17 units of € loan stock for every share held in the Society on 10 May 2016 and 26 October 2016 respectively. Loan stock of €1.3 million remains outstanding as at 30 December 2017 (2016: €1.6m) (note 15).
- (d) During 2017, at a Special General Meeting of the Society, members approved a dividend of 26 cent per share payable before 31 December 2018. At 30 December 2017 a balance of €10.0 million remained payable.
- (e) A share buy back of 1,862,535 shares (see note 19) at €5 per share consisting of a share cancellation at par of €1 and a bonus issue of 4 units of € loan stock for every share cancelled. The share buy back was fully paid as at 31 December 2016.
- (f) The Glanbia Advance Payment Scheme offers interest free support payments to farmers in periods of weak prices. An amount of €0.5million remains outstanding at 30 December 2017 (2016: €5.8m) (see note 13). This interest free support was a distribution to members of €0.3 million during the year ended 31 December 2016.
- (g) During 2017, at a Special General Meeting of the Society, the members approved a spin out of approximately 5.9 million shares to all members. The total cost to the Society amounted to €4.9 million.

Notes to the Financial Statements continued for the financial year ended 30 December 2017

11. Tangible assets

	Land and buildings €'m	Plant and equipment €'m	Hardware €'m	Total €'m
Cost				
Balance at 1 January 2017	3.3	1.1	0.3	4.7
Additions	-	-	-	-
Balance at 31 December 2016	3.3	1.1	0.3	4.7
Depreciation				
Balance at 1 January 2017	2.0	1.1	0.3	3.4
Depreciation charge for the year	0.1	-	-	0.1
At 31 December 2017	2.1	1.1	0.3	3.5
Carrying amount				
At 30 December 2017	1.2	-	-	1.2
At 1 January 2017	1.3	-	-	1.3

Notes to the Financial Statements continued for the financial year ended 30 December 2017

12. Financial assets and available for sale financial assets

	Investments in Group companies €'m	Available for sale financial assets €'m	Total €'m
Carrying amount:			
Balance at 31 December 2016	167.2	1.1	168.3
Additions - (a)	112.0	-	112.0
Fair value movement	-	0.6	0.6
Disposals - (b)	(12.0)	-	(12.0)
Balance at 30 December 2017	267.2	1.7	268.9
Carrying amount			
At 31 December 2016	167.2	1.1	168.3

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.

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
Sladmore Limited	20.0	Glanbia House, Kilkenny	Ireland
Robinfield Co-operative Society Limited	100.0	Glanbia House, Kilkenny	Ireland

The available for sale financial asset is as follows:

Company	Number of shares held	Address of Registered Office	Country of Incorporation
IPL Limited (formerly known as One51 plc)	800,000	35-38 St Stephen's Green, Dublin 2	Ireland

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

- (a) Additional investment of €112.0 million in Glanbia Ireland DAC
- (b) Disposal of Glanbia plc shares

As set out in note 8, on 18 May 2017 at a Special General Meeting (SGM) of the Society, it was approved to dispose of 89.0 million shares in Glanbia plc, as part of the transaction to acquire 60% of Dairy Ireland from Glanbia plc through the newly created company called Glanbia Ireland. The cost of the additional investment in Glanbia Ireland (formerly Glanbia Ingredients Ireland DAC) amounted to €112.0 million. Furthermore it was approved at the SGM to spin out a further €5.9 million shares in Glanbia plc to the members. Following completion of these transactions the Society's shareholding in Glanbia plc was reduced to 31.5% (2016: 33.5%).

Shareholdings in Glanbia plc, Glanbia Ireland DAC, Quinport Limited, Sladmore Limited and Robinfield Co-operative Society Limited are considered subsidiaries of the Society as the Society under IFRS10 is deemed to have control over these entities due to Board representation & associated voting rights.

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

13. Debtors

	2017 €'m	2016 €'m
Amounts owed by Group undertakings (a)	202.6	93.6
Other debtors	1.7	3.1
Glanbia Advance Payments Scheme (b)	0.5	5.8
	204.8	102.5
Non-current		
Amounts owed by Group undertakings	59.2	-
Other debtors	0.2	1.8
Glanbia Advance Payments Scheme	0.5	-
Non-current	59.9	1.8
Current	144.9	100.7
	204.8	102.5

(a) Amounts due from Group undertakings are interest free, unsecured and payable on demand.

(b) The Glanbia Advance Payment (GAP) scheme offered advance payments to Society member suppliers in periods where grain and milk prices are weak. This related to the 2016 period.

The GAP scheme offers 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.

The GAP scheme offered advance payments of €20 per tonne on 2016 supply of harvest products. The price trigger for the 2016 GAP Scheme was a December 2016 MATIF (Euronext exchange) price available before 31 July 2016 of less than €180 per tonne for wheat. The trigger for a reimbursement is a MATIF (Euronext exchange) price of €205 per tonne of wheat occurring after 31 July 2016.

Any GAP advances not reimbursed by end of 2019 will be recovered in 2020.

At 30 December 2017, €5.8 million has been advanced to member suppliers (2016: €5.8m). During 2017 €5.3m was reimbursed to GAP scheme as a result of price triggers in 2017 and at 30 December 2017 €0.5m remains outstanding to be reimbursed (2016:€5.8m). The Society does not expect this balance to be received within one year based on current projected prices and accordingly has been included within non-current debtors.

14. Cash and cash equivalents

	2017 €'m	2016 €'m
Cash at bank and in hand	1.9	41.8
Short term deposits	30.9	53.0
	32.8	94.8

15. Creditors: amounts falling due within one year

	2017 €'m	2016 €'m
Amounts due to Group undertakings	1.1	-
Trade creditors	0.1	0.2
Accruals	1.6	3.3
Revolving Share Plan Schemes (note (a))	15.2	9.2
Loan stock – bonus issue (note 10)	3.4	1.6
Dividends payable (note 10)	10.0	-
	31.4	14.3

Note (a): The revolving Share Plan Schemes represents the Society's liability under the 2015 revolving share plan scheme (the 2015 plan). The 2015 plan provides milk suppliers, patrons and eligible employees of the Group the opportunity to invest capital sums for a three year term with projected capital growth of 15%.

Notes to the Financial Statements continued

for the financial year ended 30 December 2017

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

	2017 €'m	2016 €'m
Revolving Share Plan Schemes	-	14.7
Secured exchangeable bond (note (a))	92.7	92.4
Convertible bond option – fair value through income statement (note (b))	5.6	6.4
	98.3	113.5

Note (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 €1.6 million (€0.4 million has been classified within current liabilities) 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.

Note (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 credit to the profit and loss of €0.8 million. See note 6.

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	
	2017 €'m	2016 €'m	2017 €'m	2016 €'m	2017 €'m	2016 €'m
Employee benefits	-	-	-	-	-	-

Movement in deferred tax during the year

	31 December 2016 €'m	Recognised in income €'m	Recognised in equity €'m	30 December 2017 €'m
Employee benefits	-	-	-	-
	-	-	-	-

Movement in deferred tax during the prior year

	Unaudited 2 January 2016 €'m	Recognised in income €'m	Recognised in equity €'m	31 December 2016 €'m
Employee benefits	-	-	-	-
	-	-	-	-

Notes to the Financial Statements continued for the financial year ended 30 December 2017

18. Employee benefits

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 1 January 2015.

	2017 €m	2016 €m
Total defined benefit asset	3.2	3.0
Total defined benefit liability	(4.1)	(4.0)
Net liability for defined benefit obligations	(0.9)	(1.0)

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

Movements in net defined benefit (liability)/asset

	Defined benefit (obligation)		Fair value of plan assets		Net defined benefit (liability)/asset	
	2017 €'m	2016 €'m	2017 €'m	2016 €'m	2017 €'m	2016 €'m
Balance at beginning of the year	(4.0)	(3.6)	3.0	2.8	(1.0)	(0.8)
Included in profit						
Current service cost	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Interest (cost)/income	(0.1)	(0.1)	0.1	0.1	-	-
Included in other comprehensive income						
Remeasurements (loss)/gain:						
– Assumption changes	-	(0.3)	-	-	-	(0.3)
– Experience adjustment	-	-	-	-	-	-
Return on plan assets excluding interest income	-	-	0.1	0.1	0.1	0.1
Other						
Contributions paid by the employer	-	-	0.1	0.1	0.1	0.1
Contributions paid by the employee	-	-	-	-	-	-
Benefits paid	0.1	0.1	(0.1)	(0.1)	-	-
Payments in respect of settlements	-	-	-	-	-	-
Balance at end of the year	(4.1)	(4.0)	3.2	3.0	(0.9)	(1.0)
	2017		2016			
	Quoted €'m	Unquoted €'m	Total €'m	Quoted €'m	Unquoted €'m	Total €'m
Equities:						
– Consumer	0.2	-	0.2	0.2	-	0.2
– Energy	0.1	-	0.1	0.1	-	0.1
– Financials	0.2	-	0.2	0.2	-	0.2
– Healthcare	0.1	-	0.1	0.1	-	0.1
– Industrials	0.1	-	0.1	0.1	-	0.1
– Information technology	0.1	-	0.1	0.1	-	0.1
– Other	0.2	-	0.2	0.2	-	0.2
Corporate bonds:						
– Investment grade	0.5	-	0.5	0.3	0.1	0.4
– Non-investment grade	0.1	-	0.1	-	-	-
Government bonds and gilts	0.8	-	0.8	0.7	0.1	0.8
Property:						
– UK	-	-	-	-	-	-
– Ireland	-	-	-	-	-	-
– Europe	-	0.1	0.1	-	0.1	0.1
Cash	-	-	-	-	-	-
Investment funds	-	0.7	0.7	-	0.7	0.7
Other	-	-	-	-	-	-
	2.4	0.8	3.2	2.0	1.0	3.0

Expected contributions to post-employment defined benefit plans for 2017 are €0.1 million. The weighted average duration of the defined benefit obligation is 18 years.

Notes to the Financial Statements continued for the financial year ended 30 December 2017

Actuarial assumptions

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

	2017 €'m	2016 €'000
Discount rate	1.80%	1.80%
Inflation rate	1.50%-1.60%	1.40%-1.50%
Future salary increases*	2.60%	2.50%
Future pension increases	0.00%	0.00%

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

Mortality rates

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

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2017 Irish mortality rates	2016 Irish mortality rates
Male	23.0	23.0
Female	25.4	25.4

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

	2017	2016
Male	20.6	20.6
Female	23.2	23.2

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.

2017 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(0.2)	0.2
Price inflation	0.25% movement	0.1	(0.1)
Longevity	1 year movement	0.1	(0.1)
Future salary increases *			
Future pension increases **			

2016 Assumption	Change in assumption	Increase €'m	Decrease €'m
Discount rate	0.25% movement	(0.2)	0.2
Price inflation	0.25% movement	0.1	(0.1)
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.

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

Notes to the Financial Statements *continued*

for the financial year ended 30 December 2017

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 (2016: €0.001 million).

19. Capital

Share capital	Number of shares		Ordinary 'A' shares €'000	'C' shares €'m	Share premium €'m	Total €'m
	Ordinary 'A' shares (millions)	'C' shares (millions)				
At 1 January 2017	38.5	9,007.6	38.5	90.1	7.0	135.6
Shares issued - note (a)	-	962.5	-	9.6	-	9.6
Shares cancelled - note (b)	(1.7)	-	(1.7)	-	-	(1.7)
	36.8	9,970.1	36.8	99.7	7.0	143.5

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 2017, 870 ordinary shares with a nominal value of €1, were issued to new members of the Society at €5 per share, of which €0.002 million were fully paid for at 31 December 2017. The remaining balance will be received via deduction from milk payments up to 2020.

During 2017 the Society issued 962,539,766 C shares with a nominal value of €0.01 on the maturity of part of the 2015 Revolving Share Plan Scheme.

Note (b): Also during 2017, 176 ordinary shares with a nominal value of €1, were bought back from members of the Society at €5 per share and were immediately cancelled. 1,714,932 ordinary shares with a nominal value of €1 were cancelled.

Notes to the Financial Statements *continued* for the financial year ended 30 December 2017

20. Statement of the Board of directors' and society's responsibilities

The Board of Directors are 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 Financial Reporting Standard 101 "Reduced Disclosure Framework" (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

On 15 April 2016, PricewaterhouseCoopers resigned as Auditor of the Society and Deloitte was appointed as Auditor of the Society. Deloitte have expressed their willingness to continue in office.

22. Related party transactions

The Society has availed of the exemptions available in FRS101 "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 30 April 2018.