Registered number: 51491

NESTLÉ UK LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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NESTLÉ UK LTD.

COMPANY INFORMATION

Directors	F. Kendrick (resigned 31 December 2018) D. Hix M. McKenzie N. Stephens S. Stewart (resigned 1 April 2018) D. McDaniel S Agostini
Registered number	51491
Registered office	1 City Place Gatwick RH6 0PA
Independent auditor	KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square London, E14 5GL
Registered number N.Ireland	NF 00340 (Belfast)

NESTLÉ UK LTD.

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NESTLÉ UK LTD.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present the Strategic Report for the year ended 31 December 2018.

Business review

The performance achieved during the period is set out in the Profit and Loss Account on page 7.

The results of the Company show a pre-tax profit of £97,716,000 (2017 - £185,247,000 as restated) for the year and turnover increased year on year by 3.0% to £1,631,817,000 (2017 - £1,584,770,000).

The 2018 results include net costs arising from the movement in provisions relating to the reorganising and restructuring of the business of £4,530,000 (2017 - £14,248,000). This was reduced by a credit of £5,339,000 in respect of a curtailment of pension benefits.

The Company has net assets of £1,202,618,000 (2017 - £1,364,586,000 as restated).

Principal risks and uncertainties

The management of the business of the Company and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

This report was approved by the board on 17 June 2019 and signed on its behalf.

D. McDaniel
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The Company is the principal trading company for the subsidiaries of Nestlé S.A. that are located within the United Kingdom. Nestlé S.A. is the world's leading nutrition, health and wellness company.

Results and dividends

The profit for the year, after taxation, amounted to £88,134,000 (2017 - £163,470,000).

The directors have not recommended the payment of a dividend (2017 - £455,000,000). A dividend of £455,000,000 was paid during 2018.

Impact of Brexit

On 29 March 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the "EU"). There was an initial two-year timeframe for the UK and the EU to reach an agreement on the withdrawal and the future UK and EU relationship, although this timeframe has now been extended to 31 October 2019.

Following the UK referendum vote to leave the EU in June 2016, the value of sterling weakened against major currencies, resulting in an adverse foreign exchange impact, particularly on purchases from the Eurozone.

Two years on from the decision, there is still significant uncertainty about the withdrawal process, its time frame and the future arrangements between the UK and the EU. The negotiated agreement has been rejected on three occasions in Parliament and there is great uncertainty as to when, and in what form, an agreement will successfully pass through Parliament. As a result of this uncertainty, the performance of the Company's subsidiaries may be adversely affected.

The process and the eventual outcome of the negotiations will also introduce exposures to the economy as a whole, to which the performance of the Company, through its subsidiary companies, is inherently linked. In the short term there is some exposure to an upturn in inflation connected to the weakened sterling. This inflationary impact has begun to be seen but the medium to long term exposures are currently uncertain and will depend on the outcome of exit negotiations in the next year.

Directors

The directors who served during the year were:

F. Kendrick (resigned 31 December 2018)
D. Hix
M. McKenzie
N. Stephens
S. Stewart (resigned 1 April 2018)
D. McDaniel
S Agostini

Environmental matters

The Company seeks to develop business practices and behaviour that meet the highest standards of responsibility towards the environment. The Company sees conservation and development as mutually reinforcing each other in pursuit of sustainable growth. The Company seeks to go beyond mere compliance with the law, which it willingly embraces, to achieve, in particular, savings of energy and resources, and the reduction of waste and effluent in all its forms.

Future developments

The external environment is expected to remain competitive and challenging in 2019. Higher commodity prices and other costs will continue to put significant pressure on the Company.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Employee involvement

Employees are recognised as key assets of the Company and their quality and motivation are essential for the Company to compete successfully in its markets. To help achieve corporate aims and objectives the Company maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest. Information on matters of concern to employees is given through bulletins, meetings, reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the Company.

Matters covered in the strategic report

The business review and principal risks and uncertainties for the Company are included in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end that would require disclosure in these financial statements.

Auditor

The auditor, KPMG LLP, Statutory Auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 June 2019 and signed on its behalf.

D. McDaniel
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ UK LTD.

Opinion

We have audited the financial statements of Nestlé UK Ltd. ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements

audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

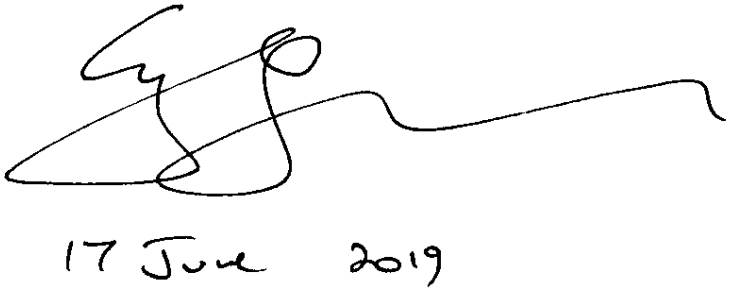
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Green (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
17 June 2019



NESTLÉ UK LTD.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	As restated 2017 £000
Turnover	2	**1,631,817**	1,584,770
Cost of sales		**(1,408,997)**	(1,291,381)
Gross profit		**222,820**	293,389
Distribution costs		**(102,895)**	(95,656)
Administrative expenses		**(61,083)**	(62,300)
Operating profit	3	**58,842**	135,433
Income from shares in group companies		**196,966**	613,000
Income from participating interests		**36**	5,541
Impairment of investment in subsidiary company	15	**(121,834)**	(522,932)
Interest receivable and similar income	7	**1,359**	1,835
Interest payable and similar charges	8	**(37,653)**	(47,630)
Profit on ordinary activities before taxation		**97,716**	185,247
Taxation on profit/(loss) on ordinary activities	9	**(9,582)**	(21,777)
Profit for the year		**88,134**	163,470

The notes on pages 13 to 48 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	As restated 2017 £000
Profit for the financial year	**88,134**	163,470
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit schemes	**246,876**	291,956
Movement of deferred tax relating to pension deficit	**(48,221)**	(48,464)
Movement in hedging reserve	**7,708**	5,157
Movement of deferred tax relating to hedging reserve	**(1,465)**	(979)
	204,898	247,670
Total comprehensive income for the year	**293,032**	411,140

The notes on pages 13 to 48 form part of these financial statements.

NESTLÉ UK LTD.

REGISTERED NUMBER: 51491
BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £000		As restated 2017 £000
Fixed assets					
Intangible assets	12		**401**		537
Goodwill			**1,146,814**		1,146,814
Investments	15		**873,031**		1,005,314
Tangible Fixed Assets	14		**573,168**		605,220
			2,593,414		2,757,885
Current assets					
Stocks	17	**146,654**		171,582	
Debtors: amounts falling due within one year	18	**605,569**		820,175	
Bank and cash balances		**942**		57,379	
		753,165		1,049,136	
Creditors: amounts falling due within one year	19	**(768,349)**		(1,272,628)	
Net current liabilities			**(15,184)**		(223,492)
Total assets less current liabilities			**2,578,230**		2,534,393
Creditors: amounts falling due after more than one year	20		**(1,324,927)**		(853,635)
			1,253,303		1,680,758
Provisions for liabilities					
Deferred taxation	21	**(25,813)**		(21,287)	
Other provisions	22	**(12,377)**		(14,556)	
			(38,190)		(35,843)
Pension liability			**(12,495)**		(280,329)
Net assets			**1,202,618**		1,364,586
Capital and reserves					
Called up share capital	23		**130,000**		130,000
Share premium account	24		**211,446**		211,446
Other reserves	24		**3,256**		(2,987)
Profit and loss account	24		**857,916**		1,026,127
			1,202,618		1,364,586

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 June 2019.

D. McDaniel
Director

The notes on pages 13 to 48 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018 (as previously stated)	130,000	211,446	(2,987)	1,030,722	1,369,181
Prior year adjustment (see notes 1.7 and 29)	-	-	-	(4,595)	(4,595)
At 1 January 2018 (as restated)	130,000	211,446	(2,987)	1,026,127	1,364,586
Comprehensive income for the year					
Profit for the year	-	-	-	88,134	88,134
Actuarial gains on pension scheme	-	-	-	198,655	198,655
Taxation in respect of items of other comprehensive income	-	-	(1,465)	-	(1,465)
Movement on hedging reserve	-	-	7,708	-	7,708
Other comprehensive income for the year	-	-	6,243	198,655	204,898
Total comprehensive income for the year	-	-	6,243	286,789	293,032
Dividends: Equity capital	-	-	-	(455,000)	(455,000)
Total transactions with owners	-	-	-	(455,000)	(455,000)
At 31 December 2018	130,000	211,446	3,256	857,916	1,202,618

The notes on pages 13 to 48 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017 (as previously stated)	130,000	211,446	(7,165)	889,244	1,223,525
Prior year adjustment (see notes 1.7 and 29)	-	-	-	(5,079)	(5,079)
At 1 January 2017 (as restated)	130,000	211,446	(7,165)	884,165	1,218,446
Comprehensive income for the year					
Profit for the year as restated	-	-	-	163,470	163,470
Actuarial gains on pension scheme	-	-	-	243,492	243,492
Taxation in respect of items of other comprehensive income	-	-	(979)	-	(979)
Movement on hedging reserve	-	-	5,157	-	5,157
Other comprehensive income for the year	-	-	4,178	243,492	247,670
Total comprehensive income for the year	-	-	4,178	406,962	411,140
Dividends: Equity capital	-	-	-	(265,000)	(265,000)
Total transactions with owners	-	-	-	(265,000)	(265,000)
At 31 December 2017	130,000	211,446	(2,987)	1,026,127	1,364,586

The notes on pages 13 to 48 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Nestlé UK Ltd., (the "Company") is a company incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company 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 Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is exempt from the obligation to prepare and deliver group accounts.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company's ultimate parent undertaking, Nestlé S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Nestlé S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Nestlé Headquarters, CH1800, Vevey, Switzerland.
The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.3 Associates and joint ventures

Associates and Joint ventures are valued using the equity method.

1. Accounting policies (continued)

1.4 Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report and Directors' Report on pages 1 to 3.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Company has net current liabilities of £22,343,000 including amounts payable to other Nestlé S.A. group undertakings of £464,687,000. Nestlé Holdings (U.K.) PLC, the parent company of Nestlé UK Ltd., has provided the Company with an undertaking that for at least twelve months from the date of the approval of these financial statements, it will continue to provide financial and other support to enable the Company to continue in operational existence for the foreseeable future and that repayment of the above loans will not be sought if it would impede the Company's ability to meet its obligations to third parties and operate as a going concern.

The directors, having assessed the responses of the directors of the Company's parent, Nestlé Holdings (U.K.) PLC to their enquires, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of enquiries made to the directors of Nestlé Holdings (U.K.) PLC, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Revenue

Revenue is recognised when control is transferred to a customer. Factors that may indicate the point in time at which control is transferred include, but are not limited to:

- the Company has a present right to payment for the asset;
- the customer has legal title to the asset;
- the Company has transferred physical possession of the asset;
- the customer has the significant risks and rewards related to the ownership of the asset; and
- the customer has accepted the asset.

Revenue is measured as the amount of consideration which the Company expects to receive, based on the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers.

1.6 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

1. Accounting policies (continued)

1.7 Impact of new international reporting standards, amendments and interpretations

IFRS 9 Financial Instruments

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

From 1 January 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2018.

IFRS 16 Leases

The directors have decided on the early adoption of IFRS 16 - Leases. IFRS 16 introdues a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and has therefore resulted in an increase of property, plant and machinery and total financial debt at 1 January 2017.

This standard is mandatory for the accounting period beginning in 1 January 2019, but the Company early adopted it on 1 January 2018, under the full retrospective approach.

The new accounting policy is set out in Note 1.19. 2017 comparatives have been restated (see Note 29).

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has early adopted IFRIC 23 relating to probable tax amounts in the financial statements.

There has been no material impacts on the Company's financial statements as a result of adopting IFRIC 23 from January 2018.

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

1.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% - 4%
L/Term Leasehold property	- 4%
Plant & machinery	- 6.66% - 33.33%
System development costs	- 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

1.9 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1. Accounting policies (continued)

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Hedge accounting

The Company has entered into currency forward contracts to manage its exposure to fluctuations in the value of foreign currencies. In addition the Company utilises the futures market to stabilise the long term price of major raw materials.

These derivatives are measured at fair value at each balance sheet date. To the extent that the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate hedge reserve. The results of ineffective hedges are recognised in the Profit and Loss Account.

1.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

1.16 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. There will be a disclosure in the notes to the financial statements of dividends proposed or declared which were not recognised in the financial statements, if this happens prior to the financial statements being authorised for issue.

1. Accounting policies (continued)

1.18 Equity compensation plans

The Company has equity-settled share-based transactions. The share-based transactions are settled with shares or with reference to shares of Nestlé S.A. and not Nestlé UK Ltd.

Equity-settled share-based transactions are recognised in the Profit and Loss Account over the vesting period. They are fair valued at grant date and measured using generally accepted pricing models. The cost of equity-settled share-based transactions is adjusted annually by the expectations of vesting, for the forfeitures of the participants' rights that no longer satisfy the plan conditions as well as for early vesting.

At the end of each year the Company calculates the liability in respect equity-settled share-based transactions with the movement in the liability being recognised as a charge or credit to the Profit and Loss Account.

1.19 Leases: the Company as a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognises a right-of-use (ROU) asset and lease liability at the lease commencement date, except for short term leases of 12 months or less which are expensed in the Profit and Loss account on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

At inception, the ROU asset comprises the initial lease liability, initial indirect costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the headings "Long term leasehold property" and "Long term leasehold plant and machinery" and the lease liability is included in the headings "Current financial debt" and "Non-current financial debt".

1. Accounting policies (continued)

1.20 Pensions

Defined benefit plan

The Company operates a defined benefit plan for certain employees for the Nestlé group companies in the United Kingdom. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Profit and Loss Account as 'employee costs', except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

1.21 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

1.22 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

1.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1. Accounting policies (continued)

1.24 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	**1,262,629**	1,218,420
Rest of Europe	**245,857**	255,668
Rest of the world	**123,331**	110,682
	1,631,817	1,584,770

3. Operating profit

The operating profit is stated after charging:

	2018 £000	As restated 2017 £000
Depreciation of tangible fixed assets	**59,364**	53,201
Impairment of tangible fixed assets	**3,741**	13,728
Amortisation of intangible assets, including goodwill	**136**	136
Net pension cost (see note 28)	**34,840**	31,808
Loss on sale of fixed assets	**1,155**	590
Business restructuring and reorganisation (see note 11)	**(809)**	14,248

4. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**205**	200
Fees payable to the Company's auditor and its associates in respect of:		
All other services	**190**	138
	190	138

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	**218,155**	224,211
Social security costs	**22,907**	23,697
Cost of pension schemes (note 28)	**40,956**	47,806
	282,018	295,714

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Production	**3,067**	3,332
Administration, distribution and sales	**1,698**	1,685
	4,765	5,017

6. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	**3,031**	3,017
	3,031	3,017

The highest paid director received remuneration of £821,010 (2017 - £741,851).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £42,024 (2017 - £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

During the year 5 directors received shares under the long term incentive schemes (2017 - 6).

The total accrued pension provision of the highest paid director at 31 December 2018 amounted to £92,315 (2017 - £NIL).

As at 31 December 2018, 5 directors (2017 - 5) had accrued defined benefit pension obligations. Of these, no directors (2017 - no directors) accrued further amounts during the year.

The highest paid director was granted 4,008 shares awarded by Nestlé S.A. (2017 - 4,368) under a long-term incentive scheme.

7. Interest receivable

	2018	2017
	£000	£000
Interest on cash pooling arrangement	**873**	1,327
Interest due from associate undertakings	**459**	484
Other interest receivable	**27**	24
	1,359	1,835

8. Interest payable and similar expenses

	2018 £000	As restated 2017 £000
Bank interest payable	**3**	-
Other loan interest payable	**3,190**	4,077
Interest payable on cash pooling arrangement	**268**	52
Loans from group undertakings	**27,410**	26,644
Leases and hire purchase contracts	**666**	859
Interest payable on defined benefit pension liability (note 28)	**5,740**	15,620
Interest payable on unfunded defined benefit pension liability (note 28)	**305**	308
Interest payable on post retirement benefits (note 28)	**71**	70
	37,653	47,630

9. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	**(5,898)**	10,948
Adjustments in respect of previous periods	**(1,262)**	1,633
Total current tax	**(7,160)**	12,581
Deferred tax		
Origination and reversal of timing differences	**16,315**	12,293
Changes to tax rates	**388**	(2,971)
Deferred tax relating to prior years	**39**	(126)
Total deferred tax	**16,742**	9,196
Taxation on profit on ordinary activities	**9,582**	21,777

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018	2017
	£000	£000
Profit before tax	**97,716**	185,247
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	**18,566**	35,660
Effects of:		
Expenses not deductible for tax purposes	**28,458**	103,089
Adjustments to tax charge in respect of prior periods	**(1,223)**	1,507
Non-taxable income	**(37,423)**	(117,997)
Transfer to unrecognised tax asset	**816**	2,582
Effect of adoption of IFRS 16	**-**	(93)
Change in tax rate	**388**	(2,971)
Total tax charge/(credit) for the year	**9,582**	21,777

9. Taxation (continued)

Factors that may affect future tax charges

The main rate of UK corporation tax for the year was 19% effective since 1 April 2017. Legislation to further reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020, was included in Finance Act 2016. The effect of the rate reductions on the deferred tax balances as at 31 December 2018 has been considered in calculating the figures above.

The company has an unrecognised temporary difference in respect of gross capital losses of £235.0 million (2017 - £234.9 million). These losses have not been recognised as there is considered insufficient evidence of future capital profits against which the losses can be offset. These losses have no expiry date.

10. Dividends

	2018	2017
	£000	£000
Paid to Nestlé Holdings (U.K.) PLC	**455,000**	265,000
	455,000	265,000

11. Restructuring and reorganisation costs

A provision in respect of factory reorganisations totalling £4,600,000 (2017 - 16,495,000) was created in 2018 and was allocated to Cost of Sales. This was reduced by a credit of £5,339,000 (2017 - £2,895,000) in respect of a curtailment of pension benefits. In addition, a surplus provision of £2,000,000 (2017 - £777,000) in respect of a factory restructuring project was credited to Cost of Sales.

Net business restructuring costs of £1,930,000 (2017 - £1,425,000) were allocated to administrative expenses.

12. Intangible assets

	Systems Development £000
Cost	
At 1 January 2018	**56,175**
At 31 December 2018	**56,175**
Amortisation	
At 1 January 2018	**55,638**
Charge for the year	**136**
At 31 December 2018	**55,774**
Net book value	
At 31 December 2018	**401**
At 31 December 2017	537

13. Goodwill

	2018 £000
Cost	
Goodwill - cost b/fwd	**1,146,814**
	1,146,814
Amortisation	
At 1 January 2018 and 31 December 2018	**-**
	1,146,814

The Goodwill relates mainly to the acquisition of The Nestle Company in 1992. This included soluble coffee brands including Nescafé, Gold Blend and Blend 37 and the confectionery brands of Milky Bar, Dairy Crunch and Animal Bar. There is also goodwill relating to the acquisition of PNutri.

Management has reviewed the value of these brands and performed impairment analyses based on expected future cash flows, using discount rates derived by Nestlé SA, forecasts approved by management and terminal growth rates that have been determined to reflect the long-term view of the nominal evolution of the business. Management believes that no reasonably possible change in these key assumptions would cause the recoverable amount to fall below the carrying value.

14. Tangible fixed assets

	Freehold property £000	Long term Leasehold Property £000	Plant & machinery £000	Leased plant & machinery £000	Total £000
Cost or valuation					
At 1 January 2018 (as previously stated)	275,351	15,184	989,795	-	1,280,330
Prior Year Adjustment	-	52,769	-	18,254	71,023
At 1 January 2018 (as restated)	275,351	67,953	989,795	18,254	1,351,353
Additions	3,270	-	28,175	665	32,110
Transfers intra group	-	-	(169)	-	(169)
Disposals	(19)	-	(53,605)	(671)	(54,295)
Transfers between classes	2,720	-	(2,720)	-	-
At 31 December 2018	281,322	67,953	961,476	18,248	1,328,999
Depreciation					
At 1 January 2018 (as previously stated)	109,833	13,665	600,410	-	723,908
Prior Year Adjustment	-	12,977	-	9,248	22,225
At 1 January 2018 (as restated)	109,833	26,642	600,410	9,248	746,133
Charge for the year on owned assets	7,342	-	43,646	-	50,988
Charge for the year on leased assets	-	4,626	-	3,750	8,376
Transfers intra group	-	-	(310)	-	(310)
Disposals	(19)	-	(52,458)	(620)	(53,097)
Impairment charge	-	-	3,741	-	3,741
At 31 December 2018	117,156	31,268	595,029	12,378	755,831
Net book value					
At 31 December 2018	164,166	36,685	366,447	5,870	573,168
At 31 December 2017 (as restated)	165,518	41,311	389,385	9,006	605,220

15. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2018	**1,500,499**	**27,747**	**1,528,246**
Additions	**-**	**36**	**36**
Share of profit/(loss)	**-**	**(10,485)**	**(10,485)**
At 31 December 2018	**1,500,499**	**17,298**	**1,517,797**
Impairment			
At 1 January 2018	**522,932**	**-**	**522,932**
Charge for the period	**121,834**	**-**	**121,834**
At 31 December 2018	**644,766**	**-**	**644,766**
Net book value			
At 31 December 2018	**855,733**	**17,298**	**873,031**
At 31 December 2017	977,567	27,747	1,005,314

Following the payment of a dividend from Wynutri Limited, the carrying value of this investment in the books of Nestlé UK Ltd was impaired.

16. Subsidiary undertakings and participating interests

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Nespresso UK Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé Ireland Limited	3030 Lake Drive, Citywest, Dublin 24, Ireland	Ordinary	100%
Nestlé Purina Petcare UK Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé UK Pension Reservoir Trust Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé UK Pension Trust Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé Waters UK Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Raw Products Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Vitaflo France SARL	38 Rue de Berri, 75008 Paris, France	Ordinary	100%
Vitaflo (International) Limited	Suite 1.11, South Harrington Building, 182 Sefton Street, Brunswick Business Park, Liverpool, L3 4BQ	Ordinary	100%
Vitaflo Limited	6 Moss Street, Paisley, PA1 1BL	Ordinary	100%
Wyeth Nutritionals Ireland Limited	Tomdeely North, Askeaton, County Limerick, Republic of Ireland	Ordinary	100%
Wynutri Limited	3030 Lake Drive, Citywest Business Campus, Dublin 24, Republic of Ireland	Ordinary	100%

16. Subsidiary undertakings and participating interests (continued)

Participating interests

The Company has a 50% participating interest in Cereal Partners UK. The other 50% is owned by General Mills Canada Holding Three Corporation. A share of any taxation charge or credit relating to the results of the investment is borne by the Company. The value of the investment at the balance sheet date was £17,298,000 (2017 - £27,747,000).

17. Stocks

	2018	2017
	£000	£000
Raw materials and consumables	**34,878**	49,429
Work in progress (goods to be sold)	**29,298**	38,106
Finished goods and goods for resale	**82,478**	84,047
	146,654	171,582

18. Debtors

	2018	As restated 2017
	£000	£000
Trade debtors	**235,417**	223,705
Amounts owed by group undertakings	**275,539**	509,813
Amounts owed by joint ventures and associated undertakings	**56,723**	56,574
Other debtors	**25,702**	8,182
Prepayments and accrued income	**8,433**	8,312
Financial instruments	**3,755**	13,589
	605,569	820,175

Amounts owed by group undertakings include £192,301,000 (2017 - £438,152,000) representing cash transferred to subsidiary undertakings as part of the group cash pooling arrangement which can be recovered on request.

Amounts owed to joint ventures and associated undertakings includes a loan of £53,000,000 (2017 - £53,000,000) to Cereal partners U.K.

19. Creditors: Amounts falling due within one year

	2018	As restated 2017
	£000	£000
Bank overdrafts	**136**	1,210
Trade creditors	**170,684**	192,844
Amounts owed to group undertakings	**464,687**	933,609
Amounts owed to associates	**14,909**	12,042
Corporation tax	**-**	7,942
Obligations under lease and hire purchase contracts	**5,820**	8,203
Other creditors	**12,855**	12,478
Accruals and deferred income	**98,610**	83,727
Financial instruments	**648**	20,573
	768,349	1,272,628

Amounts owed to group undertakings includes unsecured loans £200,000,000 (2017 - £805,400,000), cash pooling arrangements £73,761,000 (2017 - £40,278,000) and current trading balances £190,926,000 (2017 - £87,931,000).

Amounts owed to group undertakings under group cash pooling arrangement and current account balances must be repaid on request.

Amounts owed to group undertakings comprise the following unsecured loan:

Settlement date	Interest rate	**£000**
17 September 2019	3 month LIBOR plus 99 basis points	**200,000**
		200,000

20. Creditors: Amounts falling due after more than one year

	2018 £000	As restated 2017 £000
Net obligations under leases	**44,090**	49,198
Amounts owed to group undertakings	**1,280,837**	804,437
	1,324,927	853,635

20. Creditors falling due after more than one year (continued)

Amounts owed to group undertakings comprise the following unsecured loans:

Settlement date	Interest rate	£000
November 2020	3 month LIBOR plus 182 basis points	**804,437**
February 2021	6 month LIBOR plus 5 basis points	**425,000**
February 2021	3 month LIBOR plus 5 basis points	**51,400**
		1,280,837

21. Deferred taxation

	2018 £000
At beginning of year	**(21,287)**
Charged to the Profit and Loss Account	**(16,742)**
Utilised in year	**12,216**
At end of year	**(25,813)**

The provision for deferred taxation is made up as follows:

	2018 £000	As restated 2017 £000
Accelerated capital allowances	**(29,995)**	(27,555)
Movement in general provisions	**3,211**	3,752
Capitalised leased assets	**1,397**	-
Other timing differences	**(426)**	2,516
	(25,813)	(21,287)

The Company has an unrecognised deferred tax asset of £3,943,000 (2017 - £3,127,000) as at 31 December 2018. This amount has not been recognised as the directors are of the opinion that recoverability of this deferred tax asset is uncertain.

22. Provisions

	Post retirement benefits £000	Factory/division reorganisation £000	Business restructuring £000	Total £000
At 1 January 2018	2,872	10,429	1,255	14,556
Charged to profit or loss	71	4,600	1,930	6,601
Charged to other comprehensive income	(168)	-	-	(168)
Released to profit or loss	-	(2,000)	-	(2,000)
Utilised in year	(184)	(5,829)	(599)	(6,612)
At 31 December 2018	**2,591**	**7,200**	**2,586**	**12,377**

Post retirement benefits

The post retirement benefits provision relates to post retirement medical benefits of a closed scheme (see note 28).

Factory/division restructuring

At 31 December 2017 there was a provision of £10,429,000 remaining in respect of factory restructuring. During the year £5,628,000 of this provision was utilised and £2,000,000 released to the Profit and Loss Account. An additional provision of £4,600,000 was charged to the Profit and Loss Account during the year, of which £201,000 was utilised. Total provisions of £7,200,000 were outstanding at 31 December 2018.

Business restructuring

Provisions in respect of business restructuring totalled £1,255,000 at 31 December 2017. During 2018 additional provisions of £1,930,000 were charged to the Profit and Loss Account and £599,000 were utilised, resulting in provisions outstanding at 31 December 2018 of £2,586,000.

23. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
260,000,000 (2017 - 260,000,000) Ordinary shares of £0.50 each	**130,000**	130,000

24. Reserves

Share premium account

The balance of the share premium account repesents the premium paid in excess of the nominal value of the issued share capital of the Company.

Other reserves

The hedging reserve balance reflects the recognition of the results on effective hedge transactions.

Profit & loss account

This relates to the undistributed profits of the Company.

25. Equity compensation plan

Certain employees are eligible to receive long-term incentives in the form of equity compensation plans. Each unit granted gives the right to one Nestlé S.A. share.

Equity compensation plans are settled either by remittance of Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or by the payment of an equivalent amount in cash (accounted for as cash-settled share-based payment transactions). As the shares are in Nestlé S.A. and not Nestlé UK Ltd., all charges for equity compensation plans are accrued in 'creditors due within one year' and the share value is subsequently invoiced to Nestlé UK Ltd. by Nestlé S.A.

25. Equity compensation plan (continued)

Restricted Stock Unit Plan (RSUP)

Members of senior management are awarded Restricted Stock Units (RSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three year restriction period subject to service conditions. There were no RSU granted in 2017.

	2018	2017
	Number	Number
Number of RSU in units		
Outstanding at the beginning of the year	**-**	-
Granted during the year	**42,535**	-
Settled and transfers to and from other group companies	**(3,347)**	-
Forfeited	**(631)**	-
Outstanding at the end of the year	**38,557**	-

The fair value of equity-settled RSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled RSU granted in 2018 is CHF 59.96 (2017 - No RSU granted).

25. Equity compensation plan (continued)

Performance Share Unit Plan (PSUP)

As from 2014, members of senior management are awarded Performance Share Units (PSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share based payment transactions) or an equivalent amount of cash (accounted for as cash-settled share based payment transactions) at the end of a three year restriction period.

Upon vesting, the number of shares to be delivered will range from 0% to 200% of the initial grant and be determined by the degree by which the performance measures of the PSUP have been met. These measures are the relative Total Shareholder Return of the Nestlé S.A. share in relation to the STOXX Global 1800 Food and Beverage Net Return Index; and the growth of the underlying earnings per share in constant currencies. Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

	2018 Number	2017 Number
Number of PSU in units		
Outstanding at the beginning of the year	**138,832**	136,849
Granted during the year	**4,008**	51,735
Forfeited during the year	**(9,843)**	(11,958)
Settled and transfers to and from other group companies	**(42,203)**	(37,794)
Outstanding at the end of the year	**90,794**	138,832

The fair value of the equity-settled PSU is determined using a valuation model which reflects the probability of over-achievement or under-achievement on the Total Shareholder Return measure, which is a market condition, and based on five-year historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S.A. shares at the grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled PSU granted in 2018 is CHF 59.96 (2017 - CHF 55.96).

26. Contingent liabilities

At 31 December 2018 the Company had provided indemnities given in the normal course of business totalling £39,427,000 (2017 - £7,980,000).

The Company participates in a joint venture (see note 16). Under the terms of the partnership agreement the Company acts as guarantor for its share of the partnership pension scheme deficit. At 31 December 2018 the Company's share of the pension deficit amounted to £242,000 (2017 - £14,363,000).

27. Capital commitments

At 31 December the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	**6,988**	3,097
	6,988	3,097

28. Pension commitments

The total pensions liability of £12,495,000 recorded on the Statement of Financial Position is made up of a funded deficit of £2,879,000 detailed in note 28(a) and an unfunded deficit of £9,616,000 detailed in note 29(a).

(a) *Nestlé UK Pension Fund*

Nestlé UK Ltd. participates in the Nestlé UK Pension Fund ("the Fund") which includes a defined benefit and a defined contribution section. The current defined benefit section provides career average benefits to employees on retirement based on their salary and the length of their service.

The Fund is a registered Pension scheme and is subject to the statutory scheme-specific funding requirements outlined in UK legislation, including the payment of levies to the Pension Protection Fund. It is established under trust and the responsibility for its governance lies with the trustees who also agree the funding arrangements with the Company.

The last triennial funding valuation of the fund was carried out at 31 December 2015 and deficit recovery contributions for the period 2017 to 2022 were confirmed in an agreement between the Company and the Trustees signed initially on 21 February 2017, and subsequently updated and signed on 11 December 2018.

An updated valuation of the entire scheme was prepared at 31 December 2018 by an independent qualified actuary for the purpose of IAS 19. At that date the liabilities exceeded the assets of the scheme by £3,554,000 (2017 - £334,233,000).

The Company made contributions totalling £139,551,000 to the defined benefit section of the fund during 2018 (2017 - £103,785,000).

	2018	2017
	£000	£000
The amounts recognised in the balance sheet are as follows		
Present value of funded obligations	**(4,798,027)**	(5,224,313)
Fair value of scheme assets	**4,794,473**	4,890,080
Gross deficit	**(3,554)**	(334,233)
Related deferred tax asset	**675**	60,750
Net deficit	**(2,879)**	(273,483)

	2018	2017
	£000	£000
Composition of plan assets		
Equity investments	**1,656,459**	1,385,203
Debt instruments	**3,296,868**	2,909,107
Cash and cash equivalents	**(1,307,301)**	(465,216)
Real estate	**245,513**	258,552
Hedge funds	**759,389**	649,561
Other	**143,545**	152,873
	4,794,473	4,890,080

28. Pension commitments (continued)

Net deficit in the scheme

	2018 £000	2017 £000
At 1 January	**(273,483)**	(568,665)
Current service cost	**(37,379)**	(46,730)
Past service cost	**(10,000)**	-
Net interest cost	**(5,740)**	(15,620)
Pension curtailments	**5,339**	2,895
Actuarial gains/(losses)	**247,038**	290,760
Deferred tax on actuarial movement	**(60,075)**	(62,875)
Contributions - special	**86,000**	85,806
Contributions - normal	**53,551**	46,591
Transfer of liability to unfunded scheme	**170**	1,155
Administrative expenses	**(8,300)**	(6,800)
At 31 December	**(2,879)**	(273,483)

Amounts recognised in the Profit and Loss Account to arrive at operating profit

	2018 £000	2017 £000
Current service cost	**(37,379)**	(46,730)
Past service cost	**(10,000)**	-
Pension curtailments	**5,339**	2,895
Administrative expenses	**(8,300)**	(6,800)
Defined benefit scheme	**(50,340)**	(50,635)
Defined contribution scheme	**(10,730)**	(6,470)
Unfunded defined benefit scheme	**(400)**	(870)
Recovery from affiliate companies for the defined benefit scheme	**26,630**	26,167
Recognised in operating profit	**(34,840)**	(31,808)

Amounts recognised in the Profit and Loss Account in Interest payable and similar charges

	2018 £000	2017 £000
Net interest on defined benefit obligations	**(5,740)**	(15,620)
	(5,740)	(15,620)

28. Pension commitments (continued)

Reconciliation of fair value of plan liabilities

	2018 £000	2017 £000
At 1 January	**(5,224,313)**	(5,304,013)
Current service cost	**(37,779)**	(47,768)
Past service cost	**(10,000)**	-
Pension curtailments	**5,339**	2,895
Interest expense on defined benefit obligation	**(133,473)**	(140,883)
Changes in demographic assumptions	**115,510**	16,069
Changes in financial assumptions	**284,697**	82,106
Effect of experience adjustments	**864**	(25,337)
Transfer of liability to unfunded scheme	**170**	1,155
Benefits paid	**200,958**	191,463
At 31 December	**(4,798,027)**	(5,224,313)

Reconciliation of fair value of plan assets

	2018 £000	2017 £000
At 1 January	**4,890,080**	4,611,723
Interest on plan assets	**127,733**	125,263
Contributions by employer	**139,551**	132,397
Contributions by scheme participants	**400**	1,038
Administrative expenses	**(8,300)**	(6,800)
Remeasurements - return on scheme assets	**(154,033)**	217,922
Benefits paid	**(200,958)**	(191,463)
At 31 December	**4,794,473**	4,890,080

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £1,595,508,000 (2017 - £1,842,546,000). The Company expects to pay £139,359,000 to its defined benefit plans during 2019.

28. Pension commitments (continued)

The principal actuarial assumptions at the balance sheet date were as follows:

	2018	2017
Discount rate (Defined benefit obligation)	**2.95%**	2.60%
Discount rate (Service cost)	**3.05%**	2.60%
Price inflation	**3.20%**	3.20%
Future increases in salaries	**2.20%**	2.20%
Future increases in pensions	**3.05%**	3.05%
Life expectancy of a male member aged 65	**21.8 years**	21.8 years
Life expectancy of a female member aged 65	**23.1 years**	23.1 years

The discount rate assumption was derived using an updated methodology at 31 December 2018 and is based on a corporate bond curve with a "Single Agency" approach incorporated.

The weighted average duration of the benefit payments reflected in the fair value of the Fund's liabilities is 17 years.

Sensitivity analysis

The sensitivity of the fair value of plan liabilities to a change in the assumptions adopted in the valuation is as follows:

	2018 £000 Increase by 0.5%	**2018 £000 Decrease by 0.5%**	2017 £000 Increase by 0.5%	2017 £000 Decrease by 0.5%
Discount rate	**(4,423,480)**	**(5,224,509)**	(4,787,657)	(5,724,875)
Salary increase	**(4,798,027)**	**(4,798,027)**	(5,224,313)	(5,224,313)
Pension increase	**(5,075,230)**	**(4,508,780)**	(5,546,043)	(4,889,627)
Member mortality assumption by 1 year	**(4,636,870)**	**(4,959,632)**	(5,052,392)	(5,396,863)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

28. Pension commitments (continued)

The five year history of the defined benefit obligation and plan assets is as follows:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	**(4,798,027)**	(5,224,313)	(5,304,013)	(4,255,083)	(4,442,870)
Plan assets	**4,794,473**	4,890,080	4,611,723	3,838,532	3,806,920
Scheme deficit	**(3,554)**	(334,233)	(692,290)	(416,551)	(635,950)
Experience adjustments on plan liabilities	**(864)**	25,337	(57,251)	(96,949)	(17,404)
Experience adjustments on plan assets	**(154,033)**	217,922	721,134	(65,647)	303,069

(b) Other personnel obligations

The Company has the following liability in respect of the unfunded pension fund:

	2018	2017
	£000	£000
Pension liability	**(11,872)**	(10,929)
Deferred tax (note 21)	**2,256**	2,077
Net deficit	**(9,616)**	(8,852)

The principal actuarial assumptions at the balance sheet date were as follows:

	2018	2017
Discount rate (Defined benefit obligation)	**2.95%**	2.60%
Discount rate (Service cost)	**3.05%**	2.60%
Price inflation	**3.20%**	3.20%
Future increases in salaries	**2.20%**	2.20%
Future increases in pensions	**3.05%**	3.05%
Life expectancy of a male aged 65	**21.8 years**	21.8 years

The amounts recognised in the Profit and Loss Account within operating profit are as follows:

	2018	2017
	£000	£000
Current service cost	**(400)**	(883)
Past service cost	**-**	-
Gains/losses on settlements	**-**	13
	(400)	(870)

28. Pension commitments (continued)

The amounts recognised in interest payable and similar charges are as follows:

	2018	2017
	£000	£000
Interest on obligations	**(305)**	(308)
	(305)	(308)

(c) Post-retirement benefits

The Company provides certain post-retirement benefits, mainly healthcare to 118 (2017 - 121) pensioned former employees. The plan is unfunded and the liability in respect of these benefits is assessed by a qualified independent actuary on a bi-annual basis.

The gross liability reported is £2,591,000 (2017 - £2,872,000) and is disclosed within "Provisions for liabilities and charges" in the Balance Sheet (see note 22).

The following table sets out the key assumptions used for the scheme:

	2018	2017
Core price inflation	**3.20%**	3.20%
Discount rate	**2.90%**	2.55%
Future increases in salaries	**2.20%**	2.20%
Future increases in pensions	**3.05%**	3.05%
Medical expense inflation	**5.20%**	5.20%
Life expectancy of a male aged 65	**21.8 years**	21.8 years

The amounts recognised in interest payable and similar charges are as follows:

	2018	2017
	£000	£000
Interest on obligations	**(71)**	(70)
	(71)	(70)

Assumed medical expense inflation has an effect on the amounts reported for the Post-retirement medical Scheme. A 50 basis point change in assumed medical expense inflation would have the following effect on the Company's Post-retirement Medical Scheme:

28. Pension commitments (continued)

	2018 £000 Increase by 0.5%	**2018 £000 Decrease by 0.5%**	2017 £000 Increase by 0.5%	2017 £000 Decrease by 0.5%
Gross liability at year-end	**(2,723)**	**(2,467)**	(3,035)	(2,718)

(d) Long term sickness and disability scheme

The Company operates a Long Term Sickness and Disability Scheme. The reserve in respect of any liabilities is assessed by a qualified independent actuary and is included in creditors: amounts falling due within one year (note 19)

The following table sets out the key assumptions used for the scheme.

	2018	2017
Core price inflation	**3.20%**	3.20%
Discount rate	**2.90%**	2.55%
Benefit increases	**2.70%**	2.70%

29. Restatement of 2017 comparatives and the first application of IFRS 16

As described in note 1 Accounting policies, comparative figures as at 31 December 2017 have been restated following the application of IFRS 16 as follows:

Asset/Liability	As previously stated £000	IFRS 16 Adjustment £000	2017 Restated £000
Balance Sheet			
Fixed assets - net book value	556,422	48,798	605,220
Intangible assets and goodwill	1,147,351	0	1,147,351
Fixed asset investments	1,005,314	0	1,005,314
Current assets	1,050,536	(1,400)	1,049,136
Total assets	3,759,623	47,398	3,807,021
Current liabilities	(1,269,434)	(3,194)	(1,272,628)
Creditors falling due after more than one year	(804,437)	(49,198)	(853,635)
Provision for liabilities	(36,242)	399	(35,843)
Net pension liability	(280,329)	0	(280,329)
Total liabilities	(2,390,442)	(51,993)	(2,442,435)
Net assets	1,369,181	(4,595)	1,364,586
Capital and reserves brought forward	1,223,525	(5,079)	1,218,446
Dividends paid	(265,000)	0	(265,000)
Other comprehensive income	247,670	0	247,670
Current year retained profit	162,986	484	163,470
	1,369,181	(4,595)	1,364,586

29. Restatement of 2016 comparatives and the first application of IFRS 16

As decscribed in Note 1 Accounting policies, comparative figures as at 31 December 2016 have been restated following the application of IFRS 16 as follows:

Asset/Liability	As previously stated £000	IFRS 16 Adjustment £000	2016 Restated £000
Balance Sheet			
Fixed assets - net book value	582,448	55,597	638,045
Intangible assets and goodwill	1,147,487	0	1,147,487
Fixed asset investments	1,536,815	0	1,536,815
Current assets	873,761	0	873,761
Total assets	4,140,511	55,597	4,196,108
Current liabilities	(1,504,629)	(8,136)	(1,512,765)
Creditors falling due after more than one year	(807,167)	(52,540)	(859,707)
Provision for liabilities	(28,126)		(28,126)
Net pension liability	(577,064)		(577,064)
Total liabilities	(2,916,986)	(60,676)	(2,977,662)
Net assets	1,223,525	(5,079)	1,218,446
Capital and reserves brought forward	1,242,657	(5,079)	1,237,578
Other comprehensive income	(272,777)		(272,777)
Current year retained profit	253,645		253,645
	1,223,525	(5,079)	1,218,446

30. Related party transactions

The Company pays for certain costs on behalf of the Nestlé UK Pension Fund ("NUKPF"), Cereal Partners Pension Fund and Nestlé Europe Pension Fund. These pension funds reimburse the Company with the cost of these expenses. For the year ended 31 December 2018 the total expenses reimbursed amounted to £12,167,274 (2017 - £9,457,378). Of this figure £2,574,280 (2017 - £2,192,540) relates to salaries and other benefits of the staff and £9,592,994 (2017 - £7,264,838) to other administrative costs.

31. Post balance sheet events

There have been no significant events affecting the Company since the year end that require disclosure in these financial statements.

32. Controlling party

Nestlé Holdings (U.K.) PLC, a company registered in England and Wales, is the Company's immediate parent company and the holding company for some other Nestlé S.A. group companies based in the United Kingdom.

CEREAL PARTNERS U.K.

STRATEGIC REPORT, MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. S1491

COMPANIES HOUSE

CEREAL PARTNERS U.K.

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CEREAL PARTNERS U.K.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The members present the Strategic report for the year ended 31 December 2018.

BUSINESS REVIEW

The performance achieved during the year is set out in the Profit and Loss account on page 7.

Turnover decreased year on year by 2.6% in line with the RTE Cereal Market where continued growth of Discounters and Private Label have led to market value decline.

The company undertook a restructuring at head office and factories, this resulted in a charge of £5,889,000 (2017 £4,803,000). An impairment review of fixed assets used to produce Private Label products also took place; the outcome of this was an asset impairment charge of £8,003,000 (2017 : nil).

The results of the partnership show a pre-tax profit of £73,000 (2017 : £11,082,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business of the partnership and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

The members of the partnership are aware of these risks and strategic decisions are made to manage these risks appropriately. These will include monitoring of the performance of key brands, review of costs and the credit exposure to customers. The decision-making process and the assessment of business performance is supported by the experience of the management team, regular sales volume and value data and monthly management accounts, split by business channel.

The partnership has an exposure to the risk of currency fluctuations. The risk is managed by the regular monitoring of fluctuations in key currencies and entering into forward currency contracts to hedge future requirements as appropriate.

The partnership has evaluated the potential impacts of Brexit and has taken steps to mitigate these where appropriate.

The group internal audit department monitors the operation risks of all parts of the business on a rotational/sample basis and will recommend improvements to business processes and controls to assist in the mitigation of identified business risks.

The partnership is in a net current liability position and is reliant on its members, Nestlé UK Limited and General Mills Canada Holding Three Corporation for continued support - refer to note 1.2 for further details.

This report was approved by the members on 22 July 2019 and signed on its behalf.

David McDaniel

Director of Nestlé UK Limited

Kathy K Garrison

President of General Mills Canada Holding Three Corporation

CEREAL PARTNERS U.K.

MEMBERS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The members present their report and the financial statements for the year ended 31 December 2018.

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

The members are responsible for preparing the Strategic Report, the Members' Report and the partnership financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the members to prepare partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the members have elected to prepare the partnership financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing the partnership financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

The members are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of Cereal Partners UK (the partnership) is the manufacture and sale of breakfast cereals in the UK and Ireland.

RESULTS AND DISTRIBUTIONS

The profit for the year, after taxation, amounted to £73,000 (2017 - £11,082,000).

The members recommend a distribution of £73,000 to be paid in 2019 (2018 - £20,969,000).

MEMBERS

The members who served during the year were:

Nestlé UK Limited
General Mills Canada Holding Three Corporation

ENVIRONMENTAL MATTERS

The partnership will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The partnership has complied with all applicable legislation and regulations.

CEREAL PARTNERS U.K.

MEMBERS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

FUTURE DEVELOPMENTS

The external environment is expected to remain competitive and challenging in 2019.

EMPLOYEE INVOLVEMENT

The partnership fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The partnership seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able-bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Occupational Health and Safety continues to receive the same high profile in 2019 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continues and demonstrates increasing performance and the development of plans to continue with a continual increase in performance.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are members at the time when this Members' report is approved has confirmed that:

- so far as that member is aware, there is no relevant audit information of which the partnership's Auditor is unaware, and
- that member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the partnership's Auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to have been reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 22 July 2019 and signed on its behalf.

David McDaniel

Director of Nestlé UK Limited
1 City Place
Gatwick
RH6 0PA
United Kingdom

Kathy K Garrison

President of General Mills Canada Holding Three Corporation
1300-1969 Upper Water Street
Purdy's Wharf
Tower II
Halifax
Nova Scotia
B3J 3R7
Canada

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEREAL PARTNERS U.K.

OPINION

We have audited the financial statements of Cereal Partners UK ("the qualifying partnership") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the qualifying partnership's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the qualifying partnership's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The general members have prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is in-appropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the general partners' conclusions, we considered the inherent risks to the qualifying partnership's business model, including the impact of Brexit, and analysed how those risks might affect the qualifying partnership's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the qualifying partnership will continue in operation.

Strategic report and general members' report

The general members are responsible for the strategic report and the general members' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the general members' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the general members' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

General members' responsibilities

As explained more fully in the their statement set out on page 2, the general members are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying partnership'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 they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed

B. J. Stapleton

Benjamin Stapleton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

58 Clarendon Road
Watford
WD17 1DE

Date: 23 July 2019

CEREAL PARTNERS U.K.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 £000**	2017 £000
Turnover	2	**251,090**	257,755
Cost of sales		**(102,748)**	(103,841)
Gross profit		**148,342**	153,914
Distribution costs		**(70,856)**	(77,869)
Administrative costs (including exceptional costs of £13,892,000 (2017 £4,803,000))	4	**(75,075)**	(62,551)
Operating profit	3	**2,411**	13,494
Interest receivable and similar income	8	**6,259**	6,341
Interest payable and similar charges	7	**(8,597)**	(8,753)
Profit before tax		**73**	11,082
Profit for the year		**73**	11,082

All amounts relate to continuing operations.

The notes on pages 14 to 29 form part of these financial statements.

CEREAL PARTNERS U.K.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Profit for the financial year		**73**	11,082
Other comprehensive income			
Actuarial gain/(loss) on defined benefit schemes	19	**21,720**	3,210
Other comprehensive (expense)/income for the year		**21,720**	3,210
Total comprehensive (expense)/income for the year		**21,793**	14,292

The notes on pages 14 to 29 form part of these financial statements.

CEREAL PARTNERS U.K.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £000		2017 £000
Fixed assets					
Tangible assets	10		**84,712**		92,653
			84,712		92,653
Current assets					
Stocks	11	**15,751**		17,639	
Debtors	12	**5,264**		4,461	
Cash at bank and in hand	13	**800**		352	
		21,815		22,452	
Creditors: amounts falling due within one year	14	**(42,078)**		(41,187)	
Net current liabilities			**(20,263)**		(18,735)
Net assets excluding pension scheme liability			**64,449**		73,918
Defined benefit pension fund liability	19		**(483)**		(28,727)
Net assets including pension scheme liability			**63,966**		45,191
Capital and reserves					
Members' interests	16		**141,913**		123,962
Reserves	15		**(77,947)**		(78,771)
Total members' interests			**63,966**		45,191

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 July 2019.

David McDaniel
Director of Nestlé UK Limited

Kathy K Garrison
President of General Mills Canada Holding Three Corporation

The notes on pages 14 to 29 form part of these financial statements.

CEREAL PARTNERS U.K.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Members' capital	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2018	123,962	189	(78,960)	45,191
Comprehensive income for the year				
Profit for the year	-	-	73	73
Actuarial gains/(losses) on pension scheme	-	-	21,720	21,720
Other comprehensive income for the year	-	-	21,720	21,720
Total comprehensive income for the year	-	-	21,793	21,793
Contributions by and distributions to owners				
Distributions	-	-	(20,969)	(20,969)
Members working capital movement	17,951	-	-	17,951
Total transactions with owners	17,951	-	(20,969)	(3,018)
At 31 December 2018	141,913	189	(78,136)	63,966

The notes on pages 14 to 29 form part of these financial statements

CEREAL PARTNERS U.K.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Members' capital	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2017	103,752	(46)	(64,797)	38,909
Comprehensive income for the year				
Profit for the year	-	235	10,847	11,082
Actuarial gains/(losses) on pension scheme	-	-	3,210	3,210
Other comprehensive income for the year	-	-	3,210	3,210
Total comprehensive income for the year	-	235	14,057	14,292
Contributions by and distributions to owners				
Distributions	-	-	(28,220)	(28,220)
Members working capital movement	20,210	-	-	20,210
Total transactions with owners	20,210	-	(28,220)	(8,010)
At 31 December 2017	123,962	189	(78,960)	45,191

The notes on pages 14 to 29 form part of these financial statements

CEREAL PARTNERS U.K.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the financial year		**73**	11,082
Adjustments for:			
Depreciation of tangible assets		**10,965**	11,488
Impairment of tangible assets		**8,003**	-
Loss on disposal of tangible assets		**63**	17
Decrease/(Increase) in stocks		**1,888**	(1,943)
Interest payable		**8,597**	8,753
Interest receivable		**(6,259)**	(6,341)
(Increase)/decrease in debtors		**(713)**	2,089
(Increase)/decrease in amounts owed by group undertakings		**(90)**	115
Increase/(decrease) in creditors		**1,418**	(276)
(Decrease)/increase in amounts owed to group undertakings		**(527)**	(80)
Increase/(decrease) in net pension liabilities		**(7,114)**	(6,485)
Members interests working capital movements	16	**17,951**	20,210
Net cash generated from operating activities		**34,255**	38,629
Cash flows from investing activities			
Purchase of tangible fixed assets		**(11,090)**	(8,839)
Interest received and exchange gains		**35**	55
Net cash outflow from investing activities		**(11,055)**	(8,784)

CEREAL PARTNERS U.K.

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash flows from financing activities		
Distributions	**(20,969)**	(28,220)
Interest and similar charges paid	**(1,783)**	(1,598)
Net cash used in financing activities	**(22,752)**	(29,818)
Net increase in cash and cash equivalents	**448**	27
Cash and cash equivalents at beginning of year	**352**	325
Cash and cash equivalents at the end of year	**800**	352
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**800**	352
	800	352

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with *Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and* Republic of Ireland ("FRS102").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the partnership's accounting policies.

The following principal accounting policies have been applied:

1.2 Going concern

The partnership's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the Members' report on pages 2 to 3.

Notwithstanding net current liabilities of £20,263,000 at 31 December 2018 the financial statements have been prepared on a going concern basis which the members consider appropriate for the following reasons.

The members have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its members, Nestle UK Limited and General Mills Canada Holding Three Corporation, to meet its liabilities as they fall due for that period.

These forecasts are dependent on Nestle UK Limited and General Mills Canada Holding Three Corporation not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £140,043,000, and providing additional financial support during that period. Nestle UK Limited and General Mills Canada Holding Three Corporation has indicated its intention to continue to make such funds available as are needed by the partnership, and that they do not seek repayment of the amounts due at the balance sheet date. For the period covered by the forecasts as with any partnership placing reliance on other group entities for financial support, the members acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the members are confident that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the partnership and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the partnership has transferred the significant risks and rewards of ownership to the buyer;
- the goods have been despatched;
- the partnership retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the partnership will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets and amortisation

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The partnership adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the partnership. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

Freehold property	-	25 to 35 years
Plant and machinery	-	5 to 20 years
Computer equipment	-	3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the partnership. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.11 Hedging

The partnership has entered into currency forward contracts to manage its exposure to fluctuations in the value of foreign currencies. In addition the partnership utilise the futures market to stabilise the long term price of major raw materials.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Exchange gains and losses are recognised in the Profit and Loss account.
During its normal course of business the partnership enters into a number of forward exchange contracts. These transactions are initially recorded at the rate stated in the relevant foreign exchange contract. At the balance sheet date any gains or losses arising on retranslation are recognised in the Profit and Loss account. The corresponding debtor or creditor is included in other debtors or creditors respectively.

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.15 Pensions

The partnership operates a closed defined benefit pension scheme. The assets of the scheme are held separately from those of the partnership in an independently administered fund.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The scheme surplus, to the extent that it is recoverable, or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses.

Further disclosure relating to the partnership defined benefit pension scheme is given in note 19 to these financial statements.

The partnership also participates in the Nestlé UK Pension Fund which includes a defined benefit and a defined contribution scheme. The assets of the scheme are held separately from those of the partnership.

The partnership is unable to identify its share of the underlying assets and liabilities of the Nestlé scheme on a consistent and reasonable basis. It therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Profit and Loss account represents the contributions paid to the scheme in respect of the accounting period.

For additional information regarding the Nestlé UK Pension Fund please refer to note 19 to these financial statements.

1.16 Taxation

No account is taken of either current taxation on profits or deferred taxation arising on timing differences within these financial statements. All taxation is dealt with as appropriate in the financial statements of the members.

1.17 Distributions

Distributions unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the partnership. Unpaid distributions that do not meet these criteria are disclosed in the notes to the financial statements.

1.18 Interest income

Interest income is recognised in the Profit and Loss account using the effective interest method.

1.19 Borrowing costs

All borrowing costs are recognised in the Profit and Loss account in the year in which they are incurred.

1.20 Provisions for Liabilities

Provisions are made where an event has taken place that gives the partnership a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss account in the year that the partnership becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	**231,134**	237,865
Rest of Europe	**19,281**	18,905
Rest of the world	**675**	985
	251,090	257,755

3. OPERATING PROFIT

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	**10,965**	11,488
Auditor's remuneration – statutory audit	**92**	90
Loss on sale of fixed assets	**63**	17

During the year, no members received any emoluments (2017 - £NIL).

4. EXCEPTIONAL COSTS

	2018 £000	2017 £000
Restructuring Costs	**5,889**	4,803
Asset Impairment	**8,003**	-

Restructuring costs are severance payments in respect of head office and factory employees who have left the business following a cost review.

Asset impairment relates to the write down of the value of factory assets used to produce certain Private Label products where the future cash flows from those products are insufficient to offset the depreciation of those assets.

5. EMPLOYEES

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salary costs	**32,038**	28,113
Social security costs	**3,064**	2,883
Pension costs	**4,933**	5,259
	40,035	36,255

5. EMPLOYEES (continued)

Total staff costs disclosed above include amounts paid to key management personnel for normal compensation of £1,860,000 (2017: £1,856,000) , and compensation for loss of office of £2,455,000 (2017: nil).

The average monthly number of employees, including the members, during the year was as follows:

	2018 No.	2017 No.
Production	**487**	528
Sales and administration	**114**	136
	601	664

6. MEMBERS' REMUNERATION

No directors of the members received any emoluments in respect of their management of the partnership.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Pension guarantee levy	**286**	232
Other financial expenses payable to joint venture partners	**134**	3
Interest payable to joint venture partners	**1,216**	1,277
Interest payable on pension scheme liabilities	**6,814**	7,155
Unrealised exchange differences and revaluation	**147**	86
	8,597	8,753

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest on pension fund assets	**6,224**	6,286
Exchange gain on revaluation	**34**	16
Interest on bank offset facility	**1**	39
	6,259	6,341

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

9. INTANGIBLE FIXED ASSETS

	Systems Development	Total
	£000	£000
Cost or valuation		
At 1 January 2018 and 31 December 2018	**8,523**	8,523
Depreciation		
At 1 January 2018 and 31 December 2018	**8,523**	8,523
Net Book Value At 31 December 2018	-	-
Net Book Value At 31 December 2017	-	-

10. TANGIBLE FIXED ASSETS

	Freehold property	Plant and machinery	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2018	**49,788**	**209,273**	**259,061**
Additions	**703**	**10,387**	**11,090**
Disposals	**(18)**	**(672)**	**(690)**
At 31 December 2018	**50,473**	**218,988**	**269,461**
Depreciation			
At 1 January 2018	**22,389**	**144,019**	**166,408**
Charge for the period	**2,378**	**8,587**	**10,965**
Impairment Charge	**-**	**8,003**	**8,003**
Disposals	**(14)**	**(613)**	**(627)**
At 31 December 2018	**24,753**	**159,996**	**184,749**
Net Book Value At 31 December 2018	**25,720**	**58,992**	**84,712**
Net Book Value at 31 December 2017	27,399	65,254	92,653

11. STOCKS

	2018 £000	2017 £000
Raw materials and consumables	**3,164**	3,593
Finished goods and goods for resale	**12,587**	14,046
	15,751	17,639
Stock written off during year	**992**	**1,195**

12. DEBTORS

	2018 £000	2017 £000
Amounts owed by group undertakings	**329**	239
Other debtors	**3,113**	2,988
Prepayments and accrued income	**1,323**	1,153
Financial instruments	**499**	81
	5,264	4,461

13. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank and in hand	**800**	352
	800	352

14. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**37,792**	35,752
Amounts owed to group undertakings	**2,642**	3,169
Other creditors	**1,365**	1,994
Financial Instruments	**279**	272
	42,078	41,187

15. RESERVES

	Members' Other Capital £000	Other Reserves £000	Total Reserves £000
At 1 January 2018	20,969	(99,740)	(78,771)
Profit for the year	73	-	73
Actuarial gain on defined benefit pension scheme	-	21,720	21,720
Distributions	(20,969)	-	(20,969)
At 31 December 2018	73	(78,020)	(77,947)

16. RECONCILIATION OF MEMBERS' INTERESTS

	Members' Other Capital £000	Other Reserves £000	Members' Loan Accounts £000	Members' Working Capital Balances £000	Total Members' Interest £000
At 1 January 2018	20,969	(99,740)	140,000	(16,038)	45,191
Profit for the year	73	-	-	-	73
Actuarial gain on defined benefit pension scheme	-	21,720	-	-	21,720
Distributions	(20,969)	-	-	-	(20,969)
Working capital movements	-	-	-	17,951	17,951
At 31 December 2018	73	(78,020)	140,000	1,913	63,966

Members' loans and other debts comprise:	2018 £000	2017 £000
Amounts due from members and members' group companies	16,214	20,054
Amounts due to members and members' group companies	(158,127)	(144,016)
	(141,913)	(123,962)

Amounts due to members and members' group companies include £13,626,000 (2017: nil) representing cash transferred under the group cash pooling arrangement that is repayable on request.

Amounts due from members and members' group companies include nil, (2017: £6,470,000) representing cash transferred under the group cash pooling arrangement that is repayable on request.

17. DISTRIBUTIONS

	2018 £000	2017 £000
Distributions to members	**20,969**	28,220

18. CAPITAL COMMITMENTS

At 31 December 2018 the partnership had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	**134**	217

19. PENSION COMMITMENTS

The partnership operates a closed defined benefit pension scheme, the Cereal Partners UK Pension Fund (the Fund). At 31 December 2018 the partnership reported a liability of £483,000 (2017 - £28,727,000) in respect of this fund. The liability has decreased as a result of improved investment returns, de-risking and a continued deficit funding programme. A full actuarial valuation of the fund was carried out as at 31 December 2017. The results of this valuation have been used and updated for the purpose of FRS 102 accounting for the period to 31 December 2018 by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the company at the balance sheet date. Fund assets are stated at their market value at the balance sheet date. As required by FRS 102 the valuation uses the projected unit method, under which the current service cost will tend to increase as a percentage of pensionable payroll as members of the Fund approach retirement.

The amount recognised in the balance sheet is as follows:

	2018 £000	2017 £000
Present value of Defined Benefit Obligations	**(255,358)**	(286,306)
Fair value of Fund assets	**254,875**	257,579
Fund deficit	**(483)**	(28,727)

The Fund assets comprise:

	2018 £000	2017 £000
UK equities	**23,550**	30,085
Overseas equities	**56,310**	75,095
Debt instruments	**147,830**	90,427
Diversified growth fund	**1,896**	32,944
Real estate	**13,493**	10,436
Cash and cash equivalents	**10,751**	17,212
Others	**1,045**	1,380
Total Fund assets	**254,875**	257,579

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Movement of Fund deficit

	2018 £000	2017 £000
Fund deficit at 1 January	**(28,727)**	(37,554)
Current service cost	**(3,270)**	(3,858)
Net interest cost	**(590)**	(869)
Actuarial gains/(losses)	**21,720**	3,210
Contributions paid - normal	**1,991**	2,167
Contributions paid – deficit funding	**8,803**	8,456
Other administrative costs	**(338)**	(279)
Past service cost	**(82)**	-
Other	**10**	-
Fund deficit at 31 December	**(483)**	(28,727)

Changes in the present value of Defined Benefit Obligations are as follows:

	2018 £000	2017 £000
Present value of Defined Benefit Obligations at 1 January	**(286,306)**	(276,941)
Current service cost	**(3,270)**	(3,858)
Contributions from Fund members	**(164)**	(190)
Interest on Fund liabilities	**(6,814)**	(7,155)
Changes in demographic assumptions	**6,263**	1,500
Changes in financial assumptions	**24,285**	(6,100)
Effect of experience adjustments	**2,358**	(987)
Benefits paid	**8,372**	7,425
Past service cost	**(82)**	-
Present value of Defined Benefit Obligation at 31 December	**(255,358)**	(286,306)

Changes in fair value of Fund assets are as follows:

	2018 £000	2017 £000
Fair value of Fund assets at 1 January	**257,579**	239,387
Interest on Fund assets	**6,224**	6,286
Actuarial (loss)/gain on Fund assets	**(11,176)**	8,797
Employer contributions - normal	**1,991**	2,167
Employer contributions – deficit funding	**8,803**	8,456
Fund member contributions	**164**	190
Other administrative costs	**(338)**	(279)
Benefits paid	**(8,372)**	(7,425)
Fair value of Fund assets at 31 December	**254,875**	257,579

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £78,020,000 (2017: £99,740,000)

The company expects to contribute £11,900,000 to the Fund in 2019.

Principal actuarial assumptions expressed as a weighted average and expected returns.

	2018	2017
Discount rate	**2.95%**	2.40%
Future salary increases	**1.95%**	1.90%
Future pension increases	**3.10%**	3.00%
Price inflation	**3.20%**	3.10%
Life expectancy of a current male pensioner aged 65	**21.8 years**	22.3 years
Life expectancy of a current female pensioner aged 65	**23.8 years**	24.2 years
Life expectancy of a future male retiree upon reaching 65	**23.2 years**	23.7 years
Life expectancy of a future female retiree upon reaching 65	**25.3 years**	25.7 years
Expected return on Fund assets	**5.85%**	6.60%

The following amounts have been recognised within operating costs for the years to 31 December 2018 and 2017.

	2018	2017
	£000	£000
Current service cost	**3,270**	3,858
Past service cost	**82**	-
Other administrative costs	**338**	279
Total expense in operating cost	**3,690**	4,137

The following amounts have been recognised within financing costs for the years to 31 December 2018 and 2017.

	2018	2017
	£000	£000
Interest on fund liabilities	**6,814**	7,155
Total expense in financing costs	**6,814**	7,155

The following amounts have been recognised within financing income for the years to 31 December 2018 and 2017.

	£000	£000
Interest receivable on Fund assets	**6,224**	6,286
Total interest in financing income	**6,224**	6,286

Sensitivity Analysis

The calculation of the Defined Benefit Obligation (DBO) is sensitive to assumptions set out above. The following table summarises the impact of a change in these assumptions of half of one percent (0.5%).

	Increase by 0.50% DBO £000	Decrease by 0.50% DBO £000
Discount rate	234,057	279,668
Salary increases	257,426	251,364
Pension increases	263,973	244,670

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Defined Benefit Obligation	(255,358)	(286,306)	(276,941)	(217,818)	(237,899)
Fund assets	254,875	257,579	239,387	193,349	187,733
Fund deficit	(483)	(28,727)	(37,554)	(24,469)	(50,166)

Historical Fund Deficit

The five year history of experience gains and losses on Fund liabilities is as follows:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Experience gain/(loss) on Fund liabilities	2,358	(987)	2,168	8,986	-
% of the present value of Fund liabilities	0.90%	-0.34%	0.78%	4.13%	-

Cereal Partners UK participates in the Nestlé UK Pension Fund (the Fund), which includes a defined benefit and a defined contribution section. The partnership made contributions of £404,000 to the Fund during 2018 (2017 - £333,000).

Cereal Partners UK is unable to identify its share of the underlying assets and liabilities of the Fund, as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the fund. Contributions to the scheme have therefore been accounted for as if it were a defined contribution scheme. An update of the whole fund was prepared at 31 December 2018 by an independent qualified actuary for the purposes of FRS 102. At that date the liabilities exceeded the assets by £3,500,000 (2017 - £334,233,000).

20. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows :

	Land and buildings		Other	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Less than one year	**1,039**	1,108	**685**	825
Between one and five years	**659**	1,596	**865**	1,161
	1,698	2,704	**1,550**	1,986

21. RELATED PARTY TRANSACTIONS

Cereal Partners U.K. is a jointly owned venture of Nestlé U.K. Limited and General Mills Canada Holding Three Corporation.

The ultimate parent of Nestlé U.K. Limited is Nestlé S.A. and the ultimate parent of General Mills Canada Holding Three Corporation is General Mills Inc.

Nestle U.K. Ltd and Nestle Ireland Ltd act as undisclosed agent for Cereal Partners U.K.

	Sales		Expenses	
	2018	2017	2018	2017
	£000	£000	**£000**	£000
Entities with control, joint control, or significant influence				
Nestlé U.K. Ltd	**203,963**	207,823	**30,713**	36,038
General Mills Inc.	**-**	-	**128**	423
CPW SA	-	-	**10,548**	10,967
	203,963	207,823	**41,389**	47,428
Other related parties				
Nestlé Ireland Ltd	**8,714**	9,103	**1,565**	2,048
CPW SARL	**4,456**	4,509	-	-
CP France	**15**	17	**11,376**	14,417
CP Greece	**33**	12	-	-
CP Israel	**523**	674	-	-
CP Germany	**264**	338	-	2
CP Poland	**-**	8	**4,171**	3,741
Nestrade SA	**201**	9	**1,142**	-
Nestlé Czechoslovakia	**-**	-	**-**	3
Nestle Poland	**-**	-	**-**	2
Nestle Spain	**19**	189	**-**	-
Nestlé Suisse	**67**	137	**-**	-
Nestlé Portugal	**77**	120	**-**	-
Nestlé Austria	**54**	92	**-**	-
Nestlé Malta	**71**	60	**-**	-
Nestlé Middle East	**163**	177	**-**	-
Nestlé SA	-	-	**104**	116
Nestec SA	**155**	-	**63**	76
Nestlé Australia	**231**	29	**11**	1
Nestlé France	-	-	**53**	121
Nestlé Germany	-	-	**13**	18
Nestlé Globe Centre	-	-	**996**	1,085
Nestlé Netherlands	-	-	**9**	14
Nestlé Operational Services Worldwide	-	-	**68**	66
Nestlé Purina U.K.	-	-	**3**	5
Nespresso U.K.	-	-	**4**	4
Nestlé U.K. Pension Trust	-	-	**-**	62
Nestlé Malaysia	**22**	-	**-**	-
San Pellegrino Spa.	-	-	**-**	4
Nestle Sweden	**6**	-	**6**	-
Nestle Denmark	**-**	-	**2**	-
	15,071	15,474	**19,586**	21,785

	Receivables Outstanding		Creditors Outstanding	
	2018	2017	2018	2017
	£000	£000	**£000**	£000
Entities with control, joint control or significant influence				
Nestlé U.K. Ltd	**14,909**	12,042	**3,675**	3,557
General Mills Inc.	-	-	**58**	9
CPW SA	-	-	**949**	810
	14,909	12,042	**4,682**	4,376
Other related parties				
Nestlé Ireland Ltd	**1,040**	1,266	**234**	271
CPW SARL	**196**	216	-	-
CP Germany	**49**	15	-	-
CP France	-	-	**1,528**	2,184
CP Greece	**4**	-	-	-
CP Australia	**60**	29	**1**	-
CP Mexico	-	-	-	1
CP Poland	**60**	8	**165**	175
Nestlé Austria	**8**	8	-	-
Nestle Czechoslovakia	-	-	-	3
Nestlé Germany	-	-	-	1
Nestlé Malta	**9**	7	-	-
Nestle Nederlands	-	-	**2**	2
Nestle Poland	-	-	-	2
Nestle Spain	-	16	-	-
Nestlé Suisse	**17**	20	-	-
Nestrade SA	-	-	**232**	-
Osem Food Industries	**75**	97	-	-
Nestlé Manufacturing Malaysia	-	-	**11**	-
Nestlé Globe Centre	-	-	**76**	100
Nestlé France	-	-	**51**	19
Nespresso U.K.	-	-	**1**	1
Nestec SA	**87**	-	**20**	5
Nestlé Operational Services Worldwide	-	-	**4**	1
Nestlé Middle East	**27**	99	-	-
Nestlé Sweden	**2**	-	**6**	-
Nestle Denmark	-	-	**2**	-
	1,634	1,781	**2,333**	2,765

21. CONTROLLING PARTY

In the opinion of the members there is no overall controlling party.